

2021

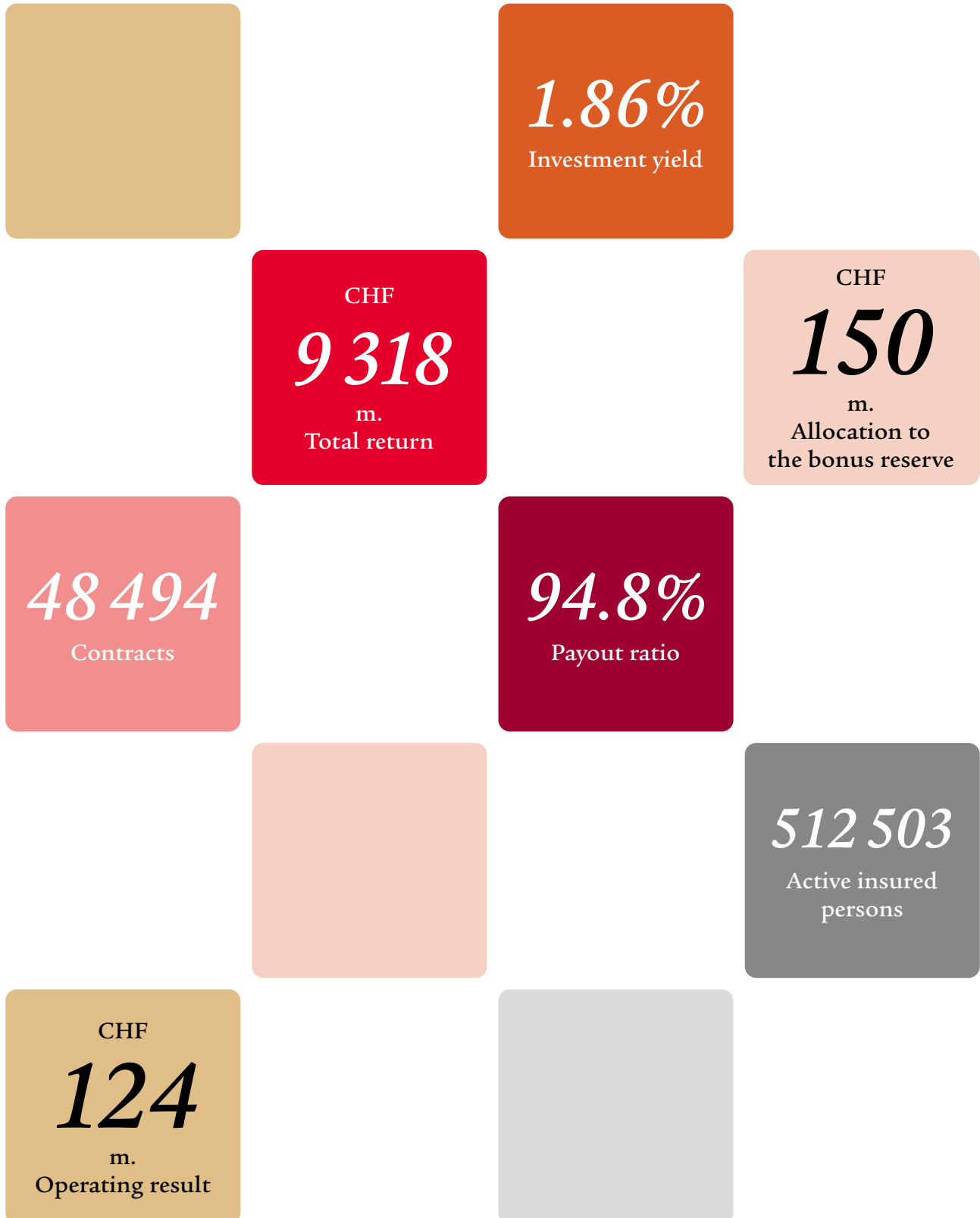
operating result

Index

Swiss Life 2021 operating result in brief	3
Editorial	4
At a glance – Operating result, occupational provisions Switzerland	6
<i>Breakdown of savings premiums</i>	7
<i>Breakdown of insurance benefits</i>	8
<i>Breakdown of investment income</i>	8
<i>Accounting principles</i>	9
<i>Proof of adherence to statutory minimum distribution ratio</i>	9
<i>Business subject to statutory minimum distribution ratio</i>	10
<i>Business not subject to statutory minimum distribution ratio</i>	11
<i>Summary</i>	12
Insurance reserves	12
<i>Bonus reserve</i>	13
<i>Cost of living reserves</i>	13
<i>Book values – Liability items</i>	14
<i>Other key figures</i>	14
Information on the 2021 investment year	15
<i>Information on Swiss Life's investment policy</i>	15
<i>The investment portfolio in detail</i>	16
Investments, valuation reserves, return and performance	17
<i>Book values – Asset items</i>	17
<i>Asset management costs</i>	18
Cost premiums and operating expense	19

Swiss Life

2021 operating result in brief



Editorial

Dear Reader

Swiss Life posted a successful financial year in 2021 with its full range for corporate clients. The long-term financing of our value propositions for our insured persons is sustainably ensured by the stable development in group insurance and solid reserves. Swiss Life generated a positive operating result for occupational provisions in the past financial year of CHF 124 million (2020: CHF 115 million), reported a 1.5% increase in the number of active insured persons to 512 503, thus again showing pleasing portfolio growth. The continuation of a prudent underwriting policy also had a positive impact on business quality in 2021. Swiss Life will continue to focus on the profitability of new business in its occupational provisions and ensure the healthy development of its portfolio, thus ensuring continuity and financial solidity for its corporate clients. Thanks to an unchanged target-oriented and security-oriented investment policy, Swiss Life generated a net investment result of 1.86% for insured persons despite the persistently volatile market environment. Policyholders

received CHF 136 million from the bonus reserve in 2021 (2020: CHF 128 million). The bonus reserve was allocated CHF 150 million in favour of the insured persons, which corresponds to an increase of CHF 30 million compared to the previous year.

The need of SMEs and large companies for security and flexible group insurance solutions was also reflected in the continued stable demand for full insurance solutions with comprehensive guarantees in the 2021 financial year. At the same time, Swiss Life increased the share of semi-autonomous solutions to 67% as part of its new business as part of its full-range provider strategy. Particularly worthy of mention is that the demand for individual investment opportunities within the framework of 1e provisions increased sharply, and thus our 1e plan was able to convince our customers.

We would like to take this opportunity to thank you as a Swiss Life customer for the trust you have placed in us and your loyalty. We look forward to continuing to accompany you in your self-determined future.



A handwritten signature in blue ink, consisting of several fluid, connected strokes that form the name Hans-Jakob Stahel.

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

At a glance – Operating result, occupational provisions Switzerland

Income	2021	2020
Gross written premiums	7 893	9 240
Savings premiums	6 916	8 294
Risk premiums	745	719
Cost premiums	232	227
Net investment result	1 418	1 273
Direct investment income	1 942	2 012
Result from disposals	-208	220
Balance from write-ups and write-downs	-34	-260
Currency result	-56	-481
Interest expense	-6	-6
Gross investment result	1 638	1 485
Asset management costs	-220	-212
Other income	7	6
Reinsurance result	0	1
Total income	9 318	10 520
Expenses	2021	2020
Insurance benefits	8 020	8 018
Benefits as a result of old age, death and disability	2 716	2 636
Individual lump-sum payments (vested benefits, WEF, divorce, vested benefit policy)	3 955	4 089
Surrender values from contract terminations	1 311	1 255
Benefit processing expenses	38	37
Change in insurance reserves	793	2 045
Retirement savings	-77	1 136
Provision for future pension conversions	-2	-120
Mathematical reserve for current retirement and survivors' benefits	896	984
Mathematical reserve for current disability pensions and disabled person's children's benefits	-3	-7
Mathematical reserve, vested benefit policies	-81	-5
Mathematical reserve other cover	45	132
Strengthening of mathematical reserve for pension reserves and vested benefit policies	-23	-136
Provision for incurred but not settled claims	4	20
Value fluctuation and interest rate guarantee reserves	0	0
Cost of living reserves	1	0
Other insurance reserves	33	41
Costs for acquisitions and administration	213	206
Change in reserves for unearned premiums	0	0
Other expenses	18	16
Allocation to the bonus reserve	150	120
Operating result	124	115
Total expenses	9 318	10 520

All figures in CHF million



Breakdown of savings premiums

Breakdown of savings premiums	2021	2020
Retirement credits	2 618	2 783
Individual deposits due to commencing employment, purchase, WEF or divorce	3 384	3 915
Transferred retirement savings on transfers of contract	170	814
Deposits for retirement and survivors' benefits	1	9
Deposits for disability pensions and disabled person's children's benefits	17	24
Deposits for vested benefit policies	726	749
Total savings premiums	6 916	8 294

All figures in CHF million

Breakdown of insurance benefits

Breakdown of insurance benefits	2021	2020
Benefits as a result of old age	2 039	1 974
Annuity benefits	996	965
Lump sums	1 043	1 009
Ratio annuity benefits	49%	49%
Ratio lump sums	51%	51%
Benefits as a result of death and disability	677	663
Annuity benefits	447	448
Lump sums	230	215
<i>Total benefits as a result of old age, death and disability</i>	<i>2 716</i>	<i>2 636</i>

All figures in CHF million

Breakdown of investment income

Breakdown of direct investment income	2021	2020
Liquid assets	-8	-3
Bonds	1 041	1 098
Properties	450	447
Mortgages	105	101
Other investments	354	369
<i>Direct investment income</i>	<i>1 942</i>	<i>2 012</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

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.

	2021	2020
Sum of income components	2 138	1 933
Savings process	1 286	1 108
Risk process	638	611
Cost process	214	214
Sum of expenses	1 946	1 983
Savings process	1 315	1 367
Risk process	425	412
Cost process	206	204
Gross result	192	-50
Accumulation (+) or release (-) of technical reserves	-5	-233
In the savings process	-35	-273
Longevity risk	-38	-154
Insufficient funding upon conversion into pension	3	-119
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	30	40
Reported but not settled claims*	-2	4
Incurred but not reported claims	0	1
Fluctuations in claims	32	35
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 the bonus reserve	90	90
Operating result	107	93
Distribution ratio	95.0%	95.2%

All figures in CHF million

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

In 2021, Swiss Life used a total of CHF 2 031 million in favour of the insured persons in business subject to the statutory minimum distribution ratio. With a distribu-

tion ratio of 95.0%, the minimum legal requirements have been met.

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.

	2021	2020
Sum of income components	257	286
Savings process	132	165
Risk process	107	108
Cost process	18	13
Sum of expenses	169	211
Savings process	83	150
Risk process	69	48
Cost process	17	13
Gross result	88	75
Accumulation (+) or release (-) of technical reserves	11	23
In the savings process	1	15
Longevity risk	5	17
Insufficient funding upon conversion into pension	-4	-2
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	10	8
Reported but not settled claims*	9	2
Incurred but not reported claims	0	0
Fluctuations in claims	1	6
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 the bonus reserve	60	30
Operating result	17	22
Distribution ratio	93.3%	92.3%

All figures in CHF million

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

In 2021, Swiss Life used a total of CHF 240 million in favour of the insured persons in business not subject to the statutory minimum distribution ratio.

Summary

	*MDR	**NMDR	Total
<i>Gross income</i>	2 138	257	2 395
<i>Sum of expenses</i>	1 946	169	2 115
Accumulation (+) or release (-) of technical reserves	-5	11	6
Allocation to the bonus reserve	90	60	150
<i>Operating result</i>	107	17	124
<i>Distribution ratio</i>	95.0%	93.3%	94.8%
<i>Bonus reserve</i>	310	63	373

*MDR: subject to minimum distribution ratio

**NMDR: not subject to minimum distribution ratio

Insurance reserves

Insurance reserves	Total	Mandatory	Supplementary
Retirement savings	41 865	20 414	21 451
Provision for future pension conversions	1 936	1 441	495
Mathematical reserve for current retirement and survivors' benefits	16 226	8 226	8 000
Mathematical reserve for current disability and disabled person's children's benefits	2 035	1 358	677
Mathematical reserve, vested benefit policies	3 558		
Mathematical reserve other cover	3 949		
Strengthening of mathematical reserve for current pensions and VBP	3 197		
Provision for incurred but not settled claims	763		
Reserves for interest rate guarantees, claim and value fluctuations	0		
Cost of living reserves	636		
Other insurance reserves	200		
<i>Total insurance reserves</i>	<i>74 365</i>		

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 0.85% (2020: 0.87%). 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	359
Allocated to employee benefits institutions	-136
Valuation adjustment	0
Withdrawn from bonus reserve to cover an operating shortfall	0
Allocation to the bonus reserve	150
Balance as at end of 2021	373
of which: fixed allocation	210
of which: free	163

All figures in CHF million

From the 2021 result, a total of CHF 150 million was allocated to the bonus reserve.

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	4
Outlay	-3
Expenditure for COL increases in risk pensions	0
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 2021	636

All figures in CHF million

Book values – Liability items

Total insurance reserves	74 365
Bonus reserve	373
Reserves for unearned premiums	0
Credited bonuses	94
Other liabilities	4 051
Total book value	78 883

All figures in CHF million

Other key figures

Number of group insurance contracts	48 494
Number of insured persons at end of accounting year	698 693
Number of active insured persons	512 503
of which number of fully insured persons	335 165
of which number of other active insured persons	177 338
Number of pension recipients	86 051
Number of vested benefit policies	100 139
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	0.85%
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)	5.00%
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)	4.95%
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 2021 investment year

Economic environment

The pandemic remained a major market driver in 2021. At the beginning of the year, the progress of the Covid vaccination campaign provided positive news and on the other hand, many European countries imposed new containment measures after being taken by surprise by the second wave.

The resurgent economy was also reflected in an astonishing rally in equities. The most important indices posted double-digit gains during the financial year. The fastest and strongest recovery since at least the Second World War focused on a forgotten phenomenon – inflation, which made a comeback in the second quarter of 2021, surpassing 3% in the US for the first time since 2011. In June, the consumer price index was as much as 5.4% above the June 2020 level. The US Federal Reserve was unaffected by this and viewed the high inflation as largely temporary.

Meanwhile, economic activity in the Eurozone produced some positive surprises, mainly due to the faster-than-expected recovery in the periphery. The persistent supply bottlenecks in industry remained the biggest obstacle to growth in Europe, especially in Germany and France. Moreover, inflation fears increasingly spilled over from the US to Europe. The further rise in inflation pushed the Fed to a more hawkish stance. The US Federal Reserve moved away from its original description of inflation as “temporary”, and an accelerated tapering of bond purchases was announced.

Equities

In 2021, stock prices were driven by the progress of the vaccination campaign and a recovering economy. After underperforming at the start of the year due to the slow pace of the vaccination rollout, the indices rallied. Some markets saw a sector rotation away from tech companies (“growth stocks”) towards value-oriented equities (“value stocks”). The US market lost 4.8% in September, recording the first negative month since January. However, even the Omicron coronavirus variant that

appeared in November was unable to affect the double-digit annual returns of most equity markets.

Interest rates

2021 showed what financial repression by central banks means. As a result of the huge purchasing programmes, volatility in credit spreads collapsed, with an average of about one-third in EUR and about half the historical average in USD. Credit spreads were tight in 2021 with minimal dispersion as credit curves flattened along the risk and duration dimensions. Investors had to take risks to hope for positive returns. While credit spreads remained almost unchanged, interest rates went up and down as the recession triggered by the delta variant pushed yields down in spring 2021 despite rising inflation.

Currencies

2021 was the year of the USD. At the end of the year, the dollar had outperformed all major developed and emerging market currencies except the CNY and RUB. Significantly higher energy prices also supported the RUB, however, other commodity-sensitive currencies such as CAD and NOK, which depreciated less against the USD than other cyclical currencies. Of the latter, EUR, JPY and SEK were the worst performers in the developed world in 2021. In addition to their cyclical character, these currencies have also been under pressure due to widening interest rate differentials (“carry”) against the USD. One exception was the CHF, which appreciated significantly compared to EUR 2021.

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 1.86% (2020: 1.69%), with an investment performance at market values of 0.43% (2020: 2.77%).

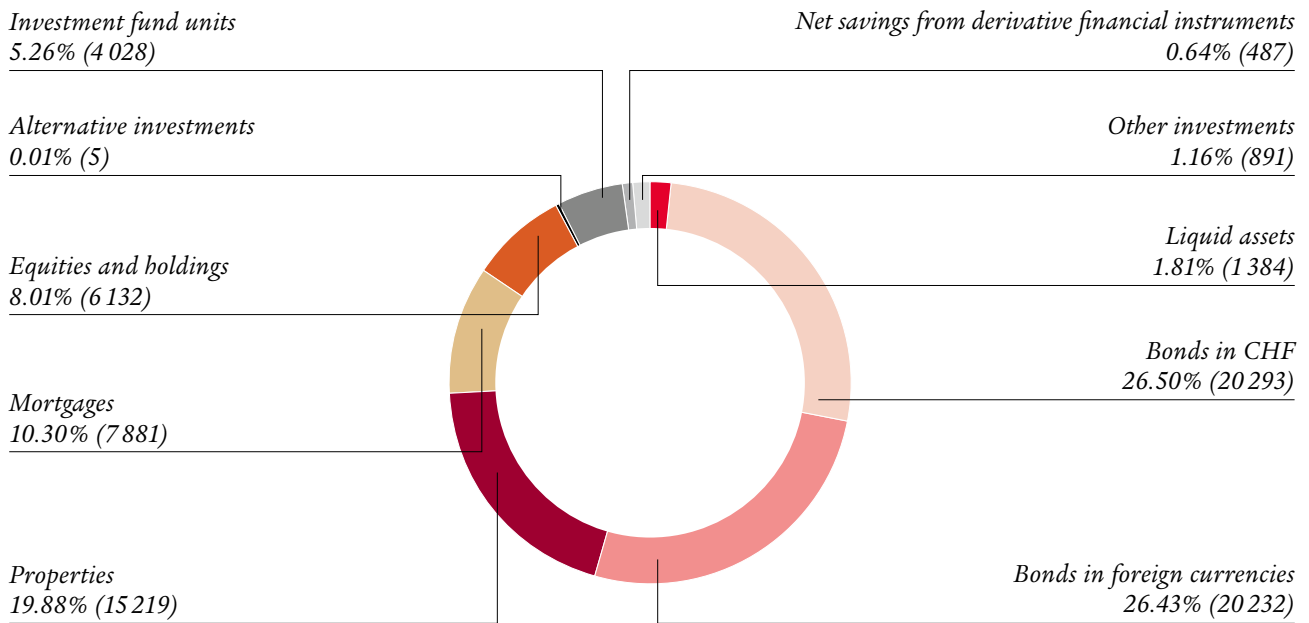
Information on Swiss Life’s investment policy

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 2021 (as a percentage of the book value).
The total is CHF 76 552 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	76 043	88 291	
Investments at end of accounting year	76 552	87 762	100.00%
Direct investments		81 952	93.38%*
Single and multi-tier collective investment schemes		5 694	6.49%*
Non-cost-transparent investments		116	0.13%*

All figures in CHF million

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

Valuation reserve (hidden reserves)	2021	2020
Valuation reserve at beginning of accounting year	12 248	11 118
Valuation reserve at end of accounting year	11 210	12 248
Change in valuation reserve	-1 038	1 130

Yield and performance	gross	net
Investment income	1 638	1 418
Return on book values*	2.15%	1.86%
Market value performance**	0.68%	0.43%

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	76 552
Obligations arising from derivative financial instruments	841
Other assets	1 490
Passive reinsurance	0
Total book value	78 883

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)	220
Asset management costs (gross as per OAK scheme)	387
TER costs	331
Direct investments	300
Single and multi-tier investments (cost key figure)	31
TTC costs	46
Service costs	10
Capitalised costs	-32
Maintenance and upkeep costs for properties	-135

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	207	403	226	441
Vested benefits policies	2	25	2	22
Other	4		3	
Subtotal	213	359	231	331
Pensioners	38*	448		
Total	251			

*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*	36
for own sales force	21
other	0
Expenses for marketing and advertisement	3
Other general administrative expenses	153
Acquisition and administrative costs	213
Benefit processing expenses	38
Reinsurers' share in operating expense	0
Total operating expense	251

All figures in CHF million

*Incl. commissions for distribution agreements

The administrative costs of CHF 213 million include all the costs for acquisitions and administration, which Swiss Life incurs in managing its occupational provi-

sions business. Swiss Life aims to reduce these costs still further in the future.



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

*Swiss Life Ltd
General-Guisan-Quai 40
P. O. Box 6027
8022 Zurich
www.swisslife.ch*