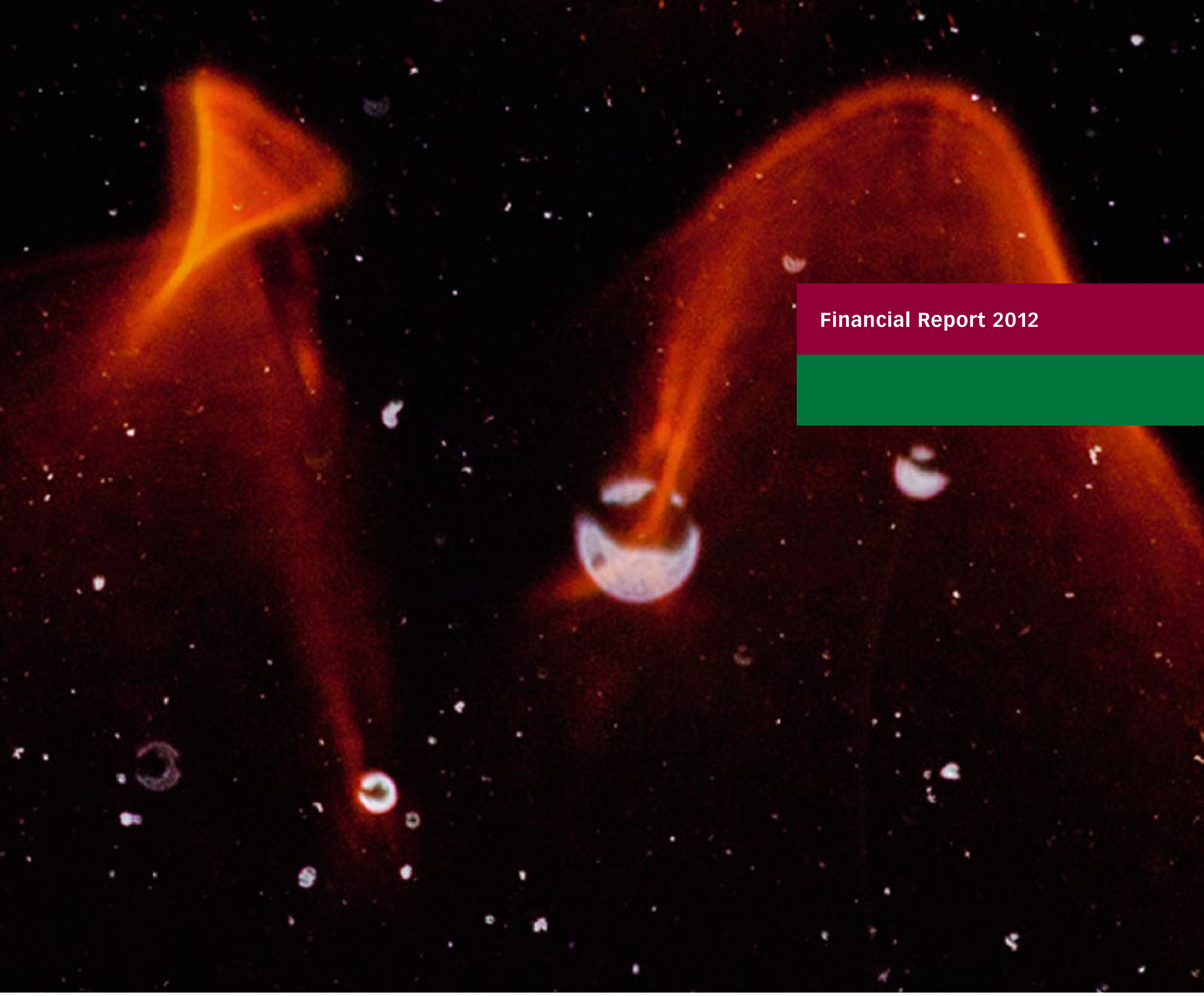
Financial Report 2012



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Financial Report 2012

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Consolidated financial statements

Consolidated balance sheet

Assets	Notes	31.12.2012	31.12.2011 restated	31.12.2010 restated
(in 1 000 CHF)				
Fixed assets	8	137 028	140 565	140 933
Intangible assets	9	11 914	12 032	19 063
Investments in associates	10	38 030	37 069	34 653
Investment property	11	922 321	888 249	944 026
Equity instruments				
available for sale (AFS)	12	401 550	303 087	321 314
fair value through profit or loss (FVTPL)	12	46 842	20 594	18 521
Debt instruments				
held to maturity (HTM)	12	1 183 844	1 244 443	1 220 170
available for sale (AFS)	12	2 218 086	2 176 700	2 227 859
fair value through profit or loss (FVTPL)	12	51 885	49 752	84 893
Mortgages and loans	12	197 606	205 607	182 906
Derivative financial instruments	12	1 638	2 635	40 558
Deferred acquisition costs (DAC)	13	61 899	64 071	64 599
Reinsurance assets	14	168 525	167 630	147 862
Receivables from insurance business	15	166 505	167 741	162 759
Receivables from employee benefits	16	4 912	158	165
Other receivables, accruals and deferrals	17	111 097	106 962	102 329
Current income tax assets		1 277	1 562	2 101
Deferred income tax assets	25	8 793	13 848	3 512
Cash and cash equivalents		525 807	601 581	351 789
Non-current assets held for sale [1]	11	0	5 599	5 749
Assets from continuing operations		**6 259 559**	**6 209 885**	**6 075 761**
Assets from discontinued operations		0	0	1 726 696
Total Assets		**6 259 559**	**6 209 885**	**7 802 457**

[1] Excluding discontinued operations

Liabilities	Notes	31.12.2012	31.12.2011 restated	31.12.2010 restated
(in 1 000 CHF)				
Equity				
Share capital	18	8 820	8 820	8 820
Capital reserves		2 032	2 436	2 897
Treasury shares	18	– 1 241	– 4 217	– 2 614
Accumulated other comprehensive income		– 70 232	– 102 354	– 99 475
Retained earnings including profit or loss for the year		946 206	882 876	751 426
Equity without non-controlling interests		**885 585**	**787 561**	**661 054**
Non-controlling interests		8 265	7 482	6 773
Total Equity		**893 850**	**795 043**	**667 827**
Liabilities				
Technical reserves for insurance contracts	20	4 595 520	4 610 615	4 693 223
Liabilities from financial contracts	21	135 353	132 692	130 205
Financial liabilities		0	0	15 000
Financial provisions	22	8 360	10 689	11 830
Derivative financial instruments	12	727	2 220	101
Payables from insurance business and reinsurance	23	254 309	264 698	264 291
Liabilities from employee benefits	16	148 320	172 518	139 618
Other liabilities, accruals and deferrals	24	58 570	60 835	31 373
Current income tax liabilities		26 324	42 091	24 266
Deferred income tax liabilities	25	138 226	118 484	103 030
Liabilities from continuing operations		**5 365 709**	**5 414 842**	**5 412 937**
Liabilities from discontinued operations		0	0	1 721 693
Total Liabilities		**5 365 709**	**5 414 842**	**7 134 630**
Total Equity and Liabilities		**6 259 559**	**6 209 885**	**7 802 457**

Consolidated income statement

Consolidated income statement	Notes	2012	2011 restated
(in 1 000 CHF)			
Continuing operations			
Gross written premiums	5	1 512 483	1 500 390
Change in unearned premium reserves		– 6 411	– 18 939
Earned premiums (gross)		**1 506 072**	**1 481 451**
Reinsurers' share of earned premiums		– 99 398	– 103 581
Earned premiums (net)		**1 406 674**	**1 377 870**
Income from financial instruments	26	101 094	105 775
Gains and losses on financial instruments	27	15 752	– 17 168
Result from investment property (net)	28	52 541	81 905
Other operating income	29	25 613	39 109
Income		**1 601 674**	**1 587 491**
Paid claims and benefits (gross)		– 1 029 860	– 993 552
Change in technical reserves (gross) and financial contracts with DPF		10 536	80 486
Reinsurers' share of paid claims and benefits and change in technical reserves		44 696	52 883
Acquisition costs		– 290 694	– 303 170
Operating and administrative costs for insurance business		– 149 644	– 165 011
Reinsurers' share of costs		15 420	31 988
Investment management costs		– 10 527	– 8 403
Other operating expenses	32	– 64 096	– 83 820
Expenses		**– 1 474 169**	**– 1 388 599**
Financing costs	34	0	– 448
Result from investments in associates		974	2 280
Profit from continuing operations before income taxes		**128 479**	**200 724**
Income taxes from continuing operations	35	– 24 998	– 41 851
Profit from continuing operations after income taxes		**103 481**	**158 873**
attributable to shareholders		103 020	158 617
attributable to non-controlling interests		461	256
Discontinued operations			
Profit from discontinued operations before income taxes		0	7 459
Income taxes from discontinued operations		0	– 1 402
Profit from discontinued operations after income taxes		**0**	**6 057**
attributable to shareholders		0	5 908
attributable to non-controlling interests		0	149
Profit after income taxes		**103 481**	**164 930**
attributable to shareholders		103 020	164 525
attributable to non-controlling interests		461	405
Earning per share (in CHF)			
from continuing operations, basic / diluted	36	4.68	7.23
total, basic / diluted	36	4.68	7.49

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income (in 1 000 CHF)	Notes	2012	2011 restated
Profit		**103 481**	**164 930**
attributable to shareholders		103 020	164 525
attributable to non-controlling interests		461	405

Other comprehensive income

Continuing operations

Financial instruments AFS	19	65 245	45 753
Associates		953	56
Financial instruments recategorised from AFS to HTM	19	– 52	– 51
Remeasurement of the net defined benefit liability		– 15 502	– 49 228
Deferred dividends to policyholders		– 2 814	0
Foreign currency translation	19	– 2 828	2 320
Deferred income taxes	37	– 12 507	652
Other comprehensive income from continuing operations after tax		**32 495**	**– 498**
attributable to shareholders		32 114	– 1 179
attributable to non-controlling interests		381	681

Discontinued operations

Other comprehensive income from discontinued operations after tax		**0**	**– 1 749**
attributable to shareholders		0	– 1 705
attributable to non-controlling interests		0	– 44

Other comprehensive income after tax		**32 495**	**– 2 247**
attributable to shareholders		32 114	– 2 884
attributable to non-controlling interests		381	637

Total comprehensive income		**135 976**	**162 683**
attributable to shareholders		135 134	161 641
attributable to non-controlling interests		842	1 042

Consolidated cash flow statement

Consolidated cash flow statement	Notes	2012	2011 restated
(in 1 000 CHF)			
Cash Flow from operating activities			
Profit before income taxes from continuing and discontinued operations		128 479	208 183
Adjustments for			
Impairment and amortisation / depreciation of intangible and fixed assets	8 / 9	16 673	18 640
Gains and losses on financial instruments, investment property	27 / 28	– 32 456	– 28 231
Gains and losses on fixed and intangible assets	29 / 32	– 30	25
Change in technical reserves including unearned premium reserves (gross) and financial contracts with DPF		– 4 125	– 61 547
Reinsurers' share of change in technical reserves including unearned premium reserves		3 780	– 21 797
Result from investments in associates	10	– 974	– 2 280
Realised gains / losses from sale of consolidated companies / business units and investments in associates	29 / 32	0	– 7 996
Other foreign currency gains and losses	29 / 32	– 152	4 342
Other non-cash income and expenses		9 157	8 175
Income taxes paid		– 28 242	– 19 143
Change in assets and liabilities from operating activities			
Purchase of / investments in investment property	11 / 38	– 36 675	– 50 100
Sale of investment property	11 / 38	24 354	149 744
Purchase of equity instruments	12	– 322 390	– 277 706
Sale of equity instruments	12	213 695	280 867
Purchase of debt instruments	12	– 410 595	– 818 900
Sale and maturity of debt instruments	12	478 964	892 292
Additions mortgages and loans		– 3 641	– 58 704
Disposals mortgages and loans		12 746	35 639
Additions / disposals derivative financial instruments		– 4 620	44 702
Receivables and payables from insurance business and reinsurance		– 18 064	– 3 684
Receivables and liabilities from employee benefits		– 44 310	– 15 875
Financial contracts without DPF		1 474	10
Financial provisions	22	– 2 254	– 855
Other receivables and payables, accruals and deferrals		– 5 603	24 706
Cash flow from operating activities from continuing and discontinued operations		**– 24 809**	**300 507**

Consolidated cash flow statement, continuation	Notes	2012	2011 restated
(in 1 000 CHF)			
Cash flow from investing activities			
Purchase of fixed assets	8	– 7 580	– 10 619
Sale of fixed assets	8 / 29 / 32	80	286
Purchase of intangible assets	9	– 5 898	– 2 484
Sale of intangible assets	9 / 29 / 32	127	695
Disposal of subsidiaries / business units, net of cash balances	38	0	– 77 552
Acquisition of investments in associated companies	10 / 38	0	– 6 194
Disposal of investments in associated companies	10	0	5 633
Dividends from associated companies	10	733	968
Cash flow from investing activities (net) from continuing and discontinued operations		**– 12 538**	**– 89 267**
Cash flow from financing activities			
Purchase of treasury shares		– 7 036	– 7 848
Sale of treasury shares		10 463	6 564
Repayment of financial liabilities		0	– 15 000
Purchase of shares of fully consolidated companies		– 48	– 346
Interest paid for financing activities		0	– 448
Dividend payments	43	– 39 686	– 33 074
Dividend payments to non-controlling interests		0	– 7
Income taxes paid for financing activities		– 101	– 73
Cash flow from financing activities (net) from continuing and discontinued operations		**– 36 408**	**– 50 232**
Total cash flow from continuing and discontinued operations		**– 73 755**	**161 008**
Cash and cash equivalents from continuing and discontinued operations			
Balance as of 1 January		**601 581**	**440 591**
Changes in the period		– 73 755	161 008
Foreign currency effects on cash and cash equivalents		– 2 019	– 18
Balance as of 31 December		**525 807**	**601 581**
thereof cash on hand / post accounts / bank accounts		476 820	533 588
thereof cash equivalents with a maturity of 90 days or less		48 987	67 993
Additional information on cash flow from operating activities			
Interest received		87 153	90 551
Dividend received		11 373	9 246
Interest paid		– 108	– 160
Additional information on cash flow from discontinued operations			
Cash flow from investing activities		0	– 77 552
Total cash flows from discontinued operations		**0**	**– 77 552**

Consolidated statement of changes in equity

2012 (in 1000 CHF)	Notes	Share capital	Capital reserves	Treasury shares	Accumulated other comprehensive income	Retained earnings	Shareholders' equity	Non-controlling interests	Total Equity
Balance as of 1 January		**8 820**	**2 436**	**–4 217**	**–102 354**	**882 876**	**787 561**	**7 482**	**795 043**
Profit for the period		0	0	0	0	103 020	103 020	461	103 481
Other comprehensive income	19	0	0	0	32 114	0	32 114	381	32 495
Total comprehensive income		**0**	**0**	**0**	**32 114**	**103 020**	**135 134**	**842**	**135 976**
Dividends paid	43	0	0	0	0	–39 690	–39 690	0	–39 690
Dividends from treasury shares		0	4	0	0	0	4	0	4
Capital increase / decrease	18	0	0	0	0	0	0	0	0
Purchase / sale of treasury shares	18	0	451	2 976	0	0	3 427	0	3 427
Income taxes on dividends from and on transactions with treasury shares		0	–101	0	0	0	–101	0	–101
Share-based payment		0	–772	0	0	0	–772	0	–772
Increase / decrease in non-controlling interests due to change in percentage of shareholding / group structure	38	0	14	0	8	0	22	–59	–37
Total transactions with shareholders		**0**	**–404**	**2 976**	**8**	**–39 690**	**–37 110**	**–59**	**–37 169**
Balance as of 31 December		**8 820**	**2 032**	**–1 241**	**–70 232**	**946 206**	**885 585**	**8 265**	**893 850**

2011 restated (in 1 000 CHF)	Notes	Share capital	Capital reserves	Treasury shares	Accu-mulated other compre-hensive income	Retained earnings	Share-holders' equity	Non-con-trolling interests	Total Equity
Balance as of 1 January		**8 820**	**2 897**	**– 2 614**	**– 99 475**	**751 426**	**661 054**	**6 773**	**667 827**
Profit for the period		0	0	0	0	164 525	164 525	405	164 930
Other comprehensive income	19	0	0	0	– 2 884	0	– 2 884	637	– 2 247
Total comprehensive income		**0**	**0**	**0**	**– 2 884**	**164 525**	**161 641**	**1 042**	**162 683**
Dividends paid		0	0	0	0	– 33 075	– 33 075	– 7	– 33 082
Dividends from treasury shares		0	1	0	0	0	1	0	1
Capital increase / decrease	18	0	0	0	0	0	0	24	24
Purchase / sale of treasury shares	18	0	319	– 1 603	0	0	– 1 284	0	– 1 284
Income taxes on dividends from and on transactions with treasury shares		0	– 73	0	0	0	– 73	0	– 73
Share-based payment		0	– 650	0	0	0	– 650	0	– 650
Increase / decrease in non-controlling interests due to change in percentage of shareholding / group structure	38	0	– 58	0	5	0	– 53	– 350	– 403
Total transactions with shareholders		**0**	**– 461**	**– 1 603**	**5**	**– 33 075**	**– 35 134**	**– 333**	**– 35 467**
Balance as of 31 December		**8 820**	**2 436**	**– 4 217**	**– 102 354**	**882 876**	**787 561**	**7 482**	**795 043**

Notes – General comments

1 General information

Nationale Suisse is an international and independent Swiss insurance group. It provides risk and pension solutions in life and non-life insurance, with an increasing number of tailored specialty lines products. Consolidated gross premiums came to CHF 1.5 billion in 2012. The Group comprises the parent company and around 20 fully consolidated subsidiaries and branch offices, which operate focused product lines in Switzerland, Italy, Spain, Germany, Belgium, Liechtenstein, Malaysia, Latin America and Turkey.
The parent company is the Swiss National Insurance Company Ltd, a stock corporation under Swiss law with its registered office in Basel. Its shares with the ticker symbol NATN are traded on the SIX Swiss Exchange.
With its decision of 19 March 2013, the Board of Directors approved and authorised the publication of the consolidated financial statements and the financial statements of Swiss National Insurance Company Ltd. The financial statements will be submitted to the shareholders for approval at the Annual General Meeting on 6 May 2013.

2 Accounting principles

The consolidated financial statements of Nationale Suisse for the 2012 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS). All standards valid as of 1 January 2012 have been applied in the preparation of these annual financial statements.
A number of the figures given in the consolidated financial statements reflect estimates and assumptions made by management about technical provisions, investment valuations, interest rates and other factors. Critical accounting estimates are discussed in Section 4. The actual results may differ from the estimates.
The items in the balance sheet are classified by liquidity.

2.1 Standards applied for the first time in the reporting year

IFRS 7 Financial Instruments: Disclosures

In October 2010 the IASB published the amended IFRS 7. The revised standard is effective for reporting periods beginning on or after 1 July 2011. The standard requires comprehensive disclosure regarding rights and obligations that are possibly retained or assumed in a transfer of financial assets.
The application of the amended standard does not have an impact on the consolidated financial statements.

IAS 12 Income Taxes

The IASB published its amended IAS 12 in December 2010. The amendment will be effective for reporting periods starting on or after 1 January 2012. The amendmend relates to the measurement of deferred taxes on investment property accounted for at fair value. The application of the amended standard does not have an impact on the consolidated financial statements.

IAS 19 Employee Benefits

In June 2011 the IASB issued the amended IAS 19. The revised standard is effective for reporting periods beginning on or after 1 January 2013. The board of directors decided in June 2012 to adopt the revised standard for the reporting period beginning on 1 January 2012.
The impact of the initial application is disclosed in chapter 6.
The comparison periods in this financial statements are restated accordingly

Improvements to IFRS 2011

The application of the "Improvements to IFRS 2011" has no material impact on the consolidated financial statements.

2.2 IFRS and interpretations that have not yet been adopted

The following new or amended standards and interpretations of relevance to Nationale Suisse have been published by the IASB but are not yet effective and for this reason have not been applied to the 2010 consolidated financial statements. Unless otherwise stated, the standards and interpretations are not expected to have a material impact on the consolidated financial statements when becoming effective.

IFRS 7 Financial Instruments: Disclosures

In December 2011 the IASB published changes to IFRS 7. The amendments are effective for reporting periods beginning on or after 1 July 2013. The standard requires an extended disclosure regarding the netting of financial assets and liabilities.

IFRS 9 Financial Instruments: Classification and measurement

The IASB issued IFRS 9 in November 2009. In October 2010 guidance for financial liabilities was added to the standard. In December 2011 the IASB decided that IFRS 9 will be effective for reporting periods starting on or after 1 January 2015 (previously 2013), with early adoption permitted. This standard is part of the project to replace IAS 39 that is scheduled for completion in 2010. During Phase 1 the standard will focus on classifying and measuring financial instruments and replace the current measurement categories with the following classifications:

- amortised cost and
- fair value.

Whether an instrument can be assigned to the amortised cost category depends on the entity's business model, i.e. how it manages its financial instruments, and on the contractual cash flow characteristics of the individual instrument. Instruments that fail to qualify for inclusion in the amortised cost category are to be recognised at fair value through profit or loss, while selected equity instruments may be recognised at fair value through other comprehensive income. This new category eliminates the previous "Available for sale" category.

Work has started on the analysis of the implications of IFRS 9 for the consolidated financial statements. A final assessment will be carried out when Phase 2 of the standard (impairment methodology) has been approved by the IASB.

IFRS 10 Consolidated Financial Statements
The IASB issued IFRS 10 in May 2011. The standard is effective for reporting periods beginning on or after 1 January 2013. The standard replaces the guidance on control and consolidation in SIC-12 Consolidation – Special purpose entities, and parts of IAS 27 Consolidated and separate financial statements.

IFRS 11 Joint Arrangements
The IASB issued IFRS 11 in May 2011. The standard is effective for reporting periods beginning on or after 1 January 2013. The standard provides for a more realistic reflection of joint arrangements in the financial statements by focusing on the rights and obligations of the arrangement, rather than its legal form.

IFRS 12 Disclosures of Interests in other Entities
The IASB issued IFRS 12 in May 2011. The standard is effective for reporting periods beginning on or after 1 January 2013. IFRS 12 replaces the disclosure requirements currently included in IAS 27 and IAS 28.

IFRS 13 Fair Value Measurement
The IASB issued IFRS 13 in May 2011. The standard is effective for reporting periods beginning on or after 1 January 2013. IFRS 13 now provides consistent guidance on the determination of fair value in a single standard. Currently this guidance is covered by several IFRSs. For the first time, IFRSs contain a precise definition of fair value as an exit price, i.e. a price that would be received in an orderly transaction between market participants at the measurement date. The standard also requires extended disclosures regarding fair value measurement.

IAS 1 Presentation of Financial Statements
In June 2011 the IASB issued the amended IAS 1. The revised standard is effective for reporting periods beginning on or after 1 January 2013. The revised standard requires to group together within other comprehensive income (OCI) items that may be reclassified to profit or loss in subsequent periods separately from items that may not be. The new standard has an impact on the consolidated financial statements in conjunction with the application of IFRS 9 and the amended standard IAS 19.

3 Summary of significant consolidation and accounting policies

The accounting principles adopted by Nationale Suisse are explained on the following pages and are applied consistently to all reporting periods presented unless stated otherwise.

3.1 Consolidation principles

3.1.1 Subsidiaries

The consolidated financial statements of Nationale Suisse Group comprise assets, liabilities, income and expenses of Swiss National Insurance Company Ltd and its subsidiaries. Subsidiaries are all entities over which Swiss National Insurance Company Ltd has direct or indirect control of the financial and operating policies. This is generally associated with a shareholding of more than 50.0% of the voting rights. This considers the effect of potential voting rights.
Consistent accounting policies have been used for the presentation and valuation of similar transactions in consolidated financial statements. Intra-group balances and transactions, including income, expenses and dividends, are eliminated.
The non-controlling interests (minorities) in the profit, loss and shareholders' equity of consolidated subsidiaries are disclosed separately. Subsidiaries are fully consolidated from the date on which control is transfered to the Group. At acquisition date, applying the purchase method for accounting purposes, all identifiable assets and liabilities are measured at fair value. Non-controlling interests are either valued according to their share of the identifiable net assets of the company acquired or at fair value. The valuation method used for each business combination is decided on a case-by-case basis.
The acquisition cost is the fair value of the consideration paid to the previous owners on the date of the acquisition. If prior to the transfer of control, the shares were held as financing instruments or as an associate, these shares are valued to fair value through profit or loss.
If the sum of the acquisition cost and the non-controlling interests exceeds the identifiable net assets, the difference shall be recognised as goodwill in the consolidated balance sheet. In the opposite case, i.e. if the identifiable net assets exceed the acquisition cost, the difference shall be recognised as Other operating income in the income statement.
The consolidation of subsidiaries ends at the date the control ceases. When the group sells part of a subsidiary and loses control the remaining shares are measured at fair value. The net result from the (partial) sale of shares is recognised as Other operating income or alternatively as Other operating expenses in the income statement.
The purchase of additional shares in subsidiaries after the transfer of control or the sale of shares from a subsidiary without a change of control is recognised as transactions with shareholders.
The consolidated financial statements contain the results of Swiss National Insurance Company Ltd and its subsidiaries. The reporting date of companies included in the consolidated accounts is 31 December; some smaller entities close as of 30 September. In this case adjustments are made for the effects of significant transactions or other events occurring between this reporting date and the reporting date of the parent company.

3.1.2 Associates

Associates are all entities over which Swiss National Insurance Company Ltd has significant direct or indirect influence. This means it is able to exercise an influence over the financial or operating policies of these companies but has no control over them. This is generally the case with a share of the voting rights between 20.0% and 50.0%. The existence and effect of potential voting rights are taken into consideration.

Investments in associates are accounted for in the consolidated financial statements using the equity method and are initially recognised at cost. If the acquisition cost exceeds the share of identifiable net assets in the associate, the difference (good will) is added to the book value of the participation. In the opposite case where the identifiable net assets exceed the acquisition cost, the difference shall be recognised under Result from associates in the income statement and the book value adjusted accordingly.

The book value is subsequently increased or decreased by the share in profit or loss and by the associate's share in other comprehensive income. The former is recorded in the consolidated income statement and the latter in other comprehensive income of the Group. Dividends received from the associate reduce the book value and have no relevance for the result. If the share of losses exceeds the book value of the associate, no further losses are recorded.

Accounting for associates using the equity method ends with the loss of significant influence. If only part of the shares in an associate are sold, the loss of significant influence results in a valuation of the remaining share at fair value and a transfer to financial instruments. The result from the (partial) sale of shares is recognised under Other operating income or Other operating expenses in the income statement.

3.2 Currency translation

3.2.1 Functional currency and reporting currency

Each subsidiary presents its financial statements in its functional currency, which means in the currency of its p rimary economic environment. The consolidated financial statements are presented in Swiss francs (CHF), which is the reporting currency of Nationale Suisse. This corresponds to the functional currency of Swiss National Insurance Company Ltd.

3.2.2 Translation of the transaction currency into the functional currency of the Group companies

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transactions or at average rates. On the closing date, monetary and non-monetary balance sheet items at fair value are measured at closing rate (usually year-end rates). All other non-monetary balance sheet items in foreign currency are measured at historical rates.

Exchange rate differences arising from foreign currency translation are generally recognised in profit or loss, except when exchange rate differences result from cash flow hedges or in the case of hedges of net investments in foreign entities. Translation differences on non-monetary positions held at fair value whose value adjustments are recognised in other comprehensive income are also recognised in other comprehensive income.

3.2.3 Translation of the functional currency into the reporting currency

The annual financial statements of all group entities not prepared in CHF are translated for presentation in the consolidated financial statements as follows:

- Assets and liabilities at year-end exchange rates
- Income and expenses at yearly average exchange rates

The resulting translation differences are recognised other comprehensive income.

When a foreign subsidiary or associate is sold, the attributable share of the currency reserve in equity is recognised in profit or loss.

The exchange rates that have been used for the translation from functional currency into reporting currency are the following:

Exchange rates	Balance sheet		Income statement	
	31.12.2012	31.12.2011	2012	2011
Currency				
100 EUR (euro)	120.74	121.75	120.51	123.28
100 USD (US dollar)	91.50	93.93	93.77	88.66

3.3 Offsetting assets and liabilities

Assets and liabilities are generally reported gross in the balance sheet. They are only offset where there is a legally enforceable right to offset them and where Nationale Suisse has the intention to settle the balances on a net basis or realise the asset and settle the liability simultaneously.

3.4 Fixed assets

3.4.1 Owner-occupied property

Owner-occupied property comprises land and buildings used for operational purposes. Properties owned and occupied by the Group are shown at acquisition cost less accumulated depreciation and any impairments. They are depreciated on a straight-line basis over their estimated useful lives:

Annual depreciation rate	
Structural components	1.0–2.0 %
Technical and build-out components	4.0–6.66 %
Surroundings components	3.33 %
Land	Land is not depreciated.

Scheduled depreciation, repairs and maintenance costs are recognised in profit or loss. Any value-enhancing investments are capitalised and depreciated over their estimated useful lives.

Gains or losses on the sale of owner-occupied property are recognised under Other operating income or Other operating expenses.

Regarding the impairment test for owner-occupied property see Section 3.18.1.

3.4.2 Other fixed assets (excluding artwork)

After initial recognition, Other fixed assets are carried at acquisition cost less accumulated depreciation and any impairment. Acquisition cost includes the purchase price and all directly attributable costs. Subsequent investments are only recognised as assets when it is probable that future economic benefits associated with the investment will flow to the Group and the costs can be measured reliably.

Repairs and maintenance costs are recognised in profit or loss.

Depreciation is on a straight-line basis over the items' estimated useful lives as follows:

Annual depreciation rate	
Operating equipment	10.0 %
Office furniture, telephone systems, office equipment	20.0 %
Computer hardware	25.0 %
Vehicles	25.0 %

Leasehold improvements are depreciated at maximum over the duration of the lease.

The amount of depreciation in respect of Other fixed assets is calculated after deduction of the residual value, although Nationale Suisse generally assumes that there will be no residual value on operating equipment and vehicles.

If there are considerable changes in the useful life and / or the residual value or the future depreciable amount, the resulting depreciation is calculated using the straight-line method. If there are indications of possible impairment, an impairment test is carried out to assess whether the book value exceeds the recoverable amount (see Section 3.18).

Gains or losses on the sale of Other fixed assets are recognised immediately in the income statement under Other operating income or Other operating expenses.

3.4.3 Artwork

A basic distinction is made between items belonging to the Swiss art collection and those that do not. The latter are works whose acquisition costs and potential value are of negligible importance.

Regarding the impairment test for the Nationale Suisse art collection see Section 3.18.1.

3.5 Intangible assets

3.5.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets of the acquired subsidiary at the date of acquisition after deduction of the non-controlling interests. If the identifiable net assets exceed the acquisition cost, the difference is recognised as Other operating income in the income statement.

The goodwill relating to fully consolidated subsidiaries is included in Intangible assets and is carried at acquisition cost less any impairments (see Section 3.18). Goodwill is not amortised on a regular basis.

Goodwill from associates is included in the book value of the entity and is not disclosed separately. Goodwill included in the book value is not amortised on a regular basis. The entire book value of associates is tested for impairment if there is objective and substantial indication of a lasting decline in value on the closing date.

When subsidiaries are sold, the goodwill component is included in the transaction proceeds and the gain or loss resulting from the disposal of interests is recognised in the income statement as Other operating income or Other operating expenses.

3.5.2 Other intangible assets

Other intangible assets are recorded at acquisition cost less accumulated amortisation and any impairment losses. They include software, the present value of future profits (PVFP) from insurance contracts acquired and any other intangible assets.

Software comprises acquired licences, further developments in acquired software and proprietary developments. The acquisition costs comprise the purchase price and the costs incurred for preparing the intangible asset for its intended use (customising, etc). Internal and external costs arising in connection with the further development and proprietary development of software applications are capitalised if it is deemed they will probably give rise to future benefits over several years. All other costs incurred in connection with software development and maintenance are recognised as an expense.

When acquiring a portfolio of insurance or investment contracts with DPF (see Section 3.21), an intangible asset value is reported which represents the present value of all expected future profits less solvency costs in the contracts acquired. The PVFP is written down in relation to the gross profits or gross margins over the effective term of the acquired contracts. The PVFP is tested for impairment using the Liability Adequacy Test (see Section 3.21).

Other intangible assets include mainly acquired trademarks and client relationships, which are recognised at fair value as of the acquisition date applying the purchase price allocation in accordance with IFRS 3.

Intangible assets are amortised as follows:

Annual amortisation rate

Acquired software licences	20.0 % – 33.33 %
Further developments and proprietary developments	20.0 % – 33.33 %
PVFP	depending on the structure of the portfolio
Other intangible assets	10.0 % – 33.33 %

As a general rule, intangible assets are fully self-financed. If funds are borrowed, the cumulative interest during the formation phase is capitalised accordingly.

3.6 Investments

Nationale Suisse defines the term investment as the combination of several asset classes whose purpose is the generation of investment income. The term investment is not defined under IFRS per se. In cases in which this term is used in this financial report, Nationale Suisse defines it as follows:

- Investments in associates
- Investment properties
- Financial assets
- Mortgages and loans
- Derivative financial instruments

3.7 Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method (see Section 3.1.2).

3.8 Investment property

A general distinction is made between owner-occupied (accounted for under Property, plant and equipment) and Investment property.

Investment property comprises:

- freehold land and buildings held for long-term rental yields and / or capital appreciation;
- property under construction intended to be held for investment purposes; and
- property under construction intended for sale (development property).

Freehold land and buildings held for long-term rental income and / or capital appreciation, and property under construction intended to be held for investment purposes are carried at fair value. Most of the property held directly by the Nationale Suisse Group is located in Switzerland. Fair value is calculated on the basis of discounted cash flow projections and is reviewed at least annually by an internal valuation expert based on assumptions close to those of the market and on future cash flows (net cash flows from rental income, operating and maintenance expenses and administrative costs). The discount rates are based on the long-term average risk-free interest rate plus a market risk premium and regional and property-related supplements and deductions based on the specific condition and location of the property considered. In all other countries, fair value is calculated by independent external valuation experts at least every five years. Changes in fair value are recognised directly in profit or loss in the period when they occur.

If, as a result of a change in use, an investment property is transferred to owner-occupied property, a reclassification is made at fair value to Property, plant and equipment.

If an owner-occupied property is reclassified as investment property due to a change in use, the difference between the book value and fair value at the date of the change will be recognised as an unrealised loss or gain in Accumulated other comprehensive income. If an investment property reclassified in a previous period is sold, the amount deferred in equity as Accumulated other comprehensive income is transferred within equity to Retained earnings.

Property under construction intended for sale (development property) is treated as inventory in accordance with IAS 2. Recognition is at the lower of historic cost and net realisable value. In the case of a sale, the proceeds are reported gross, i. e. the production costs originally capitalised as assets are reclassified as an expense and the purchase price recorded as income in profit or loss.

3.9 Financial instruments

3.9.1 Types of financial instruments

3.9.1.1 Equity instruments

Equity instruments include shares, units in collective investments, private equity investments and shares of hedge funds.

3.9.1.2 Debt instruments

Debt instruments include fixed-income securities such as bonds issued by the public sector, industrial companies, financial institutions and other companies. Structured products with one (or several) embedded derivative financial instrument (s) which contain a fixed-interest security as an underlying instrument are also disclosed as debt instruments.

3.9.1.3 Mortgages and loans

Mortgages and loans comprise mortgage loans on residential and commercial properties, registered debt instruments, policy loans and time deposits with a maturity of more than 90 days as of the date of acquisition.

3.9.1.4 Derivative financial instruments

A derivative financial instrument is a financial instrument whose value changes mainly in response to the variation of the underlying interest rate, exchange rate, financial instrument or similar variable. A derivative requires no investment or only a minor initial investment and is settled at a later point in time.

Nationale Suisse purchases derivative financial instruments for economic hedging purposes. They are either recognised in the category at fair value through profit or loss (FVTPL, Held for trading) or designated as hedging instrument according to IAS 39 (Hedge accounting). Nationale Suisse applies hedge accounting exclusively for the hedge of a net investment in a foreign operation.

If a hedging relationship is accounted for as net investment hedge under IFRS, it is treated similarly to a cash flow hedge. This means that the effective portion of the change in fair value of the hedging derivative is recognised directly in other comprehensive income in equity. Any gain or loss relating to the ineffective portion of the hedging relationship is recognised in the income statement. Amounts accumulated in equity are recycled to profit or loss upon disposal of the foreign operation.

Derivative financial instruments are measured at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value on each closing date.

Derivative financial instruments embedded in structured products that have no close economic links with the underlying instrument are not unbundled but designated as FVTPL.

Derivative financial instruments with positive fair values are recognised as financial assets; those with negative fair values are carried as financial liabilities under Derivative financial instruments.

3.9.2 Categories of financial instruments

Nationale Suisse assigns its equity and debt instruments to the categories “Held To Maturity” (HTM), “Available For Sale” (AFS) and “Fair Value Through Profit or Loss” (FVTPL). Mortgages and loans are assigned to the “Loans And Receivables” (LAR) category.

The classification depends on the intention underlying the purchase of the investment. Management designates the category upon acquisition and reviews it on each closing date.

3.9.2.1 Held to maturity investments

Debt instruments with fixed or determinable payments that the Group has the intention and ability to hold to maturity and that do not meet the definition of the category LAR are categorised as HTM.

3.9.2.2 Available for sale instruments

Equity or debt instruments held for an indefinite period that do not meet the definition of another category are categorised as AFS.

3.9.2.3 Financial instruments designated as at fair value through profit or loss

Equity or debt instruments in the FVTPL category comprise securities held for trading purposes or designated as belonging to this category upon initial recognition.

Financial instruments held for trading are acquired with the intention of selling the financial instrument in the short term in order to realise a gain. Derivatives are also categorised as Held for trading.

Financial instruments whose management and performance measurement are on the basis of fair value or financial instruments with embedded derivatives which are not unbundled are categorised irrevocably as FVTPL at initial recognition.

The same applies to financial instruments held for the account and at the risk of life insurance policyholders measured at fair value through profit or loss (FVTPL).

3.9.2.4 Loans and receivables (LAR)

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and not categorised as AFS or FVTPL. Financial instruments are deemed to be quoted in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

3.9.2.5 Recognition, measurement and derecognition of financial instruments

All purchases and sales of financial instruments are recognised on the settlement date (the date on which a financial instrument is delivered to or by Nationale Suisse).

A financial instrument is derecognised from the balance sheet only if risks, rewards and control have been transferred to third parties and the contractual rights to the cash flows from the asset expire.

Financial instruments are initially (purchase) recognised at fair value. Directly attributable transaction costs are capitalised as acquisition costs with the exception of financial instruments in the FVTPL category.

Financial instruments in the categories AFS and FVTPL are measured at fair value on the closing date. Realised and unrealised gains and losses on financial instruments in the FVTPL category are recognised in profit or loss on the date of their occurrence. Unrealised gains and losses on non-impaired equity instruments (non-monetary) in the category AFS are recognised directly in equity in Accumulated other comprehensive income. Unrealised gains and losses on non-impaired debt instruments (monetary) in the category AFS are analysed and recognised as follows:

- Adjustment of amortised cost using the effective interest method in Income from financial instruments
- Currency translation differences from the translation of the transaction currency into the functional currency in Gains and losses on financial instruments and
- All other changes in fair value are recognised in Accumulated other comprehensive income in equity.

If financial instruments in the category AFS are sold or impaired, a transfer is made from Accumulated other comprehensive income in equity to profit or loss.

Financial instruments in the categories HTM and LAR (mortgages and loans) are measured using the effective interest method at amortised cost.

The fair value of financial instruments is generally based on market prices. In the absence of a market price, the fair value is established using recognised valuation techniques. These include comparisons with current market transactions, reference to similar financial instruments and discounted cash flow analysis. The assumptions rely as far as possible on market inputs and as little as possible on internal estimates. See also Section 4.2.

If, in exceptional cases, there is no reliable estimate of fair value, the valuation is made at acquisition cost less any impairments.

See Section 3.18 for the treatment of impairment losses.

3.10 Deferred acquisition costs

Acquisition costs are not deferred in non-life business. In the case of single premiums with a long contract duration, see Section 3.21.2.1. Acquisition costs that are directly attributable to the acquisition of life insurance contracts with regular premiums and, according to the country concerned, include the acquisition cost loadings in the premium, are fully or partly capitalised and amortised over the term of the insurance contract or over the premium payment period.

3.11 Reinsurance assets

Receivables from business ceded to reinsurers are valued at nominal value less any impairments.

The position also includes balances due from reinsurers relating to their share of technical reserves calculated on the basis of the reinsurance contract structures. For the valuation of these receivables see Section 3.21. These positions are subject to an impairment test on the closing date. A potential impairment loss is thus calculated on an individual basis (see Section 3.18.6).

3.12 Receivables from insurance business

Receivables from insurance business are recognised at nominal value less any value adjustments for receivables at risk. See Section 3.18.7 (Impairment of receivables from insurance business).

3.13 Receivables from employee benefits

See Section 3.27 (Liabilities from employee benefits).

3.14 Other liabilities and accruals

Other liabilities and accruals are shown at nominal value less any impairment.

3.15 Current income tax assets

Current income tax assets are carried at their nominal value. This position mainly includes the amount by which income tax paid on account exceeds definitive income tax due and credit balances arising from differences between the provisional and expected definitive tax assessment.

3.16 Deferred income tax assets

Deferred income tax assets include credits from the effect on income tax of temporary differences arising between IFRS and tax values.

This position also contains capitalised tax loss carryforwards. These are capitalised if sufficient future taxable profits are expected in the foreseeable future against which they can be realised. Management assesses the recoverability of deferred tax assets on each closing date. If it is likely that all or part of deferred tax assets cannot be utilised, an impairment is recognised.

3.17 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term liquid investments with maturities of 90 days or less and are measured at nominal value.

3.18 Impairments, value adjustments

On each closing date Nationale Suisse reviews whether there are any objective indications suggesting that there could be a permanent impairment in the value of an asset or a group of assets.

Only financial assets in the FVTPL category and investment property measured at fair value do not require testing for a permanent impairment in value as any changes in fair value are recognised in profit or loss at the time of their occurrence.

3.18.1 Impairment of fixed and intangible assets

Intangible assets with an unlimited useful life (e.g. goodwill) are not amortised but subject to an annual impairment test. If there are objective indications of a possible impairment, additional impairment tests are carried out on the closing date. Intangible values are therfore allocated to the cash generating units (CGUs).

Intangible assets with a limited useful life and fixed assets are only subject to impairment testing if there are objective indications of a possible impairment.

Impairment exists when the book value exceeds the recoverable amount, which is the higher of

- Fair value less costs to sell and
- Value in use.

The value in use is an estimate of the future cash flows the CGU expects to derive from the assets. If the recoverable amount is lower than the book value, the difference is recognised as an impairment loss through profit or loss.

If a change has been made in the estimates used to determine the recoverable amount since the last impairment loss was recognised in profit or loss and a higher recoverable amount appears more accurate, the last impairment loss will be reversed up to the amortised cost. A reversal of an impairment loss will not exceed the amortised cost and be recognised in profit or loss similar to an impairment loss. Goodwill impairment cannot be reversed in subsequent periods.

3.18.2 Impairment of investments in associates

Investments in associates are tested for impairment if there is an indication of impairment.

3.18.3 Impairment of equity instruments

Nationale Suisse reviews on each closing date whether there are objective indications suggesting there could be an impairment in the value of equity instruments in the AFS category.

A considerable or persistent decline in fair value of a security below its amortised cost value is considered an objective indication of impairment. Nationale Suisse defines a decline of more than 30.0% below amortised cost as being considerable and a period of more than 12 months as being persistent. If one of the criteria is fulfilled, an impairment must be recognised.

In the case of an impairment, a transfer is made from Accumulated other comprehensive income in equity to profit or loss.

Impairment losses on AFS equity instruments are not reversed through profit or loss. Reversals of impairment losses are recorded until derecognition directly in Accumulated other comprehensive income in equity.

If an equity instrument has already been impaired, every additional reduction in fair value is likewise recognised in profit or loss.

3.18.4 Impairment of debt instruments

A financial asset is only impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. These events have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a debt instrument is impaired includes the following events:

- Significant financial difficulties experienced by the issuer;
- Breach of contract, such as postponement or default of interest or principal payments;
- Increased likelihood that the borrower will enter bankruptcy or restructure its organisation; or
- Disappearance of an active market for that financial asset due to financial difficulties.

3.18.4.1 Impairment of debt instruments carried at amortised cost

Financial assets in the HTM category are carried at amortised cost.

If there is objective evidence suggesting a permanent impairment in a financial asset carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset’s book value and recoverable amount (present value of expected future cash flows discounted at the asset’s original effective interest rate) and recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to objective facts, the previously recognised impairment loss is reversed in profit or loss.

3.18.4.2 Impairment of debt instruments carried at fair value

Financial assets in the AFS category are measured at fair value.

In the case of a permanent impairment, a transfer is made from Accumulated other comprehensive income in equity to profit or loss.

If the fair value of an impaired debt instrument in the AFS category recovers in subsequent reporting periods and the recovery can be related objectively to an event occurring after the impairment was recognised, the impairment will be reversed up to the amortised cost value. The amount of the reversal will be recognised in profit or loss.

3.18.5 Impairment of mortgages and loans

Mortgages and loans are valued at amortised cost and regularly tested for impairment. The positions are valued individually taking into account various risks, the existence of possible guarantees and the disposal value of any collateral. If there is objective evidence of a permanent impairment of mortgages and loans, an impairment is recognised in profit or loss. If the situation in a subsequent reporting period changes according to objective criteria, the former impairment is increased or reduced through profit or loss.

3.18.6 Impairment of reinsurance assets

If there is objective evidence of a permanent impairment of reinsurance assets, depending on the ageing structure of the receivables and the credit rating of the business partner, an impairment will be recognised on reinsurance assets and in profit or loss. If the situation in a subsequent reporting period changes according to objective criteria, the former impairment is increased or reduced through profit or loss.

3.18.7 Impairment of receivables from insurance business

If there is objective evidence suggesting a permanent impairment, depending on the ageing structure of the debtors, an impairment is recognised on receivables from insurance business in profit or loss. If the situation in a subsequent reporting period changes according to objective criteria, the former impairment created is increased or reduced through profit or loss.

3.19 Assets held for sale and assets from discontinued operations

Non-current assets or disposal groups that are available for immediate sale and that are highly probable to be sold within the near future (generally 12 months) are presented separately on the face of the balance sheet. Immediately before the initial classification of the assets as held for sale, those assets are measured according to the principles of the applicable accounting standard.

The assets are measured generally at their carrying amount as per date of reclassification or, if lower, at their fair value less costs to sell. When an asset has been reclassified to Assets held for sale, recognition of a systematic depreciation or amortisation is discontinued.

Contrary to the above mentioned measurement principle, deferred taxes, receivables and liabilities from employee benefits, financial instruments, investment property and insurance contracts continue to be measured in accordance with the accounting principles applicable for those items even after reclassification to Non-current assets held for sale. The result from non-current assets held for sale is not presented separately in the income statement and the statement of comprehensive income.

If the disposal group is a business area that will be discontinued in the near future, such as a significant line of insurance business or a major subsidiary, it is presented separately as an asset from discontinued operations on the face of the balance sheet. Measurement is analogue to those for assets held for sale. In the income statement and the statement of comprehensive income, discontinued operations are presented separately from continued operations for the current reporting period and the comparative period disclosed.

3.20 Shareholders' equity

3.20.1 Share capital

The reported share capital corresponds to the face value of shares issued by Swiss National Insurance Company Ltd, Basel.

3.20.2 Capital reserves

Capital reserves include the premium paid in excess of the face value of shares issued by Swiss National Insurance Company Ltd, Basel. The gains and losses from transactions with treasury shares and the accruals for share-based payments are also included in the capital reserves. The effects of changes in non-controlling interests (changes in the shareholding structure) are shown in capital reserves with the exception of Accumulated other comprehensive income.

3.20.3 Treasury shares

Shares of Swiss National Insurance Company Ltd held by the company itself or its subsidiaries are deducted from shareholders' equity at historical cost (including transaction costs) without any current adjustment to fair value. In the case of resale, the difference between the historical cost and sale price is recognised in the Capital reserves.

3.20.4 Accumulated other comprehensive income (net)

Accumulated other comprehensive income recognised directly in equity arises from net unrealised gains and losses on financial instruments classified as available for sale, remeasurement of the net definded benefit obligation, the effects from cash flow hedges or fair value adjustments from the reclassification of owner-occupied property to investment property.

This position also includes the share of Unrealised accumulated other comprehensive income of associates.

Accumulated other comprehensive income also includes Foreign currency translation reserves, which measure the effects of the translation of the functional currencies of subsidiaries with functional currencies other than the reporting currency (CHF), and hedges of net investments in a foreign company. Accumulated other comprehensive income (net) is adjusted for applicable deferred taxes and deferred dividends to policyholders.

Accumulated other comprehensive income is recognised after deduction of non-controlling interests.

3.20.5 Retained earnings

Retained earnings include undistributed profits and the profit or loss of Nationale Suisse for the current financial year. Dividend distributions to shareholders of Swiss National Insurance Company Ltd are recognised when approved by the Annual General Meeting. Retained earnings are reported after deduction of non-controlling interests.

3.20.6 Non-controlling interests

Non-controlling interests are those interests in the equity of group companies that are attributable to a third party based on the shareholder structure.

3.21 Technical reserves for insurance contracts

3.21.1 Classification of insurance contracts

Under IFRS 4 an insurance contract is defined as "a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". There is an insurance risk if it is uncertain at the time of the contract conclusion whether an insured event will occur, when it will occur or what amount the insurer will have to pay in compensation when it occurs. An insurance risk is significant if an insured event would, in a probable scenario, cause an insurer to pay significantly more than in a scenario where the insured event does not occur.

Nationale Suisse defines as significant insurance risk the possibility of having to pay benefits upon the occurrence of an insured event that are at least 5.0% more than the guaranteed benefits would have been if the insured event did not occur. Contracts from the insurance portfolio that do not fulfil this criterion are classified and presented as financial contracts.

Insurance contracts and financial contracts contain a discretionary participation feature (DPF) as a supplement to guaranteed benefits when the following criteria are met:

- The additional benefits as part of the participation feature are likely to be a significant portion of the total contractual benefits;
- Their amount or timing is contractually at the discretion of the insurer;
- The additional benefits are contractually based on the performance of a specified pool of contracts or a specified type of contract, include returns on investments or the profit or loss of the company or other entity that issues the contract.

Nationale Suisse regards the proportion of discretionary participation feature benefits as significant if it accounts for at least 5.0% of the guaranteed benefits or 5.0% of the interest earned on the deposit component laid down in the contract.

Insurance contracts and financial contracts with a DPF that fulfil the above criteria are measured in accordance with IFRS 4. Contracts that involve neither a significant insurance risk nor contain a discretionary participation feature are accounted for as financial contracts in accordance with IAS 39.

Insurance contracts that contain a deposit component in addition to insurance components must under certain conditions be accounted for as if they were separate contracts (unbundling) in accordance with IFRS 4. The insurance portfolio of Nationale Suisse contains no contracts that require unbundling.

IFRS 4 makes exceptions for the treatment of financial derivatives embedded in insurance and financial contracts with DPF. Such embedded derivatives that fulfil the definition of an insurance contract require no separate measurement. In the case of Nationale Suisse this applies for guaranteed pension conversion rates and guaranteed surrender values in life business.

3.21.2 Actuarial reserves, non-life

3.21.2.1 Unearned premium reserves

The shares of premiums applicable to future periods are generally deferred by contract on a pro rata temporis basis. The deferral is based in individual cases on an actuarial estimation method for individual contracts or for a portfolio of contracts. The deferred share of premium and any provisions for premium deficiency in the financial year (anticipated losses) form the unearned premium reserves and are reported in the technical reserves. For single premiums with a long contract duration, acquisition costs are deducted for the determination of unearned premium reserves.

3.21.2.2 Claims reserves

Reserves are recognised for all claims that have occurred up to the closing date. They represent an estimate of the payments and settlement expenses that will be incurred for these claims in future.

The procedure adopted to calculate the claims reserves is based on actuarially recognised mathematical and statistical methods and on the experience of the claims handling experts. The actual amount set aside also takes into account the loss experience of past years and future expectations. The aim is to achieve a claims reserve that is as realistic as possible in consideration of the estimation uncertainties described in Section 7.2.

The uncertainty inherent to the insurance business, in particular due to the use of models and parameters that need to be estimated, cannot be eliminated fully by the processes used. This uncertainty can be minimised, however, via continuous monitoring and adjustment of reserves. Changes in the measurement of the claims reserves and claims settlement costs for non-life business are recognised in profit or loss (for more information see Section 7.2).

The claims reserves in the non-life business of Nationale Suisse are undiscounted with exception of the reserves for annuities. Reserves for cases of retirement and disability that are presented within the reserves for annuities are capitalised using actuarial assumptions such as mortality and the technical interest rate.

3.21.2.3 Reserves for dividends to policyholders

Some insurance contracts may provide for a share of surplus to be paid to policyholders in the absence of claims. Reserves are created on an undiscounted basis out of which these payments are made. The payments and corresponding change in reserves are charged to profit or loss as dividends to policyholders.

3.21.2.4 Liability Adequacy Test (LAT) non-life

Nationale Suisse performs a Liability Adequacy Test on each closing date in accordance with IFRS 4. This assesses whether the reserves for non-life business on the closing date are adequate, taking into account any Present Value of Future Profits (PVFP) in order to cover future expected cash flows and thus guarantee the loss-free settlement of claims. The expected undiscounted cash flow is the difference between the anticipated claims expenses, including claims incurred but not yet reported, claims handling expenses, administrative and acquisition costs and the future dividends paid to policyholders and the expected premium income.
If the LAT reveals a shortfall, the actuarial reserves are increased after amortisation of any existing PVFP. In the case of a surplus, reserves are not released.

3.21.3 Actuarial reserves, life
3.21.3.1 Reserves and provisions for pending claims

Reserves arising from life insurance business are determined based on local reserving methods and according to established actuarial principles. The actuarial assumptions for the determination of the reserving requirement are based on the local accounting principles. A safety reserve that may be required by local accounting policies and that has to be regarded as margin or fluctuation reserve, remains unconsidered.
The reserves also comprise premium accruals.

3.21.3.2 Liability Adequacy Test (LAT) life

A Liability Adequacy Test (LAT) is performed on each closing date for life insurance business. This assesses whether the reserves recognised according to the above valuation principles, after taking into account the capitalised acquisition costs and any PVFP, are sufficient to cover future reserving requirements. This involves ensuring that the reserves available are adequate for each closing date on the basis of current best estimates for actuarial assumptions. If the reserving requirement is higher than the reserves available, these reserves are increased to the economically necessary level on the closing date and the impact included in profit or loss after amortisation of the capitalised acquisition costs and any PVFP. Reserves are not released in case of a surplus.

3.21.3.3 Reserves for unit-linked contracts

The actuarial reserves for unit-linked contracts correspond to the fair value of the fund units to which the policyholder is entitled. The performance of the units is recognised in profit or loss in the same way as the corresponding change in the reserves. Reserves for insurance components are additionally reported in Reserves for policyholder benefits.

3.21.3.4 Reserves for dividends to policyholders

All policyholders of traditional life insurance contracts are generally entitled to a discretionary participation in surplus. In most cases the surplus is accrued in an account within the insurance contract and earns interest. Other forms of surplus participation are premium reductions or an increase in benefits to be paid out. Any surplus that has been used to finance an increase in guaranteed insurance benefits is reported in Reserves for policyholder benefits. These reserves are measured according to local accounting principles and remain unchanged under IFRS.
There is a contractual or legal obligation applicable to a part of the life business to distribute a minimum amount of profit to policyholders. If valuation differences between IFRS accounting principles and local accounting principles result for such contracts, a deferred profit is recorded on the basis of these differences. Any negative surplus is not recognised. No deferred profit is recognised for all other life insurance contracts with DPF components for which there are no contractual or statutory provisions for a minimum "quote".

3.22 Liabilities from financial contracts

Insurance contracts that involve no significant insurance risk are recognised as financial contracts. See Section 3.21.1 for information on the classification of insurance contracts.

3.22.1 Liabilities for financial contracts with a discretionary participation feature (DPF)

Financial contracts with a discretionary participation feature (DPF) are insurance contracts that do not involve a significant risk transfer but provide dividends to policyholders. These financial contracts with a discretionary participation feature are measured according to the accounting principles for life insurance contracts. Financial contracts with a discretionary participation feature are recognised in the balance sheet under Liabilities from financial contracts but in the income statement under technical positions.

3.22.2 Liabilities for financial contracts carried at amortised cost without DPF

Liabilities for financial contracts carried at amortised cost are mainly capitalisation products from insurance business that do not fulfil the criteria of an insurance contract. They are measured at amortised cost. Income and expenses from financial contracts carried at amortised cost without DPF are disclosed in other operating income / expenses.

3.22.3 Liabilities for financial contracts measured at fair value through profit or loss without DPF

Financial contracts under which the policyholder bears the investment risk are carried under Liabilities for financial contracts measured at fair value through profit or loss. Any change in the fair value is attributable exclusively to a change in the performance of the financial assets in question. Income and expenses from financial contracts measured at fair value through profit or loss without DPF are disclosed in other operating income / expenses.

3.23 Financial liabilities

Nationale Suisse reports loans and liabilities from finance leases under financial liabilities. Loans are measured upon initial recognition at fair value less transaction costs. On the closing date loans are valued at amortised cost, with the difference between acquisition cost and the amount to be repaid recorded in Financing costs over the term of the loan using the effective interest method through profit or loss. A financial debt is derecognised as soon as the debt is extinguished.

3.24 Financial provisions

Financial provisions are set aside for restructurings, lawsuits and onerous contracts for a current legal or constructive obligation that leads to a future probable outflow of resources.

The measurement of the financial provision is based on the current best estimate and, whenever possible, on probable future developments.

Provisions are measured individually. Long-term provisions, i.e. those with terms exceeding 12 months, must be measured at present value if the interest rate effect is material. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. A provision is reversed if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

No provisions are set aside for contingent liabilities and future commitments. These are disclosed in the notes to the consolidated financial statements.

3.25 Derivative financial instruments

These refer to negative replacement costs relating to derivatives. See Section 3.9.1.4 for information on the recognition and measurement of derivative financial instruments.

3.26 Payables from insurance business and reinsurance

Payables from insurance business and reinsurance are measured at nominal value.

3.27 Liabilities from employee benefits

Liabilities from employee benefits of Nationale Suisse to its employees include all forms of compensation granted in exchange for services performed by the employees or under special circumstances. The following obligations can arise in respect of such benefits: short-term benefits (such as salaries), long-term benefits (such as jubilee benefits), post-employment benefits (such as pensions) and termination benefits (such as termination indemnities and benefits from redundancy plans).

3.27.1 Liabilities from short-term employee benefits

Liabilities from short-term employee benefits are those benefits paid within 12 months of the end of the reporting period, e.g. wages, salaries, social security contributions, vacation, overtime and non-monetary benefits paid to current employees. Short-term benefits are recorded on an accrual basis.

3.27.2 Liabilities from long-term employee benefits

Liabilities from long-term employee benefits are those benefits not payable within 12 months of the closing date. For Nationale Suisse these mainly consist of long-service benefits, which are determined according to actuarial principles. The carrying amounts in the balance sheet correspond to the cash value of the actuarially calculated obligations.

3.27.3 Liabilities from post-employment benefits

Post-employment benefits mainly involve pension benefits for the employees. Those are divided into defined benefit plans and defined contribution plans. For a more detailed description of the plans exisiting within the Group, please see chapter 16.2.

The present value of the defined benefit obligation is determined annually for each of the pension plans by an independent insurance expert using the projected unit credit method. The actuarial assumptions underlying the calculations are based on the requirements in the countries and Group companies concerned.

If the pension plan is financed by a fund, the plan assets are accounted for at fair value.

For each plan actuarial gains and losses will result from changes in the assumptions made, differences between the calculated interest on plan assets and the actual return thereon as well as from differences between the effectively acquired claims for benefits and those calculated using actuarial assumptions.

The actuarial gains and losses are recognised directly in equity as other comprehensive income.

If the pension obligations are financed via an independent entity, excess cover may result if the fair value of plan assets exceeds the present value of defined benefit pension obligations. This surplus is only capitalised and recognised as an asset if it leads to an economic benefit in the form of reductions in future contributions or cash refunds to the employer. A reduction in contributions for the purposes of IFRS occurs if the contributions that the employer has to pay, fall below the service cost for the period. In addition, new actuarial gains and losses are analysed to determine if they cause an additional increase or decrease in capitalised assets.

A past service cost resulting from an immediate increase of benefits is recognised immediately in profit or loss. If the increase in benefits is vested in the future, past service cost is amortised on a straight-line basis over the vesting period.

Contributions to defined contribution plans made on a contractual, mandatory or voluntary basis are recognised immediately in profit or loss when they are due. The Group has no further payment obligations once the contributions have been paid.

3.27.4 Termination benefits

Termination benefits include, for example, termination indemnities, continued salary payments and benefits from redundancy plans. Such benefits are immediately recognised as an obligation at the end of the employment relationship and are charged to the income statement as an expense.

3.27.5 Liabilities arising from share-based payment transactions

Nationale Suisse operates plans in which shares are granted as part of total remuneration. These plans are described in Note 16. The remuneration granted under these plans represents consideration for services already rendered for which employee benefit expenses are incurred for the Group. The amount of the employee benefit expenses is determined with reference to the fair value of the shares granted and distributed over the period between allocation and expiry (i.e. the vesting period). The exercise likelihood (shares or cash) is taken into account in the case of plans that provide the option of receiving the remuneration in the form of cash or shares. The accrual of the remuneration granted in the form of shares is made in equity (capital reserves). A liability is recorded in the balance sheet for the part of the remuneration under the plan paid out in cash.

3.28 Other liabilities, accruals and deferrals

Other liabilities are measured at nominal value.

3.29 Current income tax liabilities

Current income tax liabilities are recognised in the balance sheet at nominal value. These mainly consist of accruals for current income taxes of the reporting year.
Liabilities from tax periods of previous years which have not yet been finally assessed may also be included. These arise from the differences between the provisional and expected final tax assessment.

3.30 Deferred income tax liabilities

Deferred income tax includes the income tax effects of temporary differences between the IFRS and tax basis of assets and liabilities. Deferred income tax is determined according to the liability method using current or expected future tax rates.
Where the criteria for doing so are met, deferred tax assets and liabilities are offset and reported as a net figure. This is usually the case where the tax jurisdiction, tax entity and tax type are identical.

3.31 Liabilities related with assets held for sale and from discontinued operations

This position comprises the liabilities related with the assets held for sale and the liabilities from discontinued operations. For measurement see chapter 3.19.

3.32 Recognition of income and expenses

Income is recognised at the fair value of the consideration received or to be claimed. Intra-group transactions and the profits and losses arising from these are eliminated. The recognition of income and expenses is described in the following sections.

3.32.1 Revenue recognition

In general, sales revenue is recognised when it is probable that the economic benefits from the transaction will flow to the company and when these economic benefits can be estimated reliably.

3.32.1.1 Booked and earned premiums

Gross written premiums reflect the premiums for insurance contracts and financial contracts with DPF that became due and payable in the current financial year as well as premiums not yet invoiced but earned in accordance with local principal.
The portion of premiums due in future financial periods is generally deferred by contract on a pro rata temporis basis. In some cases the deferral is based on an actuarial estimation method applied to individual contracts or to a portfolio of contracts. Together with any provisions for premium deficiency in the financial year (anticipated losses), deferred premiums form the unearned premium reserves and are reported in the Technical reserves. Unearned premium reserves are disclosed separately in non-life business; in life business they are part of Reserves for policyholder benefits.
Premiums due in the financial year are reported as premiums earned. In non-life business they comprise written premiums and changes in the unearned premium reserves. In life business they correspond to the written premiums as premium accruals flow directly to Reserves for policyholder benefits.

3.32.1.2 Financial income: debt instruments

The following are included in financial income:
- Current interest income based on a cash inflow;
- Accrued interest for the period;
- Value adjustments arising from the amortised cost method (write-ups). This corresponds to the income from the effective interest method.

3.32.1.3 Financial income: dividend income

Dividend income on equity instruments is recognised in the income statement under Financial income as soon as there is a legal right to payment.

3.32.2 Allocation of costs to income statement items

Costs are generally recognised at the level of cost type and cost centre according to the organisational structure. They are subsequently allocated directly to the cost units (business areas, lines of business) and cost categories (acquisition costs, claims handling costs, cost for investment management and administrative costs) with the aid of service level agreements or by using distribution keys. Costs are as far as possible allocated on a source-related basis. In a final step, the costs allocated to cost categories are assigned to the income statement items Acquisition costs, Claims and benefits paid, Investment management costs, Result from investment property (net), Operating and administrative costs for insurance business as well as Other operating expenses.
Furthermore, costs are allocated directly to the above mentioned income statement items without any prior internal cost allocation.

3.32.3 Acquisition costs

Acquisition costs include costs attributable to new business such as personnel expenses and cost of materials and infrastructure (cost of premises, IT, out-of-pocket expenses, other operating resources) of the sales force. Internal costs directly associated with policy acquisitions are also included. Acquisition costs from the cost allocation are reported in the income statement under Acquisition costs. This position also includes costs directly attributable to new business such as commissions (acquisition and portfolio commissions, broker commissions) and the change in deferred acquisition costs in the life business.

3.32.3.1 Claims handling costs

Claims handling costs include the costs of settling claims. They include all directly attributable claims service costs and pro rata cost of materials and infrastructure. The claims handling costs are reported the income statement under the position Claims and benefits paid.

3.32.3.2 Asset management costs

The costs for asset management are the internal and external costs of managing financial investments and investment property. In addition to directly attributable costs these costs include the costs of materials and infrastructure. The costs for asset management are reported in the income statement under the line items Investment management costs and Result from investment property (net).

3.32.3.3 Administrative costs

Administrative costs include all costs not allocated to Acquisition costs, Claims handling costs or Investment management costs. Administrative costs which can be allocated to the insurance business are reported in the income statement under the position Operating and administrative costs for insurance business. Administrative costs which cannot be allocated to the insurance business are reported under Other operating expenses and mainly relate to Other company costs (mainly expenses for group functions and strategic projects) and to costs of companies that are not active in insurance business.

3.32.4 Leasing

3.32.4.1 Nationale Suisse as a lessee

Leasing contracts in which the lessee assumes all the risks and rewards incidental to ownership of an asset are accounted for as finance leases. At the inception of the lease the lower of the fair value of the leased asset or the present value of the leasing payments is capitalised under Fixed assets and is depreciated over the shorter of the asset's economic life or lease term. In return the capitalised leasing liability is recognised under Liabilities for finance leases.
Lease payments are broken down into an interest and a debt repayment component. The interest is recognised in the profit or loss and the repayment recorded as a reduction in the amount of the leasing liability recorded upon commencement of the lease term.
All other leases are classified as operating leases. The lease payments are recognised in profit or loss as an expense on a straight-line basis over the lease term after deduction of any benefits.
Nationale Suisse had no financial lease agreements during the reporting period.

3.32.4.2 Nationale Suisse as a lessor

Investment properties rented out under operating lease agreements are reported as Investment property in the consolidated balance sheet. Nationale Suisse had no other lease agreements in the capacity of lessor during the reporting year.

4 Critical estimates and judgements in the application of accounting policies

The consolidated financial statements of Nationale Suisse include estimates and assumptions that could influence the financial statements of subsequent financial years. Estimates and the discretionary power of management are continually reviewed and are based on experience and other factors including expectations of future events considered reasonable on the date on which the balance sheet is prepared.

4.1 Estimation uncertainties specific to insurance

4.1.1 Risks in non-life and life business specific to insurance

These are described in detail in Sections 7.2 and 7.3.

4.2 The fair value of financial instruments

Nationale Suisse allocates the financial instruments to the various categories detailed in Section 3.9. Financial instruments in the categories FVTPL and AFS are measured at fair value. The fair value of those financial instruments in the categories HTM and LAR, which are measured at amortised cost, is disclosed in the Notes.

Wherever possible, the fair value of a financial instrument is based on quoted prices at which an asset or liability could be exchanged between two knowledgeable, willing parties in an arm's length transaction on an active market (see Section 3.9.2.4 for the definition of an active market).

Where the fair value can be ascertained from prices on an active market (share prices), the financial instrument is classified as "Level 1" according to the measurement hierarchy laid down in IFRS 7.

If open market prices are not available, the fair value of financial instruments is determined on the basis of generally recognised valuation methods, a comparison with current market transactions or with reference to transactions with similar financial instruments. If the measurement of these financial instruments is mostly based on observed market data, the instruments are classified as "Level 2". If, however, at least one material, non-observable parameter is used in determining the value, the instrument is classified as "Level 3".

Management assumptions are used in the fair value calculations for financial instruments in Level 2 and 3. Consequently, more estimation uncertainties exist for these financial instruments than for those classified as Level 1. The fair value of financial instruments classified as Levels 2 and 3 is determined as follows: The fair value of bonds on inactive markets is determined on the basis of an inte rnal model. This model considers the issuer's rating, observable risk premiums and the current yield curve.

The fair value of private equity assets is based on discounted cash flow methods (DCF) or on recent transactions of a comparable nature.

The fair value of hedge funds is based on published net asset values (NAVs); the fair value of funds of funds is based on the NAVs of the single hedge funds which they contain.

The fair value of derivatives is based on models commonly used in the market.

For liabilities under financial contracts measured at fair value through profit or loss where a third party bears the investment risk, the fair value is determined on the basis of the underlying asset values.

4.3 Held to maturity debt instruments

Fixed maturity debt instruments which Nationale Suisse is able and intends to hold until maturity are categorised as HTM and measured at amortised cost. If, for any reason, this estimate must be revised, and material holdings are sold, all Group investments allocated to this category are reclassified to AFS and measured at fair value. Excempt from that rule are disposals or reclassifications that meet the conditions of IAS 39 para 9.

4.4 Impairment of financial instruments

4.4.1 Impairment of equity instruments in the AFS category

Equity instruments are considered impaired if the fair value lies considerably or persistently below the historical cost. Nationale Suisse considers an equity investment as considerably or persistently below cost when, at the closing date, the fair value is more than 30.0 % below historical cost or has been below the acquisition cost for more than 12 months. In this case an impairment is recorded through profit or loss.

4.4.2 Impairment of AFS and HTM debt instruments and of mortgages and loans

In its assessment of whether an impairment should be recognised for a debt instrument in profit or loss, management considers the following objective factors:

- Significant financial difficulties of the issuer
- Breach of contract, such as postponement or default of interest or principal payments
- Increased likelihood that the borrower will enter bankruptcy or restructure its organisation
- Disappearance of an active market for that financial asset due to financial difficulties.

Where available, analyst reports and evaluations issued by rating agencies are also taken into consideration in the assessment of an impairment.

4.5 Impairment of assets (excl. financial instruments)

Assets are regularly assessed for impairment under the relevant IFRS standard. This involves carrying out a comparison of the carrying amount with the recoverable amount.

The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

The fair value less costs to sell can be most reliably determined when a binding sale agreement for the asset exists, or when there is an observable market. Where this is impossible, the fair value and the costs of selling of an asset must be estimated on the basis of the best information available and taking into account the most recent transactions for similar assets within the same industry. The effective values may deviate from this estimate.

The calculation of the value in use is based on assumptions and estimates relating to the expected future cash flows from an asset or the cash-generating unit (CGU) to which it belongs. The calculation of an asset's present value is based on an estimated useful life, which may deviate from the actual useful life. An adequate risk adjusted discount rate is selected for the calculation of the present value of these cash flows.

In order to determine which group of assets should be treated as a CGU, reasonable assumptions must be made. The central element in these assumptions is the independent generation of cash inflows.

Detailed information on the impairment of assets can be found in Section 3.18.

4.6 Pension plans (or employee benefit obligations)

Nationale Suisse operates several defined benefit plans. The determination of the Group's liability for these plans is based on critical estimates of death rates, staff turnover, disability, early retirement, discount rates, expected long-term returns on investments, future rates of salary increases and future adjustments to pension benefits. Due to the long-term nature of the calculations, the assumptions carry material uncertainty and may deviate from actual results.

A sensitivity analysis is disclosed in section 16.2.7.

5 Segment reporting

Segment reporting is prepared on the basis of IFRS 8 and on the accounting bases applied by Nationale Suisse.
Operating segment reporting consists of internal reporting to the Chief Operating Decision Maker (CODM). At Nationale Suisse, the role of CODM is held by the CEO. He manages the business primarily according to product groups and operating units who write the business and allocates the necessary resources with due regard to regulatory requirements.

Nationale Suisse operates the following business segments according to IFRS 8:
Non-life Switzerland
Non-life Foreign Countries
Individual Life Switzerland
Individual Life Foreign Countries
Group Reinsurance

The allocation to Switzerland or Foreign Countries is based on location for every operating unit that writes insurance business.
Results per segment are presented before tax and prior to the elimination of intra-group transactions. Group transactions within a segment have already been eliminated in this presentation.
The reconciliation to the income statement contains eliminations of intra-segment transactions and transactions with discontinued operations, reclassification of discontinued operations and other company costs not allocated to the operating segments.

Eliminations

Eliminations relate mainly to intra-group reinsurance contracts concluded for the purposes of pooling risks between the individual subsidiaries and the Group Reinsurance Segment. Intra-group financing transactions represent an additional material item.

Other company costs

Other company costs in the reconciliation of the position Other operating expenses comprise in particular the costs for strategic projects and the overheads of the Group functions.

5.1 Segment reporting:
Income Statement

2012 (in 1 000 CHF)	Non-life Switzerland	Non-life Foreign Countries	Individual Life Switzerland	Individual Life Foreign Countries
Gross written premiums – external revenue	865 810	402 253	184 058	60 362
Gross written premiums – internal revenue	1 631	0	0	0
Change in unearned premium reserves	–7 645	1 771	0	0
Earned premiums (gross)	**859 796**	**404 024**	**184 058**	**60 362**
Reinsurer's share of earned premiums	–75 202	–209 279	–1 112	–5 195
Earned premiums (net)	**784 594**	**194 745**	**182 946**	**55 167**
Income from financial instruments	29 399	8 574	50 240	12 881
Gains and losses on financial instruments	1 903	1 476	7 342	5 031
Result from investment property (net)	19 181	–786	34 124	22
Other operating income	23 288	4 475	735	2 099
Income per segment	**858 365**	**208 484**	**275 387**	**75 200**
Paid claims and benefits (gross)	–486 154	–270 926	–198 692	–71 133
Change in technical reserves (gross) and financial contracts with DPF	–7 594	5 800	–4 386	8 848
Reinsurers' share of paid claims and benefits and change in technical reserves	31 496	139 272	5	5 225
Acquisition costs	–146 827	–102 960	–31 891	–9 128
Operating and administrative costs for insurance business	–101 710	–28 004	–11 144	–6 579
Reinsurers' share of costs	11 151	68 078	0	554
Investment management costs	–4 079	–1 356	–8 462	–440
Other operating expense	–13 810	–10 952	–2 105	–4 716
Expenses per segment	**–717 527**	**–201 048**	**–256 675**	**–77 369**
Financing costs	–158	0	–2 700	0
Result from investments in associates	674	3	296	1
Result per segment before income taxes	**141 354**	**7 439**	**16 308**	**–2 168**

2012	Group Reinsurance	Total segments	Reconciliation	Group
Gross written premiums – external revenue	0	1 512 483	0	1 512 483
Gross written premiums – internal revenue	261 449	263 080	– 263 080	0
Change in unearned premium reserves	6 175	301	– 6 712	– 6 411
Earned premiums (gross)	**267 624**	**1 775 864**	**– 269 792**	**1 506 072**
Reinsurer's share of earned premiums	– 78 402	– 369 190	269 792	– 99 398
Earned premiums (net)	**189 222**	**1 406 674**	**0**	**1 406 674**
Income from financial instruments	0	101 094	0	101 094
Gains and losses on financial instruments	0	15 752	0	15 752
Result from investment property (net)	0	52 541	0	52 541
Other operating income	6 896	37 493	– 11 880	25 613
Income	**196 118**	**1 613 554**	**– 11 880**	**1 601 674**
Paid claims and benefits (gross)	– 161 105	– 1 188 010	158 150	– 1 029 860
Change in technical reserves (gross) and financial contracts with DPF	1 425	4 093	6 443	10 536
Reinsurers' share of paid claims and benefits and change in technical reserves	33 291	209 289	– 164 593	44 696
Acquisition costs	– 74 705	– 365 511	74 817	– 290 694
Operating and administrative costs for insurance business	– 2 207	– 149 644	0	– 149 644
Reinsurers' share of costs	10 454	90 237	– 74 817	15 420
Investment management costs	0	– 14 337	3 810	– 10 527
Other operating expense	– 538	– 32 121	– 31 975	– 64 096
Expenses	**– 193 385**	**– 1 446 004**	**– 28 165**	**– 1 474 169**
Financing costs	0	– 2 858	2 858	0
Result from investments in associates	0	974	0	974
Profit from continuing operations before income taxes	**2 733**	**165 666**	**– 37 187**	**128 479**
Profit from discontinued operations before income taxes			0	0
Profit before income taxes			**– 37 187**	**128 479**
Income taxes from continuing operations				– 24 998
Income taxes from discontinued operations				0
Profit after income taxes				**103 481**

2011 restated (in 1 000 CHF)	Non-life Switzerland	Non-life Foreign Countries	Individual Life Switzerland	Individual Life Foreign Countries
Gross written premiums – external revenue	799 007	417 894	193 912	89 577
Gross written premiums – internal revenue	874	0	0	0
Change in unearned premium reserves	– 18 060	– 308	0	0
Earned premiums (gross)	**781 821**	**417 586**	**193 912**	**89 577**
Reinsurer's share of earned premiums	– 68 457	– 220 395	– 3 707	– 5 896
Earned premiums (net)	**713 364**	**197 191**	**190 205**	**83 681**
Income from financial instruments	29 446	9 944	51 847	14 575
Gains and losses on financial instruments	2 059	– 6 286	1 654	– 14 595
Result from investment property (net)	51 050	431	30 343	81
Other operating income	23 021	10 890	4 320	4 103
Income per segment	**818 940**	**212 170**	**278 369**	**87 845**
Paid claims and benefits (gross)	– 429 025	– 274 474	– 225 202	– 65 580
Change in technical reserves (gross) and financial contracts with DPF	106 288	– 45 912	19 699	– 4 826
Reinsurers' share of paid claims and benefits and change in technical reserves	18 228	174 331	233	4 479
Acquisition costs	– 147 161	– 102 476	– 35 850	– 17 498
Operating and administrative costs for insurance business	– 107 258	– 35 811	– 9 840	– 9 956
Reinsurers' share of costs	20 401	73 208	0	768
Investment management costs	– 3 205	– 931	– 7 815	– 456
Other operating expense	– 12 081	– 17 153	– 5 329	– 5 526
Expenses per segment	**– 553 813**	**– 229 218**	**– 264 104**	**– 98 595**
Financing costs	– 201	– 268	– 3 073	0
Result from investments in associates	129	1	2 150	0
Result per segment before income taxes	**265 055**	**– 17 315**	**13 342**	**– 10 750**

Group Reinsurance	Total segments	Reconciliation	Group	2011 restated
0	1 500 390	0	1 500 390	Gross written premiums – external revenue
280 766	281 640	– 281 640	0	Gross written premiums – internal revenue
– 4 768	– 23 136	4 197	– 18 939	Change in unearned premium reserves
275 998	**1 758 894**	**– 277 443**	**1 481 451**	**Earned premiums (gross)**
– 82 569	– 381 024	277 443	– 103 581	Reinsurer's share of earned premiums
193 429	**1 377 870**	**0**	**1 377 870**	**Earned premiums (net)**
0	105 812	– 37	105 775	Income from financial instruments
0	– 17 168	0	– 17 168	Gains and losses on financial instruments
0	81 905	0	81 905	Result from investment property (net)
7 333	49 667	– 10 558	39 109	Other operating income
200 762	**1 598 086**	**– 10 595**	**1 587 491**	**Income**
– 158 686	– 1 152 967	159 415	– 993 552	Paid claims and benefits (gross)
– 21 112	54 137	26 349	80 486	Change in technical reserves (gross) and financial contracts with DPF
41 376	238 647	– 185 764	52 883	Reinsurers' share of paid claims and benefits and change in technical reserves
– 88 127	– 391 112	87 942	– 303 170	Acquisition costs
– 2 146	– 165 011	0	– 165 011	Operating and administrative costs for insurance business
25 553	119 930	– 87 942	31 988	Reinsurers' share of costs
0	– 12 407	4 004	– 8 403	Investment management costs
– 554	– 40 643	– 43 177	– 83 820	Other operating expense
– 203 696	**– 1 349 426**	**– 39 173**	**– 1 388 599**	**Expenses**
0	– 3 542	3 094	– 448	Financing costs
0	2 280	0	2 280	Result from investments in associates
– 2 934	**247 398**	**– 46 674**	**200 724**	**Profit from continuing operations before income taxes**
		7 459	7 459	Profit from discontinued operations before income taxes
		– 39 215	**208 183**	**Profit before income taxes**
			– 41 851	Income taxes from continuing operations
			– 1 402	Income taxes from discontinued operations
			164 930	**Profit after income taxes**

5.2 Segment reporting:
Assets and liabilities

31.12.2012 (in 1 000 CHF)	Non-life Switzerland	Non-life Foreign Countries	Individual Life Switzerland	Individual Life Foreign Countries
Fixed and intangible assets	94 759	24 620	22 082	7 481
Investments in associates	10 708	161	27 115	46
Investment property	329 355	57 131	534 667	1 168
Financial instruments	1 282 949	291 039	2 142 237	385 226
Deferred acquisition costs (DAC)	0	0	61 616	283
Reinsurance assets	108 540	286 339	7 358	35 149
Assets held for sale	0	0	0	0
Technical reserves	– 1 438 742	– 490 722	– 2 392 698	– 274 005
Liabilities from financial contracts	0	0	– 2 161	– 133 192
Other assets and liabilities	– 223 061	– 25 736	– 49 579	7 184
Net assets by segment	**164 508**	**142 832**	**350 637**	**29 340**

31.12.2011 restated (in 1 000 CHF)	Non-life Switzerland	Non-life Foreign Countries	Individual Life Switzerland	Individual Life Foreign Countries
Fixed and intangible assets	96 150	24 611	22 868	8 968
Investments in associates	109	160	36 754	46
Investment property	318 650	63 964	504 439	1 196
Financial instruments	1 209 545	329 552	2 060 667	402 396
Deferred acquisition costs (DAC)	0	0	63 717	354
Reinsurance assets	102 360	295 139	8 365	38 588
Assets held for sale	0	0	5 599	0
Technical reserves	– 1 427 799	– 503 016	– 2 387 990	– 285 001
Liabilities from financial contracts	0	0	– 2 483	– 130 209
Other assets and liabilities	– 29 897	– 83 657	3 029	– 21 920
Net assets by segment	**269 118**	**126 753**	**314 965**	**14 418**

Group Reinsurance	Total Segments	Reconciliation	Group	31.12.2012 (in 1 000 CHF)
0	148 942	0	148 942	Fixed and intangible assets
0	38 030	0	38 030	Investments in associates
0	922 321	0	922 321	Investment property
0	4 101 451	0	4 101 451	Financial instruments
0	61 899	0	61 899	Deferred acquisition costs (DAC)
142 362	579 748	– 411 223	168 525	Reinsurance assets
0	0	0	0	Assets held for sale
– 402 102	– 4 998 269	402 749	– 4 595 520	Technical reserves
0	– 135 353	0	– 135 353	Liabilities from financial contracts
262 500	– 28 692	366 727	338 035	Other assets and liabilities
2 760	**690 077**	**358 253**	**1 048 330**	**Net assets excluding income tax assets and liabilities**
			– 154 480	Current and deferred income tax assets and liabilities
			893 850	**Total Equity**

Group Reinsurance	Total Segments	Reconciliation	Group	31.12.2011 restated (in 1 000 CHF)
0	152 597	0	152 597	Fixed and intangible assets
0	37 069	0	37 069	Investments in associates
0	888 249	0	888 249	Investment property
0	4 002 160	658	4 002 818	Financial instruments
0	64 071	0	64 071	Deferred acquisition costs (DAC)
138 333	582 785	– 415 155	167 630	Reinsurance assets
0	5 599	0	5 599	Assets held for sale
– 413 492	– 5 017 298	406 683	– 4 610 615	Technical reserves
0	– 132 692	0	– 132 692	Liabilities from financial contracts
272 224	139 779	225 703	365 482	Other assets and liabilities
– 2 935	**722 319**	**217 889**	**940 208**	**Net assets excluding income tax assets and liabilities**
			– 145 165	Current and deferred income tax assets and liabilities
			795 043	**Total Equity**

5.3 Segment reporting: Premium income (gross) from external clients by lines of business

Premium income (gross) from external clients by types of insurance business	2012		2011 restated	
	in 1 000 CHF	in %	in 1 000 CHF	in %
Health / Accident	205 275	13.6	185 354	12.4
Motor	420 427	27.8	423 899	28.3
Property	187 485	12.4	181 634	12.1
Technical	208 029	13.8	183 489	12.2
Marine	81 046	5.4	66 137	4.4
Liability	68 889	4.6	72 035	4.8
Other Non-life (incl. Travel)	96 912	6.3	104 353	7.0
Traditional life insurance	233 412	15.4	279 136	18.6
Life insurance for the account and at the risk of policyholders	11 008	0.7	4 353	0.2
Total Premium income (gross) from external clients	**1 512 483**	**100.0**	**1 500 390**	**100.0**

5.4 Segment reporting: Other information

2012 (in 1 000 CHF)	Non-life Switzerland	Non-life Foreign Countries	Individual Life Switzerland	Individual Life Foreign Countries	Group Reinsurance	Total segments
Additions to fixed assets, intangible assets, investments in associates and investment property	14 947	3 204	32 001	1	0	50 153
Depreciation on fixed assets and intangible assets	– 11 634	– 2 577	– 786	– 1 676	0	– 16 673

2011 restated (in 1 000 CHF)	Non-life Switzerland	Non-life Foreign Countries	Individual Life Switzerland	Individual Life Foreign Countries	Group Reinsurance	Total segments
Additions to fixed assets, intangible assets, investments in associates and investment property	20 759	2 317	46 312	9	0	69 397
Depreciation on fixed assets and intangible assets	– 10 687	– 3 087	– 786	– 1 627	0	– 16 187

6 Adoption of the revised standard IAS 19 «Employee Benefits»

In June 2011 the IASB issued the amended IAS 19. The revised standard is effective for reporting periods beginning on or after 1 January 2013. An early adoption is permitted. The Board of Directors decided in June 2012 to adopt the revised standard for the reporting period beginning on 1 January 2012. The comparison periods in this financial statements are restated accordingly.

The revised standard requires the recognition in other comprehensive income of all measurement changes in the present value of the defined benefit obligation and in the fair value of plan assets immediately in the period in which they occur. The option to defer the recognition of gains and losses, known as the corridor method, has been eliminated. In addition, the amended standard requires calculation of the net interest on the net defined benefit liability (asset) using the discount rate that is used to measure the defined benefit obligation. This removes the current concept of expected return on plan assets where income is credited with the expected long-term yield on the assets in the fund.

The amendment of the standard affects the accounting for the pension plans in Switzerland, Germany and Spain.

The following tables show the effect of the restatement on the items concerned in balance sheet, profit or loss and other comprehensive income.

Items restated on the consolidated balance sheet (in 1 000 CHF)	**31.12.2011 restated**	31.12.2011	**31.12.2010 restated**	31.12.2010
Total Assets	**6 209 885**	**6 260 677**	**7 802 457**	**7 834 495**
thereof Receivables from employee benefits	158	50 933	165	32 029
thereof Deferred income tax assets	13 848	13 865	3 512	3 686
Total Equity	**795 043**	**914 470**	**667 827**	**746 465**
thereof Accumulated other comprehensive income	– 102 354	14 280	– 99 475	– 20 837
thereof Retained earnings including profit or loss for the year	882 876	885 669	751 426	751 426
Total Liabilities	**5 414 842**	**5 346 207**	**7 134 630**	**7 088 030**
thereof Liabilities from employee benefits	172 518	68 740	139 618	69 817
thereof Deferred income tax liabilities	118 484	153 627	103 030	126 231
Discount rate applied (in %)	2.5	2.5	3.0	3.0

The amended standard leads to higher expenses for defined benefit plans, that are allocated to the cost categories acquisition costs, claims handling costs, costs for investment management and administrative costs (see Section 3.32.2). These costs are assigned to the income statement items Acquisition costs, Claims and benefits paid, Investment management costs, Result from investment property (net), Operating and administrative costs for insurance business and Other operating expenses. Under the amended standard the expenses for defined benefit plans increased for the financial year 2011 by CHF 3.6 million (after taxes CHF 2.8 million). The following table shows the effect on the income statement items affected.

Items restated in the consolidated income statement (in 1 000 CHF)	2011 restated	2011
Profit from continuing operations before income taxes	**200 724**	**204 348**
thereof Result from investment property (net)	81 905	81 979
thereof Paid claims and benefits (gross), incl. claims handling cost	– 993 552	– 993 067
thereof Acquisition costs	– 303 170	– 302 084
thereof Operating and administrative costs for insurance business	– 165 011	– 163 591
thereof Other operating expenses	– 83 820	– 83 261
Income taxes from continuing operations	– 41 851	– 42 682
Profit from continuing operations after income taxes	**158 873**	**161 666**
attributable to shareholders	158 617	161 410
Profit after income taxes	**164 930**	**167 723**
attributable to shareholders	164 525	167 318
Earning per share (in CHF)		
from continuing operations, basic / diluted	7.23	7.35
total, basic / diluted	7.49	7.61

Items restated in the consolidated statement of comprehensive income (in 1 000 CHF)	2011 restated	2011
Profit after income taxes	**164 930**	**167 723**
attributable to shareholders	164 525	167 318
Other comprehensive income from continuing operations after income taxes	**– 498**	**37 498**
thereof Actuarial gains / losses	– 49 228	0
thereof Foreign currency translation	2 320	2 345
thereof Deferred income taxes	652	– 10 605
attributable to shareholders	– 1 179	36 817
Other comprehensive income after income taxes	**– 2 247**	**35 749**
attributable to shareholders	– 2 884	35 112
Total comprehensive income	**162 683**	**203 472**
attributable to shareholders	161 641	202 430

7 Risk management

7.1 Basic principles

Nationale Suisse accepts risks when the following conditions are cumulatively met:

- the company's risk appetite is sufficient to take on the risks,
- the risks are an integral part of a business activity which in return generates enough earnings to justify taking the risks.

At the same time, Nationale Suisse endeavours to avoid given risks where any of the following conditions are satisfied:

- the company's risk appetite prohibits taking on the risks,
- assuming the risks is neither directly nor indirectly adequately compensated and their avoidance proves to be more cost-efficient than adopting alternative strategies,
- the risks cannot be rated.

7.1.1 Objectives and tasks

The overall goal of risk management at Nationale Suisse – Enterprise Risk Management (ERM) – is the preservation and enhancement of the enterprise value of Nationale Suisse in the long term.
Enterprise Risk Management promotes the understanding of risks and their impact by identifying, evaluating, analysing and monitoring the risks relevant to the attainment of the company's targets. In doing so, it also creates the bases for monitoring, controlling and, wherever necessary, hedging the risks. This increases risk awareness at all levels of the company, supports risk-adjusted income generation and guarantees transparency of the company's financial management to external stakeholders.

7.1.2 Organisation

chart see next page

Nationale Suisse has implemented a risk management organisation charged with identifying, evaluating, analysing and monitoring risks and subsequently addressing, controlling and hedging them. The organisation is based on the "three Lines of Defense" model (risk owner / risk taker, risk control, risk assurance).

Board of Directors level

The Board of Directors of Swiss National Insurance Company Ltd (risk owner) carries overall responsibility for risk management at Nationale Suisse. This entails

- issuing the ERM policy,
- conducting a risk assessment and
- ensuring that risk-bearing capacity is taken into account in the company's planning and budgeting.

The Board of Directors delegates the task of monitoring the functionality and effectiveness of risk management to the Risk Committee (RC) of the Board of Directors.

Executive Board level

The Board of Directors delegates the operational implementation of risk management to the Executive Board (risk owner, risk taker). In particular this entails

- identifying, assessing, analysing and managing risks within the areas of responsibility of the individual Executive Board members,
- issuing the directives and guidelines necessary for the implementation of Group standards and defining supplementary directives,
- providing the necessary resources and
- promoting early recognition and reporting of extraordinary risks that have a significant impact on the attainment of targets of their area.

The Risk Committee of the Executive Board (risk control) comprises a committee of the Executive Board together with other specialists in charge of risk management tasks. It monitors

- the overall risk,
- the suitability of the organisation and infrastructure of risk management;
- and it decides on additional measures
- to address the risks and
- to further develop risk management.

Division level

Group Risk Management (risk control) is led by the Chief Risk Officer. It supports

- the Board of Directors, the Risk Committee of the Board of Directors, the Executive Board and the Risk Committee of the Executive Board in designing, implementing and monitoring risk management,
- line management in identifying, evaluating, analysing and managing risks, particularly in terms of asset / liability and credit risk management, Group solvency, the Nationale Suisse risk assessment process and operational risk management.

In addition, Group Risk Management coordinates and controls all risk management activities carried out by Nationale Suisse.
Nationale Suisse distinguishes between quantitative and qualitative risk management disciplines.
The quantitative risk management disciplines of Nationale Suisse are as follows:

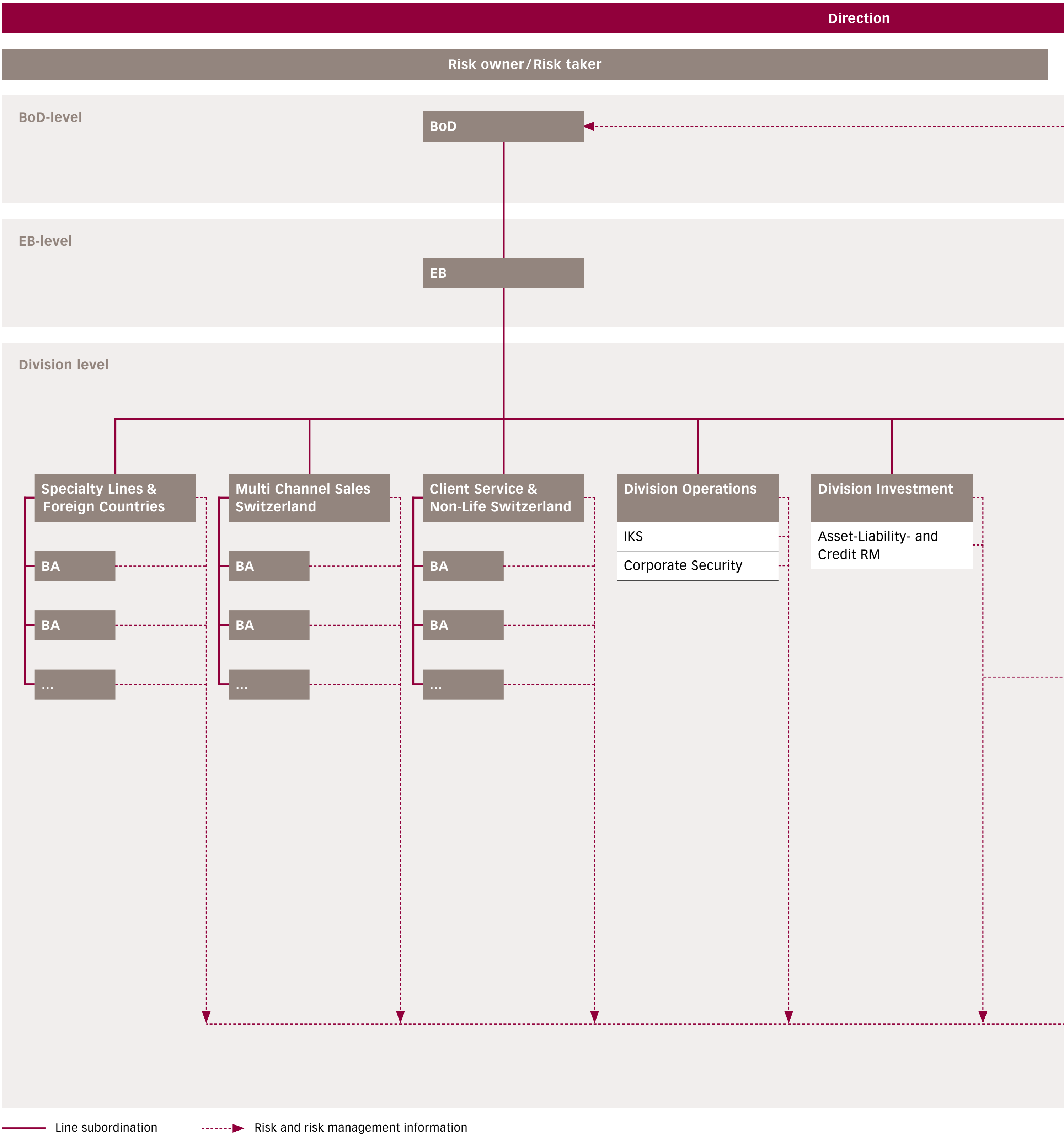
- Group reinsurance
- Asset / liability and credit risk management
- Group solvency
- Strategic and operational planning and controlling
- Reserving
- Group underwriting

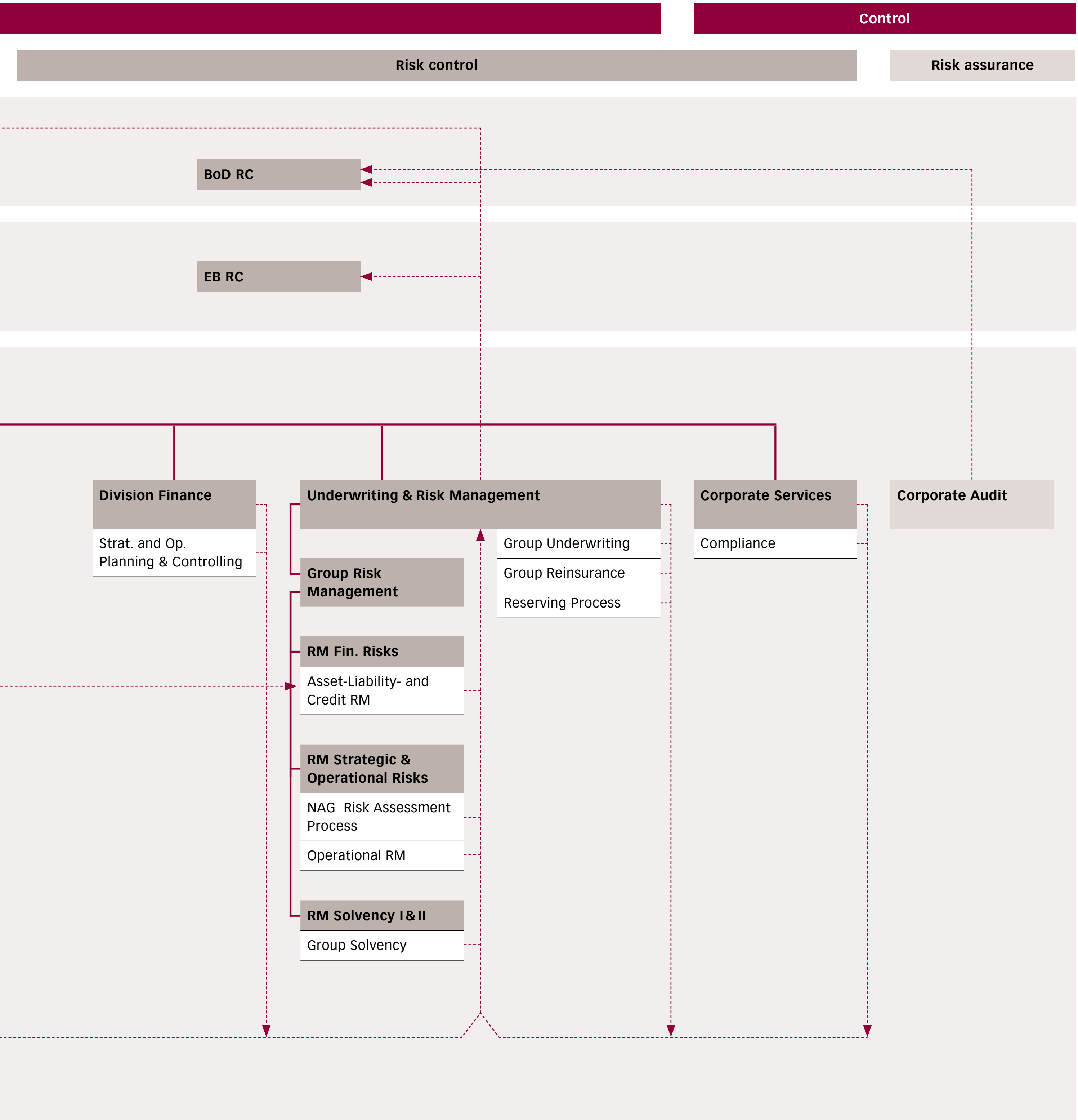
The qualitative risk management disciplines at Nationale Suisse are as follows:

- Risk assessment process
- Internal control system
- Compliance
- Corporate Security

Corporate Audit is an independent risk assurance function and reports directly to the Board of Directors. Corporate Audit employs a systematic process and adopts an independent perspective, assessing risk management, the controls and the company management. In doing so, it contributes to increased assurance regarding Nationale Suisse's attainment of its targets.

Organisation in the ERM
as of December 31th 2012




Control
Risk control
Risk assurance
BoD RC
EB RC
Division Finance
Strat. and Op. Planning & Controlling
Underwriting & Risk Management
Group Underwriting
Group Reinsurance
Reserving Process
Group Risk Management
RM Fin. Risks
Asset-Liability- and Credit RM
RM Strategic & Operational Risks
NAG Risk Assessment Process
Operational RM
RM Solvency I & II
Group Solvency
Corporate Services
Compliance
Corporate Audit

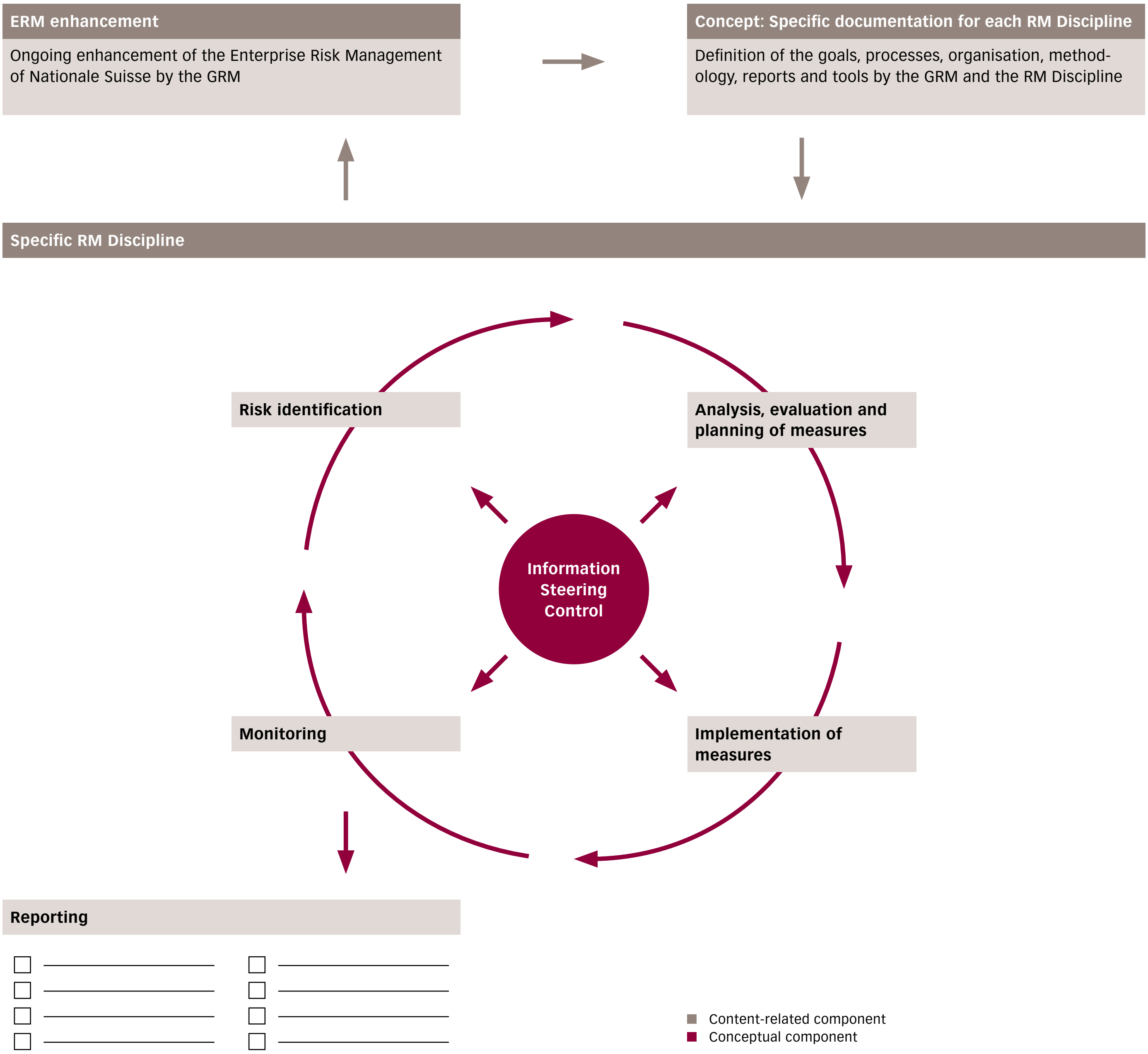
7.1.3 Risk management process

Nationale Suisse generally distinguishes between the following risk categories:

- the category "Strategic": relating to overarching objectives that are aligned with the company vision;
- the category "Operational": risks relating to effectiveness and efficiency of the individual operational activities, including performance and profitability targets. This category includes risks from insurance and investment activities such as underwriting risks, market risks, credit risks and liquidity risks;
- the category "Reporting": risks relating to internal and external reporting;
- the category "Compliance": risks relating to (non-)adherence to laws, guidelines and norms;

Nationale Suisse's risk management process is based on a management process of analysis, planning, implementation and control. The process is structured in such a way that the identification, analysis, evaluation, monitoring of risks as well as action planning and implementation are carried out by the quantitative and qualitative risk management disciplines (see Section 7.1.2), but coordinated as a whole.

Risk Management process of Nationale Suisse



7.2 Actuarial risks in non-life business

Every insurance contract within non-life business is subject to two types of risk: the uncertainty of the insured event occurring and the size of the resulting claim.

These risks are pooled in a portfolio of insurance contracts and are thus diversified for the most part. The risk remaining is that premiums earned will be insufficient to cover the insured claims and benefits. This can happen if the actual number of claims or the size of the claims /benefits is larger than assumed in the premium calculations.

The assumptions used in the models are determined by statistical procedures and checked using actuarial methods. On the basis of these analyses, Nationale Suisse manages its underwriting risks with selective underwriting, risk-adjusted rates, active claims management and the targeted use of external reinsurance solutions commensurate with the risk capacity of the Group.

Insurance risks are ceded to external reinsurers through proportional and non-proportional reinsurance agreements. For the latter, the deductible may vary with the line of insurance. Outstanding balances and receivables due from reinsurers are calculated on the basis of the gross claims reserves and the terms laid down in the reinsurance agreements. Although the reinsurers in this way assume a part of the risk, in case of default or insolvency of the reinsurance company, Nationale Suisse remains responsible for delivering in full its insured benefits to its policyholders. This gives rise to a credit risk regarding the reinsurers, i.e. the risk exists that a reinsurer does not or only partially fulfills its obligations towards Nationale Suisse. For this reason, the cessions are spread among several reinsurers to ensure that Nationale Suisse is not dependent on a single (re)insurer. Nationale Suisse conducts periodical assessments of reinsurers. The credit risks associated with the cessions made to reinsurers are regularly monitored and quantified as part of the review process.

Nationale Suisse adopts a consistent orientation towards a diversified portfolio spread across regions and lines. This results in a balancing of risks and mitigates the risk that future claims incurred covered by existing insurance contracts being higher than expected.

7.2.1 Claims frequency and severity

In the course of time, claims frequency as well as claims severity may be changed by many different factors such as inflation, changes in legislation or jurisdiction respectively and natural events. Nationale Suisse addresses these risks by a variety of risk control instruments such as:

- company-specific underwriting guidelines
- reinsurance strategy
- accumulation control at Group level
- active claims management

Nationale Suisse predominantly operates the following types of non-life business:

- health/accident
- motor
- property
- technical
- marine
- liability
- travel

As part of its specialty line strategy, Nationale Suisse also has a special focus on the sale of art insurance.

Large risks in insurance contracts within the non-life segment arise from climate change and natural catastrophes (floods, windstorms and hail). Major claims and man-made disasters (such as explosions, fire and oil disasters) can also lead to high claims incurred. The number and magnitude of catastrophes in any given period of time are, by their very nature, unpredictable.

The local units of Nationale Suisse manage these risks by setting underwriting limits and transferring part of these risks under their reinsurance programs. The reinsurance strategy is defined and monitored centrally at Group level by the Reinsurance Committee.

The goal of underwriting and reinsurance strategies is to reduce the risk relating to catastrophes to a predefined maximum risk which corresponds to the risk tolerance of the Group.

7.2.2 Estimation uncertainties

Two factors in particular have a significant influence on estimation uncertainties:

- the period of time between the occurrence of the loss event and the notification of the claim (especially in liability lines)
- the period of time between the notification of the claim and the finalisation of claims processing (long-tail claims).

It can take decades before long-tail claims (e.g. personal injury or pollution) are fully settled. For claims with long settlement periods, it is not always easy to obtain information about the event such as the required medical treatment for personal injury or the measures and costs required to eliminate contamination. Accordingly, estimating the level of reserves for insurance lines with long-term claims settlement is more difficult and is associated with more uncertainty than for those lines with short settlement times.

Furthermore, external circumstances may significantly change during the settlement period. Factors such as a change in legal precedent, economic conditions or public opinion can exert a strong influence on the final costs of the claims settlement and therefore also the estimated reserves.

In order to account for these uncertainties, actuaries generally conduct estimations and checks on reserves periodically. In addition, Nationale Suisse's Group Actuary periodically reviews the methods and assumptions used in all units and checks the estimates of reserving requirements made by the local units. The Group reviews the results of these analyses and, based on the recommendation of the Group Actuary, decides on the level of claims reserves (including reserves for claims handling costs).

Nationale Suisse uses actuarially acknowledged methods to measure the quality of the estimation of the claims reserve and to assess the volatility of the claim settlement risk of the portfolio.

7.2.3 Details of the methods used to estimate future claims payments

Nationale Suisse uses several statistical techniques in order to take in to account the different assumptions for the calculation of total claims incurred. The two methods most commonly used are the chain ladder and the Bornhuetter-Ferguson methods.

The choice of method depends upon how each method fits the observed historical developments. In some circumstances this can mean that a business line employs different methods or a combination of methods for individual occurrence years or groups of occurrence years.

National Suisse uses all the data available at the time of reserve calculation. Historical trends and claims payment pattern for types of cover are considered particularly.

The basis data used most frequently are:

- historical claims payment
- historical claims expense estimation
- historical number of claims

Additional information, amongst others relating to major claims, inflation and legal practice is also incorporated in the data analysis and the resulting projection of the ultimate claims payment.

Because of the uncertainties mentioned above, the amounts ultimately paid for claims and claims processing can deviate from the amounts originally reserved.

7.2.4 Sensitivity analysis – claims settlement tables

As of the end of 2011, Group gross reserves that had been estimated using actuarial methods or created on an individual basis for special claims (in particular for major claims) totalled CHF 1307.2 million (PY CHF 1323.3 million). A 10.0% deviation in reserve requirements would therefore result in a higher or lower amount of gross claims (before taxes) of approximately CHF 130.7 million (PY CHF 132.3 million). Reserves for late claims are also included in the above reserves.

The geographical diversification of Nationale Suisse means that the Group's insurance portfolio includes several original currencies. In the interest of clarity the loss triangles of the Swiss units are given in Swiss francs and those of the foreign units in euro.

The following tables show how the estimates of total claims incurred per occurrence year have changed on each of the balance sheet dates.

Development of claims incurred (net) – Swiss companies (in 1 000 CHF)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
At the end of the year of claims occurrence	480 710	408 412	414 485	388 072	431 549	475 706	466 850	539 707	
One year later	472 399	385 446	404 037	387 063	424 333	445 036	454 498		
Two years later	485 744	378 542	386 452	367 954	399 591	422 689			
Three years later	469 163	367 637	381 970	355 244	386 518				
Four years later	451 197	358 856	371 125	341 906					
Five years later	452 648	349 576	365 849						
Six years later	440 670	348 555							
Seven years later	435 617								
Estimated claims incurred (cumulative)	435 617	348 555	365 849	341 906	386 518	422 689	454 498	539 707	3 295 339
Claims already paid	−408 615	−313 406	−321 085	−297 178	−323 221	−334 448	−329 495	−248 835	−2 576 283
Claims reserves claim years 2005–2012	**27 002**	**35 149**	**44 764**	**44 728**	**63 297**	**88 241**	**125 003**	**290 872**	**719 056**
Claims reserves claim years 2004 and prior									219 791
Reserves for unallocated loss adjustment expenses									46 753
Total claims reserves									**985 600**

Development of claims incurred (net) – Swiss companies (in 1 000 CHF)	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
At the end of the year of claims occurrence	400 846	389 839	399 976	377 745	411 947	441 239	424 509	494 105	
One year later	382 538	369 104	386 305	375 274	401 733	409 932	410 713		
Two years later	407 980	360 642	367 668	357 526	381 321	393 312			
Three years later	390 586	350 484	364 396	346 302	369 223				
Four years later	369 860	343 257	354 199	333 558					
Five years later	372 422	333 471	349 785						
Six years later	359 968	333 216							
Seven years later	354 961								
Estimated claims incurred (cumulative)	354 961	333 216	349 785	333 558	369 223	393 312	410 713	494 105	3 038 873
Claims already paid	−327 962	−298 167	−305 806	−289 571	−308 888	−313 313	−314 779	−242 222	−2 400 708
Claims reserves claim years 2005–2012	**26 999**	**35 049**	**43 979**	**43 987**	**60 335**	**79 999**	**95 934**	**251 883**	**638 165**
Claims reserves claim years 2004 and prior									193 258
Reserves for unallocated loss adjustment expenses									46 753
Total claims reserves									**878 176**

Development of claims incurred (gross) – European subsidiaries (in 1 000 EUR)	2005	2006	2007	2008	2009	2010	2011	2012	Total
At the end of the year of claims occurrence	154 488	155 740	165 825	179 613	188 904	211 786	249 142	209 864	
One year later	147 451	150 557	167 523	169 743	187 599	210 077	256 787		
Two years later	141 712	143 129	160 659	166 468	188 397	204 242			
Three years later	137 969	140 145	156 719	165 565	186 899				
Four years later	136 386	137 843	155 072	165 249					
Five years later	134 381	136 000	153 818						
Six years later	132 349	136 855							
Seven years later	131 555								
Estimated claims incurred (cumulative)	131 555	136 855	153 818	165 249	186 899	204 242	256 787	209 864	1 445 269
Claims already paid	– 127 841	– 130 195	– 145 156	– 155 361	– 170 371	– 182 099	– 195 541	– 100 809	– 1 207 373
Claims reserves claim years 2005 – 2012	**3 714**	**6 660**	**8 662**	**9 888**	**16 528**	**22 143**	**61 246**	**109 055**	**237 896**
Claims reserves claim years 2004 and prior									20 316
Reserves for unallocated loss adjustment expenses									8 146
Total claims reserves									**266 358**

Development of claims incurred (net) – European subsidiaries (in 1 000 EUR)	2005	2006	2007	2008	2009	2010	2011	2012	Total
At the end of the year of claims occurrence	147 664	150 021	157 464	173 233	181 434	201 209	239 925	202 391	
One year later	138 920	145 640	158 594	162 492	180 723	199 381	246 474		
Two years later	131 975	137 653	152 475	158 697	180 619	194 612			
Three years later	128 186	134 916	147 926	157 979	179 402				
Four years later	126 874	132 216	146 776	157 828					
Five years later	124 763	130 576	145 787						
Six years later	122 839	131 575							
Seven years later	122 093								
Estimated claims incurred (cumulative)	122 093	131 575	145 787	157 828	179 402	194 612	246 474	202 391	1 380 162
Claims already paid	– 118 424	– 125 070	– 137 448	– 148 079	– 163 277	– 172 878	– 186 105	– 95 986	– 1 147 267
Claims reserves claim years 2005 – 2012	**3 669**	**6 505**	**8 339**	**9 749**	**16 125**	**21 734**	**60 369**	**106 405**	**232 895**
Claims reserves claim years 2004 and prior									19 759
Reserves for unallocated loss adjustment expenses									8 146
Total claims reserves									**260 800**

7.3 Actuarial risks in life business

The following are some of the insurance products offered by the Group in its individual insurance business: endowment insurance, life insurance, pure endowment insurance, fixed-term life insurance and lifelong annuities.

The vast majority of Nationale Suisse's products feature a guaranteed premium, whereby Nationale Suisse guarantees the policyholder the basis used for the pricing with regard to mortality, interest rates, costs or disability. The amount of the claim is contractually agreed in advance (life insurance benefits, endowment insurance benefits and disability insurance benefits). Some policies also feature a surrender value or other options that influence the amount of contractual benefits.

The following table provides a breakdown of the technical reserves:

Components of actuarial reserves life (gross)	31.12.2012		31.12.2011 restated	
	in 1 000 CHF	in %	in 1 000 CHF	in %
Traditional insurance	**2 506 888**	**99.2**	**2 520 360**	**99.6**
Longevity risk	591 866	23.4	599 027	23.7
Mortality risk	1 810 251	71.7	1 827 419	72.2
Disability risk	104 771	4.1	93 914	3.7
Unit-linked life insurance	**20 628**	**0.8**	**9 985**	**0.4**
Total actuarial reserves life	**2 527 516**	**100.0**	**2 530 345**	**100.0**

7.3.1 Risk factors in life business

Longevity

Longevity risk has a particularly strong impact on lifelong annuities. For this reason, an appropriate supplement is priced into annuity contracts to take account of rising life expectancy. However, if the actual development of longevity proves to be higher than expected, this can cause problems for the life insurer. Continuous improvements in health care or social conditions can result in higher life expectancies than those it has factored into estimates.

Mortality

Nationale Suisse can find itself under pressure if the actual number of deaths turns out to be higher than expected. The biggest uncertainty comes from lifestyle changes (e.g. changes in eating habits, smoking or exercise), which can lead to premature deaths in age groups that represent a considerable mortality risk for Nationale Suisse.

Disability and rehabilitation

In the case of risk insurance that waives the payment of premiums in the event of disability, or in the case of disability annuities, more policyholders may become disabled or fewer disabled policyholders may be rehabilitated than expected, which can also be problematic for Nationale Suisse. Medical progress and improved (state) professional reintegration programmes can, in contrast, have a positive effect on risk experience, whereas increasing psychological pressure can have a negative effect. The economic cycle and political decisions can have a significant influence on disability rates.

Costs

The costs incurred are usually financed by policyholders throughout the term of their policies. If costs prove to be higher than expected and exceed the proceeds from premium payments, Nationale Suisse is faced with a problem. An increase in the expectations of clients and partners, not to mention regulatory requirements, can push up costs, while they can be reduced by technological progress and enhanced efficiency.

Interest rates / Capital gains

A large number of Nationale Suisse's insurance products feature a guaranteed rate of interest. A loss can result if the capital gains actually generated turn out to be lower than the interest rates guaranteed. The guaranteed interest rate is generally set for the entire term of the policy. The maximum permitted guaranteed interest rate is reset periodically by the supervisory authority taking into account the long-term development of interest rates. Interest rate risk is particularly high when market rates have been markedly below the guaranteed interest rates for a prolonged period of time. The risk can be minimised by means of a fine-tuned investment strategy within the framework of the asset liability management (ALM).

Surrender

In some policies Nationale Suisse grants policyholders certain options, one of which is that of terminating their contract prematurely (surrender, cancellation, premium waiver). When determining the values of these implicit options, estimates are made as regards the likelihood of their being exercised by policyholders. Economically-driven changes or a sharp rise in interest rates may prompt considerably more policyholders to exercise these options than would normally. If interest rates rise sharply above the guaran teed interest rates, policyholders could be presented with an attractive reinvestment option. Nationale Suisse can for its part counteract policyholders higher return expectations by adopting its dividends to policyholders and in turn have an active influence on the number of cancellations resulting from a rise in interest rates.

The Group manages these risks by adopting a risk-adjusted pricing and underwriting policy. The underwriting policy aims to safeguard that the risks written are broadly diversified in terms of type and the amount of benefits they provide and that they correspond to the selection criteria of the price. Other steps taken towards risk-adjusted management are performing regular reviews of the pricing bases, taking due account of the claims emerging in the portfolio and the targeted exclusion of undesirable risks via underwriting guidelines.

7.3.2 Estimation uncertainties – Liability Adequacy Test (LAT)

Many life insurance contracts have a term of more than 10 years. The long-term nature of these contracts gives rise to uncertainty with regard to the influence of the various risk factors outlined in Chapter 7.3.1 above. Nationale Suisse addresses these uncertainties by adopting conservative estimates when determining the amount of its recognised reserves. These estimates result in the creation of margins for these reserves that take due account of the risks of economic fluctuation over the years as the reserves are released. A Liability Adequacy Test (LAT) assesses on each closing date whether these margins are sufficient. The valuation of actuarial reserves in life business depends on assumptions as to future mortality development (or longevity), disability (or rehabilitation), costs, interest rates, maturity and surrender. The economic view with the LAT guarantees that the recognised reserves are adequate to cover all liabilities towards the policyholders. The LAT uses best estimates for the above assumptions, which aim at being a good reflection of reality. These estimates are calculated by using approved actuarial methods. Risks and uncertainties arise directly from the parameters assumed for the estimates, even when evaluating reserves on a best estimate basis.

Nationale Suisse monitors these risks periodically using approved actuarial methods and recognises, where necessary, a corresponding amount of additional provision. The dividends to policyholders are an additional effective instrument of Nationale Suisse with which policyholders can participate in results. In this way any surplus available can be distributed specifically to policyholders or any reductions in revenue cushioned by adjusting the surplus policy within the framework of supervisory regulations.

7.3.3 Best-estimate actuarial and other assumptions for the LAT

Discount rate: Nationale Suisse discounts the modelled cash flows for the Liability Adequacy Test (LAT) with the expected returns on investment (internal investment returns in this case).

Mortality

For Swiss business, mortality is based on pooled data from member life insurance companies of the SIA (Swiss Insurance Association). Foreign subsidiaries likewise use the mortality tables of the insurance associations in their countries.

Disability

The likelihood of disability is based on data pooled from SIA member life insurance companies. The rates are classified by waiting period, sex and age. Foreign subsidiaries also use the disability tables of the insurance associations in their countries.

Surrender

The likelihood of surrender is based on internal portfolio monitoring, using statistical methods to calculate cancellation rates. A distinction is made by product type, sex and policy term.

Costs

Assumptions for future costs are determined on the basis of the current cost structure.

The following Chapter 7.3.4 provides an overview of the sensitivities of the various risk factors described, i.e. a change in liabilities in response to a change in the respective parameters.

7.3.4 Sensitivity analysis

A sensitivity analysis detemines the effect of changes in the provisions (technical provisions and financial contracts with DPF) on profit. These calculations are based on a variation of the parameters used in the Liability Adequacy Test (LAT).

The analysis shows the impact of the following scenarios:

- 100 basis point decrease in interest rate assumptions
- 10.0% increase in mortality
- 10.0% decrease in mortality (i.e. increase in longevity)
- 10.0% increase in disability or 10.0% decrease in rehabilitation
- 10.0% increase or decrease in the number of expected surrenders
- 10.0% increase in costs

The above scenarios are carried out individually to determine the sensitivities, with all other parameters remaining unchanged. Sensitivities are generally not linear nor symmetric in nature. For this reason, the results from the above scenarios should not be extrapolated.

Interest rates / Capital gains

A 100 basis point decrease in the expected return on investment in the LAT would result in a total reduction of CHF 69.0 million in profit for the year before tax and dividends to policyholders.

Mortality

A 10.0% increase in mortality in the LAT results in a reduction of CHF 5.4 million in profit for the year before tax.

Longevity

A 10.0% decrease in mortality in the LAT has no effect on the profit or loss. This is attributed to the adequate risk margins for mortality.

Disability

A 10.0% increase in disability in the LAT has no effect on the profit or loss. This is attributed to the adequate risk margins for disability.

Rehabilitation

A 10.0% decrease in rehabilitation in the LAT has no effect on the profit or loss. This is attributed to the adequate risk margin for rehabilitation.

Surrender

A 10.0% increase or decrease in surrenders in the LAT has no effect on the profit or loss. This is attributed to the adequate risk margins for surrender.

Costs

A 10.0% increase in costs in the LAT results in a marginal reduction of CHF 0.6 million in profit for the year before tax.

7.4 Market risks

Nationale Suisse's assets are exposed to a wide spectrum of market risks. Market risks generally arise from fluctuations in market prices, which can result in the loss in value of the assets invested. The degree of risk involved is primarily influenced by the effective exposure and scope of changes in market prices. The most important components of market risk are interest rate risk, share price risk and currency risk.

Nationale Suisse monitors and limits its market risks by adopting a commensurate investment policy featuring integrated asset liability management (ALM). The aim of this investment policy is to achieve an optimum balance between security and return. The assets in a portfolio are subject to the best possible diversification across various investment categories, markets, currencies, lines, sectors and maturities so as to keep unsystematic risk and concentration risk as small as possible.

Investments to cover liabilities from unit-linked life insurance contracts have no influence on the market risk borne by Nationale Suisse. The assets from these policies are invested for the account and at the risk of policyholders; the liabilities from such contracts correspond to the value of the assets.

7.4.1 Interest rate risks

Interest rate risk arises from a possible change in market interest rates, which has an impact on the market value of fixed-income securities and on the interest earned on future reinvestments. Rising market interest rates lead to improved reinvestment conditions and thereby to rising interest income on new investments in fixed-income securities. At the same time, a rise in interest rates reduces the fair value of fixed-income securities. This has a negative influence on equity (AFS, accumulated other comprehenive income) and investment income (FVTPL), respectively, in the Available for Sale (AFS) and Fair Value Through Profit or Loss (FVTPL) categories. Falling market interest rates lead to a reduction in interest income from reinvestments and new investments, alternatively to a higher fair value of the existing fixed-income securities portfolio.

Interest rate risk can generally be viewed from the economic and accounting perspectives. The different maturities of cash flows from assets and liabilities are relevant from a purely economic perspective, while the interest rate sensitivity of the balance sheet depends on the interest-sensitive positions recognised at fair value. These comprise the debt instruments classified in the balance sheet as AFS and FVTPL.

Nationale Suisse limits the effects of economic interest rate risk in its ALM by adopting a risk-based, economic approach which limits the net interest rate sensitivity arising from the cash flows from assets and liabilities. In addition to the key figures required for Solvency 1 of the Group and local units, the relevant figures from the internal model are also crucial for calculating and analysing risk-based Group solvency for the recognition of interest rate risk and related risk-based management decisions.

Depending on the categorisation of debt instruments, changes in market interest rates can have an impact on profit or loss or equity (accumulated other comprehensive income). The following interest rate sensitivities of debt instruments take into account the effect of taxes.

An increase of 50 basis points in the level of Swiss interest rates hasn't any noticeable effect on Nationale Suisse's results. The same effect would reduce equity totally by CHF 36.8 million (2011: CHF 34.0 million) (decrease in accumulated other comprehensive income in the AFS category). An increase of 50 basis points in the level of European interest rates would reduce Nationale Suisse's result by CHF 0.3 million (2011: CHF 0.3 million) and reduce equity by CHF 12.3 million (2011: CHF 13.4 million) (decrease in accumulated other comprehensive income in the AFS category).

7.4.2 Equity instrument risks

All equity instruments categorised as AFS or FVTPL are subject share price risk. As part of its long-term oriented investment strategy, Nationale Suisse has a widely diversified portfolio of equities and alternative investments. Unsystematic risk is minimised by commensurate diversification across countries, lines and individual shares. Nationale Suisse monitors share price risk on an ongoing basis and, where circumstances warrant, reduces the resulting potential losses by the employment of derivatives. The primary aim of the share hedging strategy is to prevent the price losses resulting from phases of prolonged decline in equity markets from exceeding Nationale Suisse's risk tolerance limit. To this end, a risk budget for equity instruments is determined, which is available to cover any losses in equity prices and is defined in such a way as to re-establish the risk tolerance for share risks even after a slump in equity markets.

The table below shows the effects on profit or loss and equity (accumulated other comprehensive income) of a 10.0% change in the equity market indices of relevance to Nationale Suisse. The betas of the individual shares were used for the calculations. A beta of one was assumed for shares for which beta was not available. The influence of hedging instruments contained in the portfolio as of the balance sheet date is also factored into the calculations. For this reason only the net delta of all equity positions is shifted, taking into account all the deltas of the equity derivatives. All other variables are assumed to be constant. The table below shows the impact after taxes and legal quote. An increase of the market indices implies a positive effect on profit or loss for the reporting period.

Sensitivity of equity instruments	31.12.2012	31.12.2012	31.12.2011 restated	31.12.2011 restated
(in 1 000 CHF)	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
Increase of market indices by 10.0 %	2 478	27 767	2 256	19 277
Decrease of market indices by 10.0 %	–3 787	–27 767	–5 249	–19 277

7.4.3 Foreign currency risks

The extent of currency risk is dependent on net foreign currency exposure (the balance of net assets and liabilities in foreign currency), exchange rate volatility and the correlations of currencies to other asset classes.

The insurance liabilities and financial assets of Nationale Suisse are concentrated mainly in Switzerland and in the euro zone. For this reason Nationale Suisse is particularly subject to the currency risk arising in changes in the EUR / CHF exchange rate (transaction risk). The net asset values (NAV) of Nationale Suisse's foreign subsidiaries represent additional foreign currency exposure (translation risk). In its approach to foreign currency risks, Nationale Suisse takes into account the transaction risk involved in monetary and non-monetary instruments as well as the translation risks for foreign subsidiaries where the functional currency differs from the reporting currency. In this way all Nationale Suisse's significant foreign currency risks are included in the analysis. The analysis below illustrates the effect of a 5.0 % change in the exchange rate on profit or loss and equity. The net positions against the reporting currency (CHF) are considered in each case. The existing foreign currency hedges as per balance sheet date are considered in the calculations. All other variables are assumed to be constant. The table below shows the impact after considering the effect of taxes.

Foreign currency sensitivity		31.12.2012	31.12.2012	31.12.2011 restated	31.12.2011 restated
(in 1 000 CHF)		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
Currency	Change				
EUR	+ 5.0 %	–2 838	22 167	–56	23 479
EUR	– 5.0 %	2 327	–22 167	–1 093	–23 479
USD	+ 5.0 %	–19	3 721	456	3 723
USD	– 5.0 %	9	–3 721	–456	–3 723
GBP	+ 5.0 %	–45	677	134	606
GBP	– 5.0 %	27	–677	–134	–606

7.5 Counterparty risks

Counterparty risk is the risk of a counterparty not being able to fulfil all or part of its liabilities. The financial damage may occur through a default or a deterioration in creditworthiness of the counterparty.

Nationale Suisse is exposed to counterparty risk in the following areas in particular:

- Debt instruments (fixed-income securities)
- Loans and receivables
- Derivative financial instruments
- Reinsurance assets
- Receivables from insurance business
- Cash and cash equivalents

Nationale Suisse limits its counterparty risk to individual debtors by applying counterparty limits and avoiding any concentration in individual lines or regions by means of the broad diversification of its investments. The average credit rating of the portfolio of debt instruments lies in the range of AA (S & P or equivalent rating of another agency such as Fitch, Moody's or A.M.Best). In addition, investments are generally made only in investment-grade debt instruments. In the case of Swiss issuers without such a rating, creditworthiness is assessed on the basis of the ratings published by the major Swiss banks. As of the end of 2012, Nationale Suisse held only few products in its portfolio that were without a rating or of sub investment grade quality. With the exception of medium term notes, private placements and registered debt instruments, investments may only be made in liquid securities. Credit hedging strategies (via credit derivatives on issuers or on indices) are reviewed on a selective basis and used where appropriate.

Business is ceded to reinsurers in order to keep insurance risk to an acceptable degree. This results in counterparty risk for Nationale Suisse as it is not released from its liabilities as primary insurer to fulfill claims payment. In the event of the default of a reinsurer, Nationale Suisse as primary insurer remains fully liable towards its clients.

Nationale Suisse generally cedes business only to reinsurers with a high credit rating (A– or higher). Reinsurance contracts may only be concluded with counterparties whose credit rating have been ascertained in advance. Counterparty risk basically comprises all balance sheet positions exposed to the risk of default.

7.5.1 Maximum exposure to credit risk

The table below shows the maximum default risk before and after considering any offsetting and collateral.

31.12.2012 (in 1000 CHF)	Net Exposure	Collateralised	Total book value
Debt instruments	3 453 815	0	3 453 815
Mortgages and Loans			
Mortgages	0	5 663	5 663
Policy loans	0	12 630	12 630
Other loans	178 218	1 095	179 313
Derivative financial instruments	1 638	0	1 638
Reinsurance assets	158 198	10 327	168 525
Receivables from insurance business	149 124	17 381	166 505
Accruals from financial instruments	50 353	0	50 353
Cash and cash equivalents	525 807	0	525 807
Total assets	**4 517 153**	**47 096**	**4 564 249**
Other positions at risk of default:			
Guarantees	0		
Contractual commitments for financial instruments and investments in associates	11 796		

31.12.2011 restated (in 1000 CHF)	Net Exposure	Collateralised	Total book value
Debt instruments	3 470 895	0	3 470 895
Mortgages and Loans			
Mortgages	0	6 748	6 748
Policy loans	0	14 067	14 067
Other loans	184 792	0	184 792
Derivative financial instruments	2 635	0	2 635
Reinsurance assets	156 490	11 140	167 630
Receivables from insurance business	153 224	14 517	167 741
Accruals from financial instruments	54 128	0	54 128
Cash and cash equivalents	601 581	0	601 581
Total assets	**4 623 745**	**46 472**	**4 670 217**
Other positions at risk of default:			
Guarantees	0		
Contractual commitments for financial instruments and investments in associates	15 178		

7.5.2 Credit quality

The table below shows the credit quality of the assets neither overdue nor impaired at balance sheet date.

Rating of assets neither overdue nor impaired — 31.12.2012

(in 1 000 CHF)	AAA	AA	A	BBB	Lower than BBB	Without rating	Total
Debt instruments							
Government	1 229 080	591 088	89 881	142 722	4 195	0	2 056 966
Industrial corporations	15 763	148 851	248 258	50 752	1 207	0	464 831
Financial institutions	435 566	153 980	190 929	23 965	9 542	0	813 982
Other	0	17 922	78 327	19 567	0	0	115 816
Mortgages and loans							
Mortgages	0	0	0	0	0	5 013	5 013
Policy loans	0	0	0	0	0	12 630	12 630
Other loans	24 891	87 674	17 891	12 434	21 998	8 634	173 522
Derivative financial instruments	0	0	1 638	0	0	0	1 638
Reinsurance assets	0	68 239	72 045	4 517	0	23 724	168 525
Receivables from insurance business	789	4 586	24 516	2 865	301	91 847	124 904
Accruals from financial instruments	22 650	13 511	9 273	3 655	492	772	50 353
Cash and cash equivalents	104 011	9 537	298 811	8 773	4 113	100 562	525 807
Total	**1 832 750**	**1 095 388**	**1 031 569**	**269 250**	**41 848**	**243 182**	**4 513 987**

Rating of assets neither overdue nor impaired — 31.12.2011 restated

(in 1 000 CHF)	AAA	AA	A	BBB	Lower than BBB	Without rating	Total
Debt instruments							
Government	1 469 498	437 272	192 658	13 615	552	0	2 113 595
Industrial corporations	13 257	201 320	177 916	28 472	0	0	420 965
Financial institutions	389 534	231 419	182 834	11 413	10 196	0	825 396
Other	0	15 534	73 634	11 450	0	0	100 618
Mortgages and loans							
Mortgages	0	0	0	0	0	6 098	6 098
Policy loans	0	0	0	0	0	14 067	14 067
Othe loans	23 713	87 657	20 324	34 430	0	8 825	174 949
Derivative financial instruments	0	0	2 635	0	0	0	2 635
Reinsurance assets	1 273	82 406	67 030	3 077	616	13 228	167 630
Receivables from insurance business	138	4 959	39 751	778	39	86 801	132 466
Accruals from financial instruments	27 007	13 991	10 036	1 782	356	956	54 128
Cash and cash equivalents	70 046	94 448	200 017	0	13 220	223 850	601 581
Total	**1 994 466**	**1 169 006**	**966 835**	**105 017**	**24 979**	**353 825**	**4 614 128**

The credit rating requirements generally apply for all debt instruments and their reference currency. Possible downgradings are monitored on the credit risk watch list. In the case of counterparty's downgrading to below investment grade, the Chief Investment Officer checks whether the position should be sold. Any exceptions require explicit approval.

The following table shows the total fair value of financial instruments exceeding the 15.0 % threshold of consolidated equity by borrower.

Financial instruments (Fair value exceeding 15.0 % of consolidated equity)	**Rating**	**31.12.2012**
(in 1 000 CHF)		
Issuer		
Switzerland	AAA	519 558
Mortgage Bond Bank of the Swiss Mortgage Institutions	AAA	157 421
Republic of Italy	BBB+	146 000
UBS AG	A	141 047

Financial instruments (Fair value exceeding 15.0 % of consolidated equity)	**Rating**	**31.12.2011 restated**
(in 1 000 CHF)		
Issuer		
Switzerland	AAA	556 817
Federal Republic of Germany	AAA	182 263
Basler Kantonalbank	AA+	160 081
Mortgage Bond Bank of the Swiss Mortgage Institutions	AAA	157 518
UBS AG	A	130 585
Republic of Italy	A	128 686

7.5.3 Assets overdue but not impaired

The following table shows an aging analysis of the assets that were overdue but not impaired at the balance sheet date.

Assets overdue but not impaired at balance sheet date					31.12.2012
(in 1 000 CHF)	<3 months	3–6 months	6–12 months	>12 months	Total
Receivables from insurance business	36 246	1 541	1 893	592	40 272
Total	**36 246**	**1 541**	**1 893**	**592**	**40 272**

Assets overdue but not impaired at balance sheet date					31.12.2011 restated
(in 1 000 CHF)	<3 months	3–6 months	6–12 months	>12 months	Total
Receivables from insurance business	27 184	3 349	1 281	1 957	33 771
Total	**27 184**	**3 349**	**1 281**	**1 957**	**33 771**

7.5.4 Impaired assets

The following table shows an analysis of assets that are determined to be impaired at balance sheet date.

Assets determined to be impaired at balance sheet date			31.12.2012			31.12.2011 restated
(in 1 000 CHF)	Gross	Impairment	Netto	Gross	Impairment	Net
Debt instruments						
Government	0	0	0	34 470	–24 978	9 492
Financial institutions	5 791	–3 571	2 220	2 856	–2 027	829
Other	6 527	–6 527	0	6 527	–6 527	0
Mortgages and loans						
Mortgages	750	–100	650	815	–165	650
Other loans	7 273	–1 482	5 791	12 304	–2 461	9 843
Reinsurance assets	509	–509	0	6	–6	0
Receivables from insurance business	10 673	–9 344	1 329	10 917	–9 413	1 504
Total impaired assets	**31 523**	**–21 533**	**9 990**	**67 895**	**–45 577**	**22 318**

7.6 Liquidity risks

Liquidity risk management ensures that Nationale Suisse is always in a position to fulfill its payment obligations (primarily liabilities from insurance business) on time. Nationale Suisse's liquidity risks mainly arise from benefit entitlements, payments due and surrenders of insurance and financial contracts. Current premium income and capital gains generally by far exceed the amounts paid out. If, in exceptional cases, liquidity bottlenecks do arise, these are bridged by means of a corresponding sale from the AFS investment portfolios.

The liquidity analysis of financial liabilities and commitments is carried out on the basis of non-discounted cash flows according to the residual term of the insurance contract, while liabilities from insurance business and from the dividends paid to policyholders from the surplus are assessed on the basis of the expected maturity of net cash outflows.

Any exceptional cash payments or receipts identified in advance are taken into account in the investment planning. In the event of major or unforeseeable payments (for example, following major claims), cautious maintenance of liquidity and recoveries from reinsurers guarantee a sufficiently large reserve.

Expected maturities (book values) of financial assets for managing liquidity risk						31.12.2012
(in 1 000 CHF)	Maturity <1 year	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity >5 years	Without maturity	Total book values
Debt instruments available for sale (AFS)	135 981	467 175	503 703	1 111 227	0	2 218 086
Derivative financial instruments (assets)	1 638	0	0	0	0	1 638
Cash and cash equivalents	525 807	0	0	0	0	525 807
Total	**663 426**	**467 175**	**503 703**	**1 111 227**	**0**	**2 745 531**

Expected maturities (book values) of financial assets for managing liquidity risk						31.12.2011 restated
(in 1 000 CHF)	Maturity <1 year	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity >5 years	Without maturity	Total book values
Debt instruments available for sale (AFS)	133 228	317 783	598 151	1 127 538	0	2 176 700
Derivative financial instruments (assets)	2 635	0	0	0	0	2 635
Cash and cash equivalents	601 581	0	0	0	0	601 581
Total	**737 444**	**317 783**	**598 151**	**1 127 538**	**0**	**2 780 916**

The following tabl e shows the details on maturities of liabilities, commitments and guarantees. Detailed information on the technical reserves maturities can be found in Section 20.

Maturities of liabilities, commitments and guarantees — **31.12.2012**

(in 1 000 CHF)	Maturity <1 year	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity >5 years	Without maturity	Total	Total book values
Liabilities from financial contracts							
with DPF	8 265	30 471	10 897	16 240	55 853	121 726	121 726
without DPF	46	392	316	0	12 873	13 627	13 627
Derivative financial instruments	727	0	0	0	0	727	727
Payables from insurance business and reinsurance	250 768	1 090	0	0	2 451	254 309	254 309
Other liabilities, accruals and deferrals	56 178	12	8	138	2 234	58 570	58 570
Total liabilities	**315 984**	**31 965**	**11 221**	**16 378**	**73 411**	**448 959**	**448 959**
Contractual commitments for financial instruments and investments in associates	0	11 796	0	0	0	11 796	
Guarantees	0	0	0	0	0	0	

Maturities of liabilities, commitments and guarantees — **31.12.2011 restated**

(in 1 000 CHF)	Maturity <1 year	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity >5 years	Without maturity	Total	Total book values
Liabilities from financial contracts							
with DPF	7 647	28 225	20 082	9 889	54 597	120 440	120 440
without DPF	60	538	318	0	11 336	12 252	12 252
Derivative financial instruments	2 220	0	0	0	0	2 220	2 220
Payables from insurance business and reinsurance	261 954	0	0	0	2 744	264 698	264 698
Other liabilities, accruals and deferrals	58 063	0	0	0	2 772	60 835	60 835
Total liabilities	**329 944**	**28 763**	**20 400**	**9 889**	**71 449**	**460 445**	**460 445**
Contractual commitments for financial instruments and investments in associates	0	15 178	0	0	0	15 178	
Guarantees	0	0	0	0	0	0	

Contractual maturities of derivative financial instruments (Liabilities)						31.12.2012
(in 1000 CHF)	Maturity <1 year	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity >5 years	Without maturity	Total nominal values
Foreign currency instruments [1]						
Gross cash inflows	266 408	0	0	0	0	266 408
Gross cash outflows	–267 123	0	0	0	0	–267 123
Equity instruments [1]						
Gross cash inflows	0	0	0	0	0	0
Gross cash outflows	–12	0	0	0	0	–12
Total	**–727**	**0**	**0**	**0**	**0**	**–727**

Contractual maturities of derivative financial instruments (Liabilities)						31.12.2011 restated
(in 1000 CHF)	Maturity <1 year	Maturity 1 to 3 years	Maturity 3 to 5 years	Maturity >5 years	Without maturity	Total nominal values
Foreign currency instruments [1]						
Gross cash inflows	93 470	0	0	0	0	93 470
Gross cash outflows	–95 690	0	0	0	0	–95 690
Equity instruments [1]						
Gross cash inflows	0	0	0	0	0	0
Gross cash outflows	0	0	0	0	0	0
Total	**–2 220**	**0**	**0**	**0**	**0**	**–2 220**

[1] Gross, if gross amounts are exchanged (FX contract); Net, if a net amount is settled (e.g. Interest Rate Swaps)

7.7 Capital management

Capital management at Nationale Suisse assures that the Group and its subsidiaries are sufficiently capitalised.

The amount of capital required for the operations of the Group is determined by regulatory requirements and internal risk management guidelines based thereon. It is the primary goal to ensure the fulfillment of all obligations from the insurance business even in case of an unfavorable development of insurance and financial market risks by providing sufficient capital. Nationale Suisse is monitored by the Swiss Financial Market Supervisory Authority (FINMA) in terms of fulfillment of the regulatory guidelines. The reporting to the FINMA includes the minimum solvency requirements under Solvency I and the Swiss Solvency Test (SST).

The minimum Solvency I ratio required by the FINMA has been exceeded by far in the reporting period. The regulatory capital requirement for own funds amounts to CHF 329.3 million as per 31 December 2012 (PY CHF 318.2 million); own funds available amount to CHF 853.5 million as per 31 December 2012 (PY CHF 745.8 million). The coverage of the required own funds by available funds thus amounts to 259.2 % for the reporting period (PY 234.4 %).

For the risk-based capital management Nationale Suisse uses key figures from its internal model for the SST that are based on an economic perspective.

The internal model is used to analyse the capital requirements for market risks, ALM risks, insurance risks and counterparty risks. The required capital is then compared with the risk-based capital of the Group and Group companies.

The basis for the Group's risk-based capital is the equity in the consolidated financial statements prepared under IFRS. After the required adjustments, this equity is used as basis for the calculation of the risk-based capital required for the SST, which would be available to cover the losses in the event of an adverse development of risks for insurance and investment business. These risks are analysed using a correlation-based model to calculate the default risks on the risk positions (expected shortfall). Using risk measurements, stress tests and scenario simulations according to statistical and stochastic methods, the possible effects on risk-based capital are analysed. Ceded reinsurance, other risk transfer instruments and diversification effects are also considered in the model. The resulting solvency ratio between risk-adjusted equity (risk-based capital) and the required risk capital (target capital) is calculated at Group level as well as for the relevant business units of the Group.

FINMA has approved the internal model for the SST to be used conditionally. The minimum solvency requirement resulting from the SST could be achieved with a comfortable margin in the reporting period. For the reporting period the capitalisation of the Group is assessed by the rating agency A.M. Best who assigns an "A–" (excellent) rating with a positive outlook.

The solvency key figures are updated and monitored as an integral part of an institutionalised, regular reporting process. The reporting of the most important key figures is performed monthly, partly on the basis of internal models and estimates, and supplemented semi-annually, or as the risk situation requires, by in-depth analyses. The resulting risk reports and analyses are the basis for an efficient capital management of the Group.

Notes to the consolidated balance sheet

8 Fixed assets

2012	Owner-occupied property		Other fixed assets		
	Land	Buildings	Equipment / vehicles / art	IT	Total
(in 1 000 CHF)					
Acquisition costs	38 229	84 565	40 296	19 173	182 263
Accumulated depreciation	0	– 15 684	– 16 568	– 9 446	– 41 698
Balance as of 1 January	**38 229**	**68 881**	**23 728**	**9 727**	**140 565**
Additions	0	2 858	2 674	2 048	7 580
Disposals	0	0	– 25	– 25	– 50
Depreciation	0	– 3 477	– 3 045	– 4 317	– 10 839
Foreign currency effects	– 91	– 112	– 19	– 6	– 228
Balance as of 31 December	**38 138**	**68 150**	**23 313**	**7 427**	**137 028**
Acquisition costs	38 138	87 283	38 362	18 208	181 991
Accumulated depreciation	0	– 19 133	– 15 049	– 10 781	– 44 963

2011 restated	Owner-occupied property		Other fixed assets		
	Land	Buildings	Equipment / vehicles / art	IT	Total
(in 1 000 CHF)					
Acquisition costs	38 498	83 980	37 618	16 699	176 795
Accumulated depreciation	0	– 12 010	– 15 262	– 8 590	– 35 862
Balance as of 1 January	**38 498**	**71 970**	**22 356**	**8 109**	**140 933**
Additions	0	996	4 612	5 011	10 619
Disposals	0	0	– 133	– 178	– 311
Depreciation	0	– 3 748	– 3 058	– 3 198	– 10 004
Foreign currency effects	– 269	– 337	– 49	– 17	– 672
Balance as of 31 December	**38 229**	**68 881**	**23 728**	**9 727**	**140 565**
Acquisition costs	38 229	84 565	40 296	19 173	182 263
Accumulated depreciation	0	– 15 684	– 16 568	– 9 446	– 41 698

9 Intangible assets

2012 (in 1 000 CHF)	Goodwill	IT-Software	Other intangible assets	Total
Acquisition costs	0	38 676	1 963	40 639
Accumulated amortisation	0	–26 674	–1 933	–28 607
Balance as of 1 January	**0**	**12 002**	**30**	**12 032**
Additions	0	5 898	0	5 898
Disposals	0	–127	0	–127
Amortisation	0	–5 822	–12	–5 834
Impairment	0	0	0	0
Foreign currency effects	0	–55	0	–55
Balance as of 31 December	**0**	**11 896**	**18**	**11 914**
Acquisition costs	0	40 956	104	41 060
Accumulated amortisation	0	–29 060	–86	–29 146

2011 restated (in 1 000 CHF)	Goodwill	IT-Software	Other intangible assets	Total
Acquisition costs	0	41 944	2 005	43 949
Accumulated amortisation	0	–23 232	–1 654	–24 886
Balance as of 1 January	**0**	**18 712**	**351**	**19 063**
Additions	0	2 478	6	2 484
Disposals	0	–695	0	–695
Amortisation	0	–5 861	–322	–6 183
Impairment	0	–2 453	0	–2 453
Foreign currency effects	0	–179	–5	–184
Balance as of 31 December	**0**	**12 002**	**30**	**12 032**
Acquisition costs	0	38 676	1 963	40 639
Accumulated amortisation	0	–26 674	–1 933	–28 607

10 Investments in associates

10.1 Development of Investments in associates

Section 39 lists the investments in associated companies that are accounted for using the equity method in the consolidated financial statements. The table below shows the reconciliation of the book value of those investments from the beginning to the end of the reporting period:

Reconciliation of Investments in associates (in 1000 CHF)	2012	2011 restated
Balance as of 1 January	**37 069**	**34 653**
Additions / Capital contribution	0	6 194
Disposals / Capital repayments	0	– 5 633
Changes in fair value recognised in profit or loss	974	2 280
Changes in fair value recognised in other comprehensive income	953	56
Dividend payments	– 733	– 968
Foreign currency effects	– 233	487
Balance as of 31 December	**38 030**	**37 069**

10.2 Aggregated financial data for associates

The tables below show an aggregated balance sheet and income statement (on a basis of 100.0 %) of associated companies accounted for using the equity method in the consolidated financial statements.

Aggregated financial data for associates (in 1000 CHF)	2012	2011 restated
Balance sheet as of 31 December		
Assets	236 904	222 806
Liabilities	76 701	68 755
Equity	**160 203**	**154 051**
Profit for the period		
Income	70 499	65 058
Expense	– 64 758	– 65 231
Gain / loss for the period	**5 741**	**– 173**

11 Investment property

2012 (in 1 000 CHF)	Investment property (IAS 40)	Development property (IAS 2)	Total
Balance investment property as of 1 January	**888 979**	**4 869**	**893 848**
Additions / Capitalisation	36 675	0	36 675
Disposals	– 18 063	– 6 291	– 24 354
Changes in fair value incl. realised gains / losses	15 241	1 463	16 704
Foreign currency effects	– 552	0	– 552
Balance investment property as of 31 December	**922 280**	**41**	**922 321**
thereof disclosed as investment property	922 280	41	922 321
thereof disclosed as non-current assets held for sale	0	0	0

2011 restated (in 1 000 CHF)	Investment property (IAS 40)	Development property (IAS 2)	Total
Balance investment property as of 1 January	**934 260**	**15 515**	**949 775**
Additions / Capitalisation	42 285	7 815	50 100
Disposals	– 129 264	– 20 480	– 149 744
Changes in fair value incl. realised gains / losses	43 380	2 019	45 399
Foreign currency effects	– 1 682	0	– 1 682
Balance investment property as of 31 December	**888 979**	**4 869**	**893 848**
thereof disclosed as investment property	883 380	4 869	888 249
thereof disclosed as non-current assets held for sale	5 599	0	5 599

12 Financial instruments

12.1 Equity and debt instruments

The table below provides a reconciliation of the book value of equity and debt instruments from 1 January to 31 December for each of the categories of financial instruments under IAS 39.

2012	Held to maturity (HTM)	Available for sale (AFS)	Fair value through profit or loss (FVTPL) Trading	Fair value through profit or loss (FVTPL) Designated	Total
(in 1 000 CHF)					
Equity and debt instruments					
Balance as of 1 January	**1 244 443**	**2 479 787**	**0**	**70 346**	**3 794 576**
Additions	0	700 663	0	32 322	732 985
Disposals	– 57 792	– 625 433	0	– 9 434	– 692 659
Changes in fair value recognised in other comprehensive income	0	91 879	0	0	91 879
Changes in fair value recognised in profit or loss [1] excluding impairment	– 2 541	– 10 034	0	5 583	– 6 992
Impairment (net)	157	– 9 112	0	0	– 8 955
Foreign currency effects	– 423	– 8 114	0	– 90	– 8 627
Balance as of 31 December	**1 183 844**	**2 619 636**	**0**	**98 727**	**3 902 207**

Development of impairments on HTM instruments	
Balance as of 1 January	**– 12 290**
Depreciation	– 874
Write-up	1 031
Disposal	12 066
Exchange rate differences	67
Balance as of 31 December	**0**

[1] Incl. foreign currency gain / loss recognised in profit or loss

2011 restated	Held to maturity (HTM)	Available for sale (AFS)	Fair value through profit or loss (FVTPL) Trading	Fair value through profit or loss (FVTPL) Designated	Total
(in 1 000 CHF)					
Equity and debt instruments					
Balance as of 1 January	**1 220 170**	**2 549 173**	**0**	**103 414**	**3 872 757**
Additions	56 862	1 029 930	0	9 814	1 096 606
Disposals	– 16 350	– 1 115 536	0	– 41 273	– 1 173 159
Changes in fair value recognised in other comprehensive income	0	66 709	0	0	66 709
Changes in fair value recognised in profit or loss [1] excluding impairment	– 2 560	– 18 162	0	– 1 332	– 22 054
Impairment (net)	– 12 373	– 16 801	0	0	– 29 174
Foreign currency effects	– 1 306	– 15 526	0	– 277	– 17 109
Balance as of 31 December	**1 244 443**	**2 479 787**	**0**	**70 346**	**3 794 576**

Development of impairments on HTM instruments	
Balance as of 1 January	**0**
Depreciation	– 12 373
Write-up	0
Disposal	0
Exchange rate differences	83
Balance as of 31 December	**– 12 290**

[1] Incl. foreign currency gain / loss recognised in profit or loss

12.1.1 Financial instruments by class

IFRS 7 requires that equity and debt instruments are grouped into classes. The table below shows the carrying amounts as per blanace sheet date separately for each class specified.

According to the characteristic of an investment, Nationale Suisse groups equity instruments into eight classes. Debt instruments are divided into four classes, therefore considering the issuer of the instrument.

31.12.2012	Held to maturity (HTM)	Available for sale (AFS)	Fair value through profit or loss (FVTPL) Trading	Fair value through profit or loss (FVTPL) Designated	Total
(in 1 000 CHF)					
Shares	0	229 057	0	0	229 057
Equity funds	0	14 342	0	10 524	24 866
Mixed funds	0	0	0	6 605	6 605
Bond funds	0	0	0	14 119	14 119
Real estate funds	0	882	0	15 594	16 476
Private equity	0	42 193	0	0	42 193
Hedge funds	0	104 365	0	0	104 365
Commodities	0	10 711	0	0	10 711
Equity instruments	**0**	**401 550**	**0**	**46 842**	**448 392**
Debt instruments (government)	795 507	1 254 880	0	6 579	2 056 966
Debt instruments (industrial corporations)	51 864	412 967	0	0	464 831
Debt instruments (financial institutions)	331 938	438 958	0	45 306	816 202
Debt instruments (other)	4 535	111 281	0	0	115 816
Debt instruments	**1 183 844**	**2 218 086**	**0**	**51 885**	**3 453 815**
Equity and debt instruments	**1 183 844**	**2 619 636**	**0**	**98 727**	**3 902 207**

Fair value financial instruments held to maturity (HTM)	
Debt instruments (government)	899 419
Debt instruments (industrial corporations)	54 949
Debt instruments (financial institutions)	356 231
Debt instruments (other)	4 749
Total fair value financial instruments held to maturity (HTM)	**1 315 348**

31.12.2011 restated	Held to maturity (HTM)	Available for sale (AFS)	Fair value through profit or loss (FVTPL): Trading	Fair value through profit or loss (FVTPL): Designated	Total
(in 1 000 CHF)					
Shares	0	133 329	0	0	133 329
Equity funds	0	10 492	0	7 894	18 386
Mixed funds	0	7 224	0	2 821	10 045
Bond funds	0	7 362	0	9 406	16 768
Real estate funds	0	867	0	473	1 340
Private equity	0	40 667	0	0	40 667
Hedge funds	0	92 433	0	0	92 433
Commodities	0	10 713	0	0	10 713
Equity instruments	**0**	**303 087**	**0**	**20 594**	**323 681**
Debt instruments (government)	828 442	1 289 325	0	5 320	2 123 087
Debt instruments (industrial corporations)	48 882	371 098	0	985	420 965
Debt instruments (financial institutions)	362 550	420 228	0	43 447	826 225
Debt instruments (other)	4 569	96 049	0	0	100 618
Debt instruments	**1 244 443**	**2 176 700**	**0**	**49 752**	**3 470 895**
Equity and debt instruments	**1 244 443**	**2 479 787**	**0**	**70 346**	**3 794 576**

Fair value financial instruments held to maturity (HTM)	
Debt instruments (government)	901 760
Debt instruments (industrial corporations)	51 128
Debt instruments (financial institutions)	364 942
Debt instruments (other)	4 790
Total fair value financial instruments held to maturity (HTM)	**1 322 620**

12.1.2 Investments in financial instruments issued by GIIPS governments

The following table shows the exposure towards government bonds of Greece, Italy, Ireland, Portugal and Spain.

31.12.2012	Held to maturity (HTM)	Available for sale (AFS)	Fair value through profit or loss (FVTPL) Trading	Fair value through profit or loss (FVTPL) Designated	Total
(in 1 000 CHF)					
Carrying amount of debt instruments issued by GIIPS governments					
Greece, maturity until 2020	0	0	0	0	0
Greece, maturity after 2020	0	0	0	0	0
Italy	46 260	100 135	0	2 415	148 810
Ireland	0	3 720	0	0	3 720
Portugal	4 196	0	0	0	4 196
Spain	0	4 993	0	0	4 993
Total carrying amount of debt instruments issued by GIIPS governments	**50 456**	**108 848**	**0**	**2 415**	**161 719**
Fair value of debt instruments issued by GIIPS governments					
Greece, maturity until 2020	0	0	0	0	0
Greece, maturity after 2020	0	0	0	0	0
Italy	45 865	100 135	0	2 415	148 415
Ireland	0	3 720	0	0	3 720
Portugal	3 416	0	0	0	3 416
Spain	0	4 993	0	0	4 993
Total fair value of debt instruments issued by GIIPS governments	**49 281**	**108 848**	**0**	**2 415**	**160 544**

The bonds of all countries listed above have not been impaired as per balance sheet date. The market for these bonds is considered to be active.

The greek government bonds held as per balance sheet date 2011 have been exchanged in the course of the "Private Sector Involvements" (PSI). In 2012 all greek government bonds resulting from that exchange have been disposed of.

Nationale Suisse is monitoring closely the further market developments as well as the political decision-making process. All perceptions will continue to be considered in the assessment of the value of government bonds affected.

31.12.2011 restated	Held to maturity (HTM)	Available for sale (AFS)	Fair value through profit or loss (FVTPL) Trading	Designated	Total
(in 1 000 CHF)					
Carrying amount of debt instruments issued by GIIPS governments					
Greece, maturity until 2020	2 322	4 016	0	0	6 338
Greece, maturity after 2020	3 004	150	0	0	3 154
Italy	53 550	84 082	0	1 732	139 364
Ireland	0	2 938	0	0	2 938
Portugal	4 231	3 070	0	0	7 301
Spain	0	3 763	0	0	3 763
Total carrying amount of debt instruments issued by GIIPS governments	**63 107**	**98 019**	**0**	**1 732**	**162 858**
Fair value of debt instruments issued by GIIPS governments					
Greece, maturity until 2020	1 897	4 016	0	0	5 913
Greece, maturity after 2020	2 309	150	0	0	2 459
Italy	44 604	84 082	0	1 732	130 418
Ireland	0	2 938	0	0	2 938
Portugal	2 255	3 070	0	0	5 325
Spain	0	3 763	0	0	3 763
Total fair value of debt instruments issued by GIIPS governments	**51 065**	**98 019**	**0**	**1 732**	**150 816**

12.1.3 Financial instruments and financial liabilities measured at fair value

IFRS 7 requires disclosure of the measurement methodology used for financial instruments and financial liabilities measured at fair value. A three-level valuation hierarchy is prescribed by the standard. For a description of the levels, please see Section 4.

The table below shows the carrying amount as per 31 December separately for each Level for all financial assets and financial liabilities measured at fair value.

31.12.2012	Level 1	Level 2	Level 3	Total
(in 1 000 CHF)				
Equity instruments				
Available for sale	244 282	115 075	42 193	401 550
Designated as fair value through profit or loss	46 842	0	0	46 842
Equity instruments measured at fair value	**291 124**	**115 075**	**42 193**	**448 392**
Debt instruments				
Available for sale	2 213 222	4 029	835	2 218 086
Designated as fair value through profit or loss	8 945	42 940	0	51 885
Debt instruments measured at fair value	**2 222 167**	**46 969**	**835**	**2 269 971**
Derivative financial instruments (assets)	0	1 638	0	1 638
Derivative financial instruments (liabilities)	– 12	– 715	0	– 727
Derivative financial instruments	**– 12**	**923**	**0**	**911**
Financial contracts without DPF at FVTPL, designated	**0**	**– 13 312**	**0**	**– 13 312**
Total financial instruments and financial liabilities measured at fair value	**2 513 279**	**149 655**	**43 028**	**2 705 962**

As per 31 December 2012 there were the following transfers between valuation hier archies for debt instruments:

- CHF 3.6 million from Level 1 to Level 2 (bonds financial institutions Spain)
- CHF 1.2 million from Level 1 to Level 3 (bond service company Spain)

31.12.2011 restated	Level 1	Level 2	Level 3	Total
(in 1000 CHF)				
Equity instruments				
Available for sale	159 274	103 146	40 667	303 087
Designated as fair value through profit or loss	20 594	0	0	20 594
Equity instruments measured at fair value	**179 868**	**103 146**	**40 667**	**323 681**
Debt instruments				
Available for sale	2 165 009	11 691	0	2 176 700
Designated as fair value through profit or loss	8 181	41 571	0	49 752
Debt instruments measured at fair value	**2 173 190**	**53 262**	**0**	**2 226 452**
Derivative financial instruments (assets)	0	2 635	0	2 635
Derivative financial instruments (liabilities)	0	– 2 220	0	– 2 220
Derivative financial instruments	**0**	**415**	**0**	**415**
Financial contracts without DPF at FVTPL, designated	**0**	**– 11 934**	**0**	**– 11 934**
Total financial instruments and financial liabilities measured at fair value	**2 353 058**	**144 889**	**40 667**	**2 538 614**

As per 31 December 2011 there were the following transfers between valuation hierarchies for debt instruments:

- CHF 18.8 million from Level 1 to Level 2 (greek government bonds and bonds from financial institutions)
- CHF 1.5 million from Level 3 to Level 1 (bonds from financial institutions)

12.1.4 Level 3 financial instruments measured at fair value

IFRS 7 requires a reconciliation from opening to closing balance of financial instruments reported in Level 3 of the valuation hierarchy. The changes in fair value recognised in profit or loss include impairments.

	Equity instruments		Debt instruments			
2012 (in 1000 CHF)	Available for sale (AFS)	Fair Value through profit or loss (DES)	Available for sale (AFS)	Fair Value through profit or loss (DES)	Derivative financial instruments	Total
Balance as of 1 January	**40667**	**0**	**0**	**0**	**0**	**40667**
Changes in fair value recognised in profit or loss	–63	0	0	0	0	–63
Changes in fair value recognised in other comprehensive income	–819	0	–361	0	0	–1180
Additions	2408	0	0	0	0	2408
Disposals	0	0	0	0	0	0
Reclassification to / from Level 3 (net)	0	0	1195	0	0	1195
Foreign currency effects	0	0	1	0	0	1
Balance as of 31 December	**42193**	**0**	**835**	**0**	**0**	**43028**

	Equity instruments		Debt instruments			
2011 restated (in 1000 CHF)	Available for sale (AFS)	Fair Value through profit or loss (DES)	Available for sale (AFS)	Fair Value through profit or loss (DES)	Derivative financial instruments	Total
Balance as of 1 January	**24577**	**0**	**7902**	**1858**	**0**	**34337**
Changes in fair value recognised in profit or loss	–1031	0	0	577	0	–454
Changes in fair value recognised in other comprehensive income	1941	0	–140	0	0	1801
Additions	15180	0	0	0	0	15180
Disposals	0	0	–6204	–2435	0	–8639
Reclassification to / from Level 3 (net)	0	0	–1519	0	0	–1519
Foreign currency effects	0	0	–39	0	0	–39
Balance as of 31 December	**40667**	**0**	**0**	**0**	**0**	**40667**

Equity instruments in Level 3 include mainly private equity investments. These investments are not included in the sensitivity analysis due to the large number of valuation assumptions. While those assumptions, in total, have a significant effect on the fair value of the equity instruments, when considered individually, the impact of changing them to reasonably possible alternative values would not be significant.

If changing the valuation assumptions for debt instruments in Level 3 to reasonably possible alternative values, the fair value of those instruments would be up to kCHF 104 higher (PY kCHF 0) or up to kCHF 104 lower (PY kCHF 0) as per balance sheet date.

12.2 Mortgages and loans

12.2.1 Mortgage and loan portfolio

The table below shows a breakdown of the balance sheet item "mortgages and loans", which contains financial assets qualifying as "loans and receivables" under IAS 39. Book values are reported gross, accumulated impairments are shown separately.

Fair values of mortgages and loans recognised at amortised cost are provided at the end of the table.

Balance of mortgages and loans	31.12.2012	31.12.2011 restated
(in 1 000 CHF)		
Mortgages on residential property	4 935	5 770
Mortgages on business property	828	1 143
Impairment on mortgages	– 100	– 165
Mortgages	**5 663**	**6 748**
Policy loans	12 630	14 067
Other loans	180 795	187 253
Impairment on loans	– 1 482	– 2 461
Loans	**191 943**	**198 859**
Total mortgages and loans	**197 606**	**205 607**
Fair value mortgages	6 004	6 736
Fair value loans	203 832	206 059

12.2.2 Development in impairments

As in table 12.2.1, where mortgages and loans have been impaired the impairment is reported gross in a separate allowance account. The table below shows the reconciliation of these cumulative impairments of "mortgages and loans" at 1 January and 31 December, as required under IFRS 7.

Reconciliation of accumulated impairments	2012			2011 restated		
	Mortgages	Loans	Total	Mortgages	Loans	Total
(in 1 000 CHF)						
Balance as of 1 January	**– 165**	**– 2 461**	**– 2 626**	**– 165**	**– 2 521**	**– 2 686**
Impairments (net)	0	956	956	0	0	0
Disposals	65	0	65	0	0	0
Foreign currency effects	0	23	23	0	60	60
Total balance as of 31 December	**– 100**	**– 1 482**	**– 1 582**	**– 165**	**– 2 461**	**– 2 626**

12.3 Derivative financial instruments

Derivative financial instruments are held in the trading portfolio and as net investment hedge. The table below shows the fair value and the underlying contract value of open positions at the balance sheet date, separately for each type of derivative financial instrument.

Derivative financial instruments – Trading			31.12.2012			31.12.2011 restated
(in 1 000 CHF)	Contract value	Fair value (assets)	Fair value (liabilities)	Contract value	Fair value (assets)	Fair value (liabilities)
Equity instruments held for trading						
Traded futures	17 430	0	12	0	0	0
Foreign currency instruments held for trading						
Forward instruments	294 411	258	515	227 674	1 977	2
Foreign currency instruments net investment hedge						
Forward instruments	163 356	1 380	200	166 314	658	2 218
Total derivative financial instruments	**475 197**	**1 638**	**727**	**393 988**	**2 635**	**2 220**

13 Deferred acquisition costs life

Deferred acquisition costs life	2012	2011 restated
(in 1 000 CHF)		
Balance as of 1 January	**64 071**	**64 599**
Additions	6 599	6 819
Amortisation and disposals	–8 768	–5 911
Impairment	0	–1 408
Foreign currency effects	–3	–28
Balance as of 31 December	**61 899**	**64 071**

14 Reinsurance Assets

The table below shows the composition and the reconciliation of the carrying amount of reinsurance assets from 1 January to 31 December.

2012 (in 1 000 CHF)	Reinsurers' share in technical reserves	Receivables from ceded business	Impairment	Total
Balance as of 1 January	**161 352**	**6 284**	**–6**	**167 630**
Change reinsurance assets	–3 780	6 601	–503	2 318
Foreign currency effects	–1 389	–34	0	–1 423
Total balance as of 31 December	**156 183**	**12 851**	**–509**	**168 525**

2011 restated (in 1 000 CHF)	Reinsurers' share in technical reserves	Receivables from ceded business	Impairment	Total
Balance as of 1 January	**139 497**	**8 369**	**–4**	**147 862**
Change reinsurance assets	21 797	–1 987	–2	19 808
Foreign currency effects	58	–98	0	–40
Total balance as of 31 December	**161 352**	**6 284**	**–6**	**167 630**

15 Receivables from insurance business

Receivables from insurance business (in 1 000 CHF)	31.12.2012	31.12.2011 restated
Receivables from policyholders	67 365	57 327
Receivables from insurance agencies and brokers	53 506	49 619
Receivables from insurance companies	47 468	58 514
Receivables from other parties	4 250	5 722
Deposits	3 260	5 972
Impairment due to credit risks	–9 344	–9 413
Total receivables from insurance business	**166 505**	**167 741**
thereof non-current	624	4 348

16 Receivables and liabilities from employee benefits

Employee benefits from Nationale Suisse include all forms of compensation granted in exchange for services rendered by the employees. These result in receivables and liabilities from employee benefits.

16.1 Components of receivables and liabilities from employee benefits

Receivables and liabilities from employee benefits (in 1 000 CHF)	31.12.2012	31.12.2011 restated	31.12.2010 restated
Receivables from short-term employee benefits	4 678	0	0
Receivables from defined contribution plans (post-employment benefits)	66	0	0
Receivables from other long-term employee benefits	168	158	165
Receivables from employee benefits	**4 912**	**158**	**165**
Liabilities from short-term employee benefits	– 42 926	– 47 038	– 46 198
Liabilities from termination benefits	– 2 709	– 2 968	– 3 956
Liabilities from defined contribution plans (post-employment benefits)	– 533	– 473	– 1 601
Liabilities from defined benefit plans (post-employment benefits)	– 99 711	– 118 288	– 85 087
Liabilities from other long-term employee benefits	– 2 441	– 3 751	– 2 776
Liabilities from employee benefits	**– 148 320**	**– 172 518**	**– 139 618**

16.2 Receivables and liabilities from post-employment benefits

The term "Defined benefit / contribution plan" covers all compensation that is provided to active employees and paid out to retirees.
Most employees of Nationale Suisse are covered by defined benefit plans. The plans of the group companies in Switzerland, Gemany and Spain qualify as defined benefit plans under IFRS, while the plans in Belgium and Italy are treated as defined contribution plans. In most cases the defined benefit and defined contribution plans are managed externally, by units that are legally separated from the group. Only for the defined benefit plans in Germany and Spain exist no legally independent entities.
All plans are mutually funded by employer and eployees. The Nationale Suisse pension plans are tailored to local requirements in terms of admission and scope. The plans of the swiss group companies are funded with plan assets. The plans in Germany and Spain have no separated plan assets, with the exception of one reinsurance contract.
The predominant part of the net liability from defined benefit plans results from the obligation of the pension plans of the Swiss National Insurance Company Ltd (SNVG) as against active employees and retirees of the swiss group companies. The pension plan is a foundation that offers a corporate pension scheme regulated by federal law, which is mandatory in Switzerland. It operates under the terms of its own regulation as well as it is subject to the federal law on occupational benefit plans (BVG). It provides at least the benefits according to the BVG and is under the supervision of the cantonal regulatory authority for foundations.
The defined benefit plans of the foundation provide benefits for the risks of age, invalidity and death. Furthermore, retired employees in Switzerland are granted certain discounts such as cheques from the "Swiss Travel Fund" (REKA) and they have their accident insurance paid by the employer.
All employees of the Swiss Group companies are members of this pension plan foundation. Within the foundation they can choose between plans with a higher or a lower savings premium. The contribution to the plan further depends on the age of the employee as well as on his level of salary.
The commercial operations are carried out by the management of the foundation which is under the supervision of a board of trustees. The board of trustees is composed of 6 full members and 2 substitute members. 3 full members and 1 of the substitutes are appointed by the employer. As per January 1 2011 the pension plans of SNVG were changed from defined benefit to defined contribution plan. However the plans are still classified as defined benefit plans under IAS 19, as the foundation needs to guarantee the minimum

benefits as prescribed by the federal law. If, under statutory accounting rules, the value of the plan assets falls below the benefit obligation, the pension plan has a funding gap. In this case the employer may be forced to provide a contribution to the financial restructuring of the plan.

The information and tables in this section relate solely to the defined benefit plans.

16.2.1 Liabilities from defined benefit plans

Retirement benefit obligations under defined benefit plans are measured using the projected unit credit method.

The following table shows the carrying amount of the liability from defined benefit plans. The majority of the present value of the liability is covered by segregated assets (fair value of plan assets).

Net liability from defined benefit plans (in 1 000 CHF)	**31.12.2012**	**31.12.2011 restated**	**31.12.2010 restated**
Defined benefit obligation financed by a fund	– 981 508	– 939 166	– 873 857
Fair value of plan assets	901 490	837 109	805 931
Net liability / asset from obligations financed by a fund	**– 80 018**	**– 102 057**	**– 67 926**
Defined benefit obligation not financed by a fund	– 17 489	– 14 563	– 14 207
Unrecognised assets (asset ceiling)	– 2 204	– 1 668	– 2 954
Net liability from defined benefit plans	**– 99 711**	**– 118 288**	**– 85 087**
of which recognised in receivables from employee benefits	0	0	0
of which recognised in liabilities from employee benefits	– 99 711	– 118 288	– 85 087

16.2.2 Change in net defined benefit obligations

Shown below is the reconciliation of net defined benefit obligations. It is divided into the actual benefit obligation, the plan assets and the plan assets not recognised due to the asset ceiling. The plan assets are the assets generally managed outside the Group to fund the obligation from defined benefit plans. The payments (net) included in the reconciliation comprise payments due to changes in the staff (entries and exits) as well as annuities and capital payments.

2012 (in 1000 CHF)	Defined benefit obligation	Plan assets	Asset ceiling	Total Net liability from defined benefit plans
Balance as of 1 January	**–953 729**	**837 109**	**–1 668**	**–118 288**
Current service costs	–33 422	0	0	–33 422
Interest	–24 041	20 854	–42	–3 229
Remeasurements				
from financial assumptions	–53 394	0	0	–53 394
from demographic assumptions	0	0	0	0
from experience adjustments	15 626	22 760	0	38 386
from asset ceiling	0	0	–494	–494
Employer contribution	0	49 236	0	49 236
Employee contribution	0	12 011	0	12 011
Payments (net)	41 407	–40 475	0	932
Past service cost	–8 477	0	0	–8 477
Effect of plan curtailments / settlements	16 944	0	0	16 944
Foreign currency effects	89	–5	0	84
Balance as of 31 December	**–998 997**	**901 490**	**–2 204**	**–99 711**
Defined benefit obligation financed by a fund	–981 508			
Defined benefit obligation not financed by a fund	–17 489			

The pension fund in Switzerland will adjust the technical discount rate and the conversion rate as per 1 January 2013. The changes in the regulation that were approved in June 2012 and the transition benefits granted, resulted in an adjustment of the present value of the defined benefit obligation (DBO). The credit of CHF 8.5 million before taxes (CHF 6.8 million after taxes) was recognized in profit or loss in 2012. In the reconciliation of the DBO this credit is divided into past service cost (CHF – 8.5 million) and effects of plan curtailments/settlements (CHF 17 million). In conjunction with the change in the regulation, the employer granted a lump-sum payment of CHF 28 million to the pension fund, which is included in the employer contribution of CHF 49 million. The remeasurement of the DBO due to financial assumptions results from the adjustment of the discount rate to 2.0% in 2012 (see Section 16.2.6). The remeasurement of the plan assets due to experience adjustments corresponds to the difference between the effective revenues and gains/losses on the plan assets of kCHF 43 614 (PY: kCHF 28 400) and the calculated interest on the plan assets using the discount rate in the actuarial assumptions of kCHF 20 854 (PY: kCHF 24 337).

2011 restated (in 1 000 CHF)	Defined benefit obligation	Plan assets	Asset ceiling	Total Net liability from defined benefit plans
Balance as of 1 January	**– 888 064**	**805 931**	**– 2 954**	**– 85 087**
Current service costs	– 32 042	0	0	– 32 042
Interest	– 26 618	24 337	– 88	– 2 369
Remeasurements				
from financial assumptions	– 22 428	0	0	– 22 428
from demographic assumptions	– 27 320	0	0	– 27 320
from experience adjustments	– 4 917	4 063	0	– 854
from asset ceiling	0	0	1 374	1 374
Employer contribution	0	36 236	0	36 236
Employee contribution	0	11 866	0	11 866
Benefits paid	46 100	– 45 309	0	791
Past service cost	0	0	0	0
Effect of plan curtailments / settlements	1 290	0	0	1 290
Foreign currency effects	270	– 15	0	255
Balance as of 31 December	**– 953 729**	**837 109**	**– 1 668**	**– 118 288**
Defined benefit obligation financed by a fund	– 939 166			
Defined benefit obligation not financed by a fund	– 14 563			

16.2.3 Estimated employer contribution

Employer contribution for the following year can only be estimated with a limited degree of certainty. Employer contribution is expected to be approximately CHF 24 million in 2013.

16.2.4 Expenses for defined benefit plans

Expenses for defined benefit plans recognised in profit or loss comprise the following elements:

Expenses for defined benefit plans (in 1 000 CHF)	2012	2011 restated
Current service costs	33 422	32 042
Interest net obligation	3 229	2 369
Past service cost	8 477	0
Effect of plan curtailments / settlements	– 16 944	– 1 290
Employee contribution	– 12 011	– 11 866
Total expense for defined benefit plans	**16 173**	**21 255**

16.2.5 Allocation of plan assets

Asset Allocation	31.12.2012	31.12.2011 restated	31.12.2010 restated
(in 1000 CHF)			
Equity instruments quoted on an active market			
Shares	90318	78648	81850
Equity fund	6072	10196	19962
Real estate fund	2678	2518	2373
Equity instruments not quoted on an active market			
Mixed fund	24546	23547	0
Private equity	5796	5090	3860
Hedge fund	22968	23707	22476
Commodity fund	2552	5551	3174
Debt instruments quoted on an active market			
Public corporations	192855	250779	239857
Industrial corporation	69484	58173	53210
Financial institution	67808	72726	74560
Other	17338	11821	9110
Debt instruments not quoted on an active market			
Financial institution	7980	9692	9715
Derivatives not quoted on an active market			
Foreign currency instruments	756	–1010	8367
Loans	1000	1000	1000
Real estate	274397	267726	260124
Cash and cash equivalents	113902	14549	19717
Others	1040	2396	–3424
Fair value of plan assets	**901490**	**837109**	**805931**

16.2.6 Actuarial assumptions (weighted averages)

The assumptions required to calculate the liabilities and expenses for defined benefit plans are determined separately for each country. The following assumptions each represent a weighted average:

Actuarial assumptions (in %)	31.12.2012	31.12.2011 restated	31.12.2010 restated
Discount rate	2.0	2.5	3.0
Expected increase in salaries and benefits	1.5	1.5	2.0
Expected increase in pension benefits	0.1	0.1	0.3
Duration of the defined benefit obligation (in years)	11.0	12.5	12.6

16.2.7 Sensitivity analysis actuarial assumptions

The sensitivity analysis determines the impact of a change in the actuarial assumptions of 25 basis points on the defined benefit obligation and the current service cost. In each case only one of the assumptions is modified, while the remaining are held unchanged.

Sensitivity actuarial assumptions		31.12.2012	2012
(in 1 000 CHF)		Impact on defined benefit obligation	Impact on current service cost
Actuarial Assumption	Change		
Discount rate	+ 0.25 %	−26 345	−936
Discount rate	− 0.25 %	27 745	993
Salary increase	+ 0.25 %	2 547	276
Salary increase	− 0.25 %	−2 446	−269
Pension increase	+ 0.25 %	25 152	694
Pension increase	− 0.25 %	−9 926	−271

The sensitivity analysis for a reduced pension increase includes a change of just −0.1 %, as a reduction of pension benefits is not allowed. Currently the actuarial assumtions for the expected increase in pension benefits equals 0.1 % (see section 16.2.6).

16.3 Compensation plans with share-based payments

Nationale Suisse has following compensation plans which provide for a employee participation in shares:

- Management share plan (see 16.3.1)
- Profit-sharing plan (see 16.3.2)
- Board of directors share plan (see 16.3.3)

Personnel expenses in the reporting period include kCHF 3603 (PY kCHF 5234) for these plans. The accrual recognised in equity (capital reserves) as per balance sheet date is kCHF 1242 (PY kCHF 2014).

16.3.1 Management share plan

Under the Management plan, part of the variable compensation for the Executive Board and senior management in Switzerland is paid in the form of blocked shares. Depending on the level of function, plan participants are required to obtain a minimum of between 10.0% and 40.0% of their variable compensation in shares. Again depending on level of function, further shares may be subscribed up to a maximum of between 30.0% and 80.0%. The subscription price depends on the blocking period chosen, which may be three, five or eight years. The plan contains no vesting conditions. The obligation to subscribe shares is not applicable for plan participants who own more than 1000 to 4000 shares, depending on the level of function of the plan participant. A voluntary subscription of shares is still possible.

There are no share-based compensation schemes in the foreign units of the group.

Under the management share plan the following numbers of shares have been granted in 2012 and 2011 as part of variable compensation for the previous years:

Management share plan	2012	2011 restated
Blocking period 3 years		
Number of subscribed shares	18040	26511
Blocked until	11.5.2015	17.5.2014
Subscription price per share (in CHF) [1]	29.58	30.79
Market value of subscribed shares as of subscription date (in 1000 CHF) [2]	591	924
Blocking period 5 years		
Number of subscribed shares	1647	1825
Blocked until	11.5.2017	17.5.2016
Subscription price per share (in CHF) [1]	26.33	27.40
Market value of subscribed shares as of subscription date (in 1000 CHF) [2]	52	62
Blocking period 8 years		
Number of subscribed shares	15868	16179
Blocked until	11.5.2020	17.5.2019
Subscription price per share (in CHF) [1]	22.10	23.01
Market value of subscribed shares as of subscription date (in 1000 CHF) [2]	493	534
Eligible employees	69	68
Participating employees	65	66
Portion of variable compensation received as shares (in %)	26.8	27.6

[1] The shares are assigned to the employees with a fiscally approved discount, the amount of which depends on the blocking period
[2] The fair value measurement of the shares granted is based on the quoted exchange price as per grant date, less a liquidity discount depending upon the blocking period

16.3.2 Profit-sharing plan

A profit-sharing plan is only granted to employees in Switzerland if the internally calculated and communicated "Corporate Success Indicator" reaches an overall level of above 110.0%. The fixed bonus amount is set by the Executive Board based on the level of function. No shares were granted under the profit-sharing plan in 2012 as the "Corporate Success Indicator" was below 110.0% for the year 2011. In 2011 the employees had the option to subscribe for shares instead of receiving a cash payment as bonus for the 2010 reporting period. This plan contains no vesting conditions.

The following conditions have been applied for the bonus granted through the profit-sharing plan in 2011:

Categories of the profit-sharing plan 2011	Amount in CHF	Conversion in shares
Employees (excluding members of senior management and general agents)	3 500	120
Apprentice	750	27

In 2012 and 2011 the following number of shares have been granted:

Profit-sharing plan	2012	2011 restated
Blocking period 3 years		
Number of subscribed shares	–	23 667
Blocked until	–	17.5.2014
Subscription price per share (in CHF)	–	30.79
Market value of subscribed shares as of subscription date (in 1 000 CHF) [1]	–	825
Eligible employees [2]	–	1 265
Participating employees	–	179
Portion of profit sharing plan received as shares (in %)	–	16.7

[1] The fair value measurement of the shares granted is based on the quoted exchange price as per grant date, less a liquidity discount depending upon the blocking period
[2] Only employees with a workload ≥ 80.0 %

16.3.3 Board of Directors share plan

The members of the Board of Directors receive a part of their remuneration in shares. The obligation to subscribe shares is omitted if a plan participants or a close member of his family owns more than 2 000 shares. A voluntary subscription of shares is still possible. The plan contains no vesting conditions.

In 2012 the following number of shares were granted under the Board of Directors share plan for services received in the reporting period 2012:

Share subscription board of directors	**2012**	**2011 restated**
Blocking period 3 years		
Number of subscribed shares	6 358	9 454
Blocked until	17.12.2015	13.12.2014
Subscription price per share (in CHF)	32.12	25.07
Market value of subscribed shares as of subscription date (in 1 000 CHF) [1]	234	276
Eligible members	8	8
Participating members	6	7
Portion of remuneration as shares (in %)	12.0%	18.1%

[1] The fair value measurement of the shares granted is based on the quoted exchange price as per grant date, less a liquidity discount depending upon the blocking period

The grant date was the 17 December 2012. On this day the participating members of the Board of Directors took title to the shares that have a blocking period of 3 years.

17 Other receivables, accruals and deferrals

The table below shows a breakdown of the balance sheet item Other receivables, accruals and deferrals.
Other receivables mainly comprise rent receivable and reclaimable withholding tax. The accrual for financial investments is recognised for interest on debt instruments, mortgages and loans which has accrued but is not yet due. Insurance business accruals derive from prepaid expenses.

Other receivables, accruals and deferrals	**2012**	**2011 restated**
(in 1 000 CHF)		
Security deposits	373	363
Other receivables	27 884	25 250
Accruals from financial instruments	50 353	54 128
Accruals from insurance business	30 204	25 572
Other accruals	2 283	1 649
Total other receivables, accruals and deferrals	**111 097**	**106 962**
thereof non-current	777	838

18 Share capital and treasury shares

The registered shares are fully paid up and have a nominal value of CHF 0.40. The transferability of shares and nominee registrations are subject to the following restrictions pursuant to the articles of association:

- Percentage clause (5.0 % of the total share capital entered in the commercial register, except in the event of devolution of inheritance, partition of an estate or under marital property law)
- Foreigner clause (30.0 % of the total share capital entered in the commercial register, except in the event of devolution of inheritance, partition of an estate or under marital property law)
- Shares held in the name of and on behalf of a third party
- Group and association clause

The Board of Directors is empowered to approve exceptions in certain cases. In the reporting period no exceptions to the articles of association were approved.

2012	Number of treasury shares	Number of shares outstanding	Number of shares issued	Nominal value per share (in CHF)	Share capital (in 1 000 CHF)
Balance as of 1 January	**136 649**	**21 913 351**	**22 050 000**	**0.40**	**8 820**
Purchase / sale of treasury shares	– 104 246	104 246	0	0.00	0
Balance as of 31 December	**32 403**	**22 017 597**	**22 050 000**	**0.40**	**8 820**

2011 restated	Number of treasury shares	Number of shares outstanding	Number of shares issued	Nominal value per share (in CHF)	Share capital (in 1 000 CHF)
Balance as of 1 January	**84 791**	**21 965 209**	**22 050 000**	**0.40**	**8 820**
Purchase / sale of treasury shares	51 858	– 51 858	0	0.00	0
Balance as of 31 December	**136 649**	**21 913 351**	**22 050 000**	**0.40**	**8 820**

Authorised increase in share capital

The Annual General Meeting of Swiss National Insurance Company Ltd held on 10 May 2012 approved the motion put forward by the Board of Directors to create authorised capital in the maximum amount of CHF 2.8 million no later than by 10 May 2014.

This may be accomplished by issuing a maximum of 7 000 000 registered shares with a nominal value of CHF 0.40 each, to be fully paid up. The Board of Directors is authorised, on the occasion of this increase in capital, to limit or exclude shareholders' rights of subscription and allocate the shares to third parties if the new shares are to be used for the purpose of taking over companies, parts of companies, participations or new investment projects.

19 Accumulated other comprehensive income

19.1 Components of accumulated other comprehensive income

Components of accumulated other comprehensive income (in 1 000 CHF)	**31.12.2012**	**31.12.2011 restated**	**31.12.2010 restated**
Financial instruments AFS	152 218	87 031	41 305
Investments in associates	2 816	1 863	1 807
Debt instruments recategorised from AFS to HTM	586	638	689
Deferred dividends to policyholders	– 2 819	0	0
Remeasurement of the net defined benefit liability	– 166 395	– 150 892	– 101 665
Deferred income taxes	6 162	18 683	18 043
Currency translation reserve	– 61 613	– 58 863	– 61 221
Discontinued operations	0	0	1 749
Total accumulated other comprehensive income (incl. non-controlling interests)	**– 69 045**	**– 101 540**	**– 99 293**
attributable to shareholders	– 70 232	– 102 354	– 99 475
attributable to non-controlling interests	1 187	814	182

19.2 Reconciliation of accumulated other comprehensive income

Reconciliation of accumulated other comprehensive income (in 1 000 CHF)	2012	2011 restated
Balance as of 1 January including non-controlling interests	**–101 540**	**–99 293**
Change in accumulated other comprehensive income from financial assets AFS		
Changes in fair value	82 767	49 908
Impairments (net, transferred to profit or loss)	9 112	16 801
Gains and losses from disposals (transferred to profit or loss)	–26 634	–20 956
Change in accumulated other comprehensive income from investments in associates	953	56
Remeasurement of the net defined benefit liability	–15 502	–49 228
Change in accumulated other comprehensive income from financial assets recategorised from AFS to HTM		
Amortisation to profit or loss	–52	–51
Change in accumulated other comprehensive income from deferred dividends to policyholders	–2 814	0
Currency translation		
of accumulated other comprehensive income of foreign entities	–78	–38
of net investment in foreign entities (NIFE)	–4 545	–1 364
from change in fair value of derivative financial instruments net investment hedge (NIH)	1 795	–462
transferred to profit or loss (NIFE and NIH)	0	4 184
Change in accumulated other comprehensive income from deferred taxes	–12 507	652
Disposal of discontinued operations after income taxes	0	–1 749
Total balance as of 31 December including non-controlling interests	**–69 045**	**–101 540**
Balance as of 31 December excluding non-controlling interests	–70 232	–102 354
Balance as of 31 December non-controlling interests	1 187	814

20 Technical reserves for insurance contracts

Gross technical reserves represent the largest item of the liabilities on the balance sheet. Reinsurers' share of these reserves are shown on the asset side of the balance sheet under the item "Reinsurance assets". Net technical reserves, i.e. after adjusting reserves for the reinsurers' share, represent the group's own share of the reserves.

Technical reserves			**31.12.2012**			**31.12.2011 restated**
(in 1 000 CHF)	**Gross**	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Non-life						
Unearned premium reserves	325 012	– 28 543	296 469	321 395	– 35 561	285 834
Case reserves	896 521	– 105 775	790 746	874 744	– 89 546	785 198
IBNR reserves	354 081	– 8 362	345 719	387 359	– 21 275	366 084
Reserves for unallocated loss adjustment expenses (ULAE)	56 588	0	56 588	61 155	0	61 155
Total Claims reserves	1 307 190	– 114 137	1 193 053	1 323 258	– 110 821	1 212 437
Reserves for annuities	219 457	– 5 640	213 817	220 413	– 6 490	213 923
Reserves for dividends to policyholders	44 682	0	44 682	41 773	0	41 773
Other technical reserves	32 476	0	32 476	30 785	0	30 785
Technical reserves non-life	**1 928 817**	**– 148 320**	**1 780 497**	**1 937 624**	**– 152 872**	**1 784 752**
Life						
Reserves for policyholder benefits	2 400 928	– 1 184	2 399 744	2 415 708	– 976	2 414 732
Claims reserves	105 960	– 6 679	99 281	104 652	– 7 504	97 148
Reserves for unit-linked contracts	20 628	0	20 628	9 985	0	9 985
Total Actuarial reserves	2 527 516	– 7 863	2 519 653	2 530 345	– 8 480	2 521 865
Reserves for dividends credited to policyholders	112 687	0	112 687	116 146	0	116 146
Reserves for future dividends to policyholders	26 500	0	26 500	26 500	0	26 500
Total Reserves for dividends to policyholders	139 187	0	139 187	142 646	0	142 646
Technical reserves life	**2 666 703**	**– 7 863**	**2 658 840**	**2 672 991**	**– 8 480**	**2 664 511**
Technical reserves	**4 595 520**	**– 156 183**	**4 439 337**	**4 610 615**	**– 161 352**	**4 449 263**

20.1 Technical reserves non-life

Technical reserves non-life are split into unearned premium reserves, claims reserves, reserves for annuities, reserves for dividends to policyholders and other technical reserves. Claims reserves include case reserves, IBNR reserves and unallocated loss adjustment expenses (ULAE). Case reserves are the amounts recognised for reported claims. IBNR reserves are for cases which have been incurred but not yet reported to Nationale Suisse on the balance sheet date.

20.1.1 Unearned premium reserves non-life

Unearned premium reserves gross, reinsurers' share of unearned premium reserves and unearned premium reserves net reconcile as follows from the beginning to the end of the reporting period:

Unearned premium reserves non-life		2012			2011 restated	
(in 1000 CHF)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Balance as of 1 January	**321 395**	**–35 561**	**285 834**	**304 607**	**–30 385**	**274 222**
Change in unearned premium reserves	6 411	6 918	13 329	18 939	–4 990	13 949
Foreign currency effects	–2 794	100	–2 694	–2 151	–186	–2 337
Balance as of 31 December	**325 012**	**–28 543**	**296 469**	**321 395**	**–35 561**	**285 834**

20.1.2 Claims reserves non-life

The table below shows a reconciliation of the claims reserves from the beginning to the end of the reporting period.

Claims reserves non-life		2012			2011 restated	
(in 1000 CHF)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Balance as of 1 January	**1 323 258**	**–110 821**	**1 212 437**	**1 404 223**	**–93 912**	**1 310 311**
Change in claims reserves	–9 727	–4 602	–14 329	–74 686	–17 027	–91 713
Foreign currency effects	–6 341	1 286	–5 055	–6 279	118	–6 161
Balance as of 31 December	**1 307 190**	**–114 137**	**1 193 053**	**1 323 258**	**–110 821**	**1 212 437**

Given the favourable settling of claims in the last few years, Nationale Suisse has had reviewed the claims reserves in the segment Non-Life Switzerland by internal and external specialists in 2011.

Based on this analysis IBNR reserves that are part of the claim reserves have been reduced by CHF 85 million in the prior year. This is due to both the reserving methods applied that appear overly cautios from todays' point of view and the changing regulatory practices for personal injuries in particular (primarily cervical spine injuries).

20.1.3 Reserves for annuities

Gross reserves for annuities, the reinsurers' share and net reserves for annuities reconcile as follows:

Reserves for annuities non-life	2012			2011 restated		
(in 1 000 CHF)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Balance as of 1 January	**220 413**	**–6 490**	**213 923**	**214 705**	**–5 596**	**209 109**
Change in reserves for annuities	–946	850	–96	5 738	–894	4 844
Foreign currency effects	–10	0	–10	–30	0	–30
Balance as of 31 December	**219 457**	**–5 640**	**213 817**	**220 413**	**–6 490**	**213 923**

20.1.4 Reserves for dividends to policyholders non-life

The following table shows the reconciliation of the reserves for dividends to policyholders, separately for gross, ceded and net balances:

Reserves for dividends to policyholders non-life	2012			2011 restated		
(in 1 000 CHF)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Balance as of 1 January	**41 773**	**0**	**41 773**	**40 460**	**0**	**40 460**
Payments in the reporting period	–11 315	2	–11 313	–12 619	12	–12 607
Withdrawals/allocations	14 222	–2	14 220	13 932	–12	13 920
Foreign currency effects	2	0	2	0	0	0
Balance as of 31 December	**44 682**	**0**	**44 682**	**41 773**	**0**	**41 773**

20.1.5 Technical reserves by maturity – non-life

The following table shows the maturity structure of non-life technical reserves. Unearned premium reserves are classified by the residual term of the contract beyond the balance sheet date. Claims reserves are classified by maturity using loss triangles and actuarial calculations for the expected settlement of open claims. Technical reserves that are mainly for the coverage of estimation uncertainties are reported in the category "> 10 years / no determinable maturity". Reserves for annuities are classified based on the expected residual term.

Technical reserves non-life by maturity	31.12.2012			31.12.2011 restated		
(in 1 000 CHF)	Gross	Reinsurers' share	Netto	Gross	Reinsurers' share	Net
Unearned premium reserves non-life						
< 1 year	302 546	–23 515	279 031	284 544	–28 706	255 838
1 to 5 years	13 428	–3 052	10 376	20 316	–4 278	16 038
5 to 10 years	6 947	–1 397	5 550	13 022	–1 822	11 200
> 10 years / No determinable maturity	2 091	–579	1 512	3 513	–755	2 758
Total Unearned premium reserves	**325 012**	**–28 543**	**296 469**	**321 395**	**–35 561**	**285 834**
Claims reserves non-life						
< 1 year	460 276	–62 528	397 748	431 115	–51 838	379 277
1 to 5 years	371 498	–34 535	336 963	361 467	–35 478	325 989
5 to 10 years	139 307	–6 728	132 579	181 591	–10 719	170 872
> 10 years / No determinable maturity	336 109	–10 346	325 763	349 085	–12 786	336 299
Total Claims reserves	**1 307 190**	**–114 137**	**1 193 053**	**1 323 258**	**–110 821**	**1 212 437**
Reserves for annuities non-life						
< 1 year	13 010	–335	12 675	12 359	–364	11 995
1 to 5 years	46 032	–1 187	44 845	44 235	–1 304	42 931
5 to 10 years	46 297	–1 194	45 103	45 513	–1 340	44 173
> 10 years / No determinable maturity	114 118	–2 924	111 194	118 306	–3 482	114 824
Total Reserves for annuities non-life	**219 457**	**–5 640**	**213 817**	**220 413**	**–6 490**	**213 923**
Reserves for dividends to policyholders non-life						
< 1 year	13 691	0	13 691	11 807	0	11 807
1 to 5 year	30 991	0	30 991	29 966	0	29 966
5 to 10 years	0	0	0	0	0	0
> 10 years / No determinable maturity	0	0	0	0	0	0
Total Reserves for dividends to policyholders	**44 682**	**0**	**44 682**	**41 773**	**0**	**41 773**
Other technical reserves non-life						
< 1 year	3 656	0	3 656	3 231	0	3 231
1 to 5 years	6 433	0	6 433	5 850	0	5 850
5 to 10 years	6 470	0	6 470	6 013	0	6 013
> 10 years / No determinable maturity	15 917	0	15 917	15 691	0	15 691
Total Other technical reserves	**32 476**	**0**	**32 476**	**30 785**	**0**	**30 785**

20.2 Technical reserves life

Technical reserves life comprise reserves for policyholder benefits and reserves for dividends to policyholders.

Actuarial reserves include reserves for policyholder benefits from traditional life business, claims reserves for disability benefits and reserves for unit-linked life insurance products which can be classified as insurance contracts.

20.2.1 Actuarial reserves and financial contracts with DPF life

The following table shows the reconciliation of the actuarial reserves and financial contracts with DPF (see Section 21). Figures are separately shown for balances gross, ceded and net.

Actuarial reserves life for insurance contracts and financial contracts with DPF			**2012**			**2011 restated**
(in 1000 CHF)	**Gross**	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Balance as of 1 January	**2 633 983**	**–8 480**	**2 625 503**	**2 670 893**	**–9 604**	**2 661 289**
Changes in actuarial reserves life for insurance contracts and financial contracts with DPF	4 833	613	5 446	–10 373	1 114	–9 259
Foreign currency effects	–3 184	4	–3 180	–9 735	10	–9 725
Reclassification to Reserves for dividends to policyholders from financial contracts with DPF	0	0	0	–16 802	0	–16 802
Total balance as of 31 December	**2 635 632**	**–7 863**	**2 627 769**	**2 633 983**	**–8 480**	**2 625 503**
Insurance contracts	2 527 516	–7 863	2 519 653	2 530 345	–8 480	2 521 865
Financial contracts with DPF	108 116	0	108 116	103 638	0	103 638

Within the technical reserves Life, the reserves for dividends to policyholders from financial contracts with DPF are from now on no longer included in the reconciliation of the actuarial reserves life for insurance contracts and financial contracts with DPF (table in section 20.2.1) but instead in the reconciliation of reserves for future dividends to policyholders from insurance contracts and financial contracts with DPF life (table in section 20.2.2). Therefore an appropriate reclassification between the two tables has been made in the figures disclosed for 2011.

20.2.2 Reserves for dividends to policyholders life

Reserves for dividends credited to policyholders from insurance contracts and financial contracts with DPF life (in 1 000 CHF)	2012	2011 restated
Balance as of 1 January	**120 755**	**125 768**
Interest on reserves for dividends credited to policyholders	1 174	1 805
Dividends allocated during the reporting period	13 178	17 277
Dividends paid	– 18 168	– 28 616
Reclassification from financial contracts with DPF	0	4 609
Foreign currency effects	– 63	– 88
Balance as of 31 December	**116 876**	**120 755**
Insurance contracts	112 687	116 146
Financial contracts with DPF	4 189	4 609

Reserves for future dividends to policyholders from insurance contracts and financial contracts with DPF life (in 1 000 CHF)	2012	2011 restated
Balance as of 1 January	**38 693**	**21 466**
Allocation / withdrawal	– 5 479	5 034
Foreign currency effects	– 112	0
Reclassification from financial contracts with DPF	0	12 193
Balance as of 31 December	**33 102**	**38 693**
Insurance contracts	26 500	26 500
Financial contracts with DPF	6 602	12 193

Reserves for deferred DPF liabilities from insurance contracts and financial contracts with DPF life (in 1 000 CHF)	2012	2011 restated
Balance as of 1 January	**0**	**0**
Changes recogniesed in profit or loss	0	0
changes recognised in other comprehensive income	2 814	0
Foreign currency effects	5	0
Balance as of 31 December	**2 819**	**0**
Insurance contracts	0	0
Financial contracts with DPF	2 819	0

20.2.3 Technical reserves by maturity – life

For contracts with a fixed period, the following maturity details for technical reserves life are based on the residual contractual term. For deferred and current pensions they are based on the expected residual term. The amount shown under "No determinable maturity" mainly includes actuarial reserves for longevity risk and for contracts without a fixed period like whole life insurance.

Technical reserves life by maturity	31.12.2012	31.12.2011 restated
(in 1 000 CHF)		
Actuarial reserves life		
< 1 year	208 993	196 727
1 to 5 years	572 589	567 633
5 to 10 years	653 228	673 688
> 10 years	951 343	977 989
No determinable maturity	141 363	114 308
Total actuarial reserves	**2 527 516**	**2 530 345**
Reserves for dividends credited to policyholders life		
< 1 year	8 212	7 994
1 to 5 years	30 678	31 283
5 to 10 years	28 066	28 676
> 10 years	41 386	44 029
No determinable maturity	4 345	4 164
Total reserves for dividends credited to policyholders	**112 687**	**116 146**
Reserves for future dividends to policyholders life		
< 1 year	8 700	10 400
1 to 5 years	0	0
5 to 10 years	0	0
> 10 years	0	0
No determinable maturity	17 800	16 100
Total reserves for future dividends to policyholders	**26 500**	**26 500**

21 Liabilities from financial contracts

The following table shows the breakdown of Liabilities from financial contracts. These are essentially insurance contracts with no significant transfer of risk. A distinction is drawn between financial contracts with a discretionary participation feature (DPF), which are treated as an insurance contract, and contracts without DPF, which are measured at amortised cost or fair value through profit or loss.

Liabilities from financial contracts	31.12.2012	31.12.2011 restated
(in 1 000 CHF)		
Financial contracts with DPF		
Financial contracts with DPF excluding dividends to policyholders	108 116	103 638
Dividends credited to policyholders	4 189	4 609
Future dividends to policyholders	6 602	12 193
Deferred DPF liabilities	2 819	0
Financial contracts without DPF measured at amortised cost	315	318
Financial contracts without DPF at FVTPL, designated	13 312	11 934
Total liabilities from financial contracts	**135 353**	**132 692**

Financial contracts with DPF are mainly capital redemption assurances with a single premium and a marginal insurance risk. Financial contracts without DPF are mainly unit-linked products, which are measured at fair value through profit or loss in line with the associated assets, and savings products with guaranteed interest rates, which are recognised at amortised cost.

22 Financial provisions

2012 (in 1000 CHF)	Pending legal cases	Restructuring	Other	Total
Balance as of 1 January	**1309**	**2034**	**7346**	**10689**
Additions	630	81	325	1036
Releases	–120	–373	–457	–950
Use of provision	–352	–524	–1464	–2340
Foreign currency effects	0	–18	–57	–75
Balance as of 31 December	**1467**	**1200**	**5693**	**8360**
thereof non-current				6538

2011 restated (in 1000 CHF)	Pending legal cases	Restructuring	Other	Total
Balance as of 1 January	**491**	**1212**	**10127**	**11830**
Additions	1298	1535	983	3816
Releases	–140	0	–2699	–2839
Use of provision	–338	–673	–821	–1832
Foreign currency effects	–2	–40	–244	–286
Balance as of 31 December	**1309**	**2034**	**7346**	**10689**
thereof non-current				7969

The restructuring provisions include amounts reserved for a reorganisation in Belgium. The remaining provisions principally relate to obligations arising from the sale of operating units (such as the French subsidiary).

23 Payables from insurance business and reinsurance

Payables from insurance business and reinsurance (in 1 000 CHF)	31.12.2012	31.12.2011 restated
Payables to policyholders	197 087	206 061
Payables to agents and brokers	20 419	22 221
Payables to insurance companies	4 689	16 295
Payables to insurance companies from ceded business	15 747	5 452
Deposits for ceded business	5 523	5 697
Other Payables	10 844	8 972
Total payables from insurance business and reinsurance	**254 309**	**264 698**

24 Other liabilities, accruals and deferrals

The table below shows a breakdown of Other liabilities, accruals and deferrals.
Other liabilities, accruals and deferrals for operating and administrative costs essentially comprise liabilities to external service providers, rental payments on account and capital tax liabilities. Accruals and deferrals for the insurance business generally result from accruals and deferrals of premiums, mainly in reinsurance business. The remainder relate, for example, to obligations in respect of construction investments which have not yet been invoiced.

Other liabilities, accruals and deferrals (in 1 000 CHF)	31.12.2012	31.12.2011 restated
Other liabilities	32 353	31 561
Accruals and deferrals for operating and administrative costs	6 640	5 208
Accruals and deferrals for insurance business	14 811	16 644
Other accruals and deferrals	4 766	7 422
Other liabilities, accruals and deferrals	**58 570**	**60 835**

25 Deferred income tax assets and liabilities

25.1 Origin of deferred income tax assets and liabilities

The following table shows the origin of deferred income tax assets and liabilities from temporary differences between the values of assets and liabilities under IFRS and those used for tax purposes. Deferred tax assets and liabilities are offset provided the necessary conditions are met. The conditions for offsetting are generally met when the taxes are of the same type, relate to the same tax subject and fall under the same tax authority.

Origin of deferred income tax assets and liabilities	**31.12.2012**	**31.12.2011 restated**	**31.12.2010 restated**
(in 1 000 CHF)			
Deferred income tax assets			
Insurance business	1 070	968	0
Investments	0	138	0
Employee benefits	21 348	25 511	17 113
Other	7 372	4 727	2 261
Tax loss carry forward	8 793	13 631	3 512
Deferred income tax assets	**38 583**	**44 975**	**22 886**
Deferred income tax liabilities			
Insurance business	– 28 540	– 27 341	– 17 968
Investments	– 93 196	– 75 378	– 69 249
Employee benefits	– 19	0	0
Other	– 46 261	– 46 892	– 35 187
Deferred income tax liabilities	**– 168 016**	**– 149 611**	**– 122 404**
Total deferred income tax liabilities (net)	**– 129 433**	**– 104 636**	**– 99 518**
thereof recognised as deferred income tax assets	8 793	13 848	3 512
thereof recognised as deferred income tax liabilities	– 138 226	– 118 484	– 103 030

Deferred income tax liabilities were not recognised for temporary differences arising from consolidated group companies where retained earnings are regarded as reinvested indefinitely and Group management does not intend to transfer these earnings in the foreseeable future. No material tax expense would be incurred by the Group if these earnings were to be distributed to the parent company, mainly because of the tax laws in Switzerland on holding deductions and the relevant double taxation agreements. The temporary differences recognised in profit or loss or other comprehensive income amounted to approximately CHF 171 million (PY: CHF 129 million).

25.2 Reconciliation of deferred income tax assets and liabilities (net)

Reconciliation of deferred income tax assets and liabilities (in 1 000 CHF)	2012	2011 restated
Balance as of 1 January	**–104 636**	**–99 518**
Disposals from changes in the group of consolidated companies	0	0
Change recognised in profit or loss	–12 236	–5 754
Change recognised in equity	–12 507	652
Foreign currency effects	–54	–16
Reclassification to discontinued operations	0	0
Balance as of 31 December	**–129 433**	**–104 636**

25.3 Tax assets from loss carryforwards

Tax assets from loss carryforwards	31.12.2012			31.12.2011 restated		
(in 1 000 CHF)	Tax asset capitalised	Tax asset not capitalised	Total	Tax asset capitalised	Tax asset not capitalised	Total
Expiry in more than five years	0	1 868	1 868	0	1 769	1 769
Unlimited	25 942	11 338	37 280	40 136	339	40 475
Total loss carryforward	**25 942**	**13 206**	**39 148**	**40 136**	**2 108**	**42 244**
Tax assets capitalised	8 793	0	8 793	13 631	0	13 631

The losses incurred in previous periods in the subsidiaries in Belgium, Italy and Germany are allowed to be offset against future profits of the respective belgian subsidiary at any time in the future according to local tax legislation. The resulting tax credit was capitalized using the local tax rate applicable at 31 December 2012. Tax assets deriving from tax loss carryforwards are capitalised insofar it is likely that future taxable profits are available against which they can be realised

The tax rates applicable to the loss carryforwards not recognised as tax assets range between 30.0 % and 34.0 %. Losses offsettable for an unlimited period but which have not been recognised as tax assets mainly relate to the belgian subsidiaries and furthermore to the real estate company SAS Saint Cloud.

Notes to the consolidated income statement

26 Income from financial instruments

Income from equity instruments is mainly from dividends; income from debt instrument is primarily from interest received and amortisation resulting from the application of the effective interest rate method. Income from mortgages and loans is mainly the interest earned on these lendings.

Income from financial instruments	**2012**	**2011 restated**
(in 1 000 CHF)		
Income from equity instruments		
Available for sale	12 624	9 675
At fair value through profit or loss, designated	300	246
Dividends	**12 924**	**9 921**
Income from debt instruments		
Held to maturity	32 037	32 899
Available for sale	50 212	56 943
At fair value through profit or loss, designated	357	472
Mortgages and loans	5 564	5 540
Interest income	**88 170**	**95 854**
Income from financial instruments	**101 094**	**105 775**
thereof interest income from impaired financial instruments	914	1 552

27 Gains and losses on financial instruments

27.1 Gains and losses on financial instruments by category

Gains and losses on financial instruments comprise realisations, book value adjustments and foreign currency effects recognised in profit or loss as well as impairments.

2012	Equity instruments	Debt instruments	Mortgages and loans	Derivative financial instruments	Total
(in 1 000 CHF)					
Gains and losses[1] (net) excluding impairments					
Held to maturity	0	–60	0	0	–60
Available for sale	12 278	11 868	0	0	24 146
At fair value through profit or loss	1 880	3 703	0	–5 918	–335
Gains and losses[1] (net) excluding impairments	**14 158**	**15 511**	**0**	**–5 918**	**23 751**
Impairments					
Held to maturity	0	–874	0	0	–874
Available for sale	–7 555	–1 557	0	0	–9 112
Reversal of impairments					
Held to maturity	0	1 031	0	0	1 031
Mortgages and loans	0	0	956	0	956
Impairments (net)	**–7 555**	**–1 400**	**956**	**0**	**–7 999**
Total Gains and losses on financial instruments	**6 603**	**14 111**	**956**	**–5 918**	**15 752**

2011 restated	Equity instruments	Debt instruments	Mortgages and loans	Derivative financial instruments	Total
(in 1 000 CHF)					
Gains and losses[1] (net) excluding impairments					
Held to maturity	0	–178	0	0	–178
Available for sale	1 129	7 263	0	0	8 392
At fair value through profit or loss	–1 096	–235	0	5 123	3 792
Gains and losses[1] (net) excluding impairments	**33**	**6 850**	**0**	**5 123**	**12 006**
Impairments					
Held to maturity	0	–12 373	0	0	–12 373
Available for sale	–3 604	–13 197	0	0	–16 801
Reversal of impairments					
Held to maturity	0	0	0	0	0
Mortgages and loans	0	0	0	0	0
Impairments (net)	**–3 604**	**–25 570**	**0**	**0**	**–29 174**
Total Gains and losses on financial instruments	**–3 571**	**–18 720**	**0**	**5 123**	**–17 168**

[1] Including foreign currency effects in the respective category

27.2 Gains and losses on Level 3 financial assets and liabilities measured at fair value

For all financial assets and liabilities disclosed in tables 12.1.3 and 12.1.4 under Level 3 of the IFRS 7 valuation hierarchy, gains and losses are made up as follows:

Gains and losses on financial instruments in Level 3	2012	2011 restated
(in 1 000 CHF)		
Gains and losses (net) excluding impairments		
Available for sale	0	1 218
At fair value through profit or loss	0	577
Gains and losses (net) excluding impairments	**0**	**1 795**
Impairments		
Available for sale	–63	–1 031
Reversal of impairments		
Available for sale	0	0
Impairments (net)	**–63**	**–1 031**
Total gains and losses on financial instruments in Level 3	**–63**	**764**
thereof on financial instruments in Level 3 held at the end of the reporting period	–63	–1 031

27.3 Impairment of financial instruments by class

Table 12.1.1 shows a split of equity and debt instruments into classes. The table below shows the impairments on those classes of financial instruments and on mortgages and loans for the reporting period.

Impairments on financial instruments	2012	2011 restated
(in 1 000 CHF)		
Shares	–2 264	–1 258
Equity funds	–958	–732
Private Equity	–63	–1 032
Hedge Funds	–1 303	–582
Commodities	–2 967	0
Impairments on equity instruments	**–7 555**	**–3 604**
Debt instruments (government)	–874	–25 220
Debt instruments (financial institutions)	–1 557	–350
Impairments on debt instruments	**–2 431**	**–25 570**
Total Impairments on financial instruments	**–9 986**	**–29 174**

In 2011 the impairment on debt instruments issued by public corporations has been recognised for greek government bonds.

28 Result from investment property (net)

Result from investment property (in 1 000 CHF)	2012	2011 restated
Rental income	46 425	47 836
Gains and losses from valuation of investment property	14 442	28 494
Operating expenses for investment property with rental income	– 10 546	– 11 282
Operating expenses for investment property without rental income	– 42	– 48
Realised gains and losses from sale of investment property	799	14 886
Revenue from sale of development property	6 291	20 480
Cost of development property sold	– 4 828	– 18 461
Total Result from investment property (net)	**52 541**	**81 905**

29 Other operating income

The table below shows a breakdown of the income statement line item Other operating income.
Income from services and commissions results from insurance brokerage, assistance services and financial services provided.

Other operating income (in 1 000 CHF)	2012	2011 restated
Interest income on receivables from insurance and reinsurance business	147	587
Income from financial contracts with DPF	165	145
Income from services and commissions	18 392	26 106
Interest income from cash and cash equivalents	970	1 269
Other interest income	40	52
Gains on disposal of		
Fixed assets	39	43
Other foreign currency gains	581	863
Other income	5 279	10 044
Total Other operating income	**25 613**	**39 109**

Other income includes the reversal of financial provisions.

30 Costs before cost allocation

The table below shows the specific types of costs from the cost allocation (without other costs). Please see Section 3.32.2 for details of the methodology used for allocating costs to cost categories.

Costs before cost allocation (in 1 000 CHF)	**2012**	**2011 restated**
Personnel costs	227 315	242 168
Marketing and advertising	15 734	19 849
Depreciation, amortisation and impairments of		
fixed assets	10 839	10 004
intangible assets	5 834	8 636
IT and other technical equipment	28 639	28 580
Rent, maintenance and repairs	14 820	13 574
Costs before cost allocation	**303 181**	**322 811**

31 Personnel costs

Personnel costs (in 1 000 CHF)	**2012**	**2011 restated**
Salaries	172 024	175 438
Social security costs	25 713	26 153
Costs in respect of defined contribution plans	1 339	1 580
Costs in respect of defined benefit plans	16 173	21 255
Termination benefits	2 347	5 620
Other personnel costs	9 719	12 122
Total personnel costs	**227 315**	**242 168**

32 Other operating expenses

The table below shows a breakdown of the income statement line item Other operating expenses.
Costs not allocated to the insurance business contain costs of companies that do not write insurance business, expenses for insurance brokerage (third party business) and expenses for financial services rendered.
Other corporate costs mainly comprise expenditures for group functions and on strategic projects.

Other operating expenses (in 1 000 CHF)	**2012**	**2011 restated**
Expenses for financial contracts without DPF	29	31
Costs not allocated to the insurance business	12 523	19 612
Interest expenses from insurance business	752	788
Other interest expenses	236	233
Losses on disposal of		
Fixed assets	9	68
Other Taxes	3 051	4 419
Other corporate costs	40 714	45 843
Other foreign currency losses	429	5 205
Other expenses	6 353	7 621
Total Other operating expenses	**64 096**	**83 820**

33 Foreign currency gains and losses

Foreign currency gains and losses excluding those on financial instruments measured at fair value thr ough profit or loss amount to kCHF –2 032 (PY: kCHF –25 806). Thereof, kCHF – 429 (PY: kCHF – 5 205) are reported under Other operating expenses, kCHF 581 (PY: kCHF 863) under Other operating income, kCHF –2 184 (PY: kCHF –21 464) under Gains and losses on financial instruments.

34 Financing costs

Financing costs (in 1 000 CHF)	**2012**	**2011 restated**
Financing costs from		
Loans	0	448
Total financing costs	**0**	**448**

35 Income Taxes

35.1 Current and deferred income taxes

Current and deferred income taxes	2012	2011 restated
(in 1 000 CHF)		
Current income taxes	–12 762	–36 097
Deferred income taxes	–12 236	–5 754
Total current and deferred income taxes	**–24 998**	**–41 851**

35.2 Deferred income taxes by origin

Deferred income taxes by origin	2012	2011 restated
(in 1 000 CHF)		
Insurance business	–1 107	–8 395
Investments	–1 274	4 212
Employee benefits	–7 436	–2 837
Tax loss carry forward	–4 717	10 331
Others	2 298	–9 065
Total deferred income taxes	**–12 236**	**–5 754**

35.3 Expected and effective income taxes

Reconciliation from expected to effective income taxes	2012	2011 restated
(in 1 000 CHF)		
Profit before income taxes	128 479	208 183
Expected income tax rate (in %)	20.9	20.8
Expected income taxes from continuing and discontinued operations	**–26 901**	**–43 386**
Increase / decrease due to		
tax-exempt / tax-reduced income	1 552	242
expenses not tax deductible	–1 383	–2 995
use of tax loss carryforwards not capitalised	0	418
tax loss carryforwards not capitalised	–3 766	–646
changes in tax rates	1 356	–370
income taxes for prior periods	4 175	3 516
other effects	–31	–32
Effective income taxes from continuing and discontinued operations	**–24 998**	**–43 253**
Effective income tax rate (in %)	19.5	20.8

The expected applicable tax rate for the Group is the weighted average of the expected income tax rates in the individual countries in which the Group operates.
The increase in the expected tax rate compared to the previous year is mainly due to the different contribution to profit of the individual Group companies in connection with the different local tax rates in force in the individual countries.

36 Earnings per share

Undiluted earnings per share are calculated using the weighted average number of shares outstanding of Swiss National Insurance Company Ltd and the consolidated profit for the period attributable to shareholders. Diluted earnings per share equal undiluted earnings per share for both periods presented, as there are no convertible instruments or options outstanding which could cause dilution.

Earnings per share	2012	2011 restated
Continuing operations		
Profit for the period (attributable to shareholders) (in 1 000 CHF)	103 020	158 617
Average number of shares outstanding	21 997 620	21 972 234
Earnings per share from continuing operations in CHF	**4.68**	**7.23**
Discontinued operations		
Profit for the period (attributable to shareholders) (in 1 000 CHF)	0	5 908
Average number of shares outstanding	0	21 972 234
Earnings per share from discontinued operations in CHF	**0.00**	**0.26**
Earnings per share in CHF	**4.68**	**7.49**

Notes to the consolidated total comprehensive income statement

37 Other comprehensive income before and after taxes

Other comprehensive income before and after taxes	2012			2011 restated		
	Before Taxes	Taxes	After Taxes	Before Taxes	Taxes	After Taxes
(in 1 000 CHF)						
Equity instruments AFS	65 245	– 17 074	48 171	45 753	– 9 685	36 068
Investments in associates	953	0	953	56	– 23	33
Debt instruments recategorised from AFS to HTM	– 52	10	– 42	– 51	9	– 42
Remeasurement of the net definded benefit obligation	– 15 502	3 261	– 12 241	– 49 228	11 257	– 37 971
Deferred dividends to policyholders	– 2 814	965	– 1 849	0	0	0
Currency translation	– 2 828	331	– 2 497	2 320	– 906	1 414
Total other comprehensive income	**45 002**	**– 12 507**	**32 495**	**– 1 150**	**652**	**– 498**

Notes – Other information

38 Details of the group of consolidated companies

38.1 Material subsidiaries and associated companies as of 31.12.2011

Material subsidiaries and associated companies as of 31.12.2012	Main business
Switzerland	
Swiss National Life Ltd, Bottmingen	Life insurance
European Travel Insurance Company Ltd, Basel	Non-life insurance
Care Travel AG, Brüttisellen	Assistance services
Medicall AG, Brüttisellen	Assistance services
Coop Rechtsschutz AG, Aarau	Non-life insurance
Liechtenstein	
Swiss National Insurance Company in Liechtenstein Ltd, Vaduz	Non-life insurance
Germany	
«Schweizer-National» Versicherungs-Aktiengesellschaft, Frankfurt a.M.	Non-life insurance
Italy	
Nationale Suisse Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese	Non-life insurance
Nationale Suisse Vita Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese	Life insurance
Nationale Suisse Servizi Assicurativi S.R.L, San Donato Milanese	Insurance brokerage
GE.SI.ASS. S.R.L., Milano	IT Services
Spain	
Nacional Suiza Compañia de Seguros y Reaseguros S.A., Barcelona thereof paid-in	Non-Life insurance
Belgium	
Nationale Suisse Assurances S.A., Bruxelles	Non-Life and Life insurance
Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A., Bruxelles	Non-life insurance
ARENA S.A., Bruxelles	Insurance brokerage
Vander Haeghen & Co. S.A., Bruxelles	Insurance brokerage
France	
SAS Saint Cloud, Paris	Property company
Ireland	
Swiss Capital PRO Red Fund, Dublin	Hedge fund
Swiss Capital PRO Orange Fund, Dublin	Hedge fund
Luxembourg	
Energy and Infrastructure Investments S.C.A., SICAR, Luxembourg thereof paid-in	Investment fund
4IP European Real Estate Fund of Funds, Luxembourg thereof paid-in	Property fund
USA	
Nationale Suisse Latin America LLC, Miami	Insurance brokerage

[1] NL (Non-life), IL (Individual Life)
[2] V (consolidated subsidiaries), E (companies that are consolidated with the equity-method)
[3] Invested capital
[4] Capital commitments

	Share capital 31.12.2012			31.12.2012	31.12.2011
Segments[1]	Currency	Amount	Consolidation method[2]	Group share in percentages	Group share in percentages
IL Switzerland	CHF	41 000 000	V	97.6	97.5
NL Switzerland	CHF	3 000 000	V	100	100
NL Switzerland	CHF	100 000	V	74.3	74.3
NL Switzerland	CHF	915 000	V	74.3	74.3
NL Switzerland	CHF	3 600 000	E	42.5	41.4
NL Foreign Countries	CHF	5 000 000	V	100	100
NL Foreign Countries	EUR	5 000 000	V	100	100
NL Foreign Countries	EUR	12 000 000	V	100	100
IL Foreign Countries	EUR	11 000 000	V	100	100
NL Foreign Countries	EUR	10 000	V	100	100
NL, IL Foreign Countries	EUR	26 000	E	45	45
NL Foreign Countries	EUR	18 032 677 12 022 556	V	100	100
NL, IL Foreign Countries	EUR	33 200 000	V	99.9	99.8
NL Foreign Countries	EUR	13 500 000	V	100	100
NL Foreign Countries	EUR	75 000	V	99.9	99.8
NL Foreign Countries	EUR	70 000	V	99.9	99.8
NL Foreign Countries	EUR	402 368	V	100	100
NL Switzerland	USD	61 538 030[3]	V	100	100
IL Switzerland	USD	58 036 363[3]	V	97.6	97.5
NL, IL Switzerland	EUR	27 951 566[4] 11 868 518	E	28.6	28.6
IL Switzerland	EUR	146 000 000[4] 135 342 000	E	20.5	20.4
NL Switzerland	USD	100 000	V	100	100

38.2 Changes in the group of consolidated companies

38.2.1 Changes in 2012

The group structure changed as follows:

- Increase in the shareholding in Swiss National Life Ltd., Bottmingen, Switzerland from 97.5 % to 97.6 %.
- Increase in the share capital of Nationale Suisse Assurances S.A., Brussels, Belgium, by EUR 5 000 000 and increase in the shareholding from the previous 99.8 % to 99.9 %.
- Disposal within the Group of all shares in Coop Rechtsschutz AG, Aarau, Switzerland (share capital CHF 3 600 000), that were previously held by Swiss National Life Insurance Ltd, Bottmingen, Switzerland to Swiss National Insurance Company Ltd, Basel, Switzerland. This increased the Group’s holding in Coop Rechtsschutz AG, Aarau, Switzerland, from 41.4% to 42.5%.

38.2.2 Changes in 2011

- Disposal of Swiss Capital PRO Yellow Fund (invested capital USD 38 097 389) through the sale of group life business per 1 January 2011.
- Decrease in the shareholding in 4IP European Real Estate Fund of Funds, Luxembourg, from 31.5 % to 20.4 % through the sale of group life business per 1 January 2011. In addition Swiss National Life Ltd., Bottmingen, Switzerland participated in share capital increase of 4IP European Real Estate Fund of Funds, Luxembourg.
- Increase in the shareholding in Medical AG, Brüttisellen, Switzerland, from 73.3 % to 74.3 %.
- Insignificant increase in the shareholding in Swiss National Life Ltd., Bottmingen, Switzerland; percentage of shareholding remains unaffected.
- Increase in the shareholding in Vander Haeghen & Co. S.A., Brussels, Belgium from the previous 89.8 % to 99.8 %.
- Increase in the share capital of Nationale Suisse Assurances S.A., Brussels, Belgium, by 10 000 000.
- Increase in the share capital of Compagnie Européenne d’Assurance et Marchandises of the Bagages SA, Brussels, Belgium, by 10 000 000 and increase in the shareholding from the previous 99.9 % to 100 %.
- Disposal of ELITIS Brokerage Holding S.A., Brussels, Belgium (share capital EUR 6 594 487; Group’s shareholding 19.9 %).
- Decrease in the share capital of SAS Saint Cloud, Paris, France, by EUR 6 059 636.
- Increase in the share capital of Swiss Capital PRO Red Fund, Dublin, Irland, by USD 4 000 000.
- Increase in capital reserve of Nationale Suisse Vita Comagnia Italiana di Assicurazioni S.p.A., San Donato Milanese, Italy, by EUR 4 500 000.
- Increase in capital reserve of Schweizer-National Versicherungs-Aktiengesellschaft, Frankfurt a. M., Germany, by EUR 2 500 000.
- Increase in capital reserve of Swiss National Insurance Company in Liechtenstein Ltd, Vaduz, Liechtenstein, by EUR 4 100 000.

38.2.3 Disposal of companies / business units

Group life business was sold in 2011. Further information can be found in Section 6.

Disposal of companies / business units (in 1 000 CHF)	2012	2011 restated
Fixed and intangible assets	0	0
Investments in associates	0	14 838
Investment property	0	255 815
Financial instruments	0	1 319 285
Reinsurance assets	0	12 499
Technical reserves	0	–1 628 263
Liabilities from financial contracts	0	–14 433
Other assets and liabilities	0	45 262
Disposal of net assets	**0**	**5 003**
Sales prices	**0**	**11 250**
Cash and cash equivalents received	0	11 250
Less cash and cash equivalents disposed of	0	–88 802
Net-inflow of cash and cash equivalents	**0**	**–77 552**

39 Related party transactions

Nationale Suisse enters into transactions with related parties in the course of its normal business.
Examples of such transactions include insurance and rental contracts, and also transactions to remunerate Executive Management (the Board of Directors of Swiss National Insurance Company Ltd and the Group Executive Board). Companies and individuals are deemed to be related if one of the parties is able to control or exercise significant influence on the financial and business policy of the other.
Individually and taken as a whole, the transactions are not material to Nationale Suisse.

2012 (in 1 000 CHF)	Associated companies	Executive Management	Other related parties	Total
Included in income statement				
Earned premiums	0	91	0	91
Result from investments (net)	0	12	0	12
Costs from insurance business	0	–8	0	–8
Management compensation	0	–10 593	0	–10 593
Other Expenses	–7 964	–12	–5	–7 981
Total income statement	**–7 964**	**–10 510**	**–5**	**–18 479**
Included in balance sheet				
Mortgages and loans	0	986	0	986
Other receivables	740	0	0	740
Other liabilities	0	0	0	0
Total balance sheet as of 31.12.	**740**	**986**	**0**	**1 726**

2011 restated (in 1 000 CHF)	Associates	Executive Management	Other related parties	Total
Included in income statement				
Earned premiums	0	109	0	109
Result from investments (net)	0	26	0	26
Costs from insurance business	0	0	0	0
Management compensation	0	–11 576	0	–11 576
Other Expenses	–7 582	–5	–76	–7 663
Total income statement	**–7 582**	**–11 446**	**–76**	**–19 104**
Included in balance sheet				
Mortgages and loans	0	495	0	495
Other receivables	0	0	0	0
Other liabilities	–362	0	0	–362
Total balance sheet as of 31.12.	**–362**	**495**	**0**	**133**

Compensation for Executive Management	2012			2011 restated		
(in 1 000 CHF)	Compensation report	IFRS adjustments	Total	Compensation report	IFRS adjustments	Total
Short-term benefits	6 129	381	6 510	5 951	311	6 262
Benefits form defined benefit plans (pensions fund)	972	0	972	1 123	0	1 123
Termination benefits	663	41	704	1 104	58	1 162
Payments from share based compensation plans						
Thereof cash payment	1 394	63	1 457	1 960	103	2 063
Thereof shares[1]	982	– 33	950	981	– 15	966
Total Compensation	**10 140**	**452**	**10 593**	**11 119**	**457**	**11 576**

[1] The compensation report shows the undiscounted market value of the shares. Therefore the adjustment contains a illiquidity discount according to the blocking period.

The figures in the compensation report are shown in Section 2.9 of the parent company annual financial statements (Disclosure of compensation paid to the Board of Directors and Executive Board under Article 663b^{bis} of the Swiss Code of Obligations and shareholdings under Article 663c para. 3 of the Swiss Code of Obligations). IFRS adjustments include employer social security contributions that are not included in the compensation report.

40 Contingent liabilities and contractual commitments

A contingent liability is a possible obligation that arises from past events and whose existence is confirmed by the occurrence of an uncertain future event that is not wholly within the control of the entity. A contingent liability can also arise from a present obligation that arises from past events where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or if the amount of the obligation cannot be measured with sufficient reliability.

Nationale Suisse incurs future obligations with respect to guarantees and obligations made to third parties, associates, partnerships and joint ventures. These include contractual obligations for capital advances or payments to equity or to the sale, construction or development of investment property or acquisition of intangible assets.

40.1 Litigation

Group companies have to deal with litigation, claims and lawsuits, generally arising in the normal course of insurance business. Unless analysis of these cases indicates the need to set aside a provision, they are not recognised in the balance sheet. The Executive Board was not aware of any circumstances on the balance sheet date suggesting that these cases will have a material influence on the consolidated financial position of the Group.

40.2 Guarantees and pledges for third parties

Guarantees and pledges for third parties (in 1 000 CHF)	31.12.2012	31.12.2011 restated
Guarantees and pledges for third parties	**0**	**0**

40.3 Contractual commitments

Contractual commitments exist in relation to investments in and repair and maintenance expenditure for investment properties. Nationale Suisse has also agreed to provide funds to associates and third parties to acquire financial assets.

Contractual commitments (in 1 000 CHF)	31.12.2012	31.12.2011 restated
Contractual commitments for		
Purchase of fixed assets	25 721	1 378
Purchase of intangible assets	0	1 602
Investment property	14 800	53 704
Financial instruments and investments in associates	11 796	15 178
Total contractual commitments	**52 317**	**71 862**

41 Pledged or ceded assets and financial instruments in securities lending

Pledged or ceded assets and financial instruments in securities lending	31.12.2012	31.12.2011 restated
(in 1 000 CHF)		
Financial instruments	2 926	3 433
Total pledged or ceded assets	**2 926**	**3 433**
Financial instruments in securities lending	**0**	**0**

42 Operating leasing

42.1 Nationale Suisse as lessee

Nationale Suisse has entered into leasing contracts as lessee, mainly for buildings but also for vehicles and operating equipment.

42.1.1 Future operating lease obligations (term greater than 12 months)

All rental contracts with a notice period longer than 12 months are taken into account when calculating future obligations.

Operating leasing obligations by maturity	31.12.2012	31.12.2011 restated
(in 1 000 CHF)		
Maturity < 1 year	5 177	6 639
Maturity 1 – 5 years	7 711	11 099
Maturity > 5 years	6 800	0
Total future obligation from operating leasing	**19 688**	**17 738**

There are no sub-leases which cannot be terminated within 12 months by the sub-lessee.

42.1.2 Minimum and contingent lease payments under operating leases

Lease expense for the period comprises minimum lease payments (fixed portion) plus contingent lease payments (variable portion). Leases with a variable portion include, for example, indexation clauses or sales-related rents.

Minimum and contingent lease payments from operating leasing (in 1 000 CHF)	2012	2011 restated
Minimum lease payments	4 786	4 674
Contingent lease payments	0	0
Leasing costs	**4 786**	**4 674**
Income from subleases of the current year	10	10

42.2 Nationale Suisse as lessor

Nationale Suisse holds investment properties as capital investments. These are leased to third parties.
The table below shows future receivables under leases which cannot be terminated within 12 months. The amounts consist of cumulated future lease income up to the earliest possible date the lease can end.

Future receivables from leasing contracts (in 1 000 CHF)	31.12.2012	31.12.2011 restated
Maturity < 1 year	10 361	9 825
Maturity 1 – 5 years	29 010	28 243
Maturity > 5 years	3 765	6 350
Total future receivables from leasing contracts	**43 136**	**44 418**

43 Dividends

The Board of Directors will propose to the Annual General Meeting (AGM) on 6 May 2013 a dividend of CHF 1.70 per share (PY CHF 1.80), making a total amount of CHF 37 485 000 (PY CHF 39 690 000). The dividend proposal applies to all shares issued. No dividend will be paid in respect of shares which are directly owned by the company at the date of dividend payment. Accordingly, the amount of the total dividend payment depends on the number of treasury shares held at the date of the dividend payment. The proposed dividend will not be paid until approved by the AGM. The dividend payment will only be recognised in the books once approval has been granted by the AGM.

44 Events occurring after the balance sheet date

The Board of Directors of Swiss National Insurance Company Ltd, Basel approved these consolidated financial statements on 19 March 2013. Up to this date, no events came to our attention which would materially influence the Group financial statements.

Report of the statutory auditor to the general meeting of Swiss National Insurance Company Ltd, Basel

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Swiss National Insurance Company Ltd, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements (pages 4 to 118), for the year ended 31 December 2012.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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 article 11 AOA) 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Enrico Strozzi Audit expert Auditor in charge	Jin Hügin Audit expert

Basel, 19 March 2013

Annual report and financial statements of parent company

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Annual report

The parent company performs multiple roles at Nationale Suisse Group. It serves as parent entity for the most important Group companies and, in this capacity, acts as a holding company. It also operates as primary insurer in the Swiss non-life business and as reinsurer for the technical insurance business written in a first step by partner companies. Finally, it is the internal reinsurer for the Group's companies. Each of these functions influences the Group's result. Please note that the financial statements of the parent company are prepared in accordance with the Swiss Code of Obligations, whereas for the consolidated financial statements – including those parts which relate to the parent company – IFRS accounting policies apply. As the company's business development is presented comprehensively in the Group's annual report, we will limit ourselves here to those aspects which are important for an evaluation of the parent company financial statements and the proposed appropriation of earnings.

Increased premium volume due to strong direct business

Booked premiums have increased by 5.0% (2011 5.1%). In direct business (+6.1%), this is due particularly to Motor and Property. In contrast Credit Life (non-life elements) registered a decrease. The notable growth in technical insurance written in a first step by partner companies was – slightly weakened – continued in the period under review. These premiums are disclosed in the table "Booked premiums by line of business" (see Section 2.15) as "other indirect business".

Solid underwriting result

The strong increase in premiums earned net (CHF +67.2 million) is partially offset by higher technical cost (CHF +25.4 million) and a decreased investment result allocated to the technical income statement (CHF –62.1 million). The underwriting result of CHF 81.1 million is markedly lower than the previous year's result of CHF 245.6 million, or CHF 160.6 million excluding the reserve release. Despite this the underwriting result represents a solid performance in a multiyear comparison.

Decreased investment result

The net investment result of CHF 41.3 million was below the previous year's result of CHF 111.8 million, mainly due to decreased realised profits from the disposal of real estate (CHF –71.2 million). As a consequence the investment return allocated to the insurance business was significantly below the prior year.

Realised solid annual profit

The profit after taxes for the financial year amounts to CHF 47.0 million and is significantly below the CHF 113.8 million recorded in 2011. Excluding the non-recurring reserve release of CHF 67.2 million (net of taxes) the adjusted previous year's result would have been CHF 46.6 million, which remains behind the current profit for the period.
The realised annual profit enables a dividend of CHF 1.70 per share to be proposed (2011: CHF 1.80, thereof CHF 0.20 was paid for the reserve release).

Balance Sheet

Assets	31.12.2012	31.12.2011
(in 1 000 CHF)		
Land and buildings	217 884	217 686
Participations in real estate and investment companies	91	168
Participations in insurance companies	308 660	298 761
Loans to group companies	64 500	64 500
Shares	196 161	114 520
Alternative investments	80 563	81 436
Own shares	1 241	4 217
Fixed-income securities and bonded loans	911 524	945 184
Other investments	1 648	1 568
Deposits from assumed business: group companies	235 490	237 973
Deposits from assumed business: other companies	3 090	5 800
Total investments	**2 020 852**	**1 971 813**
Intangible assets	**14**	**20**
Other fixed assets	**15**	**14**
Total investments and fixed assets	**2 020 881**	**1 971 847**
Receivables from policyholders	24 328	18 697
Receivables from agents	1	1
Receivables from insurance companies	48 045	46 736
Receivables from group companies	16 652	11 890
Other receivables	11 860	6 116
Total receivables	**100 886**	**83 440**
Cash and cash equivalents	310 360	397 265
Prepaid expenses and accrued income	13 631	14 067
Total current assets	**424 877**	**494 772**
Total assets	**2 445 758**	**2 466 619**

Liabilities (in 1 000 CHF)	31.12.2012	31.12.2011
Share capital	8 820	8 820
General reserve	63 000	63 000
Other reserves, including reserve for own shares kCHF 1 241 (2011: kCHF 4 217)	278 020	204 020
Retained earnings	49 356	116 029
Total shareholders' equity	**399 196**	**391 869**
Technical reserves net	1 653 125	1 650 131
Non-technical provisions	160 350	168 820
Deposits from ceded business	1 989	1 612
Other long-term liabilities	37	73
Long-term liabilities	**1 815 501**	**1 820 636**
Prepaid premiums	118 359	130 869
Liabilities from insurance business	27 699	19 832
Liabilities to group companies	8 995	8 775
Other current liabilities	15 921	16 770
Accrued expenses and deferred income	60 087	77 868
Current liabilities	**231 061**	**254 114**
Total liabilities	**2 445 758**	**2 466 619**

Income statement

Technical income statement			2012			2011
(in 1 000 CHF)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Booked premiums	1 031 942	– 74 835	957 107	982 583	– 89 735	892 848
Portfolio premiums	0	349	349	0	358	358
Change in unearned premium reserves	– 8 188	– 7 280	– 15 468	– 21 922	3 496	– 18 426
Premiums earned net			**941 988**			**874 780**
Allocated investment return			33 179			95 272
Other technical income			701			706
Paid claims and benefits	– 603 246	27 807	– 575 439	– 544 357	21 825	– 522 532
Change in claims, actuarial, equalisation and other technical reserves	2 882	5 970	8 852	80 379	20 797	101 176
Dividends to policyholders incurred			– 13 026			– 13 826
Technical costs						
Acquisition costs	– 124 498			– 121 054		
Commissions and dividends for assumed business	– 88 337			– 84 919		
Administrative costs	– 110 516			– 107 231		
Total technical costs	**– 323 351**	**10 461**	**– 312 890**	**– 313 204**	**25 679**	**– 287 525**
Other technical expenses			– 2 272			– 2 474
Underwriting result (incl. investment return)			**81 093**			**245 577**

Non-technical income statement	2012	2011
(in 1 000 CHF)		
Income from land and buildings	20 244	23 799
Profit from sale of real estate	31	71 229
Income from group companies (incl. reinsurance deposits)	9 639	13 353
Income from securities	27 572	28 023
Income from other investments	2 134	1 967
Realised gains from participations, securities and other investments	47 338	48 966
Total income from investments	**106 958**	**187 337**
Operating expenses for land and buildings	– 5 257	– 3 520
Investment management costs (incl. real estate management)	– 5 338	– 4 208
Depreciation and impairment of land and buildings	– 5 066	– 5 369
Depreciation and impairment of participations, securities and other investments	– 8 617	– 29 475
Realised losses from securities and other investments	– 41 223	– 32 765
Interest expenses	– 170	– 179
Total expenses for investments	**– 65 671**	**– 75 516**
Investment return allocated to insurance business	– 33 179	– 95 272
Other financial income	17 338	14 483
Other financial expenses	– 6 745	– 82 263
Other corporate costs	– 44 657	– 44 158
Non-technical result	**– 25 956**	**– 95 389**

Summarised income statement	2012	2011
(in 1 000 CHF)		
Underwriting result (incl. investment return)	81 093	245 577
Non-technical result	– 25 956	– 95 389
Taxes (incl. taxes on real estate gains)	– 8 120	– 36 385
Profit for the period	**47 017**	**113 803**

Notes to the financial statements

1 Significant accounting policies

1.1 Land and buildings
Land and buildings are carried in the balance sheet at cost plus any value-enhancing investments and less depreciation at rates allowable for tax purposes.

1.2 Shares and alternative investments
Shares (including own shares) are measured at the lower of cost or market value.

1.3 Fixed-income securities and bonded loans
Fixed-income securities are measured at amortised cost using the effective interest method. On each closing date Nationale Suisse reviews whether there is any objective or substantial evidence that the value of a financial asset or a group of financial assets is impaired. Any impairment resulting from this test will be recognised immediately.

1.4 Participations
Participations are measured at cost less any impairment required.
Alternative investments which are indirectly held through the participation in Swiss Capital PRO Red Fund are presented as alternative investments and measured accordingly (see Section 2.8).

1.5 Intangible and other fixed assets
Intangible and other fixed assets used for operational purposes such as IT equipment (software and hardware), furniture, etc. are directly expensed in profit or loss (see Section 2.12). Excluded therefrom are assets capitalised in the Malaysia entity under local GAAP which are amortised over their useful lives.

2 Additional disclosures

2.1 Restricted assets
There are no securities and mortgage notes deposited or pledged as security (2011: kCHF 709).

2.2 Contingent liabilities
The parent company and all Swiss companies under the management of Swiss National Insurance Company Ltd and hence subject to group taxation are jointly and severally liable for the outstanding value added tax.
The parent company issued to its subsidiary Schweizerische National-Versicherungs-Gesellschaft in Liechenstein Ltd. a guarantee of CHF 25 million. In case of the guarantee's insolvency the parent company would pay the outstanding liabilities.
Due to a transfer of an insurance portfolio to Nationale Suisse S.A., Brussels, a guarantee of kEUR 500 was issued.
The parent company has made statements to third parties that liabilities from insurance business are covered in case of insolvency of some subsidiaries.

2.3 Contractual commitments not recognised
There are contractual commitments amounting to kCHF 29 602 (2011: kCHF 9 712) that do not require recognition in the balance sheet.

2.4 Fire insurance values
The fire insurance value of real estate is kCHF 367 271 (2011: kCHF 358 351). Other fixed assets that have been fully depreciated in the balance sheet, including those used for the operations of Swiss National Life Ltd, are covered by fire insurance for a value totalling kCHF 59 739 (2011: kCHF 59 645).

2.5 Liabilities to employee pension plans
There are no liabilities to employee pension plans.

2.6 Information on release of provisions
The financial provision for "possible risks for currencies and investments" has been reduced by CHF 5 million.

2.7 Loans to group companies
The loans to group companies include a subordinated loan of CHF 60 million granted to Swiss National Life Insurance Ltd (2011: CHF 60 million).
The parent company has comitted itself to increase, under specific requirements, this loan up to 30 million.

2.8 Participations

The following companies are recognised as participations in the balance sheet of Swiss National Insurance Company Ltd. To qualify as participations, companies must meet the criteria to be consolidated and a direct or indirect stake of at least 20.0% must usually be held.

Participations	Shareholding in % as of 31.12.2012	Shareholding in % as of 31.12.2011	Currency	Share capital as of 31.12.2012 (in 1000)
Insurance and broker companies				
Swiss National Life Ltd, Bottmingen	97.6	97.5	CHF	41 000
European Travel Insurance Company Ltd, Basel	100.0	100.0	CHF	3 000
Coop Rechtsschutz AG, Aarau	42.5	0.0	CHF	3 600
Swiss National Insurance Company in Liechtenstein Ltd, Vaduz	100.0	100.0	CHF	5 000
»Schweizer-National« Versicherungs-Aktiengesellschaft, Frankfurt a.M., Germany	100.0	100.0	EUR	5 000
Nationale Suisse Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese, Italy	100.0	100.0	EUR	12 000
Nationale Suisse Vita Compagnia Italiana di Assicurazioni S.p.A., San Donato Milanese, Italy	84.2	84.2	EUR	11 000
Nationale Suisse Assurances S.A., Brussels, Belgium	99.9	99.8	EUR	33 200
Compagnie Européenne d'Assurance des Marchandises et des Bagages S.A., Brussels, Belgium	100.0	100.0	EUR	13 500
Nacional Suiza Compañia de Seguros y Reaseguros S.A., Barcelona, Spain	100.0	100.0	EUR	18 033
thereof paid in			EUR	12 023
Nationale Suisse Latin America LLC, Miami, USA	100.0	100.0	USD	100
Real estate and investment companies				
Swiss Capital PRO Red Fund, Dublin, Ireland	100.0	100.0	USD	61 538
SAS Saint Cloud, Paris, France	100.0	100.0	EUR	402
Energy and Infrastructure Investments S.C.A., SICAR, Luxembourg	7.1	7.1	EUR	27 951
thereof paid in			EUR	11 869

The participations changed in 2012 as follows:

- Increase in the share capital of Nationale Suisse Assurances S.A., Brussels, Belgium, by kEUR 5 000 and increase of shareholding from 99.8% to 99.9%.
- Purchase of shares of Coop Rechtsschutz AG, Aarau, Switzerland from Swiss National Life Insurance Ltd., Bottmingen, Switzerland.
- Increase in the shareholding in Swiss National Life Ltd., Bottmingen, Switzerland; from 97.5% to 97.6%

2.9 Disclosure of the remuneration of the Board of Directors and Executive Board as stipulated in Article 663b bis of the Swiss Code of Obligations and shares held as stipulated in Article 663c para. 3 of the Swiss Code of Obligations

A detailed description of the remuneration model for the Board of Directors and the Executive Board can be found in the Human Resources section 6.5 of the Group's annual report.

2.9.1 Remuneration for 2012

No compensation in equity options was granted. Members of the Board of Directors, current or former members of the Executive Board or other related parties received remuneration in line with the market. The Executive Board members receive part of their remuneration in the form of shares if the required minimum level of shareholding is not yet achieved. After this level is reached, a voluntary subscription of shares is still possible.

2.9.1.1 Executive Board and former members of Executive Board

At the recommendation of the NCC, the Board of Directors defines three Group targets with a view to calculating a corporate success indicator. The applicable factor for the corporate success indicator is calculated on the basis of achieving individual targets, which are added together with equal weighting. The applicable issues for 2012 are premium growth, annual result and the performance associated with Programme 1+ [1] measures. A score of 84% was achieved for the corporate success indicator (previous year: 100.5 %). In 2012 the average function-related individual performance level for members of the Executive Board was 103.2 % (2011: 109.6 %). In conjunction with the corporate success indicator for 2012 of 84.0 % (2011: 100.5 %), this gives a variable compensation figure of around 29.3 % (2011: 29.3 %) of total compensation. As a result both of the lower corporate success indicator compared to the previous year and of personnel changes in management, the total compensation paid to management has reduced by 20.0 % (circa CHF 1.8 million) compared to 2011.

According to the assessment by the Chairman of the Board of Directors and the Chairman of the NCC, the CEO achieved a degree of performance of 109 % (2011: 118 %). Combined with the corporate success indicator, this resulted in an overall performance of 57.2 % (2011: 74.1 %) and a total variable compensation of CHF 734 000 (2011: CHF 803 000). This accounts for 38.4 % of the total compensation (2011: 41.5 %).

[1] In 2012, Nationale Suisse started its Programme 1+. The aim is to secure long-term growth and profitability in the future by investing in speciality lines and by differentiating even more strongly according to target groups. In addition, improvements in our sales organisations and potential for optimisation in all Group functions are being systematically addressed.

Remuneration Executive Board (in CHF)	Basic salary	Basic salary in % of total remuneration	Variable compensation (cash and pension portion) [1]	Variable compensation (blocked shares) [2]	Variable compensation in % of total remuneration	Pension [3]	Additional remuneration [4,5]	Total Remuneration 2012	Total Remuneration 2011
Dr Hans Künzle; Chief Executive Officer	923 336	48.21%	191 589	542 872	38.35%	250 505	6 748	1 915 050	1 935 718
Other members (Number: 7)	3 113 360	58.12%	1 202 562	196 693	26.12%	657 682	186 405	5 356 702	7 151 097
Total	**4 036 696**	**55.51%**	**1 394 151**	**739 565**	**29.34%**	**908 187**	**193 153**	**7 271 752**	**9 086 815**
Remuneration paid to former members of the Executive Board									
Total	**34 584**	**4.54%**	**0**	**0**	**0.00%**	**64 028**	**663 339**	**761 951**	**0**

[1] These are the definitive amounts of variable compensation awarded for the 2012 financial year, which are to be paid out in spring 2013, plus the statutory contribution to the pension fund from the variable compensation.

[2] Members of the Executive Board receive part of their variable compensation in the form of company shares subject to a minimum holding of 4 000 shares. The reported amount in Swiss francs corresponds to the applicable share price, which is calculated using the volume-weighted average price of the first ten stock market trading days following a waiting period of two stock market trading days after publication of the results for the reporting year.

[3] These figures include all employer contributions (obligatory and non-obligatory components) to the pension fund. These are contributions to the pension fund and the contributions to management insurance.

[4] These amounts include the tax-relevant share of the company vehicle as well as additional remuneration. The 25 % discount on Nationale Suisse non-life insurance and the discount on Nationale Suisse life insurance (maximum of CHF 1 500 p.a.) with special conditions available to all employees in Switzerland are not reported. Other general employee fringe benefits such as Reka cheques are not reported either.

[5] The additional compensation paid to former members of the Executive Board comprises a severance payment and a payment in lieu of accrued vacation.

2.9.1.2 Board of Directors

With the election of Hans-Jörg Vetter at the Annual General Meeting 2011, the number of members of Board of Directors was increased from seven to eight. The total compensation was reduced by 11.6 % to CHF 1.94 million

Remuneration Board of Directors (in CHF)	Basic fee [1] (cash share)	Fee for Committee member	Fee for Chairman / Vice chairman [1] (cash share)	Share component of the basic fee (blocked shares) [2]	Additional remuneration [3]	Total 2012	Total 2011
Dr Andreas von Planta; Chairman	0	0	474 000	42 877	50 000	566 877	566 877
Dr Bruno H. Letsch; Vice-Chairman; Member of the Audit Committee; Member of the Risk Committee	0	80 000	149 000	42 877	22 000	293 877	290 376
Stephan A. J. Bachmann; Chairman of the Audit Committee; Member of the Risk Committee	84 000	100 000	0	42 877	22 000	248 877	245 376
Dr Walter Grüebler; Chairman of the Nomination & Compensation Committee	96 000	50 000	0	28 584	6 000	180 584	185 877
Dr Balz Hösly; Chairman of the Risk Committee; Member of the Audit Committee	120 000	100 000	0	0	36 772	256 772	236 603
Dr Peter A. Kaemmerer; Member of the Nomination & Compensation Committee	84 000	40 000	0	42 877	0	166 877	166 877
Peter E. Merian; Member of the Nomination & Compensation Committee	120 000	40 000	0	0	12 000	172 000	169 000
Hans-Jörg Vetter	84 000	0	0	42 877	4 000	130 877	81 511
Total	**588 000**	**410 000**	**623 000**	**242 969**	**152 772**	**2 016 741**	**1 942 497**
Compensation paid to former members of the Board of Directors							
Total	**0**	**0**	**0**	**0**	**90 000**	**90 000**	**90 000**

[1] The basic fees shown do not include the obligatory premiums for directors' and officers' D & O liability insurance (CHF 10 000).
[2] Members of the Board of Directors receive part of their basic fee in the form of shares. The reported amount in Swiss francs corresponds to the applicable share price, which is calculated using the volume-weighted average price of the last ten stock market trading days in November.
[3] These amounts include the lump-sum expenses allowances for the Chairman and the attendance fees for members of the Board of Directors, as well as fees for any extraordinary work and the fee for the Honorary Chairman.

2.9.2 Loans and credits

A loan amounting to CHF 985 815 has been granted to Dr. Hans Künzle (Chief Executive Officer). It is secured by a pledge agreement on the shares of Swiss National Insurance Ltd held in the borrower's custody account. The applicable interest rate is based on the current rate for variable-rate first mortgages with the Basler Kantonalbank. There are no other loans, advances or other credits to members of the Board of Directors or Executive Board or to related parties.

2.9.3 Shares held by the Board of Directors and Executive Board

As at 31 December 2012, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in the company:

Own shares of Board of Directors and Executive Management	31.12.2012	31.12.2011
Board of Directors		
Dr Andreas von Planta	3 188	2 066
Dr Bruno H. Letsch	2 558	1 436
Stephan A. J. Bachmann	2 558	1 436
Dr Walter Grüebler	5 184	4 436
Dr Balz Hösly	2 171	2 171
Dr Peter A. Kaemmerer	2 558	1 436
Peter E. Merian	6 300	6 300
Hans-Jörg Vetter	1 960	838
Executive Management		
Dr Hans Künzle	45 430	35 665
Stefan Zemp	3 881	1 283
Ralph A. Jeitziner	6 318	6 318
David Ribeaud	0	n.a.
Sven Cattelan	n.a.	3 133
Benno Flury	6 349	6 349
Dr. Anton Peter	n.a.	7 061
Thomas Widmer	5 132	5 132
Birgit Rutishauser Hernandez	158	0
Ernst Koller	14 867	9 740
Total	**108 612**	**94 800**

As at 31 December 2012, no members of the Board of Directors or the Executive Board (including related parties) held any options to acquire shares in the company.

2.10 Own shares

During the year a total of 200 373 (2011: 250 673) shares were purchased at an average price of CHF 35.11 (2011: CHF 31.31) and 304 619 (2011: 198 815) were sold at an average price of CHF 32.87 (2011: CHF 31.41). At 31 December 2012, the Group held 32 403 (2011: 136 649) own shares.

2.11 Significant shareholders

According to our information, the following shareholders held 3% or more of the voting rights of the company on the balance sheet date:

31.12.2012	Number of shares	Type of shares	%	With voting rights	%	Without voting rights	%
Helvetia Beteiligungen AG, St. Gallen, in consultation with Patria Genossenschaft, Basel	2 657 780	Registered shares	12.05	1 102 500	5.00	1 555 280	7.05
Schweizerische Mobiliar Holding AG, Berne	2 503 137	Registered shares	11.35	1 102 500	5.00	1 400 637	6.35
Baloise Life Ltd, Basel	2 197 650	Registered shares	9.97	1 102 500	5.00	1 095 150	4.97
Metzler Investment GmbH, Frankfurt [1]	2 055 323	Registered shares	9.32	1 102 500	5.00	952 823	4.32
Nürnberger Beteiligungs-Aktiengesellschaft, Nuremberg (direct or owned by subsidiaries)	1 435 833	Registered shares	6.51	1 102 500	5.00	333 333	1.51
Gebäudeversicherung des Kantons Bern, Ittigen	1 189 000	Registered shares	5.39	1 102 500	5.00	86 500	0.39

[1] VHV Allgemeine Versicherung AG, Hannover, is the full economic beneficiary of these registered shares.

31.12.2011	Number of shares	Type of shares	%	With voting rights	%	Without voting rights	%
Süd-Kapital-Beteiligungsgesellschaft GmbH, Stuttgart (wholly owned by Landesbank Baden-Württemberg, Stuttgart)	2 503 137	Registered shares	11.35	1 102 500	5.00	1 400 637	6.35
Baloise Life Ltd, Basel	2 197 650	Registered shares	9.97	1 102 500	5.00	1 095 150	4.97
Metzler Investment GmbH, Frankfurt [1]	2 055 323	Registered shares	9.32	1 102 500	5.00	952 823	4.32
Basler Kantonalbank, Basel, in consultation with Bank Coop AG, Basel	1 879 807	Registered shares	8.53	1 102 500	5.00	777 307	3.53
Nürnberger Beteiligungs-Aktiengesellschaft, Nuremberg (direct or owned by subsidiaries)	1 435 833	Registered shares	6.51	1 102 500	5.00	333 333	1.51
Gebäudeversicherung des Kantons Bern, Ittigen	1 239 000	Registered shares	5.62	1 102 500	5.00	136 500	0.62
Helvetia Beteiligungen AG, St. Gallen, in consultation with Patria Genossenschaft, Basel	961 800	Registered shares	4.36	961 800	4.36	–	–

[1] VHV Allgemeine Versicherung AG, Hannover, is the full economic beneficiary of these registered shares.

Change in shareholders

Substantial changes took place among the significant shareholders of the Swiss National Insurance Company Ltd over the course of 2012. First, Helvetia Beteiligungen AG acquired Basler Kantonalbank's holdings of 7.69% and increased its stake to 12.05% (in consultation with Patria Genossenschaft). Secondly, Schweizerische Mobiliar Holding AG acquired the 11.35% stake of Sud-Kapital-Beteiligungsgesellschaft GmbH, thus making it the second-largest shareholder of Swiss National Insurance Company Ltd.

The number of registered shareholders fell slightly by 3.1% from 7 824 to 7 585 over the course of 2012.

2.12 Costs, personnel expenses and depreciation

Costs and other expenses include personnel expenses of kCHF 210 117 (2011: kCHF 183 994) and amortisation of intangible assets and depreciation of other fixed assets of kCHF 7 224 (2011: kCHF 8 973).

2.13 Technical costs

All operating expenses arising directly in connection with underwriting, maintenance, renewal, collection and administration of policies are technical expenses and are reported separately as policy acquisition and administrative costs.

2.14 Technical income statement, share in investment return

The basis of the calculative share of investment return allocated to the technical income statement is: Technical reserves as per 1.1. plus 50 % of booked non-life premiums net and 90 % respectively of life premiums booked net in relation to the average balance sheet total plus 50 % and 90 % respectively of premiums earned net.

2.15 Booked premiums (gross incl. portfolio premiums) by line of business

Booked premiums (gross) by line of business (in 1 000 CHF)	**2012**	**2011**
Health and accident	169 163	150 116
Liability	55 271	54 771
Motor (liability, hull, accident, assistance)	264 803	251 367
Property	128 664	120 886
Technical	37 484	32 654
Marine	27 174	24 191
Credit Life (Non-Life)	13 322	22 096
Total direct business	**695 881**	**656 081**
Premiums ceded by subsidiaries:		
Non-life	200 188	204 029
Life	4 396	7 072
Other indirect business (pools incl.)	131 477	115 401
Total	**1 031 942**	**982 583**

2.16 Technical reserves

Technical reserves	31.12.2012	31.12.2011
(in 1 000 CHF)		
Gross	1 788 227	1 787 808
Less reinsurers' share	– 135 102	– 137 677
Net	**1 653 125**	**1 650 131**
Technical reserves breakdown as follows:		
Unearned premium reserves	206 788	193 278
Actuarial reserves	245 250	249 790
Claim reserves	1 106 382	1 116 767
Other technical reserves	50 953	48 523
Reserves for future dividends to policyholders	43 752	41 773
Total	**1 653 125**	**1 650 131**

2.17 Deposits with ceding companies

The company acts as a reinsurer for Group companies and affiliated companies. In addition to premiums, unearned premiums, claim payments and cost contributions, this gives rise to obligations in respect of unsettled claims. Part of the technical reserves therefore relates to business assumed from subsidiaries. For legal reasons and to reduce foreign currency risks, cash deposits are provided as security in the relevant countries. They approximately equal the value of our liabilities. Therefore in the parent company's financial statements, as opposed to the Group financial statements, there are relatively high levels of security deposits arising from the reinsurance business assumed.

2.18 Performing a risk assessment

Nationale Suisse defines Enterprise Risk Management (ERM) as a corporate-wide, integrated approach to identifying, evaluating, analysing and monitoring risks that arise in connection with its daily business. The overriding goal of ERM is the long-term preservation and increase of corporate value.
The Board of Directors is responsible for the establishment and oversight of ERM. The Risk Committee of the Board of Directors assesses and monitors functionality and effectiveness. The members of the Executive Board enforce ERM and are responsible for adherence to the instructions of the Risk Committee of the Board of Directors.
The Group Chief Risk Officer supports the Executive Board with the implementation of ERM. Together with his team he leads and monitors the group-wide processes in place for identifying, evaluating, analysing and monitoring material corporate risks. He likewise monitors the risk management activities and processes in the operating units and provides appropriate reports to the Board of Directors and Executive Board.

2.18.1 Annual risk assessment

As part of ERM, Nationale Suisse has implemented a standardised risk assessment process for the entire Group, which is conducted on an annual basis. This process falls under the responsibility of the Group's Chief Risk Officer and helps the Executive Board, business units, business areas and Group functions to identify, assess, analyse and monitor material risks.
Nationale Suisse categorises risks as follows:

- Strategic risks
- Operational risks
- Reporting risks
- Compliance risks

This categorisation also covers risks arising from the insurance business and the investment process such as underwriting risks, market risks, credit risks and liquidity risks. All of those belong to the category of operational risks.

2.19 Authorised increase in share capital

The Annual General Meeting of Swiss National Insurance Company held on 10 May 2012 approved the motion put forward by the Board of Directors to create authorised capital to the maximum amount of CHF 2.8 million no later than by 10 May 2014. This may be accomplished by issuing a maximum of 7 000 000 registered shares with a nominal value of CHF 0.40 each, to be fully paid up. The Board of Directors is authorised, on the occasion of this increase in capital, to limit or exclude the shareholders' rights and to allocate the shares to third parties if the new shares are to be used for the purpose of taking over companies, parts of companies, participations or new investment projects.

Proposed appropriation of available earnings

Proposal of Board of Directors for distribution of profit

Appropriation of earnings	in CHF
Profit for the period	47 016 764
Profit carried forward	2 338 869
Retained earnings available to the Annual General Meeting	49 355 633
Proposal of Board of Directors:	
Dividend of CHF 1.70 per share	37 485 000
Allocation to other reserves	9 000 000
Retained earnings to be carried forward	2 870 633

The Board of Directors will propose to the Annual General Meeting (AGM) on 6 May 2013 a dividend of CHF 1.70 per share (2011: CHF 1.80), making a total amount of CHF 37 485 000 (PY CHF 39 690 000). The dividend proposal applies to all shares issued. No dividend will be paid in respect of shares which are directly owned by the company at the date of dividend payment. Accordingly, the amount of the total dividend payment depends on the number of treasury shares held at the date of the dividend payment. The proposed dividend will not be paid until approved by the AGM. The dividend payment will only be recognised in the books once approval has been granted by the AGM.

Report of the statutory auditor to the general meeting of Swiss National Insurance Company Ltd, Basel

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swiss National Insurance Company Ltd, which comprise the balance sheet, income statement and notes (pages 122 to 133), for the year ended 31 December 2012.

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 the 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 31 December 2012 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 article 11 AOA) 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 complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Enrico Strozzi	Jin Hügin
Audit expert	Audit expert
Auditor in charge	

Basel, 19 March 2013

Liability disclaimer and statement of caution

This financial report is intended to inform shareholders of Nationale Suisse and the general public about the business performance and the financial situation of the company. The information contained does not constitute a solicitation, an offer or a recommendation for transactions concerning financial instruments or other products of Nationale Suisse or any other type of legal transaction. This publication contains forward-looking statements. While these forward-looking statements reflect the outlook and expectations of Nationale Suisse, a number of risks, uncertainties and other important factors such as (I) the general state of the economy and competitive conditions, especially in our key markets; (II) the performance of financial markets; (III) interest rates and currency exchange rates; (IV) the frequency, severity and trend in claims for insured losses; (V) the mortality and sickness rate; (VI) insurance policy renewal and termination rates; (VII) legal disputes and official proceedings; (VIII) loss of key staff; (IX) negative publicity and media reports; (X) changes to statutory and regulatory conditions including accounting standards and altered guidelines of supervisory authorities can lead to actual developments and results significantly deviating from the expectations of Nationale Suisse. Nationale Suisse neither implicitly nor explicitly makes representation or provides warranty for the correctness and completeness of the published information. Neither Nationale Suisse nor its directors, officers and members of its management assume liability for damages or losses which may directly or indirectly arise from the use of information contained in this financial report. Unless in cases in which it is obliged to do so by mandatory legislation, Nationale Suisse is not under an obligation to revise or change its forward-looking statements to take account of new information, future events or for any other reason.

Attention is drawn to the fact that past performance is not necessarily indicative of future results. In case of doubt concerning an investment, it is recommended that an independent financial advisor is consulted.

Updated information will be available on our website www.nationalesuisse.com as of the date of publication. This may include further details about the business performance and the financial situation of Nationale Suisse.

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