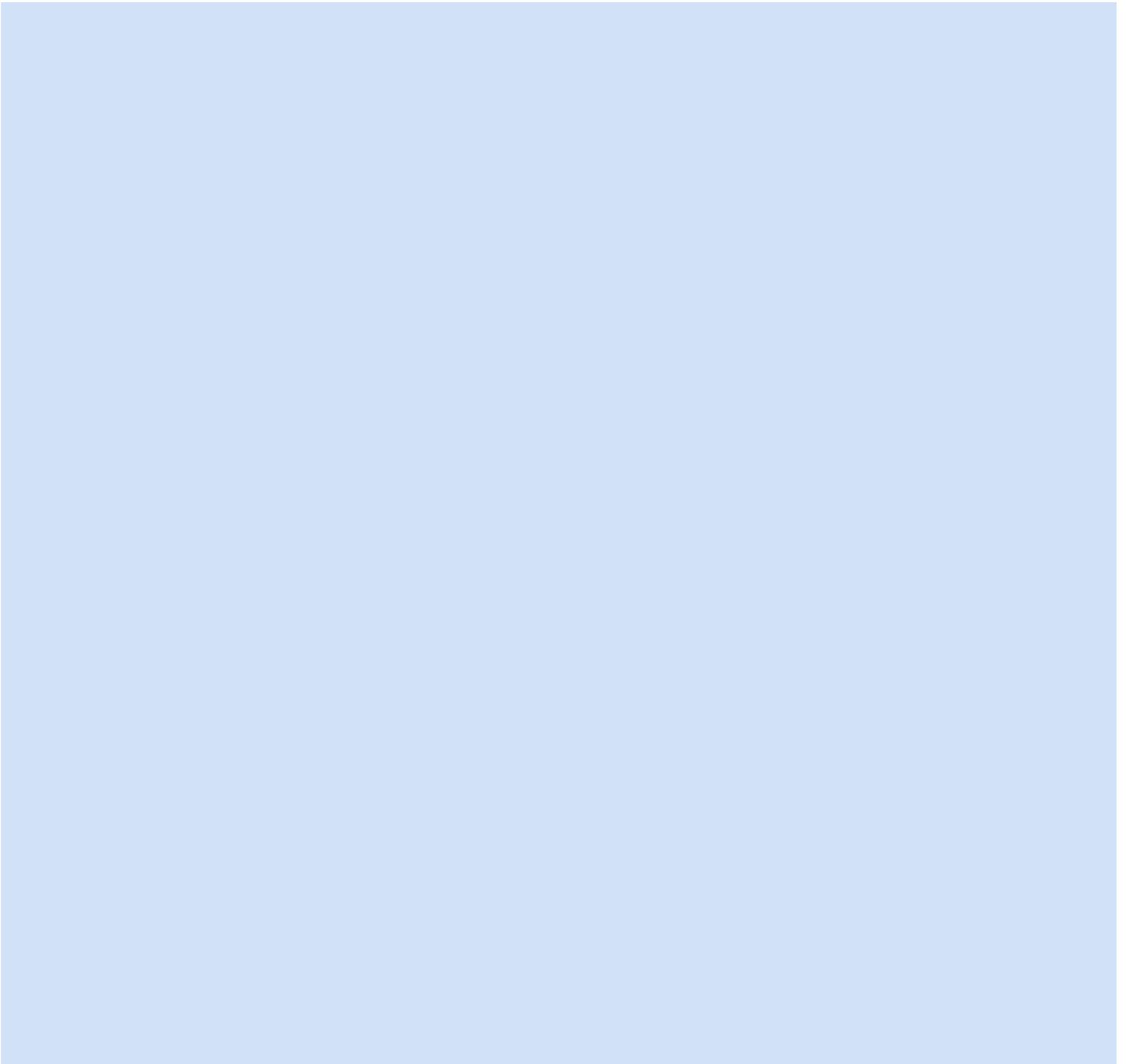


# Annual Report 2017



## Financial statements

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## Management report

Zurich Life Insurance Company Ltd (ZLIC), a life insurance company domiciled in Zurich, Switzerland, is operating primarily in Switzerland and through its main branches in Hong Kong, Japan and Dubai. Further, ZLIC has direct and indirect subsidiaries in Spain, Luxembourg, Portugal and Latin America (Zurich Santander).

### Financial review

ZLIC reported a net income after taxes of CHF 276 million in 2017, which is an increase of CHF 242 million compared to the prior year's result of CHF 34 million. Key drivers for the increase were strengthening of technical reserves in the prior year not recurring in 2017 and realized capital gains from real estate sales.

Gross written premiums decreased by 6 percent to CHF 1,875 million compared to 2016 mainly driven by the strategic decision to transfer our corporate foreign business managed by ZICS (Zurich International Corporate Solutions) and ZGEBS (Zurich Global Employee Benefits Solutions) to Zurich Insurance Company Ltd (ZIC) in order to further simplify the legal structure of ZLIC.

### Business review

2017 has been another challenging year due to low interest rates. In this environment, a shift towards protection products and capital light savings solutions as well as dedicated in-force management became increasingly recognized as effective tools to improve profitability.

#### Switzerland

ZLIC in Switzerland is a major life insurer in the Swiss market in terms of gross written premiums and also accounts for approximately 90 percent of ZLIC's business. Switzerland operates both a retail and commercial business. Retail products include traditional products (term/death, endowment, annuities) and unit-linked products (hybrid unit-linked with traditional guarantees, pure unit-linked).

Following up from last year's reorganization, Switzerland continued to move to a more efficient, simple, customer-focused organization, with a regular measurement of customer satisfaction to build a culture where customer expectations will be exceeded focusing to push forward customer-oriented processes. This substantiates our strategy to consistently lead the market across all businesses in service quality and customer satisfaction as this will drive higher product density and consequently increased customer retention, both prerequisites for sustained profitability. We also continued to focus on intelligent protection and capital-light savings products as well as leveraging a semi-autonomous model while maintaining a strict underwriting discipline on guarantees. On the distribution side, a new agency structure was introduced to further streamline our sales activities and automated interfaces are being developed to facilitate interaction with our brokers. Furthermore, our sales support model has been aligned to enhance cross selling capabilities. At the same time, we continue to strengthen our partnership relationships while seeking to establish alternative distribution channels to further capitalize on our upselling potential. From an operational perspective, we are centralizing our IT & Process Landscape merging into an end-to-end platform to increase efficiency and customer satisfaction while improving reporting capabilities and standardizing processes.

#### ZICS (Zurich International Corporate Solutions) and ZGEBS (Zurich Global Employee Benefits Solutions)

Zurich International Corporate Solutions (ZICS) provides group life and disability cover for International Mobile Employees (IMEs) through hubs in Hong Kong, Dubai and Zurich. ZICS also works with sister companies in the Isle of Man and Luxembourg to provide group life and disability cover, and international savings plans, to other expatriate markets. Zurich Global Employee Benefits Solutions (ZGEBS) offers captive, international program and pooling solutions for the employee benefits coverage of multinational companies. As of January 1, 2017, all business written by ZGEBS was fully reinsured to ZIC.

The international market faced a number of challenges in 2017. Changing corporate human resource practices have increased the number of international companies utilizing local contracts for globally mobile employees thereby reducing demand for international cover. Also, the economic downturn in the energy sector adversely impacted a significant portion of our customer base and our ability to secure new business.

In alignment with ZLIC's strategic ambition to predominantly focus on the Swiss Market, ZICS has been transferred to ZIC as of January 1, 2018, in order to further simplify our legal structure. ZLIC solely retains the business written by ZICS in Switzerland which is fully reinsured to ZIC.

## Financial statements (continued)

### Japan

Japan's retail business with key products covering death, critical illness and medical/hospital expenses experienced strong growth in 2017, mainly driven by our competitive protection products. Over the past years, a sustainable niche position in the fastest growing channels and most profitable product segments has been achieved. Once predominantly dependent on traditional telemarketing, the transition to a multi-channel model selling through independent financial advisors (IFA's), direct and banks has taken place. Additional investments are being undertaken to enhance ZLIC's direct capabilities and strengthen the relationships with IFA's and banking partners to further grow production in target segments.

### Hong Kong

Hong Kong retail business was placed in run-off as of December 31, 2013. The decrease in gross written premiums in 2017 is driven by both maturing business and lapsed contracts.

### Subsidiaries

To further simplify the subsidiary structure, the ZLIC Board of Directors proposes a dividend in kind of ZLIC's key subsidiaries operating in Latin America, Spain, Luxembourg and Portugal to ZIC. The simplified structure will improve the capital fungibility to ZIC while also improving operational efficiency.

### Investment Management

ZLIC's objective is to achieve superior, risk-adjusted investment returns relative to liabilities with the risk capital allocated to market risk. In order to enhance investment returns and grow operating earnings while reducing overall risk exposure, rebalancing transactions have been executed within the fixed income portfolio. Further, the real estate asset allocation has been reduced.

### Risk review

ZLIC has an established risk management framework under the lead of the ZLIC Chief Risk Officer and has produced an Own Risk and Solvency Assessment (ORSA) report. In-depth discussions and reviews of the ORSA were performed with the ZLIC Management Board and the ZLIC Board of Directors during 2017. The Board approved ZLIC's ORSA report. Throughout the year, Quarterly Risk Reports provide regular updates of risk and solvency topics.

ZLIC's risk assessment process is fully integrated into the Group-wide process of the Zurich Insurance Group (ZIG). For more information on ZLIC's approach to risk management, please refer to the Risk review section in the ZIG Annual Report 2017 which describes the Group's risk management framework and risk governance, reports on capital management and capital adequacy, and presents an analysis of the main risks.

### Outlook

Although the economic environment is challenging, we are convinced that our strategy is appropriate, and are committed to delivering on our strategic cornerstones as evidenced by aligning our organizational setup towards a customer centric culture, the simplification of our branch and subsidiary structure, and our investments in Switzerland and Japan to further grow our business and to improve operational efficiency.

ZLIC's key priorities in 2018 will be a dedicated focus on the Swiss market while further driving our simplification efforts to increase operational efficiency. We believe that addressing customer needs through promoting a balanced product mix, leveraging appropriate distribution channels, investing in essential infrastructure and fostering a strong customer service culture will allow ZLIC in the long term to deliver sustainable, profitable growth in a changing and more competitive business environment.

Urban Angehrn  
Chairman of the Board

Juan Beer  
Chief Executive Officer

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## Financial statements (continued)

**Board of Directors, Management and Auditors****Board of Directors,  
Management  
and Auditors**

	Residence	Expiration of current term of office
<b>Board of Directors as of December 31, 2017</b>		
Urban Angehrn, Chairman of the Board	Greifensee, Switzerland	2019
Christian Felderer	Zurich, Switzerland	2020
Erica Arnold	Zurich, Switzerland	2020
Gary Shaughnessy	Kilchberg, Switzerland	2020
Robert David Campbell	Edinburgh, United Kingdom	2019
<hr/>		
Andres Christen, Secretary of the Board of Directors		
<hr/>		
<b>Chief Executive Officer</b>		
Joachim Masur		
<hr/>		
<b>Chief Financial Officer</b>		
Bettina Bornmann		
<hr/>		
<b>Auditors</b>		
PricewaterhouseCoopers AG		

As of January 1, 2017, the Board of Directors for Zurich Life Insurance Company Ltd was chaired by Urban Angehrn. Erica Arnold was elected to the Board of Directors on April 12, 2017. Joseph Deiss resigned from the Board of Directors on June 27, 2017. He was succeeded by Christian Felderer who was elected to the Board of Directors of ZLIC at the extraordinary General Meeting of ZLIC on June 30, 2017.

The Annual General Meeting was held on April 12, 2017.

The Audit Committee of Zurich Life Insurance Company Ltd as of January 1, 2017, consisted of Urban Angehrn and David Campbell (Chairperson). As of April 4, 2017, the purpose and tasks of the Audit Committee were amended by risk matters and hence named in Audit & Risk Committee. Erica Arnold was appointed as a member of the Audit & Risk Committee on April 12, 2017.

As of January 1, 2017, the CEO of ZLIC was Joachim Masur. The Management Board also included Bettina Bornmann, Simon Foster, Peter Hirs and Sandro Meyer. Simon Foster resigned as per June 30, 2017. Erik Erixon was appointed to the Management Board as per July 1, 2017.

On behalf of the Board of Zurich Life Insurance Company Ltd

Urban Angehrn

Erica Arnold

Chairman of the Board

Member of the Board

Zurich, April 10, 2018

## Income statements

Income statements	in CHF millions, for the years ended December 31	Notes	2017	2016
		3	1,875	1,989
			(228)	(220)
			1,646	1,769
			42	(1)
			(23)	6
			1,665	1,774
		4	14	300
			<b>1,679</b>	<b>2,074</b>
		5	(2,055)	(1,932)
			53	60
		13	329	(534)
		13	66	74
			(13)	3
			(1,619)	(2,328)
			(257)	(278)
			150	129
			(107)	(149)
		6	(691)	(403)
			<b>(2,417)</b>	<b>(2,880)</b>
		7	1,180	788
		8	(112)	(93)
			1,068	695
			101	14
			6	186
			(6)	(9)
			<b>431</b>	<b>79</b>
			(50)	(51)
			<b>380</b>	<b>29</b>
			(105)	5
			<b>276</b>	<b>34</b>

The notes to the financial statements are an integral part of these financial statements.

## Financial statements (continued)

## Balance sheets

Assets	in CHF millions as of December 31	Notes	2017	2016
<b>Investments</b>				
Real estate			1,717	1,781
Investments in subsidiaries and associates		9	1,544	1,541
Debt securities			13,640	13,458
Policyholders' loans and other loans			1,180	1,186
Mortgage loans			2,266	2,302
Equity securities			1,065	1,129
Other investments		10	414	402
<b>Total investments</b>			<b>21,825</b>	<b>21,799</b>
<b>Other assets</b>				
Investments for unit-linked contracts		11	938	909
Derivative assets			54	57
Deposits made under assumed reinsurance contracts			1	84
Cash and cash equivalents			1,656	1,924
Insurance reserves, ceded		14	307	271
Fixed assets			1	1
Intangible assets			13	38
Receivables from insurance and reinsurance business		12	224	217
Other receivables			110	201
Other assets			–	3
Accrued assets			244	201
<b>Total other assets</b>			<b>3,548</b>	<b>3,908</b>
<b>Total assets</b>			<b>25,373</b>	<b>25,707</b>

## Liabilities and shareholder's equity

in CHF millions as of December 31		Notes	2017	2016
<b>Liabilities</b>				
Insurance reserves, gross	14		18,940	19,459
Actuarial provisions for unit-linked contracts			927	923
Provisions			269	173
Senior and other debt	15		183	590
Derivative liabilities			40	27
Deposits received under ceded reinsurance contracts			179	127
Liabilities from insurance and reinsurance business	16		127	138
Other liabilities			615	571
Accrued liabilities			359	292
Subordinated debt	15		1,150	1,098
<b>Total liabilities</b>			<b>22,789</b>	<b>23,399</b>
<b>Shareholder's equity (before appropriation of available earnings)</b>				
	19			
Share capital			60	60
Legal reserve			41	41
General free reserve			878	878
Retained earnings:				
<i>Beginning of year</i>			1,329	2,080
<i>Dividend paid</i>			–	(785)
<i>Net income after taxes</i>			276	34
Retained earnings, end of year			1,605	1,329
Total shareholder's equity (before appropriation of available earnings)			2,584	2,308
<b>Total liabilities and shareholder's equity</b>			<b>25,373</b>	<b>25,707</b>

## Financial statements (continued)

**Notes to the financial statements****1. Basis of presentation**

Zurich Life Insurance Company Ltd (ZLIC), or the Company, is a life insurance company domiciled in Zurich, Switzerland. ZLIC operates mainly in Switzerland and through its branches in Japan, Hong Kong and Dubai.

The ZLIC financial statements are prepared in accordance with the Swiss Code of Obligations and relevant insurance supervisory law, including the FINMA Insurance Supervision Ordinance (ISO-FINMA), revised December 15, 2015.

All amounts in the financial statements, unless otherwise stated, are shown in CHF, rounded to the nearest million, with the consequence that the rounded amounts may not add up to the rounded total in all cases. All variances are calculated using the actual figures rather than the rounded amounts.

**2. Summary of significant accounting policies****Investments**

**Real estate** held for investment and held for own use is carried at acquisition cost less required or permissible impairment and is valued on a single valuation basis.

**Investments in subsidiaries and associates** are equity interests held on a long-term basis. Each investment in subsidiaries and associates is valued individually and carried at its cost less adjustments for impairments.

**Debt securities** are carried at amortized cost, using the effective interest rate method. They are impaired as necessary. The valuation of debt securities held in the single investor funds in Switzerland is the same as for directly held securities.

**Policyholders' loans and other loans** are financial assets with fixed or determinable payments that are not quoted in an active market and have not been included in any other category of investment. They are carried at amortized cost less any charges for impairment.

**Mortgage loans** are carried at nominal value less impairments as necessary.

**Equity securities** are carried at the lower of cost or market value, i.e. at acquisition cost or the market price if the latter is lower at the end of the financial year. The lower valuation basis is maintained until the securities are sold or redeemed, so that there are no subsequent write-ups due to higher stock market prices. The valuation of equity securities held in the single investor funds in Switzerland is the same as for directly held securities.

**Derivative financial instruments**

**Derivative assets and derivative liabilities** are carried at fair value in accordance with the Swiss Insurance Supervision Law. Derivatives hedging long-term cash flows from life insurance liabilities in Switzerland are carried at amortized cost.

**Other assets****Investments and actuarial provisions for unit-linked contracts**

Investments and actuarial provisions for unit-linked contracts represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks relating to the investments. The liabilities are carried at fair value, with fair value being determined by reference to the underlying financial assets. The related assets are carried at fair value to reduce measurement inconsistencies. If the contract is subject to a put or surrender option, the fair value of the financial liability is never recorded at less than the amount payable on surrender, discounted for the required notice period, where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against the policyholders' account balances are included in policy fee revenue.

**Deposits made under assumed reinsurance contracts**

Reinsurance deposits consist of funds deposited with ceding insurers to guarantee contractual liabilities for assumed reinsurance.

### Accrued assets

This amount relates primarily to interest accruals, other prepaid expenses (mainly prepaid annuity benefits) and other accrued income. Investment income is accrued for interest income which is earned but not yet due for payment at year-end. Interest is accrued on a day-to-day basis and recognized as earned income. Accrued investment income within the single investor funds in Switzerland is recorded as write-up on investments.

### Accrued liabilities

This amount includes accrued interest payables, accrued commissions, other accrued expenses and premium prepayments from policyholders.

### Insurance reserves

**Reserves for unearned premiums** represent the portion of the premiums received but not yet earned. In many insurance contracts, the insurance period for which the Company assumes a risk against a premium received in advance does not correspond to the Company's financial year. Thus, an amount equivalent to the unearned portion of the premium is set up as a reserve at the end of the financial year.

**Future life policyholders' benefits** represent the estimated future policyholder benefit liability for life insurance policies and include provisions for losses incurred but not yet reported (IBNR). In addition, equalization reserves are included where these are required or accepted by the regulator. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed.

**Reserves for policyholders' dividends** represents the amount for policyholders' participation in profits to be paid out in future years.

### Other income and administrative and other expense

**Other income** includes interest income on deposits received under ceded reinsurance contracts as well as other technical and other non-technical income. **Administrative and other expense** represents primarily technical expense in connection with the operation of the insurance business as well as other technical or non-technical expenses.

### Investment income and expenses

**Realized capital gains/losses on investments** occur when the sales price or redemption value is higher or lower than the carrying value at the time of sale. The gains/losses are determined from the difference between carrying value and the sales price.

**Write-downs on investments** are losses arising from a decrease in the fair value below cost or carrying value at the previous year end of equity securities. Write-downs on debt securities are other than temporary impairments.

**Write-downs and write-ups on investments** further include the change in valuation of the single investor funds, which also include the investment income of the investments within these funds.

### Direct tax expenses

**Direct tax expenses** include both Swiss and foreign income tax expense and capital tax expense in Switzerland as well as foreign withholding tax expense on investment income.

## Financial statements (continued)

**3. Gross written premiums and policy fees**

Gross written premiums and policy fees by type of business	in CHF millions, for the years ended December 31	
	2017	2016
Group insurance Switzerland	812	798
Group insurance abroad	–	25
Individual insurance Switzerland	632	628
Individual insurance abroad	46	49
Health insurance abroad	242	188
Reinsurance assumed	144	300
<b>Gross written premiums and policy fees</b>	<b>1,875</b>	<b>1,989</b>

Gross written premiums and policy fees by country	in CHF millions, for the years ended December 31	
	2017	2016
Switzerland	1,587	1,726
Hong Kong	47	70
Japan	242	188
Dubai	(1)	5
<b>Gross written premiums and policy fees</b>	<b>1,875</b>	<b>1,989</b>

**4. Other income**

Other income decreased by CHF 287 million in 2017, mainly due to the partial release of the provision for value fluctuations of investments of CHF 180 million in 2016, as well as due to inconsistencies in the design of the gross-up process, leading to an overstatement of other income by CHF 93 million in 2016 (offset in administrative and other expense with no impact on the net income after taxes).

**5. Claims paid, annuities and loss adjustment expenses, gross of reinsurance**

Claims paid, annuities and loss adjustment expenses, gross	in CHF millions, for the years ended December 31	
	2017	2016
Maturity benefits	(665)	(610)
Death benefits	(324)	(290)
Annuity payments	(413)	(409)
Disability and health benefits	(234)	(217)
Surrenders	(419)	(406)
<b>Claims paid, annuities and loss adjustment expenses, gross</b>	<b>(2,055)</b>	<b>(1,932)</b>

Total claims paid, annuities and loss adjustment expenses increased by CHF 123 million to CHF 2,055 million from CHF 1,932 million in 2016.

**6. Administrative and other expense**

Administrative and other expense	in CHF millions, for the years ended December 31	
	2017	2016
Operating and administrative expenses	(356)	(365)
Gains and losses on foreign currency derivatives	(306)	(4)
Foreign currency transaction gains and losses	(26)	(23)
Amortisation of software	(6)	(9)
Depreciation of equipment	–	–
Restructuring costs	4	(2)
<b>Administrative and other expense</b>	<b>(691)</b>	<b>(403)</b>
of which personnel expenditure	(71)	(119)

Administrative and other expense increased by CHF 287 million from CHF 403 million in 2016 to CHF 691 million in 2017. The main driver for this change were gains and losses on foreign currencies, on which a net loss of CHF 332 million resulted in 2017 compared with a net loss of CHF 27 million in 2016. Further, the provision for value fluctuations of investments (mortgages) had been increased by CHF 120 million in 2017. Additionally, there was an overstatement of operating and administrative expenses by CHF 93 million in 2016 as noted in note 4.

## 7. Investment income

Investment income by country	in CHF millions, for the years ended December 31	2017	2016
		Switzerland	1,163
Netherlands		5	5
Japan		2	2
Hong Kong		10	8
<b>Investment income</b>		<b>1,180</b>	<b>788</b>

Investment income by category	in CHF millions, for the years ended December 31	Current income		Realized capital gains		Write-ups		Totals	
		2017	2016	2017	2016	2017	2016	2017	2016
		Real estate	126	133	148	–	–	–	274
Investments in subsidiaries and associates	10	11	–	–	–	–	10	11	
Debt securities	89	93	11	3	565	306	665	401	
Policyholders' loans and other loans	11	10	–	4	–	–	11	14	
Mortgage loans	47	49	–	–	–	–	47	49	
Equity securities	9	15	51	24	107	134	166	174	
Other investments	6	5	–	–	–	–	6	5	
<b>Investment income</b>		<b>299</b>	<b>317</b>	<b>210</b>	<b>31</b>	<b>672</b>	<b>440</b>	<b>1,180</b>	<b>788</b>

Investment income increased by CHF 393 million or 50 percent to CHF 1,180 million in 2017 from 788 million in 2016, mainly due to an increase in write-ups on debt securities and due to increased realized capital gains on real estate.

## 8. Investment expenses

Investment expenses by category	in CHF millions, for the years ended December 31	Realized capital losses		Write-downs		Totals	
		2017	2016	2017	2016	2017	2016
		Real estate	(3)	(2)	(46)	(6)	(50)
Investments in subsidiaries and associates	–	–	–	–	–	–	
Debt securities	(2)	(1)	(1)	–	(3)	(1)	
Policyholders' loans and other loans	–	–	–	–	–	–	
Mortgage loans	–	–	–	–	–	–	
Equity securities	(2)	(27)	(4)	(7)	(6)	(34)	
Other investments	–	–	–	–	–	–	
<b>Subtotal investment expenses</b>		<b>(8)</b>	<b>(30)</b>	<b>(51)</b>	<b>(13)</b>	<b>(59)</b>	<b>(43)</b>
Other investment expenses		n.a.	n.a.	n.a.	n.a.	(53)	(49)
<b>Investment expenses</b>		<b>(8)</b>	<b>(30)</b>	<b>(51)</b>	<b>(13)</b>	<b>(112)</b>	<b>(93)</b>

Investment expenses increased by CHF 19 million to CHF 112 million in 2017 from CHF 93 million in 2016. The main driver for the higher investment expenses was the increase in write-downs on real estate, mainly due to the restructuring of the headquarter building in Zurich.

## Financial statements (continued)

**9. Investments in subsidiaries and associates**

The table below shows the significant subsidiaries and associates, which ZLIC holds directly. Subsidiaries and associates of ZLIC with a carrying value of less than CHF 1 million in total are not listed below.

**Significant subsidiaries**

as of December 31, 2017

	Registered office	Voting rights %	Ownership interest %	Currency	Share capital in million units of local currency
Zurich Latin America Holding S.L. - Sociedad Unipersonal, Spain <sup>1</sup>	Barcelona	100.0	100.0	EUR	43.0
Genevoise Real Estate Company Ltd, Switzerland <sup>2</sup>	Geneva	100.0	100.0	CHF	20.4
SOCIETE AVENUE LOUIS CASAI 86 SA <sup>2</sup>	Geneva	100.0	100.0	CHF	0.1
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal, Spain <sup>3</sup>	Madrid	100.0	100.0	EUR	56.4
Zurich Companhia de Seguros Vida, S.A., Portugal <sup>3</sup>	Lisbon	100.0	100.0	EUR	20.7
Zurich Eurolife S.A., Luxembourg <sup>3</sup>	Leudelange	90.0	90.0	EUR	39.0
Zurich Colombia Seguros S.A. <sup>1</sup>	Bogota	5.1	5.1	COP	61,883.3
Inversiones Suizo-Argentina S.A., Argentina <sup>1</sup>	Buenos Aires	2.0	2.0	ARS	100.0
<b>Investments in subsidiaries and associates</b>					

<sup>1</sup> Statutory purpose: Holding company<sup>2</sup> Statutory purpose: Service company<sup>3</sup> Statutory purpose: Insurance company

ZLIC contributed CHF 4 million and CHF 19 million to its subsidiary Zurich Eurolife S.A., Luxembourg, in 2017 and 2016, respectively.

**Significant indirect subsidiaries**

The table below shows the most significant indirectly held subsidiaries of ZLIC with a net asset value exceeding USD 200 million (based on IFRS values) and an ownership interest of more than 10 percent.

**Significant indirect subsidiaries**

as of December 31, 2017

	Registered office	Parent company	Voting rights %	Ownership interest %
Bansabadell Vida S.A. de Seguros y Reaseguros, Spain <sup>1</sup>	Barcelona	Zurich Vida, Compañía de Seguros y Reaseguros S.A., Spain	50.0	50.0
Zurich Santander Brasil Seguros e Previdência S.A., Brazil	Sao Paulo	Zurich Santander Holding (Spain), S.L.	50.8	50.8

<sup>1</sup> Bansabadell Vida S.A. de Seguros y Reaseguros is a joint venture with Banco de Sabadell S.A.

**10. Other investments**

		2017	2016
<b>Other investments</b>	in CHF millions, as of December 31		
	Asset backed securities	414	402
	<b>Other investments</b>	<b>414</b>	<b>402</b>

**11. Investments for unit-linked contracts**

		2017	2016
<b>Investments held for unit-linked contracts</b>	in CHF millions, as of December 31		
	Real estate	17	12
	Debt securities	364	284
	Equity securities	557	613
	<b>Investments held for unit-linked contracts</b>	<b>938</b>	<b>909</b>

**12. Receivables from insurance and reinsurance business**

		2017	2016
<b>Receivables from insurance and reinsurance business</b>	in CHF millions, as of December 31		
	Receivables from policyholders	64	71
	Amounts from agents and intermediaries	1	1
	Amounts from insurance and reinsurance companies	160	145
	<b>Receivables from insurance and reinsurance business</b>	<b>224</b>	<b>217</b>

**13. Change in insurance reserves, net**

		2017	2016
<b>Change in insurance reserves, net</b>	in CHF millions, for the years ended December 31		
	<b>Gross</b>		
	Change in other technical reserves	(3)	3
	Change in reserves for future life policyholders' benefits	397	(502)
	Change in reserves for policyholders' dividends	(65)	(36)
	<b>Change in insurance reserves, gross</b>	<b>329</b>	<b>(534)</b>
	<b>Ceded</b>		
	Change in reserves for future life policyholders' benefits	65	74
	Change in reserves for policyholders' dividends	1	1
	<b>Change in insurance reserves, ceded</b>	<b>66</b>	<b>74</b>
	<b>Net</b>		
	Change in other technical reserves	(3)	3
	Change in reserves for future life policyholders' benefits	462	(428)
	Change in reserves for policyholders' dividends	(64)	(35)
	<b>Change in insurance reserves, net of reinsurance</b>	<b>395</b>	<b>(460)</b>

## Financial statements (continued)

**14. Insurance reserves, net**

<b>Insurance reserves, net</b>	in CHF millions, as of December 31	<b>2017</b>	2016
	<b>Gross</b>		
	Reserves for unearned premiums	198	240
	Other technical reserves	23	15
	Future life policyholders' benefits	18,205	18,654
	Reserves for policyholders' dividends	515	550
	<b>Insurance reserves, gross</b>	<b>18,940</b>	<b>19,459</b>
	<b>Ceded</b>		
	Reserves for unearned premiums	(8)	(31)
	Future life policyholders' benefits	(299)	(240)
	Reserves for policyholders' dividends	–	–
	<b>Insurance reserves, ceded</b>	<b>(307)</b>	<b>(271)</b>
	<b>Net</b>		
	Reserves for unearned premiums	190	209
	Other technical reserves	23	15
	Future life policyholders' benefits	17,906	18,414
	Reserves for policyholders' dividends	515	550
	<b>Insurance reserves, net of reinsurance</b>	<b>18,633</b>	<b>19,188</b>

Total insurance reserves, net, decreased by CHF 556 million to CHF 18,633 million in 2017 from CHF 19,188 million in 2016, mainly driven by restrictive underwriting of traditional saving products.

**15. Interest-bearing liabilities**

Senior and other debts are all due in less than 12 months, and the two subordinated debts with Group companies are perpetual.

**16. Liabilities from insurance and reinsurance business**

<b>Liabilities from insurance and reinsurance business</b>	in CHF millions, as of December 31	<b>2017</b>	2016
	Amounts due to policyholders	55	63
	Amounts due to agents and intermediaries	1	1
	Amounts due to insurance and reinsurance companies	71	74
	<b>Liabilities from insurance and reinsurance business</b>	<b>127</b>	<b>138</b>

## 17. Assets and liabilities relating to companies within Zurich Insurance Group

Assets and liabilities relating to ZIC Ltd and ZIG Ltd	in CHF millions, as of December 31	2017	2016
<b>Assets</b>			
Policyholders' loans and other loans		162	125
Equity securities <sup>1</sup>		3	3
Derivative assets		4	8
Deposits made under assumed reinsurance contracts		–	5
Cash and cash equivalents		1,316	1,667
Insurance reserves, ceded		289	147
Receivables from insurance and reinsurance business		21	17
Other receivables		9	1
Accrued assets		72	21
<b>Total assets</b>		<b>1,874</b>	<b>1,993</b>
<b>Liabilities</b>			
Insurance reserves, gross		–	13
Senior and other debt		181	588
Derivative liabilities		7	4
Deposits received under ceded reinsurance contracts		179	87
Liabilities from insurance and reinsurance business		23	1
Other liabilities		18	17
Accrued liabilities		50	31
Subordinated debt		530	530
<b>Total liabilities</b>		<b>987</b>	<b>1,271</b>

<sup>1</sup> ZLIC owns Zurich Insurance Group Ltd shares with a cost value of CHF 3 million as of December 31, 2017 and 2016.

Assets and liabilities relating to direct and indirect subsidiaries	in CHF millions, as of December 31	2017	2016
<b>Assets</b>			
Investments in subsidiaries and associates		1,544	1,541
Policyholders' loans and other loans		938	953
Deposits made under assumed reinsurance contracts		–	–
Receivables from insurance and reinsurance business		33	24
Other receivables		–	3
Accrued assets		1	1
<b>Total assets</b>		<b>2,517</b>	<b>2,522</b>
<b>Liabilities</b>			
Insurance reserves, gross		18	12
Liabilities from insurance and reinsurance business		5	4
Other liabilities		1	–
Accrued liabilities		–	–
<b>Total liabilities</b>		<b>24</b>	<b>16</b>

## Financial statements (continued)

## 18. Supplementary information

Supplementary information	in CHF millions, as of December 31	2017	2016
	Commitments under investment agreements, net of funding	221	235
	Leasing obligations not recorded on the balance sheet	1	2
	Pledged assets in respect of securities lending agreements (at book value) <sup>1)</sup>	26	834
	Audit fees	(2)	(2)
	Other service fees	–	–
	Number of employees – average full time equivalents	256	237

<sup>1)</sup> In 2016, the pledged assets in respect of securities lending agreements at book value would have amounted to CHF 908 million because of an oversight in last year's process.

According to regulatory requirements, CHF 22.1 billion and CHF 21.5 billion are attributed to tied assets, including the requirement of the foreign branches, as of December 31, 2017 and 2016, respectively.

## 19. Shareholder's equity

Shareholder's equity	in CHF millions, as of December 31	2017	2016	Change
	Share capital	60	60	–
	Legal reserve	41	41	–
	General free reserve	878	878	–
	Retained earnings:			
	<i>Beginning of year</i>	1,329	2,080	(751)
	<i>Dividend paid</i>	–	(785)	785
	<i>Net income after taxes</i>	276	34	242
	Retained earnings, end of year	1,605	1,329	276
	<b>Total shareholder's equity</b>	<b>2,584</b>	<b>2,308</b>	<b>276</b>

## 20. Exchange rates

The presentation currency for ZLIC and its branches is the Swiss franc. Several ZLIC branches operate outside Switzerland with different functional currencies. A functional currency is the currency of the primary economic environment in which the branch operates. Assets and liabilities of those branches with functional currencies other than the Swiss franc are translated into the presentation currency at end-of-period exchange rates, except for investments in subsidiaries and associates, where historical exchange rates are used. Revenues and expenses are translated using the average exchange rate for the year. The resulting exchange differences are recorded in the income statements.

The table below summarizes the principal exchange rates that have been used for translation purposes.

Principal exchange rates	CHF per 100 foreign currency unit	Balance sheets		Income statements	
		31/12/2017	31/12/2016	2017	2016
	Euro	117.02	107.23	111.15	108.99
	Hong Kong dollar	12.47	13.10	12.63	12.69
	Japanese yen	0.87	0.87	0.88	0.91
	United Arab Emirates dirham	26.53	27.65	26.80	26.81

Exchange differences included in the income statements were a net loss of CHF 332 million and a net loss of CHF 27 million for the years ended December 31, 2017 and 2016, respectively.

## 21. Net release of hidden reserves

In 2017, there was no material release of hidden reserves, whereas in 2016, there had been a net release of hidden reserves of CHF 223 million, mainly related to the partial release of the provision for value fluctuations of investments.

## Financial statements (continued)

## Appropriation of available earnings as proposed by the Board of Directors

in CHF, for the years ended December 31	2017 (Proposed)	2016 (Approved)
Appropriation of available earnings as proposed by the Board of Directors		
Balance brought forward	1,329,451,401	1,295,534,321
Net income after taxes	275,537,285	33,917,080
<b>Available earnings</b>	<b>1,604,988,686</b>	<b>1,329,451,401</b>
Cash dividend	(200,000,000)	–
<b>Subtotal cash dividend</b>	<b>(200,000,000)</b>	<b>–</b>
Dividend in kind: Zurich Vida, Compañía de Seguros y Reaseguros, S.A. (Spain)	(665,291,920)	–
Dividend in kind: Zurich – Companhia de Seguros Vida, S.A. (Portugal)	(38,393,324)	–
Dividend in kind: Zurich Eurolife S.A (Luxembourg)	(25,508,757)	–
Dividend in kind: Zurich Latin America Holding, S.L. (Spain)	(527,615,033)	–
<b>Subtotal dividend in kind</b>	<b>(1,256,809,034)</b>	<b>–</b>
<b>Balance carried forward</b>	<b>148,179,652</b>	<b>1,329,451,401</b>

The Board of Directors proposes to the shareholder at the Annual General Meeting on April 10, 2018, to pay a cash dividend of CHF 200,000,000 and a dividend in kind of CHF 1,256,809,034 and to carry forward available earnings of CHF 148,179,652 as shown in the table above.

The dividend in kind consists of the two 100 percent owned investments in subsidiaries, Zurich Vida, Compañía de Seguros y Reaseguros, S.A. (Spain) and Zurich Latin America Holding, S.L. (Spain) and of the 90 percent interest in Zurich Eurolife S.A. (Luxembourg) as well as of 99.99 percent of the Company's shares of Zurich - Companhia de Seguros Vida, S.A. (Portugal). These investments in subsidiaries have a carrying value of CHF 1,256,809,034 and a net asset value based on IFRS respectively on the Market Consistent Embedded Value (MCEV) for Eurolife S.A. of total CHF 1,893,667,889 as of December 31, 2017, resulting in a hidden profit distribution of CHF 636,858,855.

As the legal reserve exceeds 50 percent of fully paid-in share capital, no further allocation to the legal reserve is required by the Swiss Code of Obligations.

On behalf of the Board of Directors of Zurich Life Insurance Company Ltd

Urban Angehrn  
Chairman of the Board

Zurich, April 10, 2018

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## Report of the statutory auditor

### Report of the statutory auditor

#### To the General Meeting of Zurich Life Insurance Company Ltd, Zurich

#### Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Zurich Life Insurance Company Ltd (the Company), which comprise the balance sheet, income statement and notes (pages 5–17), for the year ended December 31, 2017.

#### *Board of Directors' responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements for the year ended December 31, 2017, comply with Swiss law and the company's articles of incorporation.

#### Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings (page 18) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Ray Kunz  
Audit expert  
Auditor in charge

Martin Schwörer  
Audit expert

Zurich, April 10, 2018

## Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predicated on or indicate future events, trends, plans or objectives of Zurich Life Insurance Company Ltd. Forward-looking statements include statements regarding Zurich Life Insurance Company Ltd's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding Zurich Life Insurance Company Ltd's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Life Insurance Company Ltd to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Life Insurance Company Ltd and on whether the targets will be achieved. Zurich Life Insurance Company Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

It should be noted that past performance is not a guide to future performance.

Persons requiring advice should consult an independent advisor.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

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**Zurich Life Insurance Company Ltd**  
Austrasse 46  
8045 Zurich, Switzerland  
Phone +41 (0) 44 628 28 28  
[www.zurich.com](http://www.zurich.com)

