

# *Notes to the Consolidated Financial Statements*

## *1 General Information*

The Swiss Life Group is one of Europe's leading comprehensive life and pensions and financial solutions providers. In its core markets of Switzerland, France and Germany, Swiss Life offers individuals and corporations comprehensive and individual advice plus a broad range of own and partner products through its sales force and distribution partners such as brokers and banks.

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

### **Distribution out of capital contribution reserve**

For the 2014 financial year, a distribution was made to the shareholders of Swiss Life Holding Ltd (hereinafter referred to as "Swiss Life Holding") from the capital contribution reserve instead of a dividend payment from profit. This amounted to CHF 207 million (CHF 6.50 per registered share) and was paid in 2015.

### **Approval of financial statements**

On 15 March 2016, the Board of Directors approved the annual financial statements and the financial report and authorised them for issue. The financial report, therefore, only reflects events up to that date.

## *2 Summary of Significant Accounting Policies*

The principal accounting policies are set out below. These policies have been applied consistently to all the periods presented unless otherwise stated.

### **2.1 Basis of preparation**

The consolidated financial statements of Swiss Life have been prepared in accordance and comply with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: derivatives, financial assets and liabilities at fair value through profit or loss, financial assets classified as available for sale and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

Figures may not add up exactly due to rounding.

### **2.2 Changes in accounting policies**

No new or revised accounting standards or interpretations were adopted in 2015.

### **2.3 Consolidation principles**

The Group's consolidated financial statements include the assets, liabilities, income and expenses of Swiss Life Holding and its subsidiaries. A subsidiary is an entity over which Swiss Life Holding has control. Control is achieved if Swiss Life Holding has the power over the subsidiary, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to use its power to affect its returns. Subsidiaries are consolidated from the date on which effective control is obtained. All intercompany balances, transactions and unrealised gains on such transactions have been eliminated. Unrealised losses have been eliminated unless the transaction provides evidence of an impairment of the asset transferred. A listing of the Group's subsidiaries is set out in note 36. The financial effect of acquisitions and disposals of subsidiaries is shown in note 28. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

The Swiss Life Group acts as a fund manager for various investment funds. In order to determine if the Group controls an investment fund, aggregate economic interest (including performance fees, if any) is taken into account. Third-party rights to remove the fund manager without cause (kick-out rights) are also taken into account.

Associates for which the Group has significant influence are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those decisions. The investment is initially recognised at cost and subsequently adjusted to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's share of net income is included from the date on which significant influence begins until the date on which significant influence ceases. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount includes goodwill on the acquisition.

The Group has elected to measure certain associates held by venture capital entities and investment-linked insurance funds at fair value through profit or loss, as permitted by IAS 28 Investments in Associates and Joint Ventures. Changes in the fair value of such investments are included in net gains/losses on financial instruments at fair value through profit or loss.

A listing of the Group's principal associates is shown in note 15.

Non-controlling interest is the part of profit or loss and net assets of a subsidiary attributable to equity interest that is not controlled, directly or indirectly, through subsidiaries by the parent. The amount of non-controlling interest comprises the proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities not attributable, directly or indirectly, to the parent at the date of the original acquisition, goodwill attributable to non-controlling interest, if any, and the proportion of changes in equity not attributable, directly or indirectly, to the parent since the date of acquisition. Summarised financial information of subsidiaries with material non-controlling interests is set out in note 26.

## 2.4 Foreign currency translation and transactions

### Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group's entities operate (the "functional currency"). The consolidated financial statements are presented in millions of Swiss francs (CHF), which is the Group's presentation currency.

### Foreign currency exchange rates

	31.12.2015	31.12.2014	Average 2015	Average 2014
1 British pound (GBP)	1.4729	1.5485	1.4718	1.5082
1 Czech koruna (CZK)	0.0402	0.0434	0.0392	0.0441
1 Euro (EUR)	1.0863	1.2026	1.0689	1.2163
100 Polish zloty (PLN)	25.4470	28.0772	25.5327	29.0058
1 Singapore dollar (SGD)	0.7055	0.7502	0.7004	0.7225
1 US dollar (USD)	0.9997	0.9939	0.9630	0.9155

**Foreign currency translation**

On consolidation, assets and liabilities of Group entities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Income and expense items are translated into Swiss francs at the annual average exchange rate. Goodwill reported before 1 January 2005 is translated at historical exchange rates. Goodwill for which the acquisition date is on or after 1 January 2005 is carried in the foreign operation's functional currency and is translated into Swiss francs at year-end exchange rates. The resulting translation differences are recorded in other comprehensive income as cumulative translation adjustments. On disposal of foreign entities, such translation differences are recognised in profit or loss as part of the gain or loss on the sale.

**Foreign currency transactions**

For individual Group entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end arising from foreign currency transactions are translated at year-end exchange rates for monetary items while historical rates are used for non-monetary items. Those non-monetary items in foreign currencies recorded at fair values are translated at the exchange rate on the revaluation date.

**2.5 Cash and cash equivalents**

Cash amounts represent cash on hand and demand deposits. Cash equivalents are primarily short-term highly liquid investments with an original maturity of 90 days or less. Cash and cash equivalents include cash and cash equivalents for the account and risk of the Swiss Life Group's customers.

**2.6 Derivatives**

The Group enters into forward contracts, futures, forward rate agreements, currency and interest rate swaps, options and other derivative financial instruments for hedging risk exposures or for trading purposes. The notional amounts or contract volumes of derivatives, which are used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments, do not, except for certain foreign exchange contracts, represent the amounts that are effectively exchanged by the parties and, therefore, do not measure the Group's exposure to credit risk. The amounts exchanged are calculated on the basis of the notional amounts or contract volumes and other terms of the derivatives that relate to interest or exchange rates, securities prices and the volatility of these rates and prices.

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value as assets when favourable to the Group and as liabilities when unfavourable. Gains and losses arising on remeasurement to fair value are recognised immediately in profit or loss, except for derivatives that are used for cash flow hedging.

Derivatives embedded in other financial instruments or in insurance contracts which are not closely related to the host contract are separated and measured at fair value, unless they represent surrender options with a fixed strike price embedded in host insurance contracts and host investment contracts with discretionary participation features. Changes in the fair value are included in profit or loss. Derivatives embedded in insurance contracts which are closely related or which are insurance contracts themselves, such as guaranteed annuity options or guaranteed interest rates, are reflected in the measurement of the insurance liabilities. Options, guarantees and other derivatives embedded in an insurance contract that do not carry any insurance risk are recognised as derivatives.

Derivatives and other financial instruments are also used to hedge or modify exposures to interest rate, foreign currency and other risks if certain criteria are met. Such financial instruments are designated to offset changes in the fair value of an asset or liability and unrecognised firm commitments (fair value hedge), or changes in future cash flows of an asset, liability or a highly probable forecast transaction (cash flow hedge) or hedges of net investments in foreign operations. In a qualifying fair value hedge, the change in fair value of a hedging derivative is recognised in profit or loss. The change in fair value of the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item and is also recognised in profit or loss.

In a qualifying cash flow hedge, the effective portion of the gain or loss on the hedging derivative is recognised in other comprehensive income. Any ineffective portion of the gain or loss is recognised immediately in profit or loss. For a hedged forecast transaction that results in the recognition of a financial asset or liability, the associated gain or loss recognised in other comprehensive income is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative hedging gain or loss at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. However, when a forecast transaction is no longer expected to occur, the cumulative hedging gain or loss is immediately transferred from other comprehensive income to profit or loss.

Hedges of net investments in foreign operations (net investment hedges) are accounted for similarly to cash flow hedges, i.e. the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and any ineffective portion is recognised immediately in profit or loss. On the disposal of the foreign operation, the gains or losses included in other comprehensive income are reclassified to profit or loss.

When a hedge relationship is no longer effective, expires or is terminated, hedge accounting is discontinued from that point on.

## 2.7 Financial assets

“Regular way” purchases and sales of financial assets are recorded on the trade date. The amortisation of premiums and discounts is computed using the effective interest method and is recognised in profit or loss as an adjustment of yield. Dividends are recorded as revenue on the ex-dividend date. Interest income is recognised on an accrual basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or substantially all risks and rewards of ownership have been transferred or the risks and rewards have neither been transferred nor retained, but control of the asset has been transferred.

### Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss comprise financial assets held for trading and financial assets designated as at fair value through profit or loss. Financial assets which the Group buys with the intention to resell in the near term are classified as held for trading. Financial assets designated as at fair value through profit or loss are irrevocably designated as such when initially recognised. Financial assets are primarily designated as at fair value through profit or loss in the following instances:

- Financial assets backing insurance liabilities and liabilities arising from investment contracts for the account and risk of the Swiss Life Group’s customers (contracts with unit-linked features, separate accounts, private placement life insurance) in order to avoid measurement inconsistencies with the corresponding liabilities.
- Certain equity instruments with a quoted price in an active market which are managed on a fair value basis.
- Certain financial assets with embedded derivatives which otherwise would have to be separated.
- Certain financial assets and financial liabilities where a measurement or recognition inconsistency can be avoided (“accounting mismatch”) that would otherwise arise from measuring those assets or liabilities or recognising the gains and losses on them on different bases.

Interest, dividend income and realised and unrealised gains and losses are included in net gains/losses on financial instruments at fair value through profit or loss.

### Financial assets available for sale (AFS)

Financial assets classified as available for sale are carried at fair value. Financial assets are classified as available for sale if they do not qualify as held to maturity, held for trading, loans and receivables or if they are not designated as at fair value through profit or loss. Gains and losses arising from fair value changes, being the difference between fair value and cost/amortised cost, are reported in other comprehensive income. On disposal of an AFS investment, the cumulative gain or loss is transferred from other comprehensive income to profit or loss for the period. Gains and losses on disposal are determined using the average cost method.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Loans include loans originated by the Group and investments in debt instruments which are not quoted in an active market and for which no intention of sale in the near term exists. Loans are initially recognised at fair value, net of transaction costs, or direct origination costs. Subsequent measurement is at amortised cost using the effective interest method.

Financial assets reclassified from financial assets available for sale to loans due to the disappearance of an active market are not reclassified back to financial assets available for sale if the market becomes active again.

**Financial assets pledged as collateral**

Transfers of securities under repurchase agreements or under lending agreements continue to be recognised if substantially all the risks and rewards of ownership are retained. They are accounted for as collateralised borrowings, i.e. the cash received is recognised with a corresponding obligation to return it, which is included in other financial liabilities.

Financial assets that have been sold under a repurchase agreement or lent under an agreement to return them, and where the transferee has the right to sell or repledge the securities given as collateral, are reclassified to financial assets pledged as collateral.

Measurement rules are consistent with the ones for corresponding unrestricted financial assets.

**2.8 Impairment of financial assets**

The Group reviews the carrying value of financial assets regularly for indications of impairment.

**Financial assets at amortised cost**

The Group assesses at each balance sheet date if there is objective evidence that a financial asset or a group of financial assets is impaired. It is assessed whether there is objective evidence of impairment individually for financial assets that are individually significant and collectively for financial assets that are not individually significant.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Held-to-maturity securities and loans and receivables are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor’s rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor’s or equivalent) or when payments of principal and/or interest are overdue by more than 90 days. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that



have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows from groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by the amount that represents the difference between the carrying amount and the new amortised cost value by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

#### **Financial assets carried at fair value (available for sale)**

At each balance sheet date, an assessment is made whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of an equity instrument classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment. In this respect, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. In such a situation, the impairment loss – measured as the difference between the acquisition cost and the current fair value – is removed from other comprehensive income and recognised in profit or loss. After recognition of an impairment loss, any further declines in fair value are recognised in profit or loss, and subsequent increases in fair value are recognised in other comprehensive income.

Available-for-sale debt securities are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor's rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor's or equivalent) or when payments of principal and/or interest are overdue by more than 90 days. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

Impairment losses are presented in the income statement as part of net gains and losses on financial assets.



## 2.9 Investment property

Investment property is property (land or a building or both) held by the Group to earn rentals or for capital appreciation or both, rather than for administrative purposes.

Investment property includes completed investment property and investment property under construction. Completed investment property consists of investments in residential, commercial and mixed-use properties primarily located within Switzerland.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions could be sold separately, they are accounted for separately. If these portions could not be sold separately, the portion is investment property only if an insignificant portion is held for administrative purposes.

Investment property is carried at fair value and changes in fair values are recognised in profit or loss. Fair values are determined either on the basis of periodic independent valuations or by using discounted cash flow projections. The valuation of each investment property is reviewed by an independent recognised valuer at least once every three years. Rental income is recognised on a straight-line basis over the lease term. The fair value of an investment property is measured based on its highest and best use. The highest and best use of an investment property takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

Investment property under construction is also measured at fair value with changes in fair value being recognised in profit or loss. However, where the fair value is not reliably determinable, the property is measured at cost until either its fair value becomes reliably measurable or construction is completed.

Investment property being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

If an item of property and equipment becomes an investment property because its use has changed, the positive difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation surplus. However, to the extent a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Any resulting decrease in the carrying amount of the property is recognised in net profit or loss for the period. Upon the disposal of such investment property, any revaluation surplus included in other comprehensive income is transferred to retained earnings; the transfer is not made through profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for subsequent measurement purposes.

## 2.10 Insurance operations

### Definition of insurance contracts

Insurance contracts are contracts under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Group issues and reinsurance contracts that the Group holds. As a Group policy, Swiss Life considers those contracts to be insurance contracts that require the payment of additional benefits in excess of 10% of the benefits that would be payable if the insured event had not occurred, excluding scenarios that lack commercial substance.

The Group has assessed the significance of insurance risk on a contract-by-contract basis. Contracts that do not transfer insurance risk at inception but that transfer insurance risk at a later date are classified as insurance from inception unless the Group remains free to price the insurance premium at a later date. In this case, the contract is classified as insurance when the insurance premiums are specified. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

### Investment contracts with and without discretionary participation features

For investment contracts that contain discretionary participation features (see below), the same recognition and measurement principles as for insurance contracts apply. For investment contracts without discretionary participation features, the recognition and measurement rules for financial instruments apply.

### Recognition and measurement principles

Subject to certain limitations, the Group uses its existing accounting policies for the recognition and measurement of insurance contracts and investment contracts with discretionary participation features that it issues (including related deferred acquisition costs and related intangible assets) and reinsurance contracts that it holds. The existing accounting policies for recognition and measurement have primarily been based on the requirements of the Generally Accepted Accounting Principles in the United States (status of US GAAP as of the first application of IFRS 4 Phase I).

The accounting policies for insurance contracts and investment contracts with discretionary participation features have been modified as appropriate to be consistent with the IFRS requirements. Guidance dealing with similar and related issues, definitions, recognition and measurement criteria for assets, liabilities, income and expenses as set out in the IASB Framework for the Preparation and Presentation of Financial Statements has been considered.

**Discretionary participation features (DPF)**

Discretionary participation features are defined in IFRS 4 Insurance Contracts as contractual rights to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be a significant portion of the total contractual benefits and whose amount or timing is contractually at the discretion of the issuer. These DPF are contractually based on the performance of a specified pool of contracts or a specified type of contract or on the realised and unrealised investment returns on a specified pool of assets held by the issuer or on the profit or loss of the company. The unrealised investment returns comprise gains/losses recognised in other comprehensive income.

The bonuses which are allocated to the policyholders in the participating insurance business (insurance and investment contracts) in Switzerland, France, Germany, Luxembourg and Liechtenstein generally follow the definition of DPF as set out in IFRS 4 Insurance Contracts.

IFRS 4 Insurance Contracts is silent on the measurement of the amounts identified as DPF. This topic will be solved in phase II of the project of the International Accounting Standards Board on insurance contracts.

The accounting for the amounts identified as DPF has been done as follows:

In jurisdictions where no statutory minimum distribution ratio (“legal quote”) exists, the contractual right to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be a significant portion of the total contractual benefits arises when management ratifies the allocation of policyholder bonuses. When ratified by management, a corresponding liability is set up. To the extent discretion with regard to amount and/or timing is involved, these amounts are included within policyholder participation liabilities. In that respect the policyholder bonus reserve set up in the statutory accounts for these contracts is regarded as discretionary. For these contracts the entire DPF is classified as a liability.

In other jurisdictions, a statutory minimum distribution ratio (“legal quote”) exists for certain types of business. Geographical areas in which the Swiss Life Group is present and in which such a statutory minimum distribution ratio (“legal quote”) exists are as follows: Switzerland (only group business subject to “legal quote”), France (life insurance business) and Germany. For these contracts the Swiss Life Group defines DPF as the policyholder bonus reserve set up in the statutory accounts and the amount of temporary valuation differences between the IFRS basis and statutory basis on the assets and liabilities relating to the respective insurance portfolio measured using the statutory minimum distribution ratio (“legal quote”). The policy of the Swiss Life Group is to classify as a liability the entire DPF as defined.

When such temporary valuation differences disappear (e.g. management decides to realise certain unrealised gains and losses on assets), additional benefits which arise from the application of the statutory minimum distribution ratio (“legal quote”) are allocated to the policyholders and become part of their guaranteed benefits. These amounts are always accounted for as liabilities.

Because there is a direct effect on the measurement of DPF liabilities when asset gains or losses are realised, changes in these liabilities are recognised in other comprehensive income when, and only when, the valuation differences on the assets arise from gains or losses recognised in other comprehensive income (“shadow accounting”).

As the liabilities to policyholders arising from the insurance business are fully recognised, no further liabilities relating to the rights arising from DPF have been set up.

The statutory minimum distribution ratios (“legal quote”) relating to the Swiss Life Group’s operations are as follows:

#### Switzerland

Group business subject to “legal quote”: At least 90% of the calculated income on the savings, risk and cost components minus the expenses thereof must be allocated to the policyholders. All other business: No “legal quote”.

#### France

In life insurance business, 85% of the investment result and 90% of any other results are allocated to the policyholders as a minimum.

#### Germany

A minimum of 90% of the net investment returns less 100% of the minimum guaranteed interest on the policyholder account (“interest result”), a minimum of 90% of the risk result and a minimum of 50% of the positive expense result are allocated to the policyholder. A negative investment result can be offset with positive other profit sources.

#### Luxembourg/Liechtenstein

No statutory minimum distribution ratios are in place.

#### **Non-discretionary participation features**

Certain policyholder participation systems do not satisfy the criteria for discretionary participation features. These policyholder bonuses might be guaranteed elements. Some policyholder bonuses are based on benchmark interest rates which are credited to the policyholders. For certain products, policyholder bonuses are based on the development of biometric parameters such as mortality and morbidity. These policyholder bonuses are allocated based on the risk result of the contracts involved. The amount and timing of these bonuses are not subject to management discretion and are accrued to the policyholders’ liabilities based on the relevant contractual terms and conditions.

For investment-type products bonuses are only accrued on deposits under policyholder accounts if the policyholders were entitled to receive those bonuses upon surrender at the balance sheet date.

#### **Income and related expenses from insurance contracts and investment contracts with discretionary participation features**

Premiums from traditional life insurance contracts are recognised when due from the policyholder. Insurance liabilities are established in order to recognise future benefits and expenses. Benefits are recognised as an expense when due.

Amounts collected as premiums from investment-type contracts such as universal life and unit-linked contracts are reported as deposits. Only those parts of the premiums used to cover the insured risks and associated costs are treated as premium income. These include fees for the cost of insurance, administrative charges and surrender charges. Benefits recognised under expenses include claims for benefits incurred in the period under review that exceed the related deposits under policyholder contracts and interest that is credited to the appropriate insurance policy accounts.

For contracts with a short duration (e.g. most non-life contracts), premiums are recorded as written upon inception of the contract and are earned primarily on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage.

#### **Insurance liabilities and liabilities from investment contracts with discretionary participation features**

##### Future life policyholder benefit liabilities

These liabilities are determined by using the net-level-premium method. Depending on the type of profit participation, the calculations are based on various actuarial assumptions as to mortality, interest rates, investment returns, expenses and persistency, including a margin for adverse deviation. The assumptions are initially set at contract issue and are locked in except for deficiency.

##### Policyholder deposits

For investment-type contracts, savings premiums collected are reported as deposits (deposit accounting). The liabilities relating to these contracts comprise the accumulation of deposits received plus interest credited less expenses, insurance charges and withdrawals.

##### Liability adequacy test

If the actual results show that the carrying amount of the insurance liabilities together with anticipated future revenues (less related deferred acquisition costs (DAC) and related intangible assets) are not adequate to meet the future obligations and to recover the unamortised DAC or intangible assets, the entire deficiency is recognised in profit or loss, either by reducing the unamortised DAC or intangible assets or by increasing the insurance liabilities. The liability adequacy test is performed at portfolio level at each reporting date in accordance with a loss recognition test considering current estimates of future cash flows including those resulting from embedded options and guarantees.

#### **Liabilities for claims and claim settlement costs**

Liabilities for unpaid claims and claim settlement costs are for future payment obligations under insurance claims for which normally either the amount of benefits to be paid or the date when payments must be made is not yet fixed. They include claims reported at the balance sheet date, claims incurred but not yet reported and claim settlement expenses. Liabilities for unpaid claims and claim settlement costs are calculated at the estimated amount considered necessary to settle future claims in full, using actuarial methods. These methods are continually reviewed and updated. Claim reserves are not discounted except for claims with determinable and fixed payment terms.

**Embedded options and guarantees in insurance contracts**

Insurance contracts often contain embedded derivatives. Embedded derivatives which are not closely related to their host insurance contracts are separated and measured separately at fair value. Exposure to embedded options and guarantees in insurance contracts which are closely related or which are insurance contracts themselves, such as guaranteed annuity options or guaranteed interest rates, is reflected in the measurement of the insurance liabilities.

**Reinsurance**

The Group assumes and/or cedes insurance in the normal course of business. Reinsurance assets principally include receivables due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable or due under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented in the consolidated balance sheet and income statement on a gross basis unless a right and the intention to offset exist.

Reinsurance contracts that do not transfer insurance risk are accounted for as financial reinsurance and are included in financial assets or liabilities. A deposit asset or liability is recognised based on the consideration paid or received, less any explicitly identified premiums or fees retained by the reinsured. These contracts are primarily measured at amortised cost using the effective interest method with future cash flows being estimated to calculate the effective interest rate.

If a reinsurance asset is impaired, the impairment loss is recognised in profit or loss and the carrying amount is reduced accordingly.

**Separate account/unit-linked contracts/private placement life insurance**

Separate account contracts represent life insurance contracts with a separated part that is invested in assets managed for the account and risk of the Swiss Life Group's customers according to their specific investment objectives. Separate account liabilities are included in insurance liabilities. Separate account liabilities include the right of the policyholder to participate in the performance of the underlying assets.

Unit-linked contracts are insurance or investment contracts where the insurance benefits are linked to the unit values of investment funds. Certain unit-linked contracts contain guaranteed minimum insurance benefits. The deposit components of unit-linked liabilities are included in financial liabilities designated as at fair value through profit or loss ("unbundling of deposit components"). The components of the unit-linked liabilities that cover insurance risk, if any, are carried under insurance liabilities.

Liabilities relating to private placement life insurance are included in financial liabilities designated as at fair value through profit or loss.

Assets associated with separate account/unit-linked contracts and private placement life insurance are included in financial assets designated as at fair value through profit or loss, derivatives and cash and cash equivalents. The related income and gains or losses are included in the income statement under the respective line items. The Group has allocated on a rational basis the proportion of acquisition costs related to the insurance and deposit components. The accounting

policy for deferred acquisition costs applies to the portion of acquisition costs associated with the insurance component, and the policy for deferred origination costs applies to the other portion (see 2.16 Intangible assets).

Administrative and surrender charges are included in policy fee income.

### **2.11 Property and equipment**

Property and equipment are carried at cost less accumulated depreciation. Land is carried at cost and not depreciated. Depreciation is principally calculated using the straight-line method to allocate their cost to their residual values over the assets' estimated useful life as follows: buildings 25 to 50 years; furniture and fixtures five to ten years; computer hardware three to five years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. Borrowing costs directly attributable to the construction or acquisition of a qualifying asset are capitalised as part of the cost of that asset. Realised gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

### **2.12 Inventory property**

Inventory property comprises land and buildings that are intended for sale in the ordinary course of business or in the process of construction or development for such a sale, primarily property acquired with a view to subsequent disposal in the near future or for development and resale. Such property is included in other assets.

Inventory property is measured at the lower of cost and net realisable value. Acquisition costs comprise the purchase price and other costs directly attributable to the acquisition of the property (notary fees, etc.). Construction costs include costs directly related to the process of construction of a property. Construction and other related costs are included in inventory property until disposal.

The estimated net realisable value is the proceeds expected to be realised from the sale in the ordinary course of business, less estimated costs to be incurred for renovation, refurbishment and disposal.



Revenue from sales is recognised when construction is complete and legal title to the property has been transferred to the buyer. Revenue and related costs of sales are presented in other income as realised gains/losses from sales of inventory property.

### **2.13 Leases**

#### **Operating lease**

The Group primarily enters into operating leases for the rental of equipment and property. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period the lease becomes onerous.

#### **Finance lease**

If the lease agreement transfers the risks and rewards of the assets, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recognised at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding finance lease obligations are recorded as liabilities.

### **2.14 Investment management**

Revenue consists principally of investment management fees, commission revenue from distribution and sales of investment fund units. Such revenue is recognised when earned, i.e. when the services are rendered.

Incremental costs that are directly attributable to securing an investment management contract are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. Such deferred origination costs are included in intangible assets. Deferred investment management fees are included in other liabilities.

### **2.15 Commission income and expense**

Revenue consists principally of brokerage fees, recurring fees for existing business and other fees. Such revenue is recognised when earned, i.e. when the services are rendered. Cancellations are recorded as a deduction of fee income.

Costs primarily comprise commissions paid to independent financial advisors, fees for asset management and other (advisory) services.

## 2.16 Intangible assets

### **Present value of future profits (PVP) arising from acquired insurance contracts and investment contracts with discretionary participation features**

On acquisition of a portfolio of insurance contracts or a portfolio of investment contracts with discretionary participation features (DPF), either directly from another insurer or through the acquisition of a subsidiary undertaking, the Group recognises an intangible asset representing the present value of future profits (PVP) embedded in the contracts acquired. The PVP represents the difference between the fair value of the contractual rights acquired and insurance obligations assumed and a liability measured in accordance with the accounting policies for insurance contracts and investment contracts with DPF. The PVP is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. For acquired insurance and investment contracts with DPF, future positive cash flows generally include net valuation premiums while future negative cash flows include policyholders' benefits and certain maintenance expenses.

PVP is amortised in proportion to gross profits or gross margins over the effective life of the acquired contracts, which generally ranges from 20 to 30 years. Realised gains/losses are thereby taken into account as well as gains/losses recognised in other comprehensive income (unrealised gains/losses). If these unrealised gains/losses were to be realised, the gross profits or gross margins used to amortise PVP would be affected. Therefore, an adjustment relating to these unrealised gains/losses is recognised in other comprehensive income and is also reflected in the amount of PVP in the balance sheet ("shadow accounting").

PVP is subject to impairment tests. The effect of changes in estimated gross profits or margins on unamortised PVP is reflected as an expense in the period in which such estimates of expected future profits or margins are revised.

### **Deferred acquisition costs (DAC)**

Costs that vary with and are directly related to the acquisition of new and renewed insurance contracts and investment contracts with discretionary participation features, including commissions, underwriting costs, agency and policy issue expenses, are deferred. Deferred acquisition costs are periodically reviewed to ensure that they are recoverable from future revenues.

For participating life insurance contracts, where the contribution principle applies to the allocation of the policyholder bonus, the deferred acquisition costs are amortised over the life of the contract based on the present value of the estimated gross margin amounts expected to be realised. Expected gross margins include expected premiums and investment results less expected benefit claims and administrative expenses, anticipated changes to future life policyholder benefit liabilities and expected annual policyholder bonuses.

Deferred acquisition costs for other traditional life insurance contracts and annuities with life contingencies are amortised in proportion to the expected premiums.

Deferred acquisition costs for investment-type contracts such as universal life contracts are amortised over the life of the contract based on the present value of the estimated gross profits or gross margins expected to be realised. The estimated gross profits are made up of margins available from mortality charges and contract-administration costs, investment earnings spreads, surrender charges and other expected assessments and credits.

When DAC is amortised in proportion to gross profits or gross margins on the acquired contracts, realised gains/losses are taken into account as well as gains/losses recognised in other comprehensive income (unrealised gains/losses). If these gains/losses were to be realised, the gross profits or gross margins used to amortise DAC would be affected. Therefore, an adjustment relating to these unrealised gains/losses is recognised in other comprehensive income and is also reflected in the amount of DAC in the balance sheet (“shadow accounting”).

Assumptions used to estimate the future value of expected gross margins and profits are evaluated regularly and adjusted if estimates change. Deviations of actual results from estimated experience are reflected in profit or loss.

For short-duration contracts acquisition costs are amortised over the period in which the related premiums written are earned, in proportion to premium revenue.

#### **Deferred origination costs (DOC)**

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with investment contracts without DPF are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. These incremental costs are costs that would not have been incurred if the Group had not secured the investment contracts. All other origination costs are recognised as an expense when incurred.

Deferred origination costs are generally amortised on a straight-line basis over the life of the contracts.

#### **Goodwill**

The Group’s acquisitions of other companies are accounted for under the acquisition method.

Goodwill represents the excess of the fair value of the consideration transferred and the amount of any non-controlling interest recognised, if applicable, over the fair value of the assets and liabilities recognised at the date of acquisition. The Group has the option for each business combination in which control is achieved without buying all of the equity of the acquiree to recognise 100% of the goodwill in business combinations, not just the acquirer’s portion of the goodwill (“full goodwill method”). Goodwill on acquisitions of subsidiaries is included in intangible assets. Acquisition-related costs are expensed. Goodwill on associates is included in the carrying amount of the investment.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is tested for impairment annually and whenever there is an indication that the unit may be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill is immediately recognised in profit and loss.

#### **Customer relationships**

Customer relationships consist of established relationships with customers through contracts that have been acquired in a business combination or non-contractual customer relationships that meet the requirement for separate recognition. They have a definite useful life of generally 5 to 20 years. Amortisation is calculated using the straight-line method over their useful lives.

#### **Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis for the expected useful life up to three years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly associated with identifiable software products controlled by the Group and that will probably generate future economic benefits are capitalised. Direct costs include the software development team's employee costs. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

#### **Brands and other**

Brands and other intangible assets with a definite useful life of generally 5 to 20 years are amortised using the straight-line method over their useful lives.

### **2.17 Impairment of non-financial assets**

For non-financial assets the recoverable amount is measured as the higher of the fair value less costs of disposal and its value in use. Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit from its continuing use.

Impairment losses and reversals on non-financial assets are recognised in profit or loss.

### **2.18 Income taxes**

Current and deferred income taxes are recognised in profit or loss except when they relate to items recognised directly in equity. Income taxes are calculated using the tax rates enacted or substantively enacted as of the balance sheet date.

Deferred income taxes are recognised for all temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the tax bases of these assets and liabilities using the balance sheet liability method. Current income taxes and deferred income taxes are charged or credited directly to equity if the income taxes relate to items that are credited or charged in the same or a different period, directly to equity.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. For unused tax losses a deferred tax asset is recognised to the extent that it is probable that these losses can be offset against future taxable profits. Deferred tax liabilities represent income taxes payable in the future in respect of taxable temporary differences.

A deferred tax liability is recognised for taxable temporary differences relating to investments in subsidiaries, branches and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Where the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority, the corresponding assets and liabilities are presented on a net basis.

### **2.19 Assets held for sale and associated liabilities**

A disposal group consists of a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with these assets. Non-current assets classified as held for sale and disposal groups are measured at the lower of the carrying amount and the fair value less costs to sell. The carrying amount will be recovered through a highly probable sale transaction rather than through continuing use. Assets held for sale and the associated liabilities are presented separately in the balance sheet.

### **2.20 Financial liabilities**

Financial liabilities are recognised in the balance sheet when the Swiss Life Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value are irrevocably designated as at fair value at initial recognition. Financial liabilities are designated as at fair value through profit or loss in the following instances:

- Financial liabilities where the insurance benefits are linked to unit values of investment funds or relate to private placement life insurance.
- Financial liabilities related to assets measured at fair value in order to reduce or eliminate a measurement or recognition inconsistency.
- Financial liabilities with embedded derivatives.

**Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

Based on the terms and conditions, such as repayment provisions and contractual interest payments, hybrid instruments are considered financial liabilities.

Debt instruments with embedded conversion options to a fixed number of shares of the Group are separated into a debt and an equity component. The difference between the proceeds and fair value of the debt component at issuance is recorded in equity. The fair value of the debt component at issuance is determined using a market interest rate for similar instruments with no conversion rights. The Group does not recognise any change in the value of these options in subsequent reporting periods.

Borrowing costs presented in the consolidated statement of income relate to the interest expense on the financial liabilities classified as borrowings whilst interest expense presented in the consolidated statement of income relates to interest expense on insurance and investment contract deposits and other financial liabilities.

**Other financial liabilities**

For deposits with fixed and guaranteed terms the amortised cost basis is used. Initial recognition is at the proceeds received, net of transaction costs incurred. Subsequently, they are stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the deposits. For repurchase agreements, initial recognition is at the amount of cash received, net of transaction costs incurred. Subsequently, the difference between the amount of cash initially received and the amount of cash exchanged upon maturity is amortised over the life of the agreement using the effective interest method.

**2.21 Employee benefits****Post-employment benefits**

The Swiss Life Group provides post-employment benefits under two types of arrangement: defined benefit plans and defined contribution plans.

The assets of these plans are generally held separately from the Group's general assets in trustee-administered funds. Defined benefit plan contributions are based upon regulatory requirements and/or plan terms. The Group's defined benefit obligations and the related defined benefit costs are determined at each balance sheet date by a qualified actuary using the Projected Unit Credit Method.

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Remeasurements, comprising actuarial gains and losses, the effect of the changes of the asset ceiling and the return on plan assets (excluding interest) are reflected immediately in the consolidated balance sheet and in other comprehensive income in the period in which they occur. Such remeasurements recognised in other comprehensive income will subsequently not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit asset or liability. Defined benefit costs comprise service costs and net interest expense, which are presented in the income statement under employee benefits expense.

Insurance contracts issued to a defined benefit pension plan covering own employees have generally been eliminated. However, certain assets relating to these plans qualify as plan assets and are therefore not eliminated.

The Group recognises the contribution payable to a defined contribution plan in exchange for the services of the employees rendered during the period as an expense.

#### **Healthcare benefits**

Some Group companies provide healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The expected costs of these benefits are accounted for in the same manner as for defined benefit plans.

#### **Share-based payments**

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the shares is recognised in profit or loss with a corresponding increase in equity. As the fair value of the services received cannot reliably be measured, the value is measured by reference to the fair value of the equity instruments granted and the price the employees are required to pay.

## **2.22 Provisions and contingent liabilities**

Provisions are liabilities with uncertainties as to the amount or timing of payments. Provisions are recognised if there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made at the balance sheet date and be measured on a best estimate basis. Contingent liabilities are disclosed in the Notes if there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources or the amount of the obligation cannot be measured with sufficient reliability.



### 2.23 Treasury shares

Treasury shares are presented in the consolidated balance sheet as a deduction from equity and are recorded at cost. The difference between the purchase price and the sales proceeds is included in share premium.

### 2.24 Earnings per share

Basic earnings per share are calculated by dividing net profit or loss available to shareholders by the weighted average number of shares in issue during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares.

For diluted earnings per share the profit and the weighted average number of shares in issue are adjusted to assume conversion of all dilutive potential shares, such as convertible debt and share options issued. Potential or contingent share issuance is treated as dilutive when conversion to shares would decrease earnings per share.

### 2.25 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.26 Forthcoming changes in accounting policies

In January 2016, the International Accounting Standards Board published amendments to IAS 7 Statement of Cash Flows in order to improve information provided to users of financial statements about an entity's financing activities. The amendments are effective for annual periods beginning on or after 1 January 2017. The Swiss Life Group is currently analysing the effect of the amendments on its financial statements.

In January 2016, IFRS 16 Leasing was issued by the International Accounting Standards Board. The new Standard eliminates the classification of leases as either operating leases or finance leases for lessees. Instead all leases are treated in a way similar to finance leases applying the current Standard IAS 17 Leases. The new Standard brings leases on-balance sheet for lessees, the effect being that reported assets and liabilities increase. IFRS 16 Leases replaces the straight-line operating lease expense with a depreciation charge for the lease asset and an interest expense on the lease liability. This change aligns the lease expense treatment for all leases. As a practical expedient, short-term and low-value leases are exempt from this treatment. The exemption permits a lessee to account for qualifying leases in the same manner as existing operating leases (IAS 17 Leases). For lessors, the accounting treatment from IAS 17 Leases is substantially carried forward. The Swiss Life Group is currently analysing the effect of the adoption of IFRS 16 on its financial statements.

In January 2016, the International Accounting Standards Board issued amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments apply for annual periods beginning on or after 1 January 2017. The Swiss Life Group does not expect a major effect of the amendments on its financial statements.

In December 2014, the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements. The amendments are part of the initiative to improve presentation and disclosure in financial statements. They are designed to encourage companies to apply professional judgement in determining what information to disclose in their financial statements. They clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments become mandatory for annual periods beginning on or after 1 January 2016. The Swiss Life Group does not expect a major effect of the amendments on its financial statements.

In September 2014, Annual Improvements to IFRSs 2012–2014 Cycle was issued. These amendments are effective for annual periods beginning on or after 1 January 2016. The Swiss Life Group does not expect a major effect of the amendments on its financial statements.

The International Accounting Standards Board published in September 2014 amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments relate to sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments apply prospectively for annual periods beginning on a date to be determined by the International Accounting Standards Board.

In July 2014, the International Accounting Standards Board completed IFRS 9 Financial Instruments. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 covers classification and measurement of financial instruments, impairment of financial assets and hedge accounting. Classification determines how financial assets and financial liabilities are accounted for in financial statements and how they are measured on an ongoing basis. Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. An expected-loss impairment model is introduced. Under the new model, it is no longer necessary for a credit event to have occurred before an impairment loss is recognised. The new model for hedge accounting aligns accounting treatment more closely with risk management activities. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. In December 2015, the International Accounting Standards Board published for public comment proposals to amend the existing insurance contracts Standard, IFRS 4. This is to address the temporary consequences of the different effective dates of IFRS 9 Financial Instruments and the new insurance contracts Standard. The proposals include an optional temporary exemption from applying IFRS 9 that would be available to companies whose predominant activity is to issue insurance contracts (deferral approach). Such a deferral would be available until the new insurance contracts Standard comes into effect. But it could not be used after 1 January 2021. The Swiss Life Group is currently analysing the effect of the adoption of IFRS 9 on its financial statements.

IFRS 15 Revenue from Contracts with Customers was published in May 2014. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also introduces disclosure requirements that provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Swiss Life Group does not expect a material impact from the adoption of the new standard on its financial statements.

In May 2014, the International Accounting Standards Board issued Amendments to IFRS 11 Joint Arrangements. The amendments provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendment is effective prospectively for annual periods beginning on or after 1 January 2016.

The following amended Standards and Interpretations are not relevant to the Swiss Life Group:

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (Investment Entities: Applying the Consolidation Exception)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods for Depreciation and Amortisation)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants
- Amendments to IAS 27 Separate Financial Statements (Equity Method in Separate Financial Statements)

### *3 Critical Accounting Estimates and Judgements in Applying Accounting Policies*

Certain reported amounts of assets and liabilities are subject to estimates and assumptions. Estimates and judgements by management are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The sensitivity analysis with regard to insurance risk and market risk is set out in note 5.

Estimates and judgements in applying fair value measurement to financial instruments and investment property are described in note 30.

#### **Impairment of held-to-maturity and available-for-sale debt instruments and loans and receivables**

As a Group policy, held-to-maturity and available-for-sale debt securities and loans and receivables are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor's rating below single B- after initial recognition (i.e. CCC or lower according to Standard and Poor's or equivalent) or when payments of principal and/or interest are overdue by more than 90 days.

#### **Impairment of available-for-sale equity instruments**

At each balance sheet date, an assessment is made whether there is objective evidence that an available-for-sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment. In this respect, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged.

### **Insurance liabilities**

Past experience, adjusted for the effect of current developments and probable trends, is assumed to be an appropriate basis for predicting future events. Actuarial estimates for incurred but not reported losses are continually reviewed and updated and adjustments resulting from this review are reflected in income.

For insurance contracts and investment contracts with discretionary participation features with fixed and guaranteed terms, the definition of estimates occurs in two stages. At inception of the contract, estimates of future deaths, surrender, exercise of policyholder options, investment returns and administrative expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty (adverse deviation) is added to these assumptions. These assumptions are “locked-in” for the duration of the contract. Subsequently, new estimates are made at each reporting date in order to determine whether the values of the liabilities so established are adequate in the light of these latest estimates (liability adequacy test). If the valuation of the liabilities is deemed adequate, the assumptions are not altered. However, if the valuation of the liabilities is deemed inadequate, the assumptions underlying the valuation of the liabilities are altered (“unlocked”) to reflect the latest estimates; no margin is added to the assumptions in this event.

For insurance contracts and investment contracts with discretionary participation features without fixed and guaranteed terms, future premiums can be increased in line with experience. The assumptions used to determine the liabilities do not contain margins and are not locked-in but are updated at each reporting date to reflect the latest estimates.

### **Mortality and longevity**

Pricing and valuation assumptions for mortality and longevity are generally based on the statistics provided by national insurance associations and complemented with internal claims experience reflecting own company records.

In Switzerland, mortality tables are usually reviewed every five years when new statistics from the Swiss Insurance Association become available. The tables are updated for significant changes.

### **Morbidity and disability**

For the individual and group life business in Switzerland internal tables are in place. In the individual life business, the internal disability rates are based on the Swiss Insurance Association statistics and reflect the average situation of the past in the Swiss market. In the individual life business, only reactivation is considered, whereas increased mortality is also taken into account in group life business. In the individual life business, disability tables are usually reviewed every five years when new statistics from the Swiss Insurance Association become available.

In the group life business, tariffs can be adjusted due to loss experience with regard to disability each year. In the group life business, the tables are based on own company records reflecting loss experience. Especially in the group life business, changes in the labour market may have a significant influence on disability. The tables are updated for significant changes.

In other markets, standard industry disability tables, national statistics and own company records are applied. Standard valuation pricing principles are typically validated against the client-specific disability experience.

**Policyholder options**

Policyholders are typically offered products which include options such as the right to terminate the contract early or to convert the accumulated funds into a life annuity at maturity. In case of early termination the policyholder receives a specified surrender value or a value which varies in response to the change in financial variables such as an equity price or an index. In the case of the conversion option, the policyholder has the right to convert an assured sum into a fixed life annuity. The option values typically depend on both biometric assumptions and market variables such as interest rates or the value of the assets backing the liabilities. In certain countries and markets, policyholder behavioural assumptions are based on own company records. The assumptions vary by product type and policy duration.

**Expenses and inflation**

In Switzerland, expenses are taken into account in the pricing of the contracts using internal statistics. Such calculated amounts are allocated to the different lines of business. Inflation is reflected in these calculations.

In certain markets, expense allocation is based on an activity-based cost methodology. Recurrent costs are subdivided into the following main cost categories: acquisition costs, administration costs and asset management costs.

**Investment returns**

Assumptions relating to investment returns are based on the strategic asset allocation. From this gross investment return, projected asset management fees are deducted to obtain a net investment return.

The interest rates used in actuarial formulae to determine the present value of future benefits and contributions caused by an insurance contract are called technical interest rates. The technical interest rates have to be approved by the regulator. In certain countries, the insurance liabilities are based on the technical interest rates.

**Impairment of goodwill**

Goodwill is tested for impairment annually (in autumn), or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The recoverable amounts of the business relating to the goodwill have been determined based on value-in-use calculations. These calculations require the use of estimates which are set out in note 17.

**Defined benefit liabilities**

The Swiss Life Group uses certain assumptions relating to the calculation of the defined benefit liabilities. These assumptions comprise future salary increases and future pension increases, which have been derived from estimates based on past experience. Assumptions are also made for mortality, employee turnover and discount rates. In determining the discount rate, the Swiss Life Group takes into account published rates of well-known external providers. The discount rates reflect the expected timing of benefit payments under the plans and are based on a yield curve approach.

The assumptions are set out in note 23.

**Income taxes**

Deferred tax assets are recognised for unused tax-loss carryforwards and unused tax credits to the extent that realisation of the related tax benefit is probable. The assessment of the probability with regard to the realisation of the tax benefit involves assumptions based on the history of the entity and budgeted data for the future.

**Provisions**

The recognition of provisions involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. A provision is recognised to the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made.



## 4 Segment Information

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by management (corporate executive board) in deciding how to allocate resources and in assessing performance.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies section. Inter-segmental services and transfers of assets and liabilities are treated as if the transactions were with third parties, i.e. at market prices applicable at the time of the transaction.

Intercompany trademark fees charged and received for the use of the Swiss Life brand have been excluded from the segment result. The statement of income for the year ended 31 December 2014 has been adjusted accordingly.

Corporate costs were not allocated to the individual segments as they consist of general administrative expenses and head office expenses that relate to the Swiss Life Group as a whole.

The reportable segments have been identified based on information about the components of the entity that management uses to make decisions about operating matters. The business is managed based on IFRS results.

The information provided to management focuses on product lines and services. The organisational and management structure within the insurance business is geographical. The reportable segments have therefore been identified as follows:

- Switzerland
- France
- Germany
- International
- Asset Managers
- Other

Switzerland, France, Germany and International primarily consist of life insurance operations and distribution units. The life insurance operations offer a broad range of life, pension, health, annuity and investment-type policies to both groups and individuals, including disability coverage. The Group's strategy focuses primarily on life and pensions in Switzerland, France and Germany, health insurance in France and on cross-border business from Liechtenstein, Luxembourg and Singapore. These segments also include a number of companies which hold investments mainly pertaining to life insurance.

"International" comprises the cross-border insurance operations in Liechtenstein, Luxembourg and Singapore, the Swiss Life Select units operating in Austria, the Czech Republic and Poland as well as Chase de Vere operating in the United Kingdom.

Non-life operations involve operations in France and Luxembourg and mainly include property and casualty, liability and motor insurance, accident and health insurance and payment protection insurance. These operations are included in the segments “France” and “Other”.

“Asset Managers” refers to the management of assets for institutional clients and the Group’s insurance business, as well as the provision of expert advice for such clients.

“Other” refers principally to various finance and service companies, as well as payment protection insurance.

The statement of income and the balance sheet for the segments are provided on the following pages.

## Statement of income for the year ended 31 December 2015

In CHF million									
	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
<b>INCOME</b>									
Premiums earned on insurance contracts	9 218	2 502	1 207	44	-	9	12 979	-76	12 903
Premiums earned on investment contracts with discretionary participation	1 009	-	-	-	-	-	1 009	-	1 009
Premiums ceded to reinsurers	-10	-156	-40	-10	-	0	-217	76	-141
Net earned premiums	10 217	2 346	1 167	34	-	8	13 772	0	13 771
Policy fees earned on insurance contracts	7	10	1	0	-	-	18	-	18
Policy fees earned on investment and unit-linked contracts	33	130	13	82	-	-	259	-	259
Net earned policy fees	40	140	14	82	-	-	276	-	276
Commission income	159	97	350	142	560	48	1 357	-341	1 016
Investment income	3 004	645	605	32	2	67	4 353	-63	4 290
Net gains/losses on financial assets	-136	66	335	40	-1	-57	248	-	248
Net gains/losses on financial instruments at fair value through profit or loss	385	-36	-285	-21	0	39	81	-	81
Net gains/losses on investment property	565	67	23	-	-	0	655	-	655
Share of profit or loss of associates	0	3	0	-	3	0	7	-	7
Other income	218	-1	2	-18	28	1	230	-20	210
<b>TOTAL INCOME</b>	<b>14 452</b>	<b>3 327</b>	<b>2 211</b>	<b>291</b>	<b>591</b>	<b>106</b>	<b>20 979</b>	<b>-424</b>	<b>20 555</b>
of which inter-segment	112	-50	-4	-1	267	100	424	-424	
<b>EXPENSES</b>									
Benefits and claims under insurance contracts	-11 203	-2 095	-1 310	-13	-	1	-14 620	62	-14 558
Benefits and claims under investment contracts with discretionary participation	-1 053	-	-	-	-	-	-1 053	-	-1 053
Benefits and claims recovered from reinsurers	6	125	23	3	-	-1	156	-60	95
Net insurance benefits and claims	-12 251	-1 970	-1 287	-10	-	0	-15 518	2	-15 516
Policyholder participation	-455	-157	-283	-18	-	0	-914	15	-899
Interest expense	-39	-102	-12	-15	-1	0	-170	8	-162
Commission expense	-444	-303	-238	-102	-50	-2	-1 139	342	-797
Employee benefits expense	-249	-178	-129	-61	-204	-4	-825	1	-824
Depreciation and amortisation expense	-149	-246	-55	-4	-12	-2	-468	-	-468
Impairment of property and equipment and intangible assets	-16	-	0	-	-	-	-16	-	-16
Other expenses	-114	-136	-77	-40	-83	-22	-472	-2	-474
<b>TOTAL EXPENSES</b>	<b>-13 718</b>	<b>-3 093</b>	<b>-2 082</b>	<b>-251</b>	<b>-349</b>	<b>-30</b>	<b>-19 522</b>	<b>366</b>	<b>-19 156</b>
of which inter-segment	-315	48	-41	-13	-35	-11	-366	366	
<b>SEGMENT RESULT</b>	<b>734</b>	<b>234</b>	<b>129</b>	<b>41</b>	<b>242</b>	<b>76</b>	<b>1 457</b>	<b>-58</b>	<b>1 398</b>
of which inter-segment	-203	-1	-45	-15	233	90	58	-58	
Unallocated corporate costs									-70
<b>PROFIT FROM OPERATIONS</b>									<b>1 329</b>
Borrowing costs	-175	0	-6	-1	-7	-29	-219	58	-161
Income tax expense									-290
<b>NET PROFIT</b>									<b>878</b>
Additions to non-current assets	1 754	66	460	8	1	0	2 289	-	2 289

## Statement of income for the year ended 31 December 2014

In CHF million

	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
<b>INCOME</b>									
Premiums earned on insurance contracts	8 789	2 815	1 491	49	-	11	13 156	-81	13 075
Premiums earned on investment contracts with discretionary participation	893	-	-	-	-	-	893	-	893
Premiums ceded to reinsurers	-28	-190	-44	-11	-	0	-273	81	-192
Net earned premiums	9 654	2 625	1 447	38	-	11	13 776	0	13 776
Policy fees earned on insurance contracts	9	15	0	0	-	-	24	-	24
Policy fees earned on investment and unit-linked contracts	40	132	23	88	-	-	284	-	284
Net earned policy fees	49	147	23	88	-	-	308	-	308
Commission income	133	113	401	152	450	48	1 298	-301	998
Investment income	3 064	688	666	35	2	60	4 516	-68	4 448
Net gains/losses on financial assets	2 025	112	463	16	0	15	2 631	-	2 631
Net gains/losses on financial instruments at fair value through profit or loss	-1 804	15	-198	2	0	-25	-2 009	-	-2 009
Net gains/losses on investment property	217	43	27	-	-	0	288	-	288
Share of profit or loss of associates	0	4	0	-	-1	0	3	-	3
Other income	31	1	2	-11	8	8	39	-7	31
<b>TOTAL INCOME</b>	<b>13 370</b>	<b>3 750</b>	<b>2 832</b>	<b>321</b>	<b>459</b>	<b>118</b>	<b>20 850</b>	<b>-376</b>	<b>20 474</b>
of which inter-segment	102	-49	57	-75	238	103	376	-376	
<b>EXPENSES</b>									
Benefits and claims under insurance contracts	-10 418	-2 413	-1 613	-11	-	5	-14 450	65	-14 385
Benefits and claims under investment contracts with discretionary participation	-932	-	-	-	-	-	-932	-	-932
Benefits and claims recovered from reinsurers	16	125	22	2	-	-3	163	-65	98
Net insurance benefits and claims	-11 333	-2 288	-1 591	-9	-	2	-15 218	0	-15 218
Policyholder participation	-427	-139	-557	-26	-	0	-1 150	4	-1 146
Interest expense	-56	-124	-14	-17	0	0	-211	6	-205
Commission expense	-400	-382	-298	-117	-45	-2	-1 243	304	-940
Employee benefits expense	-254	-198	-150	-65	-152	-5	-823	2	-821
Depreciation and amortisation expense	-118	-235	-18	-4	-6	-2	-383	-	-383
Impairment of property and equipment and intangible assets	0	-	-12	-	-	-	-12	-	-12
Other expenses	-114	-162	-94	-47	-67	-24	-508	-3	-512
<b>TOTAL EXPENSES</b>	<b>-12 702</b>	<b>-3 528</b>	<b>-2 735</b>	<b>-284</b>	<b>-270</b>	<b>-31</b>	<b>-19 549</b>	<b>311</b>	<b>-19 238</b>
of which inter-segment	-284	50	-39	-3	-26	-10	-311	311	
<b>SEGMENT RESULT</b>	<b>669</b>	<b>222</b>	<b>97</b>	<b>37</b>	<b>189</b>	<b>87</b>	<b>1 301</b>	<b>-65</b>	<b>1 236</b>
of which inter-segment	-182	1	18	-77	212	93	65	-65	
Unallocated corporate costs									-66
<b>PROFIT FROM OPERATIONS</b>									<b>1 169</b>
Borrowing costs	-176	0	-5	-2	-4	-35	-222	65	-157
Income tax expense									-194
<b>NET PROFIT</b>									<b>818</b>
Additions to non-current assets	1 080	300	163	4	206	0	1 754	-	1 754

## Balance sheet as at 31 December 2015

In CHF million

	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
<b>ASSETS</b>									
Cash and cash equivalents	1 262	688	221	2 737	166	224	5 297	-1	5 296
Derivatives	1 751	311	35	46	-	-	2 144	-31	2 113
Assets held for sale	4	-	-	-	-	-	4	-	4
Financial assets at fair value through profit or loss	5 316	10 527	1 261	16 485	0	-	33 590	-	33 590
Financial assets available for sale	69 768	16 394	7 502	1 246	48	1 068	96 026	-	96 026
Loans and receivables	14 608	2 357	8 363	308	247	1 650	27 533	-3 199	24 334
Financial assets pledged as collateral	508	1 595	-	5	-	-	2 109	-	2 109
Investment property	18 122	1 884	1 548	-	-	3	21 557	-	21 557
Investments in associates	8	56	0	-	2	0	67	-	67
Reinsurance assets	31	357	73	4	-	1	465	-89	376
Property and equipment	218	35	135	3	2	13	407	-	407
Intangible assets including intangible insurance assets	615	402	1 406	235	182	1	2 840	-	2 840
Other assets	383	14	1	2	220	2	622	-150	471
<b>SEGMENT ASSETS</b>	<b>112 594</b>	<b>34 621</b>	<b>20 544</b>	<b>21 072</b>	<b>866</b>	<b>2 961</b>	<b>192 659</b>	<b>-3 471</b>	<b>189 188</b>
Income tax assets									64
<b>TOTAL ASSETS</b>									<b>189 252</b>
<b>LIABILITIES AND EQUITY</b>									
<b>LIABILITIES</b>									
Derivatives	863	10	104	11	-	32	1 020	-31	989
Financial liabilities at fair value through profit or loss	3 716	1 585	904	18 907	-	-	25 111	-	25 111
Investment contracts	3 300	9 874	0	940	-	-	14 115	-	14 115
Other financial liabilities	5 830	4 145	722	368	221	220	11 506	-1 222	10 284
Insurance liabilities	77 977	14 318	15 774	192	-	12	108 273	-116	108 157
Policyholder participation liabilities	6 050	2 385	1 604	26	-	0	10 065	0	10 065
Employee benefit liabilities	1 636	70	167	13	90	0	1 976	-	1 976
Provisions	16	11	36	25	10	4	101	-	101
Other liabilities	159	71	45	10	7	2	294	-2	293
<b>SEGMENT LIABILITIES</b>	<b>99 547</b>	<b>32 469</b>	<b>19 357</b>	<b>20 492</b>	<b>328</b>	<b>269</b>	<b>172 463</b>	<b>-1 370</b>	<b>171 092</b>
Borrowings									4 078
Income tax liabilities									1 824
<b>EQUITY</b>									<b>12 258</b>
<b>TOTAL LIABILITIES AND EQUITY</b>									<b>189 252</b>

## Balance sheet as at 31 December 2014

In CHF million

	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
<b>ASSETS</b>									
Cash and cash equivalents	1 819	642	629	2 489	160	322	6 062	0	6 062
Derivatives	1 769	439	113	68	-	-	2 389	-30	2 358
Assets held for sale	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	4 133	8 478	1 172	18 607	0	-	32 389	-	32 389
Financial assets available for sale	68 179	18 749	8 080	1 219	45	891	97 162	-	97 162
Loans and receivables	15 903	3 292	9 815	272	157	1 588	31 027	-3 079	27 948
Financial assets pledged as collateral	1 682	1 081	-	-	-	-	2 763	-	2 763
Investment property	16 385	2 026	1 182	-	-	3	19 596	-	19 596
Investments in associates	9	60	202	-	3	11	284	-	284
Reinsurance assets	31	389	64	4	-	2	490	-93	397
Property and equipment	225	41	156	2	3	15	442	-	442
Intangible assets including intangible insurance assets	606	429	1 484	239	213	3	2 972	-	2 972
Other assets	331	40	5	3	124	1	504	-73	431
SEGMENT ASSETS	111 072	35 667	22 900	22 901	705	2 836	196 081	-3 275	192 807
Income tax assets									48
<b>TOTAL ASSETS</b>									<b>192 854</b>
<b>LIABILITIES AND EQUITY</b>									
<b>LIABILITIES</b>									
Derivatives	1 865	18	247	8	-	57	2 195	-30	2 165
Financial liabilities at fair value through profit or loss	3 233	651	847	20 684	-	-	25 415	-	25 415
Investment contracts	2 714	10 444	1	911	-	-	14 070	-	14 070
Other financial liabilities	7 246	4 167	881	384	99	149	12 925	-869	12 056
Insurance liabilities	74 202	14 547	17 277	209	-	18	106 253	-117	106 136
Policyholder participation liabilities	6 838	3 217	2 063	36	-	0	12 154	-2	12 152
Employee benefit liabilities	1 504	77	149	5	86	0	1 821	-	1 821
Provisions	18	13	57	30	9	2	128	-	128
Other liabilities	153	74	45	10	8	1	290	-1	289
SEGMENT LIABILITIES	97 773	33 207	21 566	22 276	203	227	175 251	-1 018	174 233
Borrowings									3 798
Income tax liabilities									1 991
<b>EQUITY</b>									<b>12 831</b>
<b>TOTAL LIABILITIES AND EQUITY</b>									<b>192 854</b>

### Premiums and policy fees from external customers

In CHF million	Net earned premiums		Net earned policy fees	
	2015	2014	2015	2014
<b>LIFE</b>				
Individual life	3 469	3 857	266	297
Group life	9 957	9 524	10	10
<b>TOTAL LIFE</b>	<b>13 426</b>	<b>13 381</b>	<b>276</b>	<b>308</b>
<b>NON-LIFE</b>				
Accident and health	11	14	–	–
Property, casualty and other	334	381	–	–
<b>TOTAL NON-LIFE</b>	<b>345</b>	<b>395</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>13 771</b>	<b>13 776</b>	<b>276</b>	<b>308</b>

The Swiss Life Group operates in selected countries. The Group's income and non-current assets by geographical location are detailed below.

In CHF million	Total income		Non-current assets	
	2015	2014	31.12.2015	31.12.2014
Switzerland	14 451	13 228	18 503	16 773
France	3 394	3 811	2 269	2 430
Germany	2 306	2 807	2 316	2 052
Liechtenstein	32	37	149	149
Luxembourg	180	386	46	58
Other countries	191	205	78	84
<b>TOTAL</b>	<b>20 555</b>	<b>20 474</b>	<b>23 361</b>	<b>21 546</b>

Non-current assets for this purpose consist of investment property, property and equipment and intangible assets (except for intangible assets arising from insurance contracts).

#### Information about major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.



## *5 Risk Management Policies and Procedures*

The Group's core business is life insurance and pensions. A life insurance and pensions contract represents a long-term promise to the policyholder. To fulfil its future payment obligations to the policyholders, the insurance entities of the Group must be financially sound over an extended period of time. The ability to remain financially sound and strong depends on a number of risk factors. The Group's risk map can be broadly divided into financial, insurance, strategic and operational risks. All of these risk categories can impact the financial stability of the Group.

Risks must be identified, assessed, managed and monitored locally and aggregated at Group level. Monthly reports covering interest rate risk, equity and real estate price risk, currency risk, credit risk and insurance risk are prepared on a consolidated basis. Strategic and operational risks are assessed and reported on an annual basis.

The risk appetite for the largest operations in the insurance business is defined with the help of local risk budgets, which are used as a basis for the determination of the individual risk limits. These limits are used as a framework for the asset and liability management process, the objective of which is to define a strategic asset allocation. From this strategic asset allocation a scenario-based expected return is calculated, which forms the basis for the mid-term planning of the Group.

Risk management functions are performed at several levels by corresponding bodies within the Swiss Life Group, such as the Investment and Risk Committee at the level of the Board of Directors of the Swiss Life Group and the Group Risk Committee at the level of the Corporate Executive Board of the Swiss Life Group. The risk management functions at the level of the individual operations of the Swiss Life Group are organised accordingly.

Group risk management is responsible for the definition of the Group-wide methodology for the measurement of the risks and produces a consolidated risk report which consolidates the main quantitative elements of the risk management of the Swiss Life Group's operations. Furthermore, Group risk management also produces consolidated views on the operational and strategic risks of the Swiss Life Group.

The information below focuses first on the risk budgeting and asset and liability management process before covering in an extensive way the principal risk categories faced by the Swiss Life Group.

### **5.1 Contracts for the account and risk of the Swiss Life Group's customers**

The assets relating to certain life insurance and investment contracts are managed for the account and risk of the Swiss Life Group's customers (separate account/unit-linked contracts, private placement life insurance). They are segregated and managed to meet specific investment objectives of the policyholders. The assets back the insurance liabilities and the financial liabilities arising from these contracts. The fair values of the liabilities reflect the fair values of the assets. Certain contracts with unit-linking features contain financial and insurance guarantees. The liabilities relating to these guarantees are included in financial liabilities and insurance liabilities, respectively.

The assets and liabilities from separate account/unit-linked contracts and private placement life insurance are generally excluded from the Swiss Life Group's financial risk management considerations to the extent that the risks are borne by the customers.

### Assets for the account and risk of the Swiss Life Group's customers

In CHF million		31.12.2015	31.12.2014
Cash and cash equivalents		2 625	2 309
Financial assets at fair value through profit or loss			
Debt securities		5 785	6 240
Equity securities		4 751	6 154
Investment funds		16 756	16 580
Other		1	1
<b>TOTAL ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS</b>		<b>29 918</b>	<b>31 284</b>

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

In CHF million		Notes	31.12.2015	31.12.2014
Unit-linked contracts		10	22 615	24 325
Investment contracts		19	3 995	4 107
Insurance liabilities		22	3 167	2 760
<b>TOTAL LIABILITIES LINKED TO ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS</b>			<b>29 777</b>	<b>31 192</b>

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

In CHF million		For the account and risk of the Swiss Life Group		For the account and risk of the Swiss Life Group's customers		Total	
	Notes	2015	2014	2015	2014	2015	2014
Investment income	8	4 290	4 448	–	–	4 290	4 448
Net gains/losses on financial assets	8	228	2 631	21	–	248	2 631
Net gains/losses on financial instruments at fair value through profit or loss	8	95	–2 016	–15	7	81	–2 009
Net gains/losses on investment property		655	288	–	–	655	288
Share of profit or loss of associates		7	3	–	–	7	3
<b>FINANCIAL RESULT</b>		<b>5 275</b>	<b>5 354</b>	<b>6</b>	<b>7</b>	<b>5 281</b>	<b>5 361</b>

## 5.2 Risk budgeting and limit setting

The risk capacity and the risk appetite of the Swiss Life Group's insurance operations are primarily defined based on economic principles. Consequently, the market values or best estimates of both the assets and the liabilities are obtained by discounting the cash flows generated by these assets and liabilities by direct observation of market values or with another appropriate discount rate. The available economic capital is defined as the difference of the economic value of the assets compared to liabilities. The available economic capital is used to cover the different risks to which the Swiss Life Group's insurance operations are exposed by the nature of their activities. The final decision on the risk appetite for each insurance operation rests with the Corporate Executive Board.

To control and limit exposure to risks, capital and exposure limits are defined. They include overall market risk capital, credit risk capital and, more specifically, interest rate risk capital and credit spread risk capital as well as net equity and foreign currency exposure.

## 5.3 Asset and liability management (ALM)

The main objective of the ALM process is to ensure that the Swiss Life Group's insurance operations can meet their commitments to policyholders at all times while also adequately compensating shareholders for making risk capital available. Based on the economic principles of risk management and on the risk appetite definition applied in the risk budgeting process, ALM comprises the following main activity: the determination of the strategic asset allocation and of the risk capital and exposure sublimits.

The ALM process is centrally coordinated and steered at Group level by means of local asset and liability management committees with representatives from local senior management and representatives from the Group. The local units are in charge of implementing the decisions. The process requires the involvement of investment management, finance, actuarial and risk functions.

### Compliance with external constraints

Aspects other than the purely economic view must also be considered in the ALM process, such as regulatory requirements including statutory minimum distribution ratios ("legal quote"), funding ratios, solvency, local accounting rules and International Financial Reporting Standards, liquidity requirements and rating targets. Some of these views may lead to results that are not aligned with the economic approach, but nevertheless need to be taken into account.

Depending on the regulatory framework in which the Swiss Life Group's insurance operations evolve, the asset portfolios might need to be split to reflect the different categories of insurance products. The asset portfolios of the insurance operations in Switzerland have been separated to distinguish between individual life and group life. As a consequence, such separation is also reflected in the ALM process. Insurance companies are generally obliged to hold tied assets in view of claims arising from insurance contracts. Special rules apply to investments in tied assets. They specify the eligible asset classes as well as requirements to be met in terms of investment organisation and processes.

**Strategic asset allocation**

Defining the strategic asset allocation is the first major task of the ALM process and aims at achieving an efficient risk capital allocation, i.e. optimising the returns on the asset portfolio for the available risk capital defined within the risk budgeting process, taking into account all known constraints.

The liabilities are largely predefined in terms of amount and timing of the payments and the associated assumptions are regularly reviewed. The corresponding asset portfolios mainly comprise fixed-income instruments. This way, the impact of interest rate fluctuations and the risk capital consumption are strategically optimised under a risk/return point of view, thus ensuring that the policyholders receive the benefits consistent with their products. Policyholders may benefit from the ensuing investment returns in the form of discretionary participation, while shareholders may benefit from an increase in the value of their investment in the Swiss Life Group.

The strategic asset allocation is therefore determined on the basis of the individual existing commitments and the risk capacity of the Swiss Life Group's insurance operations. The strategic asset allocation is reviewed at least once a year and adjusted if necessary.

The ALM process has been applied in all large insurance operations of the Swiss Life Group.

**Distribution policy**

The distribution policy seeks to align the interests of the different groups of stakeholders. Holders of traditional life insurance policies favour a guaranteed minimum interest rate coupled with regular and appropriate discretionary participation, whereas shareholders place greater emphasis on returns commensurate with the level of risk they are exposed to. The focus of the Swiss Life Group lies on the sustainability of the business model and should balance the policyholders' and shareholders' expectations.

External constraints must be considered in the definition of the distribution policy. Important elements which influence such policy are minimum guaranteed interest rates and the statutory minimum distribution ratio ("legal quote"), which depend on the regulatory environments of the Swiss Life Group's insurance operations.

**Product design**

The targets of risk management are supported by product management principles. Product design defines among other things which guarantees and benefits are built into a specific product to respond to the demand from and expectations of customers. The actuarial bases used for this purpose support each individual product generating a sufficient contribution margin. To ensure that the Group's principles are observed, guidelines and directives on product management and underwriting are in place. As the Group's insurance entities operate in a number of different countries, the local regulatory constraints may have an impact on the business units' product range. These constraints must always be obeyed.

#### 5.4 Financial risk management objectives and policies

The Group is exposed to financial risk through its financial assets, financial liabilities (primarily investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from the financial assets are not sufficient to fund the obligations arising from the insurance and investment contracts, as well as from borrowings and other liabilities. The most important components of the financial risk are interest rate risk, equity and real estate price risk, credit risk, currency risk and liquidity risk.

The risk budgeting and limit setting described above ensure that the corresponding risks remain under control. The market risk capital, interest rate risk capital, credit spread risk capital and credit risk capital limits, as well as exposure limits for currencies and net equity for each large insurance operation, are defined based on the risk appetite per operation. These limits are assessed and reported on a monthly basis.

##### **Hedging**

The Swiss Life Group uses derivatives within the strict limits set by the applicable insurance legislation and by internal guidelines. Derivatives are primarily used to manage the exposure to foreign exchange rates, interest rates, equity securities and counterparties. The main instruments include index futures and option structures in stock markets, bond futures and swaps in order to manage duration, currency forwards and options in order to manage currency risk and credit default swaps or credit default swap indices and options on credit default swap indices in order to manage counterparty risk. Within certain limits, derivatives are used to enhance returns on the existing portfolio. The types of derivatives generally permitted for usage within the Swiss Life Group as well as the list of allowed over-the-counter trading partners have been approved by the Group Risk Committee.

Hedging strategies involve hedge accounting in accordance with International Financial Reporting Standards as well as “economic hedging”. “Economic hedges” comprise derivatives in combination with financial assets and financial liabilities which have a common risk factor and give rise to opposite changes in fair value that tend to offset each other.

##### **Interest rate risk relating to financial instruments and insurance contracts**

The Group’s primary interest rate exposure is to contracts with guaranteed benefits and the risk that the interest rates of the financial assets purchased with the consideration received from the contract holders is insufficient to fund the guaranteed benefits and expected discretionary participation payable to them.

## Interest-sensitive insurance liabilities

In CHF million

	CHF	EUR	Other	Total
<b>CARRYING AMOUNTS AS AT 31 DECEMBER 2015</b>				
Minimum guaranteed interest rate 0 - < 2%	39 080	5 676	6	44 762
Minimum guaranteed interest rate 2 - < 3%	9 118	5 497	31	14 645
Minimum guaranteed interest rate 3 - < 4%	20 972	6 188	25	27 184
Minimum guaranteed interest rate 4 - < 5%	70	6 054	25	6 149
Minimum guaranteed interest rate 5 - < 6%	-	-	2	2
<b>TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES</b>	<b>69 239</b>	<b>23 414</b>	<b>88</b>	<b>92 742</b>
Insurance liabilities with no minimum guaranteed interest rate				12 249
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				3 167
<b>TOTAL INSURANCE LIABILITIES</b>				<b>108 157</b>

## CARRYING AMOUNTS AS AT 31 DECEMBER 2014

Minimum guaranteed interest rate 0 - < 2%	34 925	5 954	5	40 884
Minimum guaranteed interest rate 2 - < 3%	11 486	6 210	32	17 729
Minimum guaranteed interest rate 3 - < 4%	19 511	6 724	23	26 259
Minimum guaranteed interest rate 4 - < 5%	72	6 713	26	6 812
Minimum guaranteed interest rate 5 - < 6%	-	-	2	2
<b>TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES</b>	<b>65 995</b>	<b>25 602</b>	<b>89</b>	<b>91 686</b>
Insurance liabilities with no minimum guaranteed interest rate				11 690
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				2 760
<b>TOTAL INSURANCE LIABILITIES</b>				<b>106 136</b>

Some life insurance products with a savings component and investment contracts are subject to minimum guaranteed interest rates. The guaranteed rate differs according to the type of contract. In Switzerland for instance the minimum guaranteed interest rate for the occupational pensions segment (mandatory BVG savings account) stood at 1.75% in 2015 and will be reduced to 1.25% for 2016 (2014: 1.75%).

In addition to these fixed and guaranteed payments, which are exposed to interest rate risk, contractual rights exist for certain contracts to receive additional benefits whose amount and/or timing is contractually at the discretion of the issuer.

The Group manages interest rate and interest rate volatility risk by managing the interest rate sensitivity of its investment portfolio against the corresponding sensitivity of liabilities issued. The interest rate and volatility exposure of the liabilities is determined by projecting the expected cash flows from the contracts using best estimates of mortality, disability, expenses, surrender and exercise of policyholder options in combination with interest rate and volatility scenarios. The ALM process defines the strategic asset allocation optimising the net interest rate sensitivity of the investment and liability portfolios. Where this is not practicable, swap contracts and other instruments are used to hedge interest rate risk. In certain markets payer swaptions are used to hedge the risk of fair value changes of interest-sensitive financial assets. A minimum interest rate risk is accepted, since a perfect interest rate hedge can either not be achieved or may not be targeted.

Regarding interest rate risk exposure existing on contracts with guaranteed benefits where the risk is that the interest rates earned on the assets are insufficient to fund the guaranteed payments, puttable bonds are used to counter the impact of increasing interest rates.

In certain businesses, a large part of the impact of interest rate changes is for the account and risk of the policyholders based on the specific profit-sharing systems.

#### **Equity price risk**

A decline in the equity market may lead to a reduction of the Swiss Life Group's realised and unrealised gains/losses, which also negatively affects the Swiss Life Group's results of operations and financial condition.

Hedges in place with respect to the Swiss Life Group's equity investments are designed to reduce the exposure to declines in equity values but would not prevent an impairment loss in the event that the impairment criteria were met.

A portion of Swiss Life's investment portfolio comprises investments in funds which hold securities issued by non-public companies (private equity, infrastructure). These investments may be illiquid or may only be disposed of over time or at a loss, and they may not produce adequate returns or capital gains. If Swiss Life were required to liquidate some or all of the investments in its private equity portfolio, the proceeds of such liquidation may be significantly less than the amount paid for, or the carrying amount of, such investments.

Swiss Life's investment portfolios also include investments in hedge funds. The liquidity of such investments can vary according to market conditions, and the investment styles of such hedge funds could amplify any factors affecting the performance of any particular class of funds or investments.

#### **Credit risk**

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Counterparty risk with respect to bonds purchased
- Counterparty risk with respect to loans and mortgages granted
- Counterparty risk with respect to money market and cash positions
- Counterparty risk with respect to derivative transactions
- Reinsurance share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from insurance contract holders
- Amounts due from insurance intermediaries

To reduce the credit exposure relating to derivatives a collateral management process is in place. Contractually all outstanding positions must be fully collateralised if they reach a very low agreed minimum transfer amount. The collateral is called daily. Counterparties for derivative transactions, over-the-counter and exchange-traded, have to be approved by both the Group Chief Risk Officer and the Group Chief Investment Officer. The minimum rating for a counter-



party is generally A- (Standard & Poor's or equivalent) for the Swiss Life Group's insurance operations. During periods of market turmoil reliance on ratings is of limited value; therefore an additional qualitative and quantitative counterparty monitoring process has been established to allow for immediate proactive measures.

Counterparty risk is primarily managed by counterparty exposure limits and diversification in a broad debtor universe. The specific credit risk is managed through the holding of credit default swaps or credit default swap indices and options on credit default swap indices. A credit default swap provides insurance to the debt holder against a default of the debt issuer. It is traded over-the-counter and itself underlies the collateral management process described above. The credit default swap index is a hedge on credit risk of a basket of counterparties and is an over-the-counter derivative. A put option on a credit default swap index provides protection against adverse credit spread movements in the underlying basket of counterparties and is traded over-the-counter.

The Group is also exposed to credit risk associated with reinsurance recoverables. As a consequence, the financial strength of reinsurers is monitored. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength and also prior to any contract being signed. The general policy of the Swiss Life Group is to reinsure its insurance risks only with counterparties rated A- or above (Standard & Poor's or equivalent). In exceptional cases, reinsurers with a lower rating may be considered. Additionally, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon one single reinsurer.

For fixed-income assets the total exposure per counterparty is aggregated and reported to the Group Risk Committee. Ratings and single positions above a certain level with regard to fixed-income assets are reported to management on a regular basis. The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset where counterparties are both debtors and creditors of the Group. In addition, limits regarding single counterparty exposure are in place which depend on the rating and amount of exposure in relation to total investments. Information reported to management includes assessment of bad debts. Where there exists a certain exposure to individual policyholders due to size of the contract, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out.

The non-rated loans primarily comprise mortgages and policy loans. For the bulk of the mortgages a risk class system is in place which allows the company to identify, measure, monitor and manage the risks at the level of portfolios, borrowers and loans at all times. The risk class system also enables a risk-adequate pricing of the loans. Implementation, parametrisation and control of the system are set out in an internal directive which has been approved by the Group Chief Investment Officer.



In certain countries, specific additional guidelines and rules have been defined locally to monitor credit risk. Such guidelines cover investments in fixed-income securities which are mostly based on the average rating of the issuers (calculated by weighting default probabilities). Minimum and maximum thresholds apply with regard to permitted investments in non-government bonds. For investments in government bonds with a rating lower than AA- (according to Standard & Poor's or equivalent) and non-government bonds, additional exposure limits are in place. For certain businesses, credit risk is monitored and controlled with a risk limit framework whereby maximum limits are reviewed and approved at least annually. The majority of the bond portfolio is invested in government bonds (including supranational and sovereigns) and bonds issued by the financial sector covered by collateral or government guarantees.

### Maximum exposure to credit risk

In CHF million	For the account and risk of the Swiss Life Group		For the account and risk of the Swiss Life Group's customers		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>DEBT SECURITIES</b>						
Debt securities at fair value through profit or loss	635	595	5 785	6 240	6 421	6 835
Debt securities available for sale	84 884	90 038	–	–	84 884	90 038
Debt securities pledged as collateral	2 109	2 763	–	–	2 109	2 763
Debt securities classified as loans	4 392	6 088	–	–	4 392	6 088
<b>TOTAL DEBT SECURITIES</b>	<b>92 020</b>	<b>99 483</b>	<b>5 785</b>	<b>6 240</b>	<b>97 805</b>	<b>105 723</b>
<b>LOANS AND RECEIVABLES</b>						
Mortgages	7 073	6 145	–	–	7 073	6 145
Corporate and other loans	1 732	3 171	–	–	1 732	3 171
Note loans	6 758	7 944	–	–	6 758	7 944
Receivables	4 379	4 600	–	–	4 379	4 600
<b>TOTAL LOANS AND RECEIVABLES</b>	<b>19 942</b>	<b>21 860</b>	<b>–</b>	<b>–</b>	<b>19 942</b>	<b>21 860</b>
<b>OTHER ASSETS</b>						
Cash and cash equivalents	2 671	3 753	2 625	2 309	5 296	6 062
Derivatives	2 113	2 358	–	–	2 113	2 358
Reinsurance assets	376	397	–	–	376	397
<b>TOTAL OTHER ASSETS</b>	<b>5 159</b>	<b>6 509</b>	<b>2 625</b>	<b>2 309</b>	<b>7 784</b>	<b>8 818</b>
<b>UNRECOGNISED ITEMS</b>						
Financial guarantees	29	42	–	–	29	42
Loan commitments	320	242	–	–	320	242
<b>TOTAL UNRECOGNISED ITEMS</b>	<b>349</b>	<b>283</b>	<b>–</b>	<b>–</b>	<b>349</b>	<b>283</b>
<b>TOTAL EXPOSURE TO CREDIT RISK</b>	<b>117 470</b>	<b>128 135</b>	<b>8 410</b>	<b>8 549</b>	<b>125 880</b>	<b>136 684</b>

The following table shows the extent to which collateral and other credit enhancements mitigate credit risk in respect of the maximum exposure to credit risk.

#### Credit risk mitigation – collateral held and other credit enhancements as at 31 December 2015

In CHF million							
	Debt securities	Loans and receivables	Cash and cash equivalents	Derivatives (assets)	Reinsurance assets	Financial guarantees and loan commitments	Total
<b>SECURED BY</b>							
Cash collateral	–	–	–	1 939	90	–	2 029
Securities collateral	–	444	–	–	181	69	694
Mortgage collateral	9 213	9 294	–	–	–	274	18 781
Other collateral	–	298	–	–	–	4	302
Guarantees	624	554	212	–	–	–	1 389
Netting agreements	–	147	–	11	–	–	159
<b>TOTAL SECURED</b>	<b>9 837</b>	<b>10 736</b>	<b>212</b>	<b>1 950</b>	<b>272</b>	<b>347</b>	<b>23 353</b>
<b>UNSECURED</b>							
Governments and supranationals	46 612	4 103	350	–	–	–	51 065
Corporates	35 451	2 245	2 109	163	104	2	40 075
Other	120	2 858	–	–	–	–	2 978
<b>TOTAL UNSECURED</b>	<b>82 183</b>	<b>9 206</b>	<b>2 459</b>	<b>163</b>	<b>104</b>	<b>2</b>	<b>94 117</b>
<b>TOTAL</b>	<b>92 020</b>	<b>19 942</b>	<b>2 671</b>	<b>2 113</b>	<b>376</b>	<b>349</b>	<b>117 470</b>

#### Credit risk mitigation – collateral held and other credit enhancements as at 31 December 2014

In CHF million							
	Debt securities	Loans and receivables	Cash and cash equivalents	Derivatives (assets)	Reinsurance assets	Financial guarantees and loan commitments	Total
<b>SECURED BY</b>							
Cash collateral	–	–	–	1 756	95	–	1 851
Securities collateral	–	479	–	–	230	74	782
Mortgage collateral	9 991	8 511	–	–	–	202	18 703
Other collateral	–	254	–	–	–	4	258
Guarantees	779	1 179	600	–	–	–	2 558
Netting agreements	–	134	–	571	–	–	706
<b>TOTAL SECURED</b>	<b>10 769</b>	<b>10 557</b>	<b>600</b>	<b>2 327</b>	<b>324</b>	<b>280</b>	<b>24 858</b>
<b>UNSECURED</b>							
Governments and supranationals	46 671	4 444	634	–	–	–	51 749
Corporates	41 881	3 776	2 519	31	73	4	48 284
Other	161	3 084	–	–	–	–	3 245
<b>TOTAL UNSECURED</b>	<b>88 713</b>	<b>11 304</b>	<b>3 153</b>	<b>31</b>	<b>73</b>	<b>4</b>	<b>103 277</b>
<b>TOTAL</b>	<b>99 483</b>	<b>21 860</b>	<b>3 753</b>	<b>2 358</b>	<b>397</b>	<b>283</b>	<b>128 135</b>

## Exposure to credit risk of debt instruments – credit rating by class as at 31 December 2015

In CHF million								
	AAA	AA	A	BBB	Below BBB	Not rated	Past due or impaired	Total
<b>DEBT SECURITIES</b>								
Supranational	2 000	436	18	32	-	-	-	2 486
Governments	21 117	16 560	2 201	753	279	3	-	40 914
Sovereign	192	782	1 163	926	149	-	-	3 212
Covered/guaranteed	7 983	1 235	448	170	-	-	-	9 837
Corporates	523	4 329	14 537	13 850	2 172	0	39	35 451
Other	-	63	33	16	8	-	-	120
<b>TOTAL DEBT SECURITIES</b>	<b>31 815</b>	<b>23 406</b>	<b>18 400</b>	<b>15 748</b>	<b>2 608</b>	<b>3</b>	<b>39</b>	<b>92 020</b>
<b>MORTGAGES</b>								
Commercial	-	-	-	-	-	2 537	1	2 537
Residential	-	-	-	-	-	4 519	17	4 536
<b>TOTAL MORTGAGES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 056</b>	<b>17</b>	<b>7 073</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Governments and supranationals	1 820	1 999	138	73	34	0	-	4 063
Corporates	1 361	754	972	773	63	1 132	0	5 055
Other	4	6	19	74	1	3 600	48	3 751
<b>TOTAL OTHER LOANS AND RECEIVABLES</b>	<b>3 184</b>	<b>2 759</b>	<b>1 128</b>	<b>920</b>	<b>98</b>	<b>4 732</b>	<b>48</b>	<b>12 869</b>

## Exposure to credit risk of debt instruments – credit rating by class as at 31 December 2014

In CHF million								
	AAA	AA	A	BBB	Below BBB	Not rated	Past due or impaired	Total
<b>DEBT SECURITIES</b>								
Supranational	2 091	160	-	32	-	-	-	2 283
Governments	16 277	20 092	2 915	1 151	176	2	-	40 613
Sovereign	210	1 156	816	1 486	107	-	-	3 775
Covered/guaranteed	8 093	1 721	662	248	42	2	-	10 769
Corporates	494	4 763	17 923	16 496	2 171	1	33	41 881
Other	22	62	61	-	15	-	-	161
<b>TOTAL DEBT SECURITIES</b>	<b>27 186</b>	<b>27 956</b>	<b>22 377</b>	<b>19 413</b>	<b>2 512</b>	<b>6</b>	<b>33</b>	<b>99 483</b>
<b>MORTGAGES</b>								
Commercial	-	-	-	-	-	2 306	1	2 307
Residential	-	-	-	-	-	3 816	23	3 838
<b>TOTAL MORTGAGES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 122</b>	<b>23</b>	<b>6 145</b>
<b>OTHER LOANS AND RECEIVABLES</b>								
Governments and supranationals	1 769	2 341	212	84	36	0	-	4 444
Corporates	1 442	1 164	2 493	492	68	1 649	1	7 309
Other	3	7	60	5	0	3 813	73	3 962
<b>TOTAL OTHER LOANS AND RECEIVABLES</b>	<b>3 215</b>	<b>3 512</b>	<b>2 766</b>	<b>581</b>	<b>104</b>	<b>5 463</b>	<b>74</b>	<b>15 715</b>

## Financial assets past due (not impaired) – age analysis as at 31 December 2015

In CHF million					
	Up to 3 months	3–6 months	6–12 months	More than 1 year	Total
<b>MORTGAGES</b>					
Residential	7	1	2	5	16
<b>TOTAL</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>16</b>
<b>OTHER LOANS AND RECEIVABLES</b>					
Other	7	6	6	9	28
<b>TOTAL</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>28</b>

## Financial assets past due (not impaired) – age analysis as at 31 December 2014

In CHF million					
	Up to 3 months	3–6 months	6–12 months	More than 1 year	Total
<b>MORTGAGES</b>					
Residential	11	2	2	4	20
<b>TOTAL</b>	<b>11</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>20</b>
<b>OTHER LOANS AND RECEIVABLES</b>					
Other	11	8	6	17	42
<b>TOTAL</b>	<b>11</b>	<b>8</b>	<b>6</b>	<b>17</b>	<b>42</b>

## Financial assets individually determined as impaired

In CHF million	Gross amount		Impairment losses		Carrying amount	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>DEBT SECURITIES</b>						
Corporates	103	102	-63	-69	39	33
<b>TOTAL</b>	<b>103</b>	<b>102</b>	<b>-63</b>	<b>-69</b>	<b>39</b>	<b>33</b>
<b>MORTGAGES</b>						
Commercial	1	1	0	0	1	1
Residential	1	3	0	0	1	3
<b>TOTAL</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>-1</b>	<b>2</b>	<b>3</b>
<b>OTHER LOANS AND RECEIVABLES</b>						
Corporates	0	1	0	0	0	1
Other	31	39	-11	-8	20	31
<b>TOTAL</b>	<b>31</b>	<b>40</b>	<b>-11</b>	<b>-8</b>	<b>20</b>	<b>32</b>

## Financial assets individually determined as impaired – impairment loss allowance for the year 2015

In CHF million					
	Balance as at 1 January	Impairment losses/ reversals	Write-offs and disposals	Foreign currency translation differences	Balance as at end of period
<b>DEBT SECURITIES</b>					
Corporates	69	0	-6	0	63
<b>TOTAL</b>	<b>69</b>	<b>0</b>	<b>-6</b>	<b>0</b>	<b>63</b>
<b>MORTGAGES</b>					
Commercial	0	0	-	-	0
Residential	0	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER LOANS AND RECEIVABLES</b>					
Corporates	0	-	-	0	0
Other	8	3	0	-1	11
<b>TOTAL</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>-1</b>	<b>11</b>

## Financial assets individually determined as impaired – impairment loss allowance for the year 2014

In CHF million					
	Balance as at 1 January	Impairment losses/ reversals	Write-offs and disposals	Foreign currency translation differences	Balance as at end of period
<b>DEBT SECURITIES</b>					
Corporates	51	18	-	-	69
<b>TOTAL</b>	<b>51</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>69</b>
<b>MORTGAGES</b>					
Commercial	1	-1	-	-	0
Residential	1	0	-1	0	0
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>1</b>
<b>OTHER LOANS AND RECEIVABLES</b>					
Corporates	0	-	-	0	0
Other	7	3	-1	0	8
<b>TOTAL</b>	<b>7</b>	<b>3</b>	<b>-1</b>	<b>0</b>	<b>8</b>

The criteria used for the assessment of financial assets for impairment are described in note 2.8.

## Exposure to credit risk of other assets

In CHF million

	AAA	AA	A	BBB	Below BBB	Not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2015							
Cash and cash equivalents	358	737	1 333	155	0	87	2 671
Derivatives	369	717	855	131	–	40	2 113
Reinsurance assets	–	212	114	14	–	36	376
TOTAL	727	1 666	2 302	300	0	164	5 159

## CREDIT RATING AS AT 31 DECEMBER 2014

Cash and cash equivalents	640	1 182	1 861	4	0	68	3 753
Derivatives	543	726	894	3	–	192	2 358
Reinsurance assets	–	228	115	18	–	35	397
TOTAL	1 183	2 136	2 870	25	0	295	6 509

At 31 December 2015 and 2014, no reinsurance assets were past due or impaired.

## Exposure to credit risk of unrecognised items

In CHF million

	AAA	AA	A	BBB	Below BBB	Not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2015							
Financial guarantees	–	–	–	–	–	29	29
Loan commitments	–	–	–	–	–	320	320
TOTAL	–	–	–	–	–	349	349

## CREDIT RATING AS AT 31 DECEMBER 2014

Financial guarantees	–	–	–	–	–	42	42
Loan commitments	–	–	–	–	–	242	242
TOTAL	–	–	–	–	–	283	283

**Currency risk**

The Swiss Life Group operates internationally and its exposures to currency risk primarily arise with respect to the euro, US dollar, British pound and Canadian dollar. Most of the investments and liabilities are denominated in Swiss francs, euros and US dollars, the values of which are subject to exchange rate fluctuations. The Group operates with various functional currencies (predominantly Swiss francs and euros). Its financial position and earnings could be significantly affected by a weakening of said foreign currencies against the Swiss franc.

The following table shows the Group's sensitivity of monetary items to foreign currency exchange rate fluctuations.

## 1% decrease in rate

In CHF million	Gain (+)/loss (-) <sup>1</sup>	
	2015	2014
EUR/CHF	-1	-1
USD/CHF	-11	-10
GBP/CHF	-4	-2
CAD/CHF	0	0

<sup>1</sup> Before policyholder and income tax impact

Additionally, foreign currency translation of the Group's equity would be affected by a strengthening/weakening of foreign currency exchange rates. If at the balance sheet date the euro exchange rate had been 1% higher/lower, total equity would have been higher/lower by approximately CHF 34 million.

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

Due to the limitations of the Swiss capital market with regard to liquidity and duration, investments in Switzerland are also made in currencies other than the Swiss franc.

The balance sheet currency exposure is to a large extent hedged using foreign currency derivatives. Hedging is done on an overall basis for monetary and non-monetary items.

### Liquidity risk

Liquidity risk is the risk that not enough cash resources may be available to pay obligations when due (primarily obligations arising from the insurance business and debt) at a reasonable cost. The Swiss Life Group is exposed to liquidity risk which primarily arises on calls on its cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. The Swiss Life Group faces the risk of not being able to refinance its debt obligations due to unexpected long-term market disruptions.

At the operational level, rolling forecasts are in place to address situational liquidity risk, which primarily arises on unexpected calls on cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. To overcome unexpected liquidity shortfalls at times asset disposals are not desired, repurchase agreements are used to ensure short-term refinancing at minimal cost.

At the strategic level, the Swiss Life Group holds substantial liquidity and uses active debt maturity planning to ensure financial flexibility and efficient liquidity management.

The liquidity analysis of financial liabilities and commitments is based on undiscounted cash flows by remaining contractual maturities, whereas insurance and policyholder participation liabilities are analysed by estimated timing of net cash outflows. Cash outflows of derivative liabilities designated as cash flow hedging instruments are analysed on the basis of expected settlement dates for forward starting swaps, and on the basis of contractual maturity for forward starting bonds. The analysis is made for amounts for the account and risk of the Swiss Life Group.

### Exposure to liquidity risk as at 31 December 2015

In CHF million	Cash flows						Total	Carrying amount
	Up to 1 month	1-3 months	3-12 months	1-5 years	5-10 years	More than 10 years		
<b>FINANCIAL LIABILITIES</b>								
Derivatives designated as cash flow hedges	-	-	163	71	-	391	625	3
Investment contracts with discretionary participation	22	38	203	2 272	1 683	5 711	9 929	9 929
Investment contracts without discretionary participation	0	0	0	2	3	185	190	190
Borrowings	156	19	668	1 766	2 248	-	4 856	4 078
Other financial liabilities	3 697	779	4 864	348	230	374	10 292	10 216 <sup>1</sup>
<b>TOTAL</b>	<b>3 875</b>	<b>836</b>	<b>5 899</b>	<b>4 458</b>	<b>4 163</b>	<b>6 662</b>	<b>25 893</b>	<b>24 417</b>
<b>INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES</b>								
Insurance liabilities	216	209	2 589	6 279	12 571	83 126	104 990	104 990
Policyholder participation liabilities	86	126	3 406	4 876	29	1 542	10 065	10 065
<b>TOTAL</b>	<b>302</b>	<b>335</b>	<b>5 995</b>	<b>11 155</b>	<b>12 600</b>	<b>84 669</b>	<b>115 056</b>	<b>115 056</b>
<b>GUARANTEES AND COMMITMENTS</b>								
Financial guarantees	29	-	-	-	-	-	29	-
Loan commitments	96	72	122	28	0	2	320	-
Capital commitments	544	-	-	96	-	-	640	-
<b>TOTAL</b>	<b>669</b>	<b>72</b>	<b>122</b>	<b>124</b>	<b>0</b>	<b>2</b>	<b>989</b>	<b>-</b>

<sup>1</sup> excluding accrued interest



## Exposure to liquidity risk as at 31 December 2014

In CHF million	Cash flows						Total	Carrying amount
	Up to 1 month	1-3 months	3-12 months	1-5 years	5-10 years	More than 10 years		
<b>FINANCIAL LIABILITIES</b>								
Derivatives designated as cash flow hedges	-	-	301	612	-	-	913	-
Investment contracts with discretionary participation	24	41	229	2 322	1 818	5 435	9 869	9 869
Investment contracts without discretionary participation	0	0	1	3	4	87	95	94
Borrowings	1	20	585	2 478	1 291	-	4 376	3 798
Other financial liabilities	3 396	2 067	5 643	353	245	408	12 113	12 000 <sup>1</sup>
<b>TOTAL</b>	<b>3 421</b>	<b>2 129</b>	<b>6 759</b>	<b>5 768</b>	<b>3 357</b>	<b>5 931</b>	<b>27 366</b>	<b>25 761</b>
<b>INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES</b>								
Insurance liabilities	241	221	2 779	6 632	12 796	80 707	103 376	103 376
Policyholder participation liabilities	116	170	3 699	6 145	36	1 986	12 152	12 152
<b>TOTAL</b>	<b>358</b>	<b>391</b>	<b>6 478</b>	<b>12 777</b>	<b>12 832</b>	<b>82 693</b>	<b>115 529</b>	<b>115 529</b>
<b>GUARANTEES AND COMMITMENTS</b>								
Financial guarantees	42	-	-	-	-	-	42	-
Loan commitments	76	58	98	8	0	2	242	-
Capital commitments	453	-	42	79	32	-	606	-
<b>TOTAL</b>	<b>571</b>	<b>58</b>	<b>139</b>	<b>87</b>	<b>32</b>	<b>2</b>	<b>889</b>	<b>-</b>

<sup>1</sup> excluding accrued interest

### Current and non-current assets and liabilities

The table below shows the expected recovery or settlement of assets and liabilities. Assets are classified as current if they are expected to be realised within twelve months after the balance sheet date. Liabilities are classified as current if they are due to be settled within twelve months after the balance sheet date. All other assets and liabilities are classified as non-current.

In CHF million	Current		Non-current		For the account and risk of the Swiss Life Group's customers		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>ASSETS</b>								
Cash and cash equivalents	2 671	3 753	–	–	2 625	2 309	5 296	6 062
Derivatives	623	577	1 490	1 781	–	–	2 113	2 358
Assets held for sale	4	–	–	–	–	–	4	–
Financial assets at fair value through profit or loss	3 095	1 420	3 202	1 994	27 293	28 975	33 590	32 389
Financial assets available for sale	6 177	6 306	89 848	90 857	–	–	96 026	97 162
Loans and receivables	6 533	9 041	17 801	18 907	–	–	24 334	27 948
Financial assets pledged as collateral	22	72	2 086	2 691	–	–	2 109	2 763
Investment property	–	–	21 557	19 596	–	–	21 557	19 596
Investments in associates	–	–	67	284	–	–	67	284
Reinsurance assets	303	333	73	64	–	–	376	397
Property and equipment	–	–	407	442	–	–	407	442
Intangible assets including intangible insurance assets	–	–	2 840	2 972	–	–	2 840	2 972
Current income tax assets	17	14	–	–	–	–	17	14
Deferred income tax assets	–	–	47	34	–	–	47	34
Other assets	179	203	292	228	–	–	471	431
<b>TOTAL ASSETS</b>	<b>19 624</b>	<b>21 719</b>	<b>139 710</b>	<b>139 851</b>	<b>29 918</b>	<b>31 285</b>	<b>189 252</b>	<b>192 854</b>
<b>LIABILITIES</b>								
Derivatives	389	1 288	601	876	–	–	989	2 165
Financial liabilities at fair value through profit or loss	1 359	468	1 137	622	22 615	24 325	25 111	25 415
Investment contracts	264	296	9 856	9 667	3 995	4 107	14 115	14 070
Borrowings	690	461	3 388	3 338	–	–	4 078	3 798
Other financial liabilities	9 401	11 135	884	921	–	–	10 284	12 056
Insurance liabilities	3 014	3 241	101 977	100 135	3 167	2 760	108 157	106 136
Policyholder participation liabilities	3 618	3 985	6 447	8 167	–	–	10 065	12 152
Employee benefit liabilities	143	140	1 834	1 681	–	–	1 976	1 821
Current income tax liabilities	104	78	–	–	–	–	104	78
Deferred income tax liabilities	–	–	1 720	1 913	–	–	1 720	1 913
Provisions	37	52	65	76	–	–	101	128
Other liabilities	271	265	22	25	–	–	293	289
<b>TOTAL LIABILITIES</b>	<b>19 288</b>	<b>21 408</b>	<b>127 930</b>	<b>127 422</b>	<b>29 777</b>	<b>31 192</b>	<b>176 994</b>	<b>180 023</b>

## 5.5 Insurance risk management objectives and policies

Insurance contracts are contracts under which one party (the insurer) agrees to compensate the other party (the policyholder) if a specified uncertain future event affects the policyholder. The Group's insurance entities neither generally accept nor generally deny insurance coverage to applicants, but ensure that all the insurance risks are identified and thoroughly assessed, and that the insurance premiums accurately reflect the risk taken. The amount and type of risk taken must be in line with the Group's risk policy and strategy, and must also meet the profitability targets.

### Nature of insurance risk

When designing a new product or reviewing an existing one, care has to be taken that the product neither includes systemic risk nor provides incentives for adverse selection. The product should meet the market's needs. The Swiss Life Group favours transparent and simple product design with a reliable pricing basis with sufficient statistical data available. Insurance risk arises when biometric parameters deviate adversely from expectations. The uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts is due to the unpredictability of long-term changes in overall levels of mortality and disability, for instance. Furthermore, deviations from the expected outcome of a portfolio can also arise because of random fluctuations. The impact of random fluctuations depends on the extent of diversification within a portfolio of contracts: that is, on the size of the portfolio.

The quantification of life insurance risk is based on a sensitivity analysis. Insurance risk is thus measured as the deviation of (the realisations of) the insurance risk factors from the corresponding best estimate values. Life insurance risk factors include mortality rates, disability rates and longevity, among others.

The nature of insurance risk can be summarised as follows:

#### Mortality and longevity

Mortality and longevity risks reflect the financial consequences of insured people dying sooner or living longer than expected, respectively. For example, a life insurer with an annuity portfolio making payments to the policyholders until their death is financially exposed to those individuals who live longer than expected. Conversely, an insurer writing life insurance business that pays out amounts contingent on death of the policyholders is exposed to increases in mortality levels.

The Swiss occupational pensions (BVG) segment of the group life insurance business in Switzerland is a significant part of the Group's overall life insurance business. The BVG business provides an example of a minimum return guarantee. The guarantee takes the form of the right to convert an assured sum into a life annuity at a guaranteed conversion rate. The prevalent annuity conversion rate for the mandatory part of the BVG business is set at 6.8% for men (retirement age 65) and 6.8% for women (retirement age 64).

With regard to mortality, morbidity and longevity risk, the most important annuities payable (annuities in payment phase) or insured (annuities in deferral phase) as well as sums insured are as follows.

#### Annuities payable per annum by type of annuity – individual life

In CHF million	31.12.2015	31.12.2014
Life annuities – in payment	586	593
Life annuities – deferred	529	604
Annuities certain – in payment	6	8
Annuities certain – deferred	41	41
Disability income and other annuities – in payment	219	237
Disability income and other annuities – deferred	7 045	7 526
<b>TOTAL INDIVIDUAL LIFE</b>	<b>8 427</b>	<b>9 008</b>

#### Annuities payable per annum by type of annuity – group life

In CHF million	31.12.2015	31.12.2014
Retirement annuities – in payment	847	778
Retirement annuities – deferred	376	410
Survivors' annuities – in payment	135	126
Survivors' annuities – deferred	2 599	2 537
Disability income and other annuities – in payment	369	368
Disability income and other annuities – deferred	14 979	15 000
<b>TOTAL GROUP LIFE</b>	<b>19 305</b>	<b>19 219</b>

#### Life benefits insured by type of insurance – individual life

In CHF million	31.12.2015	31.12.2014
Whole life and term life	24 277	25 571
Disability lump-sum payment	26	30
Other	4 594	5 046
<b>TOTAL INDIVIDUAL LIFE</b>	<b>28 897</b>	<b>30 647</b>

#### Life benefits insured by type of insurance – group life

In CHF million	31.12.2015	31.12.2014
Term life	54 671	60 760
Disability lump-sum payment	479	465
Other	1 069	1 119
<b>TOTAL GROUP LIFE</b>	<b>56 219</b>	<b>62 344</b>

#### Morbidity and disability

Disability risk reflects the financial consequences of groups of individuals getting disabled more often and/or recovering less quickly than expected. With regard to morbidity, the most significant risk factors are epidemics, widespread changes in lifestyle, such as eating, smoking and exercise habits, and economic effects.

#### Embedded options

The ability of a policyholder to pay reduced or no future premiums under a contract, to terminate the contract completely or to exercise a guaranteed annuity option means that the insurer's liability is also subject to policyholder behaviour to a certain extent. On the assumption that a certain group of policyholders will make decisions rationally, overall insurance risk can be aggravated by such behaviour. For example, it is conceivable that policyholders whose health has deteriorated significantly will be less inclined to terminate contracts insuring disability or death benefits than those policyholders remaining in good health, thus resulting in an increasing trend in the expected mortality of policyholders, as the portfolio of insurance contracts is reduced due to surrender.

#### Underwriting strategy

Underwriting is the process of selecting and classifying insurable risks. The underwriting strategy attempts to ensure that the risks underwritten are profitable and well diversified in terms of type of risk and level of insured benefits. Life insurance underwriting is performed to ensure that the premiums and the general conditions of the insurance policies are adequate for the risks to be insured. The first step in the underwriting process is to determine which individual risks can be accepted. The second step is to place the accepted risks into groups of similar levels of risk. Both processes must be conducted objectively and consistently. The Group sets limits for the acceptance of insurance coverage arising from new and renewal business. Medical selection is part of the Group's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. The limits relate to sums at risk, maximum insured losses or present value of premiums at the contract or insured person level. Depending on the type of business and the limit exceeded, the new or renewed contract must be approved by the corresponding risk committee or senior management. Contracts exceeding the set limits are tested individually for profitability according to predefined procedures before approval. Certain contracts which include specific risks relating to derivatives or demographic risk factors for which no reliable data is available must be submitted for approval irrespective of the amount of coverage offered. Insurance coverage exceeding set limits is subject to regular internal reporting requirements. Additionally, the underwriting practices must be in line with local laws.

For certain group life business, local law is relevant with regard to medical examinations required before any business is written. For certain individual life business, agreements exist with regard to medical examinations of applicants before business is written. If the risk is assessed as high, exclusion of specific risks, premium adjustments and reinsurance are considered or the application may be rejected.

In the accident and health business, the underwriting strategy comprises biometric and financial data of the persons to be insured, type of contract and experience.

### Non-life

The Swiss Life Group has non-life operations, mainly in France, covering risks associated with accident and health (disability) as well as property and casualty.

Claims arising from the accident and health business primarily cover refunds for medical treatment, daily allowances in the case of sick leave, annuities and long-term medical care. The most significant factors that could increase the overall liabilities in health insurance are the increase in the claim frequency due to an increase in the average age of the insured persons and negative economic and social factors. The insurance liabilities arising from accident and health insurance contracts must consider outstanding claims and claims incurred but not reported (IBNR). A large part of the insurance liabilities arising from these contracts relates to IBNR, and experience shows that health insurance contracts are sensitive to late reporting of claims in both number of claims and amounts.

The Group manages the risks arising from these contracts by means of its underwriting strategy and reinsurance arrangements.

### Development of claims under non-life insurance contracts

In CHF million	Estimate of ultimate claim costs by year of loss occurrence										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
At end of year of loss occurrence	447	416	345	392	323	311	303	335	342	296	n/a
1 year later	403	383	387	373	369	362	330	361	346	-	n/a
2 years later	365	353	310	320	314	324	331	296	-	-	n/a
3 years later	350	296	275	293	286	336	285	-	-	-	n/a
4 years later	292	272	259	276	301	300	-	-	-	-	n/a
5 years later	266	261	242	297	265	-	-	-	-	-	n/a
6 years later	256	239	232	263	-	-	-	-	-	-	n/a
7 years later	231	260	225	-	-	-	-	-	-	-	n/a
8 years later	268	228	-	-	-	-	-	-	-	-	n/a
9 years later	240	-	-	-	-	-	-	-	-	-	n/a
CURRENT ESTIMATE OF CUMULATIVE CLAIMS	240	228	225	263	265	300	285	296	346	296	2 746
Cumulative payments to date	-225	-211	-206	-227	-232	-228	-217	-217	-203	-113	-2 080
LIABILITIES BEFORE DISCOUNTING	15	18	19	36	33	72	67	79	143	182	666
Effect of discounting	-	-	-	-	-	-	-	-	-	-	-
LIABILITIES FOR THE CURRENT AND 9 PREVIOUS YEARS	15	18	19	36	33	72	67	79	143	182	666
Liabilities for prior years											206
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS											872

The development of claims under non-life insurance contracts comprises the non-life business in France. A minor part of the non-life business is very short-tailed. The claims incurred for this minor part are almost completely settled within one year. The amount of unpaid claims as at the balance sheet date is therefore not material and does not underlie any significant variation in its temporal development. The claims data regarding this type of business is not included in the figures above.

Acceptance rules for risks are consistent with both the Code des Assurances and the French regulations. Underwriting guidelines and tariffs are reviewed on an annual basis.

The monitoring of the risks taken is made on a monthly basis with regard to related premiums and claims. An automated claims supervision system is used for the adjustment of tariffs for risks with loss ratios above a certain level.

### **Reinsurance**

Reinsurance is used to limit the Group's exposure to insurance risk. This does not, however, discharge the Group's liability as a primary insurer, and, if a reinsurer fails to pay a claim, the Group remains liable for the payments to the policyholder. A loss allowance would be recognised for any estimated unrecoverable reinsurance.

In addition, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits and are presented in the balance sheet as a component of the reinsurance assets.

Management reviews reinsurance programmes covering treaty, type, risks covered and retention on a regular basis. A process, competencies and limits are set up for the approval of reinsurance programmes and their modification. To ensure that the Group's principles are observed, guidelines on reinsurance are in place.

In accordance with its retention policy for mortality and disability benefits, the Group limits its exposure to CHF 5 million per life. Retention limits can be lower for other products (e.g. critical illness or long-term care) or for exposure in international markets. In addition, catastrophe reinsurance is in place to protect against accumulation of losses from a single event or a series of connected events.

The reinsurance team at Group level is responsible for implementing the retention policy by way of intra-group reinsurance. Intra-group reinsurance is transacted at arm's length.

As far as property and casualty insurance is concerned, the reinsurance arrangements mostly include non-proportional coverage on any single risk and/or event, and are adapted to the specific exposure. This includes excess of loss, stop-loss and catastrophe coverage, as well as facultative reinsurance for protection against specific risks.

Approximately 1.0% in terms of earned insurance premiums was ceded as at 31 December 2015 (2014: 1.4%).

### **Other risk transfer**

Risk transfer primarily takes the form of reinsurance. Alternative forms of risk transfer (such as securitisation) require the formal approval of the Group Risk Committee. No significant alternative form of risk transfer is used by the Group at present.

Insurance risks are regularly reported to the Group Risk Committee.

### Sensitivity analysis

The Swiss Life Group uses the market consistent embedded value (MCEV) following the guidelines of the European Insurance CFO Forum Market Consistent Embedded Value Principles<sup>1</sup>, as an important management tool, for its sensitivity analysis with regard to insurance risk and market risk. From the shareholders' point of view, the embedded value serves as an indicator of the value of the existing insurance portfolios. It is composed of two components: the net asset value (NAV) attributable to shareholders and the value of in-force business (VIF). Future new business is not included.

The market consistent embedded value of the Swiss Life Group amounted to CHF 12.5 billion as at 31 December 2015 (2014: CHF 12.9 billion). Due to different valuation principles, changes in the embedded value are typically not reflected to the same extent in the consolidated balance sheet and consolidated statement of income of the Swiss Life Group and vice versa.

The market consistent embedded value calculations are based on economic scenarios which are calibrated to market conditions at valuation date. Best estimate assumptions were made regarding a number of factors, in particular asset allocation, policyholder participation, development of costs and claims, policyholder behaviour, mortality and morbidity. Business is assumed to be continuing at the same level (going concern) and the current cost ratios – adjusted for inflation – are thus assumed to hold good for the future as well. Future costs from taxation and investment management expenses on assets backing solvency capital funded by the shareholders and which underpins the insurance business are charged to the MCEV. The Swiss Life Group calculates the embedded value for all its life and health insurance companies. All other companies are taken into account at their IFRS net asset value. As a consequence, embedded value sensitivities do not affect the value of these companies.

An analysis of sensitivity indicates to what extent the embedded value is affected by variations in risk factors. The analysis is based on changes in the assumptions used in the embedded value calculation whereby a specific risk factor is changed while holding all other assumptions constant (unless they are directly associated). In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. In the event of a change in a specific risk factor, the effect of anticipated management actions, such as different allocations to policyholder participation and dynamic policyholder behaviour, as a consequence is considered in the analysis. The changes in a specific risk factor are applied to the entire projection period.

The sensitivity analysis with regard to insurance risk is as follows:

Higher mortality would have a significant positive effect on the embedded value of life annuities (survival risk), whereas the negative effect on the embedded value of contracts with death cover (mortality risk) is comparatively limited due to corresponding reductions in policyholder bonuses. Therefore, this sensitivity is considered not significant as an adverse risk for the embedded value.

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At 31 December 2015, if mortality rates (annuities) had decreased by 5%, the embedded value would have been CHF 163 million lower (2014: CHF 118 million lower).

At 31 December 2015, if morbidity had been 5% higher, the embedded value would have been CHF 41 million lower (2014: CHF 59 million lower).

At 31 December 2015, if morbidity had been 5% lower, the embedded value would have been CHF 40 million higher (2014: CHF 54 million higher).

The sensitivity analysis with regard to market risk is as follows:

The MCEV calculations of the Swiss Life Group are based on economic scenarios which are calibrated to market conditions at valuation date.

At 31 December 2015, if the interest rates had been 100 basis points higher, the embedded value would have been CHF 987 million higher (2014: CHF 530 million higher).

At 31 December 2015, if the interest rates had been 100 basis points lower, the embedded value would have been CHF 1428 million lower (2014: CHF 1068 million lower).

At 31 December 2015, if the swaption implied volatilities (interest rates) had been 10% higher, the embedded value would have been CHF 37 million higher (2014: CHF 61 million lower).

At 31 December 2015, if the swaption implied volatilities (interest rates) had been 10% lower, the embedded value would have been CHF 121 million lower (2014: CHF 79 million lower).

At 31 December 2015, if the market value of equity securities and property had been 10% higher, the embedded value would have been CHF 811 million higher (2014: CHF 722 million higher).

At 31 December 2015, if the market value of equity securities and property had been 10% lower, the embedded value would have been CHF 958 million lower (2014: CHF 818 million lower).

At 31 December 2015, if the equity securities and property implied volatilities had been 25% higher, the embedded value would have been CHF 338 million lower (2014: CHF 322 million lower).

At 31 December 2015, if the equity securities and property implied volatilities had been 25% lower, the embedded value would have been CHF 273 million higher (2014: CHF 263 million higher).

The sensitivity of insurance liabilities is also analysed on an economic basis for internal risk management purposes and to satisfy regulatory requirements (Swiss Solvency Test).

## 6 Earnings per Share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares.

Diluted earnings per share include the dilutive effect of convertible bonds and share options issued. In the diluted EPS calculation, the convertible debt is assumed to have been converted into shares and the profit attributable to shareholders is adjusted for the applicable interest expense minus the related taxes. Share options are dilutive when they would result in the issuance of shares for less than the average market price during the period. Dilutive share options are assumed to have been exercised. The assumed proceeds are regarded as having been received from the issuance of shares at the average market price during the period. The difference between the number of shares issued and the number of shares that would have been issued at the average market price during the period is considered as an issuance of shares for no consideration.

In CHF million (if not noted otherwise)

	2015	2014
<b>BASIC EARNINGS PER SHARE</b>		
Net result attributable to equity holders of Swiss Life Holding	872	814
Weighted average number of shares outstanding	31 829 018	31 904 630
<b>BASIC EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)</b>	<b>27.41</b>	25.52
<b>DILUTED EARNINGS PER SHARE</b>		
Net result attributable to equity holders of Swiss Life Holding	872	814
Elimination of interest expense on convertible bonds	7	7
<b>RESULT USED TO DETERMINE DILUTED EARNINGS PER SHARE</b>	<b>880</b>	821
Weighted average number of shares outstanding	31 829 018	31 904 630
Adjustments (number of shares)		
Assumed conversion of convertible bonds	2 071 173	1 998 862
Equity compensation plans	122 528	162 271
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE</b>	<b>34 022 719</b>	34 065 763
<b>DILUTED EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)</b>	<b>25.85</b>	24.11

## 7 Premiums, Policy Fees and Deposits Received

### Written premiums

In CHF million		
	2015	2014
Direct	13 587	13 633
Assumed	330	332
GROSS WRITTEN PREMIUMS	13 917	13 965
Ceded	-141	-192
NET WRITTEN PREMIUMS	13 775	13 774

### Earned premiums

In CHF million		
	2015	2014
Direct	13 586	13 636
Assumed	326	332
GROSS EARNED PREMIUMS	13 912	13 968
Ceded	-141	-192
NET EARNED PREMIUMS	13 771	13 776

### Written policy fees

In CHF million		
	2015	2014
Direct	278	306
GROSS WRITTEN POLICY FEES	278	306
Ceded	-	-
NET WRITTEN POLICY FEES	278	306

### Earned policy fees

In CHF million		
	2015	2014
Direct	276	308
GROSS EARNED POLICY FEES	276	308
Ceded	-	-
NET EARNED POLICY FEES	276	308

Under the accounting principles adopted, deposits received under insurance and investment contracts for which deposit accounting is used are not recognised as income.

In CHF million		
	2015	2014
Gross written premiums and policy fees	14 195	14 271
Deposits received under insurance and investment contracts	4 658	4 831
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	18 853	19 102

## 8 Details of Certain Items in the Consolidated Statement of Income

### Commission income

In CHF million

	2015	2014 <sup>1</sup>
Brokerage commissions	496	539
Asset management commissions	341	277
Other commissions and fees	179	182
<b>TOTAL COMMISSION INCOME</b>	<b>1 016</b>	<b>998</b>

<sup>1</sup> Comparative amounts have been adjusted due to refined definitions for the line items

### Investment income

In CHF million

	Notes	2015	2014
Interest income on financial assets available for sale		2 605	2 812
Interest income on loans and receivables		709	836
Other interest income		2	3
Dividend income on financial assets available for sale		299	119
Net income on investment property		675	677
<b>TOTAL INVESTMENT INCOME</b>	5	<b>4 290</b>	<b>4 448</b>

### Net gains/losses on financial assets

In CHF million

	Notes	2015	2014
Sale of			
financial assets available for sale	26	561	264
loans		87	168
Net gains/losses from sales		647	432
Impairment losses on			
debt securities available for sale	26	0	-18
equity securities available for sale	26	-34	-23
loans and receivables	13	-18	-6
Impairment losses on financial assets		-52	-47
Foreign currency gains/losses		-348	2 246
<b>TOTAL NET GAINS/LOSSES ON FINANCIAL ASSETS</b>	5	<b>248</b>	<b>2 631</b>

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

In CHF million

	Notes	2015	2014
Currency derivatives		-250	-2 306
Interest rate derivatives		352	168
Equity derivatives		16	-18
Other derivatives		31	-8
Financial assets designated as at fair value through profit or loss <sup>1</sup>		18	169
Financial liabilities designated as at fair value through profit or loss <sup>2</sup>		-59	-50
Associates at fair value through profit or loss <sup>1</sup>		-13	28
Assets for the account and risk of the Swiss Life Group's customers <sup>1</sup>		-315	1 897
Unit-linked contracts		300	-1 890
<b>TOTAL NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	5	<b>81</b>	<b>-2 009</b>

<sup>1</sup> includes interest and dividend income of CHF 274 million (2014: CHF 103 million)

<sup>2</sup> includes changes attributable to credit risk: nil (2014: nil)

## Other income

In CHF million

	2015	2014
Realised gains/losses on sales of subsidiaries and other assets	1	0
Net income on inventory property	26	14
Other foreign currency gains/losses	193	12
Other	-9	6
<b>TOTAL OTHER INCOME</b>	<b>210</b>	<b>31</b>

## Net insurance benefits and claims

In CHF million

	2015	2014
<b>Benefits and claims under insurance contracts</b>		
Life benefits and claims paid, gross	9 794	9 648
Change in liability for future life policyholder benefits, gross	4 532	4 484
Non-life claims paid, gross	222	262
Change in reserve for non-life claims, gross	10	-9
Benefits and claims recovered from reinsurers	-95	-98
<b>Net benefits and claims under insurance contracts</b>	<b>14 463</b>	<b>14 287</b>
<b>Benefits and claims under investment contracts with discretionary participation</b>		
Life benefits and claims paid, gross	565	475
Change in liability for future life policyholder benefits, gross	488	457
Benefits and claims recovered from reinsurers	-	-
<b>Net benefits and claims under investment contracts with discretionary participation</b>	<b>1 053</b>	<b>932</b>
<b>TOTAL NET INSURANCE BENEFITS AND CLAIMS</b>	<b>15 516</b>	<b>15 218</b>

## Interest expense

In CHF million

	Notes	2015	2014
Interest expense on deposits		12	25
Interest expense on investment contracts	19	75	81
Interest expense on deposits under insurance contracts	22	56	69
Other interest expense		20	29
<b>TOTAL INTEREST EXPENSE</b>		<b>162</b>	<b>205</b>

## Commission expense

In CHF million

	2015	2014
Insurance agent and broker commissions	685	839
Asset management and banking commissions	68	64
Other commissions and fees	45	37
<b>TOTAL COMMISSION EXPENSE</b>	<b>797</b>	<b>940</b>

## Employee benefits expense

In CHF million

	Notes	2015	2014
Wages and salaries		600	588
Social security		119	133
Defined benefit plans	23	84	86
Defined contribution plans		1	1
Other employee benefits		67	60
<b>TOTAL EMPLOYEE BENEFITS EXPENSE</b>		<b>871</b>	<b>867</b>

## Depreciation and amortisation expense

In CHF million

	Notes	2015	2014
Depreciation of property and equipment	16	24	26
Amortisation of present value of future profits (PVP)	17	1	1
Amortisation of deferred acquisition costs (DAC)	17	401	314
Amortisation of deferred origination costs (DOC)	17	14	11
Amortisation of other intangible assets	17	28	32
<b>TOTAL DEPRECIATION AND AMORTISATION EXPENSE</b>		<b>468</b>	<b>383</b>

## Other expenses

In CHF million

	2015	2014
Marketing and advertising	57	58
Information technology and systems	73	80
Rental, maintenance and repair	66	66
Professional services	158	185
Premium taxes and other non-income taxes	55	54
Other	87	88
<b>TOTAL OTHER EXPENSES</b>	<b>497</b>	<b>532</b>

## 9 Derivatives and Hedge Accounting

In CHF million	Fair value assets		Fair value liabilities		Notional amount/exposure	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>CURRENCY DERIVATIVES</b>						
Forward contracts	366	16	207	1 104	30 005	34 728
Futures	0	1	0	2	37	155
Options (over-the-counter)	50	48	168	81	3 730	1 895
<b>TOTAL CURRENCY DERIVATIVES</b>	<b>416</b>	<b>66</b>	<b>375</b>	<b>1 187</b>	<b>33 773</b>	<b>36 778</b>
<b>INTEREST RATE DERIVATIVES</b>						
Forward contracts	147	266	2	-	624	913
Swaps	1 259	1 577	570	868	36 423	48 617
Futures	0	-	-	-	26	-
Options (over-the-counter)	16	37	-	-	521	1 611
<b>TOTAL INTEREST RATE DERIVATIVES</b>	<b>1 421</b>	<b>1 880</b>	<b>571</b>	<b>868</b>	<b>37 594</b>	<b>51 142</b>
<b>EQUITY/INDEX DERIVATIVES</b>						
Futures	13	3	6	12	2 120	803
Options (over-the-counter)	0	-	-	-	9	-
Options (exchange-traded)	248	405	1	70	700	3 561
Other	13	4	1	1	76	154
<b>TOTAL EQUITY/INDEX DERIVATIVES</b>	<b>275</b>	<b>412</b>	<b>8</b>	<b>83</b>	<b>2 905</b>	<b>4 517</b>
<b>OTHER DERIVATIVES</b>						
Credit derivatives	-	-	35	27	5 435	1 911
<b>TOTAL OTHER DERIVATIVES</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>27</b>	<b>5 435</b>	<b>1 911</b>
<b>TOTAL DERIVATIVES</b>	<b>2 113</b>	<b>2 358</b>	<b>989</b>	<b>2 165</b>	<b>79 708</b>	<b>94 348</b>
of which derivatives designated and accounted for as hedging instruments						
Derivatives designated as fair value hedges	29	-	50	46	9 582	1 312
Derivatives designated as cash flow hedges	393	744	3	-	2 110	3 584



### Derivatives held for risk management

Derivatives held for risk management primarily comprise derivatives that share a risk with other financial instruments and give rise to opposite changes in fair value that tend to offset each other (“economic hedges”). The timing of the offset does not match in all cases.

To manage the risks associated with derivative activity, the Group establishes risk levels and monitors these exposures. Exposure to price risk on both derivatives and their underlyings is managed in accordance with risk limits set by management for buying or selling instruments or closing out positions. The risks arise from open positions in interest rates, currencies and equity instruments, all of which are exposed to general and specific market movements.

### Derivatives designated and accounted for as hedging instruments

Derivatives designated and accounted for as hedging instruments comprise derivatives associated with fair value hedges, cash flow hedges and net investment hedges that qualify for hedge accounting.

#### Derivatives designated as fair value hedges as at 31 December 2015

In CHF million	Fair value		Hedging instruments		Hedged items		Notional amount
	Assets	Liabilities	Gains	Losses	Gains	Losses	
	Interest rate risk						
Interest rate swaps to hedge available-for-sale bond portfolios	11	27	53	32	28	53	4 540
Foreign currency risk							
Currency forwards to hedge non-monetary investments	18	23	522	599	616	539	5 043
<b>TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES</b>	<b>29</b>	<b>50</b>	<b>575</b>	<b>632</b>	<b>644</b>	<b>592</b>	<b>9 582</b>

#### Derivatives designated as fair value hedges as at 31 December 2014

In CHF million	Fair value		Hedging instruments		Hedged items		Notional amount
	Assets	Liabilities	Gains	Losses	Gains	Losses	
	Interest rate risk						
Interest rate swaps to hedge available-for-sale bond portfolios	-	-	-	96	101	-	-
Foreign currency risk							
Currency forwards to hedge non-monetary investments	-	46	22	160	153	17	1 312
<b>TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES</b>	<b>-</b>	<b>46</b>	<b>22</b>	<b>256</b>	<b>255</b>	<b>17</b>	<b>1 312</b>

The Swiss Life Group used interest rate swaps to hedge available-for-sale fixed-rate bonds in Swiss francs, euro and US dollars against changes in the fair value attributable to interest rate risk. The nominal amount of these bonds as at 31 December 2015 was CHF 4.5 billion (2014: nil).

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

### Derivatives designated as cash flow hedges as at 31 December 2015

In CHF million (if not noted otherwise)

	Fairvalue assets	Fairvalue liabilities	Amounts recognised in other comprehen- sive income	Ineffective- ness recognised in profit or loss	Amounts transferred to profit or loss	Contract/ notional amount	Cash flows expected to occur (year)	Cash flows expected to affect profit or loss (year)
<b>INTEREST RATE RISK</b>								
Forward starting swaps/bonds								
Switzerland	217	-	127	-	-1	1 215	2016-2022	2016-2047
France	175	3	19	-	-6	895	2016-2020	2016-2038
Germany	-	-	1	-	-1	-	n/a	2016-2047
Total interest rate risk	393	3	146	-	-8	2 110	n/a	n/a
<b>TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES</b>	<b>393</b>	<b>3</b>	<b>146</b>	<b>-</b>	<b>-8</b>	<b>2 110</b>	<b>n/a</b>	<b>n/a</b>

### Derivatives designated as cash flow hedges as at 31 December 2014

In CHF million (if not noted otherwise)

	Fairvalue assets	Fairvalue liabilities	Amounts recognised in other comprehen- sive income	Ineffective- ness recognised in profit or loss	Amounts transferred to profit or loss	Contract/ notional amount	Cash flows expected to occur (year)	Cash flows expected to affect profit or loss (year)
<b>INTEREST RATE RISK</b>								
Forward starting swaps/bonds								
Switzerland	371	-	464	0	0	2 250	2015-2021	2015-2047
France	299	-	305	0	-1	1 094	2015-2018	2015-2038
Germany	74	-	84	0	-	241	2015-2017	2015-2047
Total interest rate risk	744	-	853	0	-1	3 584	n/a	n/a
<b>TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES</b>	<b>744</b>	<b>-</b>	<b>853</b>	<b>0</b>	<b>-1</b>	<b>3 584</b>	<b>n/a</b>	<b>n/a</b>

In 2015 and 2014, the Group used forward starting swaps and forward starting bonds to hedge the exposure to variability in interest cash flows arising on the highly probable purchase of bonds in order to achieve an adequate yield level for reinvestments.

In 2015, a gain of CHF 8 million was reclassified from other comprehensive income to profit or loss and included in investment income (2014: gain of CHF 1 million).

## *10 Financial Assets and Liabilities at Fair Value through Profit or Loss*

In CHF million

	Notes	31.12.2015	31.12.2014
<b>FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
Debt securities		635	595
Money market instruments		0	0
Equity securities		7	6
Investment funds – debt		1 499	642
Investment funds – equity		257	266
Investment funds – balanced		83	59
Real estate funds		696	389
Hedge funds		5	6
Infrastructure investments		619	361
Assets attributable to non-controlling interests of investment funds		2 496	1 090
Financial assets for the account and risk of the Swiss Life Group's customers	5	27 293	28 975
<b>TOTAL FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>33 590</b>	<b>32 389</b>
<b>FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
Unit-linked contracts	5	22 615	24 325
Share of net assets of investment funds attributable to non-controlling interests		2 496	1 090
<b>TOTAL FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>25 111</b>	<b>25 415</b>

## 11 Financial Assets Available for Sale

In CHF million	Cost/amortised cost		Net unrealised gains/losses		Fair value (carrying amount)	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Debt securities	76 030	78 126	8 854	11 912	84 884	90 038
Equity securities	3 431	1 727	232	236	3 663	1 963
Investment funds – debt	4 436	2 351	–69	73	4 367	2 424
Investment funds – equity	1 384	1 118	77	139	1 461	1 257
Investment funds – balanced	30	14	0	0	29	14
Real estate funds	881	675	33	55	914	730
Private equity	412	463	189	138	601	601
Hedge funds	76	93	30	44	106	137
<b>TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE</b>	<b>86 680</b>	<b>84 567</b>	<b>9 345</b>	<b>12 595</b>	<b>96 026</b>	<b>97 162</b>

Financial assets available for sale that have been sold under a repurchase agreement or lent under an agreement to return them, and where the transferee has the right to sell or repledge the financial assets given as collateral, were reclassified to financial assets pledged as collateral.

## 12 Financial Assets Pledged as Collateral

In CHF million	Carrying amount	
	31.12.2015	31.12.2014
Debt securities reclassified from		
financial assets available for sale	2 109	2 763
<b>TOTAL DEBT SECURITIES PLEDGED AS COLLATERAL</b>	<b>2 109</b>	<b>2 763</b>
<b>TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL</b>	<b>2 109</b>	<b>2 763</b>

Financial assets that have been sold under a repurchase agreement or lent under an agreement to return them are not derecognised when substantially all the risks and rewards of ownership are retained by the Swiss Life Group. If the transferee has the right to sell or repledge the financial assets given as collateral, they are reclassified in the balance sheet as financial assets pledged at their respective carrying amounts.

## 13 Loans and Receivables

In CHF million		Gross amount		Allowance for impairment losses		Cost/amortised cost (carrying amount)	
	Notes	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>LOANS</b>							
Mortgages		7 086	6 157	-12	-11	7 073	6 145
Corporate and other loans		1 735	3 173	-4	-2	1 732	3 171
Note loans		6 758	7 944	-	-	6 758	7 944
Debt securities previously classified as available for sale		3 959	5 617	-	-6	3 959	5 611
Other debt securities classified as loans		433	477	-	-	433	477
<b>TOTAL LOANS</b>	30	<b>19 971</b>	<b>23 368</b>	<b>-16</b>	<b>-20</b>	<b>19 955</b>	<b>23 348</b>
<b>RECEIVABLES</b>							
Insurance receivables		1 413	1 323	-18	-19	1 395	1 304
Reinsurance receivables		367	356	-	-	367	356
Accrued income		1 530	1 668	-	-	1 530	1 668
Settlement accounts		341	534	-	-	341	534
Other		757	740	-9	-3	747	737
<b>TOTAL RECEIVABLES</b>	30	<b>4 407</b>	<b>4 622</b>	<b>-28</b>	<b>-22</b>	<b>4 379</b>	<b>4 600</b>
<b>TOTAL LOANS AND RECEIVABLES</b>		<b>24 378</b>	<b>27 990</b>	<b>-44</b>	<b>-42</b>	<b>24 334</b>	<b>27 948</b>

### Allowance for impairment losses

In CHF million		Individual evaluation of impairment		Collective evaluation of impairment		Total	
		2015	2014	2015	2014	2015	2014
<b>LOANS</b>							
Balance as at 1 January		9	8	11	10	20	18
Impairment losses/reversals		2	3	2	0	4	3
Write-offs and disposals		-7	-1	-	-	-7	-1
Foreign currency translation differences		0	0	-	-	0	0
<b>BALANCE AS AT END OF PERIOD</b>		<b>4</b>	<b>9</b>	<b>12</b>	<b>11</b>	<b>16</b>	<b>20</b>
<b>RECEIVABLES</b>							
Balance as at 1 January		6	7	16	16	22	23
Impairment losses/reversals		1	1	13	3	14	3
Write-offs and disposals		1	-1	-7	-3	-6	-4
Foreign currency translation differences		-1	0	-1	0	-2	0
<b>BALANCE AS AT END OF PERIOD</b>		<b>7</b>	<b>6</b>	<b>20</b>	<b>16</b>	<b>28</b>	<b>22</b>
<b>TOTAL ALLOWANCE FOR IMPAIRMENT LOSSES</b>		<b>11</b>	<b>15</b>	<b>32</b>	<b>26</b>	<b>44</b>	<b>42</b>

Interest income accrued on impaired loans was CHF 0.3 million as at 31 December 2015 (2014: CHF 0.4 million). The Group's loan portfolio is monitored closely through the review of information such as debt service, annual reports and assessments. This information is evaluated in light of current economic conditions and other factors such as diversification of the property portfolio. This evaluation is part of the regular review to determine whether the allowance for potential loan losses is warranted. Management believes that the allowance for loan losses is sufficient. However, management cannot predict with assurance the impact of future economic circumstances or how the mortgage and real estate portfolios would be affected by various economic circumstances.

As at 1 July 2008, certain financial assets were reclassified from financial assets available for sale to loans due to the disappearance of an active market. The financial assets reclassified primarily consist of corporate debt instruments and debt instruments relating to emerging markets. The fair value as at 1 July 2008 of the financial assets reclassified amounted to CHF 14 966 million. At the date of reclassification the effective interest rate ranged from 0.8% to 9.7%, and the amount of cash flows expected to be recovered was estimated at CHF 32 658 million. In 2008, unrealised losses of CHF 740 million were recognised in other comprehensive income in respect of these assets.

Further details with regard to the financial assets reclassified are as follows.

#### Debt securities previously classified as available for sale

In CHF million

	2015	2014
Carrying amount as at 31 December	3 959	5 611
Fair value as at 31 December	4 375	6 539
Gains (+)/losses (-) that would have been recognised in other comprehensive income if the assets had not been reclassified (excluding adjustments for income tax and policyholder participation)	-449	136
Gains (+)/losses (-) recognised in profit or loss (including impairment)	72	0
Interest income	261	330

## 14 Investment Property

In CHF million

	Notes	2015	2014
Balance as at 1 January		19 596	18 517
Additions		1 917	1 219
Capitalised subsequent expenditure		327	232
Classification as assets held for sale and other disposals		-623	-654
Gains/losses from fair value adjustments		655	288
Transfers from own-use property	16	-	54
Transfers to inventory property		-13	-
Foreign currency translation differences		-302	-58
<b>BALANCE AS AT END OF PERIOD</b>		<b>21 557</b>	<b>19 596</b>
Investment property consists of			
completed investment property		21 242	19 166
investment property under construction		315	430
<b>TOTAL INVESTMENT PROPERTY</b>		<b>21 557</b>	<b>19 596</b>

Investment property held by the Group includes residential, commercial and mixed-use properties primarily located within Switzerland, and comprises both completed investment property and investment property under construction. Property held for investment purposes comprises land and buildings owned by the Group to earn rentals and/or for capital appreciation. Property that is used by the Group itself or leased to, and occupied by, another entity of the Group is classified as owner-occupied property under property and equipment. Property acquired with a view to its subsequent disposal in the near future is carried under assets held for sale.

Rental income from investment property was CHF 868 million for the period ended 31 December 2015 (2014: CHF 850 million). Operating expenses arising from investment property that generated rental income stood at CHF 193 million for the period ended 31 December 2015 (2014: CHF 173 million).

## 15 Investments in Associates

### Summarised financial information for the year 2015

Amounts in CHF million	Ownership interest	Carrying amount	Dividends received	Share of profit or loss	Share of other comprehensive income	Share of total comprehensive income
<b>EQUITY METHOD ASSOCIATES</b>						
Crédit et services financiers (CRESERFI), Paris	33.4%	44	-	1	-	1
Groupe Assuristance, Paris	34.0%	12	1	2	-	2
Other associates	n/a	5	2	3	-	3
<b>TOTAL</b>	<b>n/a</b>	<b>61</b>	<b>4</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf	20.4%	1	177	n/a	n/a	n/a
Other associates	n/a	5	-	n/a	n/a	n/a
<b>TOTAL</b>	<b>n/a</b>	<b>6</b>	<b>177</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

### Summarised financial information for the year 2014

Amounts in CHF million	Ownership interest	Carrying amount	Dividends received	Share of profit or loss	Share of other comprehensive income	Share of total comprehensive income
<b>EQUITY METHOD ASSOCIATES</b>						
Crédit et services financiers (CRESERFI), Paris	33.4%	47	0	1	-	1
Groupe Assuristance, Paris	34.0%	12	2	3	0	3
Other associates	n/a	6	1	-1	-	-1
<b>TOTAL</b>	<b>n/a</b>	<b>65</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf	20.4%	212	7	n/a	n/a	n/a
Other associates	n/a	7	-	n/a	n/a	n/a
<b>TOTAL</b>	<b>n/a</b>	<b>219</b>	<b>7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>



Summarised financial information relating to material associates was as follows.

Amounts in CHF million	Crédit et services financiers (CRESERFI), Paris		Groupe Assurance Paris		DEPFA Holding Verwaltungs- gesellschaft mbH, Düsseldorf	
	2015	2014	2015	2014	2015	2014
<b>SUMMARISED FINANCIAL INFORMATION</b>						
Current assets	168	185	23	19	0	130
Non-current assets	12	14	36	41	4	483
Current liabilities	-32	-37	-23	-23	0	-15
Non-current liabilities	-17	-20	-1	-2	-	-
Revenue	33	42	50	53	174	2
Profit or loss	3	4	7	8	168	150
Other comprehensive income	-	-	-	0	-4	0
Total comprehensive income	3	4	7	8	164	149
<b>RECONCILIATION</b>						
Net assets	131	142	35	35	n/a	n/a
Ownership interest	33.4%	33.4%	34.0%	34.0%	n/a	n/a
Share of net assets (carrying amount)	44	47	12	12	n/a	n/a

Due to dividend distribution of CHF 177 million, the fair value of DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf, decreased significantly in 2015.

## 16 Property and Equipment

### Property and equipment for the year 2015

In CHF million						
	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
<b>COST</b>						
Balance as at 1 January		570	54	61	27	713
Additions		2	4	5	1	13
Additions from business combinations	28	–	0	–	0	0
Disposals <sup>1</sup>		0	–5	–3	–1	–9
Foreign currency translation differences		–19	–3	–4	–2	–28
<b>BALANCE AS AT END OF PERIOD</b>		<b>553</b>	<b>51</b>	<b>60</b>	<b>26</b>	<b>690</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
Balance as at 1 January		–177	–35	–46	–14	–271
Depreciation		–12	–4	–6	–2	–24
Impairment losses		–	–1	–	–	–1
Disposals <sup>1</sup>		0	3	2	0	6
Foreign currency translation differences		2	2	2	1	7
<b>BALANCE AS AT END OF PERIOD</b>		<b>–186</b>	<b>–34</b>	<b>–48</b>	<b>–15</b>	<b>–283</b>
<b>TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD</b>		<b>367</b>	<b>17</b>	<b>12</b>	<b>11</b>	<b>407</b>
of which assets held under a finance lease		–	–	1	–	1
of which buildings in the course of construction		–	–	–	–	–

<sup>1</sup> includes elimination of fully depreciated assets

## Property and equipment for the year 2014

In CHF million						
	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
<b>COST</b>						
Balance as at 1 January		603	53	59	27	742
Additions		56	11	11	1	80
Additions from business combinations	28	-	1	1	0	1
Disposals <sup>1</sup>		-3	-10	-9	-1	-23
Transfers to investment property	14	-81	-	-	-	-81
Revaluation in respect of transfers to investment property		0	-	-	-	0
Foreign currency translation differences		-4	0	-1	0	-5
<b>BALANCE AS AT END OF PERIOD</b>		<b>570</b>	<b>54</b>	<b>61</b>	<b>27</b>	<b>713</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
Balance as at 1 January		-196	-39	-46	-12	-294
Depreciation		-12	-5	-7	-2	-26
Impairment losses		-	0	-	-	0
Disposals <sup>1</sup>		3	9	7	1	19
Transfers to investment property	14	27	-	-	-	27
Foreign currency translation differences		1	0	0	0	1
<b>BALANCE AS AT END OF PERIOD</b>		<b>-177</b>	<b>-35</b>	<b>-46</b>	<b>-14</b>	<b>-271</b>
<b>TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD</b>		<b>394</b>	<b>20</b>	<b>16</b>	<b>13</b>	<b>442</b>
of which assets held under a finance lease		-	-	1	-	1
of which buildings in the course of construction		0				

<sup>1</sup> includes elimination of fully depreciated assets

No borrowing costs were capitalised in property and equipment in 2015 and 2014.

## 17 Intangible Assets including Intangible Insurance Assets

In CHF million

	31.12.2015	31.12.2014
Intangible insurance assets	1 464	1 497
Other intangible assets	1 376	1 475
<b>TOTAL INTANGIBLE ASSETS</b>	<b>2 840</b>	<b>2 972</b>

### Intangible insurance assets

In CHF million

	Present value of future profits from acquired insurance portfolios (PVP)		Deferred acquisition costs (DAC)		Deferred origination costs (DOC)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Balance as at 1 January	14	16	1 450	1 567	33	35	1 497	1 618
Additions	–	–	429	394	5	9	434	403
Amortisation	–1	–1	–401	–314	–14	–11	–415	–326
Impairment	–	–	0	–1	–	–	0	–1
Effect of shadow accounting	0	0	49	–177	–	–	49	–178
Foreign currency translation differences	–1	0	–96	–18	–3	–1	–101	–19
<b>BALANCE AS AT END OF PERIOD</b>	<b>12</b>	<b>14</b>	<b>1 431</b>	<b>1 450</b>	<b>21</b>	<b>33</b>	<b>1 464</b>	<b>1 497</b>

#### Present value of future profits (PVP)

The present value of future profits relates to portfolios of insurance contracts and investment contracts with discretionary participation acquired in a business combination or transfer of portfolios. It relates to contracts acquired in Germany and France and is amortised in proportion to gross profits or margins over the effective life of the acquired insurance and investment contracts.

#### Deferred acquisition costs (DAC)

Certain acquisition costs relating to new and renewed insurance contracts and investment contracts with discretionary participation are deferred.

#### Deferred origination costs (DOC)

These costs are recoverable and are directly attributable to securing the right to investment management services within investment contract policies. They relate to contracts in Luxembourg and Switzerland.

## Other intangible assets for the year 2015

In CHF million						
	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
<b>COST</b>						
Balance as at 1 January		1 843	191	190	23	2 247
Additions		-	-	11	-	11
Additions from business combinations	28	15	-	1	-	16
Disposals <sup>1</sup>		-	-39	-4	-	-43
Foreign currency translation differences		-104	-16	-18	-2	-140
<b>BALANCE AS AT END OF PERIOD</b>		<b>1 754</b>	<b>136</b>	<b>181</b>	<b>21</b>	<b>2 092</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>						
Balance as at 1 January		-542	-99	-131	0	-772
Amortisation		-	-13	-15	0	-28
Impairment losses		-15	-	-	-	-15
Disposals <sup>1</sup>		-	39	4	-	42
Foreign currency translation differences		37	7	12	0	57
<b>BALANCE AS AT END OF PERIOD</b>		<b>-520</b>	<b>-66</b>	<b>-130</b>	<b>0</b>	<b>-716</b>
<b>TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD</b>		<b>1 234</b>	<b>70</b>	<b>51</b>	<b>21</b>	<b>1 376</b>

<sup>1</sup> includes elimination of fully amortised/impaird assets

## Other intangible assets for the year 2014

In CHF million						
	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
<b>COST</b>						
Balance as at 1 January		1 743	223	183	3	2 151
Additions		-	-	10	-	10
Additions from business combinations	28	117	62	1	20	201
Additions from internal software development		-	-	2	-	2
Disposals <sup>1</sup>		-	-91	-2	-	-93
Foreign currency translation differences		-17	-3	-3	0	-24
<b>BALANCE AS AT END OF PERIOD</b>		<b>1 843</b>	<b>191</b>	<b>190</b>	<b>23</b>	<b>2 247</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>						
Balance as at 1 January		-550	-164	-120	0	-833
Amortisation		-	-17	-15	0	-32
Impairment losses		-	-11	0	-	-11
Disposals <sup>1</sup>		-	91	2	-	93
Foreign currency translation differences		7	2	2	0	11
<b>BALANCE AS AT END OF PERIOD</b>		<b>-542</b>	<b>-99</b>	<b>-131</b>	<b>0</b>	<b>-772</b>
<b>TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD</b>		<b>1 301</b>	<b>91</b>	<b>59</b>	<b>23</b>	<b>1 475</b>

<sup>1</sup> includes elimination of fully amortised/impaird assets

## Goodwill

Goodwill represents the excess of the fair value of the consideration transferred and the amount of any non-controlling interest recognised, if applicable, over the fair value of the assets and liabilities recognised at the date of acquisition. Goodwill includes amounts relating to both the Swiss Life Group's interest and the non-controlling interest in the business acquired in the case where non-controlling interest is measured at fair value. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on associates is included in the carrying amount of the investment.

In 2015, Actuaire & Associés, Petit-Lancy, ABCON AG, Bern, and Sobrado Software AG, Cham, were acquired. The goodwill amounted to CHF 15 million in total. The goodwill of all three acquisitions has been allocated to the "Switzerland" segment and was fully impaired in 2015.

In October 2014, the acquisition of Corpus Sireo Holding GmbH & Co. KG, Cologne, led to the recognition of goodwill of CHF 117 million. The goodwill has been allocated to the "Asset Managers" segment.

Goodwill relating to Lloyd Continental has been allocated to the "France" segment. Goodwill relating to CapitalLeben has been allocated to the "International" segment. Of the goodwill relating to other acquisitions, CHF 19 million (31.12.2014: CHF 21 million) has been allocated to the "France" segment and CHF 8 million (31.12.2014: CHF 9 million) to the "Asset Managers" segment as at 31 December 2015.

The calculations relating to the recoverable amounts, which have been determined on a value-in-use basis, use cash flow projections based on financial budgets approved by management. The projection covers a three-year period for Lloyd Continental and Corpus Sireo. Due to the duration of the insurance and investment contracts a five-year period was used for CapitalLeben. The calculations for Lloyd Continental, Corpus Sireo and CapitalLeben are based on present values that traditionally use a single set of estimated cash flows and a single discount rate.

In CHF million	Lloyd Continental		CapitalLeben		Corpus Sireo		Other	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net carrying amount of goodwill	287	287	149	149	105	116	27	30
Impairment losses	-	-	-	-	-	-	-	-
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS								
Growth rate	2.0%	2.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%
Discount rate	9.3%	9.7%	6.4%	7.0%	8.7%	9.1%	9.3%	9.7%

The discount rates used for the value-in-use calculations are based on weighted average cost of capital (WACC) derived from the Capital Asset Pricing Model. Peer group comparisons and the beta of the Swiss Life Group are used for determining the beta used in the calculation. Capital structure reflected in the WACC calculation is in line with the actual and target capital structure of the Swiss Life Group.

The growth rates reflect the long-term inflation expectations of the International Monetary Fund for Switzerland and Liechtenstein and of the European Central Bank for the euro zone.

Goodwill relating to “Swiss Life Select” (acquisitions of AWD Holding AG and Deutsche Proventus AG) has been allocated to the “Switzerland”, “Germany” and “International” segments. The recoverable amounts have been determined on a value-in-use basis and use cash flow projections based on financial budgets approved by management. The projection covers a three-year period for Switzerland, Germany and International (AT/CEE, UK). The calculations are based on present values that traditionally use a single set of estimated cash flows and a single discount rate. The key assumptions used for the impairment testing on the carrying amount of goodwill are as follows.

### Goodwill relating to Swiss Life Select

In CHF million	Switzerland		Germany		International		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Net carrying amount of goodwill	152	152	438	485	76	82	666	719
Impairment losses	-	-	-	-	-	-	-	-
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS								
Growth rate	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	n/a	n/a
Discount rate	6.9%	7.5%	8.7%	9.1%	8.1%	8.5%	n/a	n/a

### Customer relationships

In October 2014, the acquisition of Corpus Sireo Holding GmbH & Co. KG, Cologne, led to the recognition of customer relationships of CHF 62 million.

As at 31 December 2015, customer relationships comprise customer relationships relating to Swiss Life Select: CHF 4 million (31.12.2014: CHF 5 million) which were allocated to the “Switzerland” segment. The “France” segment comprises customer relationships of CHF 20 million (31.12.2014: CHF 26 million) and the “Asset Managers” segment CHF 46 million (31.12.2014: CHF 60 million). Customer relationships were included in the impairment test of the respective cash-generating unit.

### Brands and other

In October 2014, the acquisition of Corpus Sireo Holding GmbH & Co. KG, Cologne, led to the recognition of the brand “Corpus Sireo” of CHF 20 million and was included in the impairment test.

## 18 Other Assets and Liabilities

### Other assets

In CHF million	31.12.2015	31.12.2014
Deferred charges and prepaid expenses	79	62
Employee benefit assets	97	103
Inventory property <sup>1</sup>	214	149
VAT and other tax receivables	72	103
Sundry assets	8	14
<b>TOTAL OTHER ASSETS</b>	<b>471</b>	<b>431</b>

<sup>1</sup> of which CHF 103 million pledged as security for loans (2014: CHF 124 million)

### Other liabilities

In CHF million	31.12.2015	31.12.2014
Deferred income	188	189
VAT and other tax payables	103	100
Sundry liabilities	2	1
<b>TOTAL OTHER LIABILITIES</b>	<b>293</b>	<b>289</b>



## 19 Investment Contracts

In CHF million

	Notes	31.12.2015	31.12.2014
Investment contracts with discretionary participation with deposit accounting		10 644	11 167
Investment contracts with discretionary participation with actuarial valuation		3 118	2 630
Investment contracts without discretionary participation at amortised cost	30	9	11
Investment contracts without discretionary participation at fair value through profit or loss		343	262
<b>TOTAL INVESTMENT CONTRACTS</b>		<b>14 115</b>	<b>14 070</b>
of which for the account and risk of the Swiss Life Group's customers			
investment contracts with discretionary participation	5	3 833	3 928
investment contracts without discretionary participation	5	162	179

### Investment contracts with discretionary participation with deposit accounting

In CHF million

	2015	2014
Balance as at 1 January	11 167	10 728
Deposits received	2 043	2 227
Interest credited	75	81
Participating bonuses	156	189
Policy fees	-130	-133
Deposits released	-1 060	-1 258
Other movements	162	226
Reclassifications and other disposals	-711	-702
Foreign currency translation differences	-1 058	-191
<b>BALANCE AS AT END OF PERIOD</b>	<b>10 644</b>	<b>11 167</b>

### Investment contracts with discretionary participation with actuarial valuation

In CHF million

	2015	2014
Balance as at 1 January	2 630	2 173
Savings premiums	1 008	893
Accretion of interest	36	33
Liabilities released for payments on death, surrender and other terminations during the year	-565	-476
Effect of changes in actuarial assumptions and other movements	9	6
Foreign currency translation differences	0	-
<b>BALANCE AS AT END OF PERIOD</b>	<b>3 118</b>	<b>2 630</b>

In the case of contracts that do not have significant insurance risk but contain discretionary participation features, the Swiss Life Group primarily bases its accounting policies on the requirements of the Generally Accepted Accounting Principles in the United States (US GAAP).

For investment-type contracts, savings premiums collected are reported as deposits (deposit accounting). These amounts relate to contracts issued in France and Luxembourg.

In the case of traditional contracts in the life insurance business, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of actuarial assumptions as to mortality, persistency, expenses and investment return, including a margin for adverse deviation. For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest rate assumptions. These amounts relate to contracts issued in Switzerland.

Certain contracts that do not contain significant insurance risk and do not have discretionary participation features are carried at amortised cost or fair value.

### Investment contracts without discretionary participation at amortised cost

In CHF million

	2015	2014
Balance as at 1 January	11	36
Deposits received	1	1
Interest credited	0	0
Policy fees	0	0
Deposits released	-2	-26
Other movements	0	0
Reclassifications and other disposals	0	-
Foreign currency translation differences	-1	0
<b>BALANCE AS AT END OF PERIOD</b>	<b>9</b>	<b>11</b>

### Investment contracts without discretionary participation at fair value through profit or loss

In CHF million

	2015	2014
Balance as at 1 January	262	193
Deposits received	25	24
Fair value changes	85	61
Policy fees	-1	-1
Deposits released	-10	-13
Reclassifications and other disposals	-1	1
Foreign currency translation differences	-17	-3
<b>BALANCE AS AT END OF PERIOD</b>	<b>343</b>	<b>262</b>

## 20 Borrowings

In CHF million

	Notes	31.12.2015	31.12.2014
Hybrid debt		2 916	2 612
Convertible debt		459	452
Senior bonds		423	423
Mortgage loans		278	309
Other		2	3
<b>TOTAL BORROWINGS</b>	30	<b>4 078</b>	<b>3 798</b>

### Hybrid debt

On 16 June 2015, Demeter Investments B.V., a Dutch repackaging vehicle, issued EUR 750 million in fixed/floating rate subordinated perpetual notes (at an issue price of 99.105%) secured by loan notes granted to Swiss Life Ltd, which are guaranteed by Swiss Life Holding. Swiss Life Ltd may repay the loan notes in full on 16 June 2025 or on any interest payment date thereafter, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The notes bear interest from 16 June 2015 to 16 June 2025 at a rate of 4.375% p.a. If the notes are not redeemed on 16 June 2025, the interest will be the aggregate of Euribor 3-month deposits and a margin of 4.3% p.a.

In November 2012, Swiss Life Insurance Finance Ltd. offered to existing lenders under the subordinated perpetual step-up loan placed in 1999 by Swiss Life Ltd to purchase their loan holdings against a consideration consisting of both a cash component and a credit component. Altogether, EUR 265 million and CHF 290 million were purchased from lenders. The cash component amounted to a total of CHF 139 million. The credit component consists of a tranche of a subordinated dated step-up loan newly issued by Swiss Life Ltd. The subordinated dated step-up loan placed in connection with the offer amounts to CHF 471 million, is guaranteed by Swiss Life Holding, has a tenor of thirty years and is first repayable on 30 November 2022 at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest rate is 6-month Libor plus a margin of 4.20% p.a. until 30 November 2022. If the loan is not redeemed on 30 November 2022, the margin increases by 1%.

On 22 October 2012, Swiss Life Ltd issued subordinated perpetual callable bonds in the amount of CHF 300 million. The bonds are guaranteed by Swiss Life Holding, have no fixed maturity date and are first callable on 22 August 2018 or at each interest payment date thereafter at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest has been fixed at 5.50% p.a. until 22 August 2018. If the bonds are not redeemed on 22 August 2018, the interest resets at a rate fixed for the subsequent five years, consisting of the aggregate of the then-prevailing five-year CHF swap rate and the initial margin of 5.091% p.a.

On 4 April 2011, Swiss Life Ltd issued subordinated perpetual callable bonds in the amount of CHF 325 million. CHF 75 million was additionally issued in June 2011 and CHF 100 million in October 2011. The bonds are guaranteed by Swiss Life Holding, have no fixed maturity date and are first callable on 4 October 2016 or at each interest payment date thereafter at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority.

The interest has been fixed at 5.25% p.a. until 4 October 2016. If the bonds are not redeemed on 4 October 2016, the interest resets at a rate fixed for the subsequent five years, consisting of the aggregate of the then-prevailing five-year CHF swap rate and the initial margin of 3.551% p.a.

On 12 April 2007, ELM B.V., a Dutch repackaging vehicle, issued EUR 700 million in fixed/floating rate subordinated perpetual notes to finance loan notes granted to Swiss Life Ltd, which are guaranteed by Swiss Life Holding. Swiss Life Ltd may repay the loan notes in full on 12 April 2017 or on any interest payment date thereafter, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The notes bear interest from 12 April 2007 to 12 April 2017 at a rate of 5.849% p.a. If the notes are not redeemed on 12 April 2017, the interest will be the aggregate of Euribor 3-month deposits and a margin of 2.5% p.a.

On 16 November 2005, J.P. Morgan Bank Luxembourg S.A. issued on a fiduciary basis EUR 350 million fixed/floating rate subordinated perpetual notes at a price of 99.423% to fund a loan made by it to Swiss Life Ltd. The notes bore interest from 16 November 2005 to 16 November 2015 at a rate of 5% p.a. Redemption took place on the first call date on 16 November 2015.

In March 1999, Swiss Life Ltd privately placed a subordinated perpetual step-up loan comprising three simultaneous advances of EUR 443 million (at a rate of interest of Euribor plus a margin of 1.05% p.a., increased by 100 basis points as from April 2009), CHF 290 million (at a rate of interest of Libor plus a margin of 1.05% p.a., increased by 100 basis points as from April 2009) and EUR 215 million (at a rate of interest of Euribor plus a margin of 1.05% p.a., increased by 100 basis points as from October 2009). In 2009, Swiss Life Ltd renounced the right to call the loan on its first call date. Following the purchase offer by Swiss Life Insurance Finance Ltd. in 2012, EUR 192 million remain outstanding. Swiss Life Ltd renounced the right to call the loan on the second optional call date in April 2014 and can next call it in 2019 or at five-year intervals thereafter, at its discretion, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority.

Amounts in CHF million (if not noted otherwise)	Nominal value in year of issue	Nominal value at 31.12.2015	Interest rate	Year of issue	Optional redemption	Carrying amount 31.12.2015	Carrying amount 31.12.2014
Issuer							
Swiss Life AG <sup>1</sup>	EUR 750	EUR 750	4.375%	2015	2025	802	-
			Libor				
Swiss Life AG	CHF 471	CHF 471	+4.200%	2012	2022	468	468
Swiss Life AG	CHF 300	CHF 300	5.500%	2012	2018	298	298
Swiss Life AG	CHF 500	CHF 500	5.250%	2011	2016	499	496
Swiss Life AG <sup>2</sup>	EUR 700	EUR 590	5.849%	2007	2017	640	708
Swiss Life AG <sup>3</sup>	EUR 350	-	5.000%	2005	2015	-	411
			Euribor				
Swiss Life AG	EUR 443	EUR 192	+2.050%	1999	2019	209	231
TOTAL						2 916	2 612

<sup>1</sup> hybrid loan notes issued by Demeter Investments B.V.

<sup>2</sup> hybrid loan notes granted by ELM B.V.

<sup>3</sup> hybrid bank loan originally granted by J.P. Morgan Bank Luxembourg S.A.

## Convertible debt

In December 2013, Swiss Life Holding issued CHF 500 million in senior unsecured convertible bonds due in 2020. The coupon was set at 0%. The bonds may be converted into registered shares of Swiss Life Holding at the option of the holder. The initial conversion price was set at CHF 243.97 (later adjusted to CHF 240.70, valid since 29 April 2015). The proceeds from the issue of the convertible bonds have been split between a liability component and an equity component. The fair value of the liability component at issue date amounted to CHF 450 million and was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount of CHF 50 million represented the value of the option to convert the instrument into Swiss Life Holding shares and was included in share premium. Transaction costs of CHF 6 million were deducted from the liability and costs of CHF 1 million were recognised in share premium.

## Senior bonds

In May 2013, Swiss Life Holding raised CHF 425 million debt through the issuance of a CHF public bond dual tranche transaction, split into a CHF 225 million tranche with a tenor of six years and a CHF 200 million tranche with a tenor of ten years. The unsecured senior bonds bear coupons of 1.125% p.a. and 1.875% p.a., respectively. Settlement took place on 21 June 2013.

Amounts in CHF million (if not noted otherwise)						
	Nominal value	Interest rate	Year of issue	Redemption	Carrying amount	Carrying amount
Issuer					31.12.2015	31.12.2014
Swiss Life Holding AG	CHF 225	1.125%	2013	2019	224	224
Swiss Life Holding AG	CHF 200	1.875%	2013	2023	199	199
<b>TOTAL</b>					<b>423</b>	<b>423</b>

## Mortgage loans

The loans are secured by investment property in the amount of CHF 312 million (2014: CHF 428 million).

Amounts in CHF million (if not noted otherwise)						
	Currency	Interest rate	Fixed or variable rate	Maturity	Carrying amount	Carrying amount
Borrower					31.12.2015	31.12.2014
Swiss Life AG	CHF	1.130%	fixed	2015	-	5
TECHNOPARK Real Estate LTD	CHF	2.000%	fixed	2015	-	18
Swiss Life AG	CHF	0.565%	variable	2015	-	21
GENBLAN AG	CHF	3.165%	fixed	2016	156	156
Swiss Life AG	CHF	0.500%	variable	2016	11	11
TECHNOPARK Real Estate LTD	CHF	1.500%	fixed	2016	18	-
Swiss Life AG	CHF	3.975%	fixed	2018	13	16
Swiss Life AG	CHF	3.030%	fixed	2018	32	34
Swiss Life AG	CHF	1.894%	fixed	2020	32	33
Swiss Life AG	CHF	2.040%	fixed	2021	16	16
<b>TOTAL</b>					<b>278</b>	<b>309</b>

## 21 Other Financial Liabilities

In CHF million			
	Notes	31.12.2015	31.12.2014
Insurance payables		2 753	3 303
Policyholder deposits		1 266	1 364
Reinsurance deposits		129	126
Customer deposits		948	845
Repurchase agreements		2 146	2 780
Amounts due to banks		1 919	2 280
Accrued expenses		341	328
Settlement accounts		121	317
Other		662	715
<b>TOTAL OTHER FINANCIAL LIABILITIES</b>	30	<b>10 284</b>	<b>12 056</b>

## 22 Insurance Liabilities and Reinsurance Assets

In CHF million							
		Gross		Reinsurance assets		Net	
	Notes	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Claims under non-life insurance contracts		872	953	170	195	702	758
Unearned premiums non-life		56	63	1	0	55	63
Claims under life insurance contracts		6 102	6 193	84	85	6 018	6 108
Future life policyholder benefits		94 481	92 326	122	116	94 359	92 210
Unearned premiums life		45	42	0	0	45	41
Deposits under insurance contracts		6 602	6 559	–	–	6 602	6 559
<b>TOTAL INSURANCE LIABILITIES AND REINSURANCE ASSETS</b>		<b>108 157</b>	<b>106 136</b>	<b>376</b>	<b>397</b>	<b>107 782</b>	<b>105 739</b>
of which for the account and risk of the Swiss Life Group's customers	5	3 167	2 760	–	–	3 167	2 760

### Unearned premiums

Unearned premiums represent the portion of the premiums written relating to the unexpired terms of coverage.

## Claims under non-life insurance contracts

In CHF million

	2015	2014
BALANCE AS AT 1 JANUARY		
Gross claims under non-life insurance contracts	953	979
Less: reinsurance recoverable	-195	-197
<b>NET CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS</b>	<b>758</b>	<b>782</b>
CLAIMS AND CLAIM SETTLEMENT COSTS INCURRED		
Reporting period	275	330
Prior reporting periods	-60	-73
<b>TOTAL CLAIMS AND CLAIM SETTLEMENT COSTS INCURRED</b>	<b>215</b>	<b>257</b>
CLAIMS AND CLAIM SETTLEMENT COSTS PAID		
Reporting period	-110	-131
Prior reporting periods	-88	-137
<b>TOTAL CLAIMS AND CLAIM SETTLEMENT COSTS PAID</b>	<b>-198</b>	<b>-267</b>
Foreign currency translation differences	-73	-14
BALANCE AS AT END OF PERIOD		
<b>NET CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS</b>	<b>702</b>	<b>758</b>
Plus: reinsurance recoverable	170	195
<b>TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS</b>	<b>872</b>	<b>953</b>

Claims under non-life insurance contracts represent the liability needed to provide for the estimated ultimate cost of settling claims relating to insured events that have occurred on or before the financial reporting date. The estimated liability includes the amount that will be required for future payments on both claims that have been reported to the insurer and claims relating to insured events that have occurred but have not been reported to the insurer as at the date the liability is estimated. Loss development tables are generally used to make these estimates.

## Claims under life insurance contracts

In CHF million

	Gross		Reinsurance assets		Net	
	2015	2014	2015	2014	2015	2014
Balance as at 1 January	6 193	6 270	85	90	6 108	6 180
Additions from acquisition of insurance portfolio	-	19	-	-	-	19
Accretion of interest	93	97	1	1	92	96
Claims incurred, benefits paid and surrenders	-73	-112	5	-1	-77	-110
Effect of changes in actuarial assumptions and other movements	90	-44	0	-3	90	-41
Foreign currency translation differences	-202	-38	-8	-2	-194	-36
<b>BALANCE AS AT END OF PERIOD</b>	<b>6 102</b>	<b>6 193</b>	<b>84</b>	<b>85</b>	<b>6 018</b>	<b>6 108</b>

Claims under life insurance contracts represent the liability for unpaid portions of claims incurred. It includes an estimate of the liability for claims incurred but not reported (IBNR). The measurement at reporting date is a best estimate of ultimate future claim payments.

## Future life policyholder benefits

In CHF million	Gross		Reinsurance assets		Net	
	2015	2014	2015	2014	2015	2014
Balance as at 1 January	92 326	87 890	116	108	92 210	87 781
Additions from acquisition of insurance portfolio	–	293	–	–	–	293
Savings premiums	9 584	9 380	41	48	9 543	9 332
Accretion of interest	1 973	2 005	3	2	1 971	2 003
Claims incurred, benefits paid and surrenders	–8 448	–8 093	–29	–37	–8 419	–8 056
Effect of changes in actuarial assumptions and other movements	1 290	1 257	–1	–4	1 291	1 261
Reclassifications and other disposals	22	18	–	–	22	18
Foreign currency translation differences	–2 267	–424	–8	–2	–2 259	–422
<b>BALANCE AS AT END OF PERIOD</b>	<b>94 481</b>	<b>92 326</b>	<b>122</b>	<b>116</b>	<b>94 359</b>	<b>92 210</b>

For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest rate assumptions.

The valuation of other long-duration contracts is also based on the net-level-premium method with actuarial assumptions as to mortality, persistency, expenses and investment returns including provisions for adverse deviation.

## Deposits under insurance contracts

In CHF million	2015	2014
Balance as at 1 January	6 559	6 182
Deposits received	225	169
Interest credited	56	69
Participating bonuses	13	17
Policy fees and insurance charges	–19	–22
Deposits released for payments on death, surrender and other terminations during the year	–401	–469
Other movements	16	34
Reclassifications and other disposals	688	683
Foreign currency translation differences	–535	–104
<b>BALANCE AS AT END OF PERIOD</b>	<b>6 602</b>	<b>6 559</b>

For investment-type contracts with significant insurance risk, savings premiums collected are reported as deposits (deposit accounting).

## Insurance liabilities with and without discretionary participation

In CHF million	31.12.2015	31.12.2014
Insurance liabilities with discretionary participation	92 867	90 594
Insurance liabilities without discretionary participation	12 123	12 783
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers	3 167	2 760
<b>TOTAL INSURANCE LIABILITIES</b>	<b>108 157</b>	<b>106 136</b>



## 23 Employee Benefits

### Employee benefit liabilities

In CHF million

	31.12.2015	31.12.2014
Employee benefit liabilities consist of		
gross defined benefit liabilities	1 823	1 677
other employee benefit liabilities	153	144
<b>TOTAL EMPLOYEE BENEFIT LIABILITIES</b>	<b>1 976</b>	<b>1 821</b>

#### Defined benefit plans

Employees are covered under various funded and unfunded pension plans which operate under local regulations and practice. The major part of the defined benefit liability recognised arises from the plans covering employees in Switzerland. The impact on the consolidated financial statements arising from the plans covering employees in Germany and France is far less significant. Generally, the level of benefits is based on years of service and average compensation preceding retirement, and the main benefit is a pension after retirement or a lump-sum payment at the time of retirement. Most plans are funded and the funding is governed by local requirements and with respect to the liability (determined based on actuarial methods) based on the plans' benefit promises. For several plans, contributions are not only made by the employer, but also by the employee (generally as a part of gross salaries).

In Switzerland, France and Germany, insurance contracts have been issued to defined benefit plans covering own employees, which reinsure a part of the benefit promises made by the plans. Due to the requirements of IFRS 4 Insurance Contracts in combination with IAS 19 Employee Benefits, such insurance contracts are eliminated (self-insurance, non-eligibility as plan asset). To the extent the affected plans are funded by self-insurance, the defined benefit liabilities are backed by the investments relating to the eliminated insurance contracts. These investments are part of the investments presented in the consolidated balance sheet of the Swiss Life Group.

### Plan descriptions

#### Switzerland

Pension plans in Switzerland are governed by the Swiss Federal Law on Occupational Retirement (BVG). Pension plans must be managed by independent, legally autonomous entities and are under regulatory supervision. The plans covering the Group's employees in Switzerland are set up as foundations. The foundation board as the most senior governing body must be composed of equal numbers of employee and employer representatives. Main responsibilities of the foundation board are the definition of plan benefits, funding system, setting of actuarial parameters and investment policies for the plan assets. The BVG defines minimum levels with regard to benefits (including conversion rate for old-age pensions), employer/employee contributions as well as the interest rate for the accrual of the employees' pension account. An annual actuarial report according to BVG requirements is prepared which shows the funding level of the respective plan. The measurement basis for the plan's assets and benefit obligations for this purpose is in accordance with BVG rules.

The primary benefit of Swiss Life's plans is an old-age pension after reaching retirement age. The level of the old-age pension is determined by the plan's conversion rate applied to the employees' individual pension account accumulated at retirement age. There are options for early retirement (with actuarially determined reduction of the conversion rate) and for choosing to receive a lump-sum payment instead of a pension. This old-age pension is funded by monthly contributions from the employer and the employee (deducted from salary) to an individual pension account which in addition is increased by a yearly interest accrual. The contributions are based on age and on a percentage of the contributory salary. Further funding of an individual pension account comprises mandatory transfers of funds made by new employees from plans of his/her former employers and discretionary contributions from the employee (with restrictions to maximum amounts). As a consequence of plan amendments in the past, certain age groups are granted guarantees of a minimum level of old-age pensions in case of early retirement. The cost with respect to early retirements of members from these age groups is borne by the employer.

Other benefits comprise survivors'/orphans' pensions and/or lump-sum payments in case of death as well as disability pensions (if disabled before retirement age). In these plans, which cover nearly all of the Group's employees in Switzerland, the cost of the benefits is funded by payment of insurance premiums to group insurance contracts issued by Swiss Life Ltd (self-insurance) and is borne by the employer. In addition, the administration expenses of the plans are also borne by the employer since the personnel managing the plans are Swiss Life employees.

#### France

Pension plans in France are covered by various national agreements. Defined benefit plans in France cover retirement benefits for employees, including executive officers, based on the last salary, length of service, cause of termination and the respective national agreement. Furthermore, service anniversary bonuses are paid based on employee category and length of service.

### Germany

Pension plans in Germany are governed by the Law on Occupational Retirement (BetrAVG). The BetrAVG is part of the general labour legislation, which means that the BetrAVG establishes no rules on funding benefit obligations. It only describes the different possible ways of funding benefit obligations without further details on the practice of funding.

There are various defined benefit plans in place. They provide pension benefits after reaching retirement age.

For some plans, the level of the pension benefits is determined by the years of service and the last salary before retirement according to the benefit formula as defined in the pension plan. Other benefits comprise widows'/widowers' pensions in case of death as well as disability pensions (if disabled before retirement age). The levels of these benefits are determined similar to the old-age pensions assuming service up to normal retirement age. Widows'/widowers' pensions are 60% of the old age/disability pension benefits.

For some plans, the level of old-age pensions is determined by yearly amounts. Contributions are made in the form of premiums to an individual insurance contract with Swiss Life Germany. The premium is a fixed amount, determined by the rules of the pension plan, and depends on the employee's status. Every three years, there is an adjustment of the contribution amount due to the general development of salaries in the German insurance industry. There is a risk that the employer has to make additional payments in case the benefits of the individual insurance contract do not cover the benefits promised by the plan. Other benefits comprise lump-sum payments in case of death as well as disability pensions (if disabled before retirement age). The levels of these benefits are determined as fixed amounts by the plan depending on the employee's status. This part of the plan is also covered by insurance contracts with Swiss Life Germany.

### Risks covered

With respect to its defined benefit plans the Group faces the risks of adverse development of the prominent actuarial/financial assumptions such as discount rates, mortality assumptions and future salary growth inherent in the measurement of plan liabilities. If the high-quality corporate bond yields (which are the basis for assessing the discount rate) decrease, the present value of the defined benefit obligation would increase, which would lead to a higher defined benefit liability in the consolidated balance sheet. However, this effect would be partly offset by the increase in the value of bonds in the plan assets. A higher defined benefit obligation would also result if the average life expectancy (longevity) or the rate of future salary growth were higher than the corresponding values reflected in the financial/actuarial parameters.

With respect to funded plans, the Group faces investment risk. In general, the return of plan assets – together with contributions – must be sufficient to cover the plan's benefit promises. In particular, if the return is below the discount rate, an actuarial loss would be created with negative impact on the net benefit liability/asset and other comprehensive income. The mitigation of this risk depends on the nature of the benefit promises and the regulatory/legal framework of the plan, and is therefore country-specific.

#### Switzerland

The responsibility for maintaining a sufficient funding status lies with the foundations. In the case of underfunding (as assessed according to BVG rules, not IFRS) the foundations are required to take appropriate measures to restore a sufficient funding status. Potential measures that could be taken are adjustments to the pension accounts' interest rate, benefit levels and regular employer/employee contributions. Furthermore, the foundations could require additional contributions from the employer and the employees. Because the funding status of the foundations in Switzerland is sufficient, it is not expected that any such additional contributions will be required in the near future.

The investment risk inherent in achieving an adequate return on the plan assets covering the pension accounts of active employees is borne by the foundations. In addition, the investment risk and actuarial risk relating to old-age pensions lie with the foundations. However, for the two major plans, all pensions which were already in payout before 1 January 2011 are fully covered under a group insurance contract issued by Swiss Life Ltd. Furthermore, all insurance risk relating to death/survivors'/disability benefits is fully covered by several group contracts issued by Swiss Life Ltd.

The objective of the investment process is to ensure that the return on the plan assets – together with the contributions – will be sufficient to fulfil the benefit promises. The investment strategy must be in line with the related BVG rules and regulations (e.g. requirements regarding diversification). The foundations are responsible for defining the investment strategy taking into account the objectives, benefit obligations and risk capacity. The implementation of the investment policy is delegated to an investment committee.

#### France

The investment risk inherent in achieving an adequate return on the plan assets in order to pay the promised benefits to employees as well as the mortality risk are borne by the company.

#### Germany

According to the German BetrAVG there are no specific rules regarding funding of pension obligations. The defined benefit plans are funded by individual insurance contracts with Swiss Life Germany that cover the promised benefits. Because of tax limitations, the individual insurance contracts do not cover the whole level of the benefit promises. Therefore, Swiss Life Germany has established a contractual trust arrangement to cover the additional risks from the pension plan. Plan risks mainly arise from salary increases and from an increase in pension payments.

### Amounts recognised as defined benefit assets/liabilities

In CHF million		
	31.12.2015	31.12.2014
Present value of defined benefit obligation	-3 325	-3 097
Fair value of plan assets	1 599	1 519
<b>NET DEFINED BENEFIT LIABILITY</b>	<b>-1 726</b>	<b>-1 578</b>
Insurance contracts not eligible as plan assets under IFRS	1 459	1 440
<b>NET DEFINED BENEFIT SURPLUS (+)/DEFICIT (-) (ECONOMIC VIEW)</b>	<b>-267</b>	<b>-138</b>
The net defined benefit liability consists of		
gross defined benefit liabilities	-1 823	-1 677
gross defined benefit assets	97	99

To assess the funding situation of the defined benefit plans in total, plan assets as well as insurance contracts not eligible as plan assets under IFRS must be set off against the present value of the defined benefit obligation. The total deficit taking into consideration insurance contracts not eligible as plan assets under IFRS amounted to CHF 267 million as at 31 December 2015 (2014: deficit of CHF 138 million).

### Amounts recognised in profit or loss

In CHF million		
	2015	2014
Current service cost	99	86
Past service cost	-7	1
Net interest cost	20	29
Employee contributions	-27	-30
<b>TOTAL DEFINED BENEFIT EXPENSE</b>	<b>84</b>	<b>86</b>

Defined benefit expense in 2015 comprises negative past service cost of CHF 7 million due to plan amendments in Switzerland.

### Amounts recognised in other comprehensive income

In CHF million		
	2015	2014
Actuarial gains and losses on the defined benefit obligation	-216	-352
Return on plan assets excluding interest income	33	53
<b>TOTAL REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITY</b>	<b>-183</b>	<b>-299</b>

## Defined benefit plans

In CHF million

	2015	2014
<b>CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION</b>		
Balance as at 1 January	-3 097	-2 700
Current service cost	-99	-86
Past service cost incl. gains/losses from settlements	7	-1
Interest cost	-39	-57
Contributions by plan participants	-78	-57
Actuarial gains (+)/losses (-) arising from		
experience adjustments	-91	-16
changes in demographic assumptions	41	4
changes in financial assumptions	-166	-340
Benefit payments	176	172
Effect of business combinations	-14	-19
Effect of reclassifications and other disposals	5	-3
Foreign currency translation differences	31	5
<b>BALANCE AS AT END OF PERIOD</b>	<b>-3 325</b>	<b>-3 097</b>
of which amounts owing to		
active plan participants	-1 650	-1 483
retired plan participants	-1 675	-1 614
<b>CHANGES IN THE FAIR VALUE OF PLAN ASSETS</b>		
Balance as at 1 January	1 519	1 361
Interest income	19	28
Return on plan assets excluding interest income	33	53
Contributions by the employer	76	97
Contributions by plan participants	77	56
Benefit payments	-82	-77
Effect of business combinations	11	-
Transfer to intragroup insurance contracts, reclassifications and other disposals	-44	3
Foreign currency translation differences	-12	-2
<b>BALANCE AS AT END OF PERIOD</b>	<b>1 599</b>	<b>1 519</b>

## Plan assets

In CHF million	Quoted market price		Other		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash and cash equivalents	–	–	49	54	49	54
Debt securities						
Government	14	11	–	–	14	11
Corporates	15	15	–	–	15	15
Equity securities						
Oil and gas	1	1	–	–	1	1
Industrials	2	3	–	–	2	3
Consumer goods/services	5	5	–	–	5	5
Health care	4	4	–	–	4	4
Telecommunications	0	0	–	–	0	0
Utilities	0	0	–	–	0	0
Financials	4	12	–	–	4	12
Technology	2	2	–	–	2	2
Investment funds						
Debt	596	552	–	–	596	552
Equity	394	349	–	–	394	349
Balanced	69	67	–	–	69	67
Other	–	–	369	346	369	346
Property						
located in Switzerland	–	–	9	9	9	9
Qualifying insurance policies	–	–	63	91	63	91
<b>TOTAL PLAN ASSETS</b>	<b>1 108</b>	<b>1 019</b>	<b>491</b>	<b>500</b>	<b>1 599</b>	<b>1 519</b>
Plan assets include						
own equity instruments	1	8	–	–	1	8

## Principal actuarial assumptions

	Switzerland/Liechtenstein		Other countries	
	2015	2014	2015	2014
Discount rate	0.6–1.0%	1.2%	1.9–2.4%	1.5–2.4%
Future salary increases	0.9–1.5%	1.3–1.5%	1.0–2.5%	1.5–2.5%
Future pension increases	0.0%	0.0%	1.2–2.0%	1.2–2.0%
Ordinary retirement age (women)	64	64	63–65	62–65
Ordinary retirement age (men)	64–65	64–65	63–65	62–65
Average life expectation at ordinary retirement age (women)	24.8–24.9	24.8	23.2–28.8	23.2–28.8
Average life expectation at ordinary retirement age (men)	21.5–22.4	21.4–22.3	19.8–25.6	19.8–25.6

The process and methodology for the determination of future salary increases for the plans in Switzerland/Liechtenstein were refined in 2015.

A sensitivity analysis was performed for each significant actuarial assumption which shows the impact on the defined benefit obligation of changes in the respective actuarial assumption that were reasonably possible at the balance sheet date. The calculation is done by leaving all other assumptions unchanged (i.e. at their value used in the calculation of the defined benefit obligation).

implicit in the net defined benefit asset/liability in the consolidated balance sheet as at end of period). In reality, it is unlikely that a change in assumption would happen in isolation. Some assumptions may well be correlated. In addition, the net effect in the consolidated balance sheet would also be driven by the change in the value of the plan assets.

At 31 December 2015, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 240 million (increase CHF 272 million). At 31 December 2014, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 221 million (increase CHF 251 million).

At 31 December 2015, if the future expected salary growth had increased (decreased) by 50 basis points, the defined benefit obligation would have increased by CHF 18 million (decrease CHF 18 million). At 31 December 2014, if the future expected salary growth had increased (decreased) by 50 basis points, the defined benefit obligation would have increased by CHF 22 million (decrease CHF 22 million).

At 31 December 2015, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 105 million. At 31 December 2014, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 105 million.

## Expected benefit payments

Amounts in CHF million (if not noted otherwise)

	2015	2014
Duration of the defined benefit obligation (weighted average no. of years)	15.5	15.4
Benefits expected to be paid (undiscounted amounts)		
within 12 months	142	139
between 1 and 2 years	141	135
between 3 and 5 years	409	393
between 6 and 10 years	644	616

The contributions expected to be paid for the year ending 31 December 2016 are CHF 63 million. These contributions include amounts payable under insurance contracts issued to defined benefit plans covering own employees.

## Defined contribution plans

Certain subsidiaries sponsor various defined contribution plans. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. The plans stipulate contributions by both employers and employees. The expenses under these plans amounted to CHF 1 million in 2015 (2014: CHF 1 million).



### Equity compensation plans

For 2015, 2014, 2013, 2012 and 2011 participants in the share-based payment programme are allocated restricted share units (RSUs). RSUs grant the holder future subscription rights, entitling him to receive Swiss Life Holding shares free of charge after a three-year period has elapsed and if certain conditions are fulfilled.

The 2013–2015 equity compensation plans are based on the Group-wide programme “Swiss Life 2015”, which was announced at the Swiss Life Group’s Investors’ Day on 28 November 2012. On the basis of the medium-term planning 2013–2015 (2013 equity compensation plan) and 2014–2016 (2014 equity compensation plan), performance criteria relating to cost efficiency (50% weighting), the risk and fee result (25% weighting) and IFRS profit (25% weighting) have been determined by the Board of Directors. With regard to the 2015 equity compensation plan, the Board of Directors has set the following performance criteria on the basis of the medium-term planning 2015–2017: IFRS profit (50% weighting), the risk and fee result (25% weighting) and cash to Swiss Life Holding for further strengthening of the financial substance and payout capacity (25% weighting). After expiry of the three-year period of the RSU plan, the target value for each performance criterion according to the medium-term planning is compared with the actual result achieved. The share allocation corresponds to the number of allocated RSUs (1 RSU = 1 share) if all three performance criteria have been achieved or exceeded after the three-year period has elapsed; overperformance does not lead to a higher share allocation. If the targets are only partly achieved, the share allocation is correspondingly reduced in accordance with the weighting of the performance target concerned, or the RSUs expire worthless.

The RSU programmes also provide for adjustment and reclaiming mechanisms (clawback).

In 2011, the number of RSUs granted under this programme amounted to 68 730. The fair value at the measurement date amounted to CHF 140.05. The date of grant was 1 April 2011.

In 2012, the number of RSUs granted under this programme amounted to 94 040. The fair value at the measurement date amounted to CHF 93.77. The date of grant was 1 April 2012.

In 2013, the number of RSUs granted under this programme amounted to 74 630. The fair value at the measurement date amounted to CHF 127.34. The date of grant was 1 April 2013.

In 2014, the number of RSUs granted under this programme amounted to 58 800. The fair value at the measurement date amounted to CHF 203.54. The date of grant was 1 March 2014.

In 2015, the number of RSUs granted under this programme amounted to 51 660. The fair value at the measurement date amounted to CHF 205.87. The date of grant was 1 March 2015.

The fair value of the RSUs granted for each programme is determined at the grant date. The fair value was determined by an independent consulting company using the Black-Scholes formula. The associated expense during the vesting period is recognised under employee benefits expense with a corresponding increase in share premium.

The expense recognised for share-based payment amounted to CHF 12 million in 2015 (2014: CHF 12 million).

### Share-based payment programmes (restricted share units)

Number of restricted share units	Balance as at 1 January	Issued	Employee departures	Vested	Balance as at end of period
<b>2015</b>					
Granted in 2012	94 040	-	-1 080	-92 960	-
Granted in 2013	74 630	-	-1 620	-	73 010
Granted in 2014	58 800	-	-1 529	-	57 271
Granted in 2015	-	51 660	-1 925	-	49 735
<b>2014</b>					
Granted in 2011	66 770	-	-	-66 770	-
Granted in 2012	94 040	-	-	-	94 040
Granted in 2013	74 630	-	-	-	74 630
Granted in 2014	-	58 800	-	-	58 800
<b>2013</b>					
Granted in 2011	66 770	-	-	-	66 770
Granted in 2012	94 040	-	-	-	94 040
Granted in 2013	-	74 630	-	-	74 630
<b>2012</b>					
Granted in 2011	68 070	-	-1 300	-	66 770
Granted in 2012	-	94 040	-	-	94 040
<b>2011</b>					
Granted in 2011	-	68 730	-660	-	68 070

## 24 Income Taxes

### Income tax expense

In CHF million		
	2015	2014
Current income tax expense	208	140
Deferred income tax expense	81	54
<b>TOTAL INCOME TAX EXPENSE</b>	<b>290</b>	<b>194</b>

The expected weighted-average tax rate for the Group in 2015 was 24.2% (2014: 26.6%). This rate was derived by obtaining a weighted average of the expected income tax rates in the various jurisdictions in which the Group operates. The change of the weighted-average tax rate is due to the geographical allocation of the profits and the different tax rates in these jurisdictions. The actual income tax expense differs from the expected amount as follows.

### Reconciliation of income tax expense

In CHF million		
	2015	2014
<b>PROFIT BEFORE INCOME TAX</b>	<b>1 168</b>	<b>1 012</b>
Income tax calculated using the expected weighted-average tax rate	283	270
Increase/reduction in taxes resulting from		
lower taxed income	-41	-45
non-deductible expenses	36	45
other income taxes (incl. withholding taxes)	28	25
change in unrecognised tax losses	-16	-57
adjustments for current tax of prior periods	-16	-49
changes in tax rates	-1	-2
intercompany effects	19	12
other	-3	-4
<b>INCOME TAX EXPENSE</b>	<b>290</b>	<b>194</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

## Deferred income tax assets and liabilities

In CHF million	Deferred tax assets		Deferred tax liabilities	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Financial assets	277	213	1 153	1 366
Investment property	4	8	696	636
Intangible assets	43	49	167	174
Property and equipment	14	17	0	1
Financial liabilities	42	39	26	23
Insurance liabilities	33	34	152	142
Employee benefits	111	93	79	75
Deferred income	3	2	0	0
Other	111	113	46	48
Tax losses	8	18		
<b>DEFERRED INCOME TAX ASSETS/LIABILITIES</b>	<b>646</b>	<b>586</b>	<b>2 319</b>	<b>2 465</b>
Offset	-599	-552	-599	-552
<b>TOTAL DEFERRED INCOME TAX ASSETS/LIABILITIES</b>	<b>47</b>	<b>34</b>	<b>1 720</b>	<b>1 913</b>

The movements in net deferred income tax assets/liabilities during the period were as follows.

In CHF million	Balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals of subsidiaries	Foreign currency translation differences	Balance as at end of period
<b>MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2015</b>						
Financial assets	-1 153	-9	262	0	24	-876
Investment property	-628	-69	0	-	6	-692
Intangible assets	-125	1	-4	-	4	-124
Property and equipment	16	-2	-	-	0	14
Financial liabilities	16	2	0	0	-3	16
Insurance liabilities	-108	-14	0	-	3	-119
Employee benefits	18	0	16	1	-3	32
Deferred income	2	1	-	-	0	3
Other	65	17	-14	-	-2	65
Tax losses	18	-8	-	-	-2	8
<b>NET DEFERRED INCOME TAX ASSETS/LIABILITIES</b>	<b>-1 879</b>	<b>-81</b>	<b>260</b>	<b>1</b>	<b>27</b>	<b>-1 673</b>

### MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2014

Financial assets	-154	9	-1 010	0	2	-1 153
Investment property	-605	-24	0	0	1	-628
Intangible assets	-148	10	23	-11	1	-125
Property and equipment	16	0	-	0	0	16
Financial liabilities	20	9	-13	0	0	16
Insurance liabilities	-65	-44	1	-	0	-108
Employee benefits	-3	-7	27	2	0	18
Deferred income	1	1	-	0	0	2
Other	50	0	14	0	0	65
Tax losses	11	-8	-	15	0	18
<b>NET DEFERRED INCOME TAX ASSETS/LIABILITIES</b>	<b>-877</b>	<b>-54</b>	<b>-957</b>	<b>6</b>	<b>3</b>	<b>-1 879</b>

Deferred tax liabilities have not been recognised on the aggregate amount of temporary differences with consolidated investments in subsidiaries to the extent the Group considers such undistributed earnings as being indefinitely reinvested. The foreign entities are controlled by the Group and these earnings are not expected to be repatriated in the foreseeable future. The amount of such temporary differences was approximately CHF 7.4 billion as at 31 December 2015 (2014: CHF 8.0 billion). If such amounts are ever repatriated, no material tax liabilities would be incurred due to participation exemption rules, unrecognised tax loss carryforwards and applicable double taxation treaties.

Deferred tax assets are recognised for tax-loss carryforwards only to the extent that realisation of the related tax benefit is probable. Swiss tax assets are calculated in accordance with cantonal and municipal tax legislation. The uncertainty of the utilisation of tax losses is taken into account in establishing the valuation allowance. For the following tax-loss carryforwards, which will expire as follows, no deferred tax asset has been recognised.

### Unrecognised tax losses

Amounts in CHF million	Tax losses		Tax rate	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
2016	–	1	15.5%	19.0%
2017	2	1	15.5%	19.0%
2018	2	4	15.5%	21.7%
Thereafter	421	437	17.5%	17.5%
<b>TOTAL</b>	<b>425</b>	<b>442</b>	<b>n/a</b>	<b>n/a</b>

## 25 Provisions

In CHF million	Notes	Restructuring		Litigation		Other		Total	
		2015	2014	2015	2014	2015	2014		
Balance as at 1 January		28	54	84	129	16	17	128	200
Additions from business combinations	28	–	–	–	0	–	3	–	3
Additional provisions made		9	8	11	22	7	0	27	30
Amounts used		–17	–33	–10	–49	–3	0	–29	–82
Unused amounts reversed		0	–1	–13	–21	–1	0	–15	–23
Unwinding of discount and effect of change in discount rate		0	–	0	0	–	–	0	0
Reclassifications and other disposals		–	–	0	3	0	–3	–	–
Foreign currency translation differences		–2	0	–7	0	–1	0	–10	–1
<b>BALANCE AS AT END OF PERIOD</b>		<b>18</b>	<b>28</b>	<b>66</b>	<b>84</b>	<b>18</b>	<b>16</b>	<b>101</b>	<b>128</b>

### Restructuring

Under the “Swiss Life 2015” programme, provisions for restructuring were set up in Germany, Switzerland, Liechtenstein and Luxembourg in 2015 and 2014. The outflow of the amounts is expected within the following one to two years.

### Litigation

“Litigation” relates to several proceedings in several jurisdictions with uncertain outcome including customer claims relating to the distribution units in Germany. Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases that are not of public knowledge or whose detail disclosure could prejudice the interests of the Group.

### Other

“Other” comprises various liabilities of uncertain timing or amount (e.g. indemnification provision relating to property development and management).

## 26 Equity

### Share capital

As at 31 December 2015 and 2014, the share capital of Swiss Life Holding consisted of 32 081 054 fully-paid shares with a par value of CHF 5.10 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of own shares or shares they represent. Conditional share capital was CHF 30 600 000.00 as at 31 December 2015 (2014: CHF 30 600 000.00).

### Share premium

Share premium comprises additional paid-in capital in excess of the par value (net of transaction costs), gains/losses on own equity instruments and equity compensation benefits.

In 2015, a distribution to shareholders out of the capital contribution reserve of CHF 207 million (CHF 6.50 per registered share) was made (2014: CHF 176 million, CHF 5.50 per registered share).

### Number of shares

The following table shows the development of Swiss Life Holding shares issued and treasury shares held by the Swiss Life Group during the period.

Number of shares	2015	2014
<b>SHARES ISSUED</b>		
Balance as at 1 January	32 081 054	32 081 054
SHARES ISSUED AS AT END OF PERIOD	32 081 054	32 081 054
<b>TREASURY SHARES</b>		
Balance as at 1 January	192 697	188 600
Purchases of treasury shares	158 001	74 739
Allocation under equity compensation plans	-96 203	-70 642
BALANCE AS AT END OF PERIOD	254 495	192 697

### Foreign currency translation differences

Foreign currency translation differences comprise the resulting differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.

**Accumulated other comprehensive income**

Accumulated other comprehensive income comprises items of income and expense that are recognised directly in equity rather than in profit or loss, as required or permitted by certain IFRSs.

Items presented in other comprehensive income are grouped on the basis of whether they will be reclassified subsequently to profit or loss when specific conditions are met, and those that will not be reclassified.

The amounts are presented net of certain policyholder bonuses and other policyholder liabilities, deferred acquisition costs, deferred income taxes and non-controlling interests.

Items that may be reclassified to profit or loss comprise:

- Foreign currency translation differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.
- Gains and losses from fair value changes of financial assets available for sale.
- Effective portion of gains and losses on hedging instruments in qualifying cash flow hedges.
- Other items consisting of unrealised losses on financial assets reclassified from available for sale to loans in 2008 due to the disappearance of an active market, and the Group's share of other comprehensive income of investments in associates accounted for using the equity method.

Items that will not be reclassified to profit or loss comprise:

- Revaluation surplus on the transfer of owner-occupied property to investment property following a change in use evidenced by the end of owner-occupation.
- Remeasurements of the net defined benefit liability relating to employee benefit plans.



The following table provides information relating to amounts recognised in accumulated other comprehensive income.

### Accumulated other comprehensive income for the year 2015

In CHF million	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total	
	Notes	Foreign currency translation differences	Gains/ losses financial assets available for sale	Gains/ losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items		Total
Net balance as at 1 January		-866	3 852	378	-132	3 232	71	-236	-	-165	3 067
Reclassification of policyholder participation and income tax effects		-	-53	-	53	-	-	-	-	-	-
Net other comprehensive income		-291	-947	58	27	-1 153	-5	-60	-	-65	-1 218
<b>NET BALANCE AS AT END OF PERIOD</b>		<b>-1 157</b>	<b>2 853</b>	<b>436</b>	<b>-53</b>	<b>2 079</b>	<b>66</b>	<b>-296</b>	<b>-</b>	<b>-230</b>	<b>1 849</b>
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:											
Gains/losses arising during the period	9	-294	-2 439	146	-	-2 587	-	-183	-	-183	-2 770
Gains/losses transferred to the income statement	8, 9	0	-527	-8	64 <sup>1</sup>	-471	-	-	-	-	-471
Effects of											
policyholder participation		-	1 746	-46	-29	1 671	0	104	-	104	1 775
shadow accounting		-	66	-6	-1	59	0	-	-	0	59
income tax		-	270	-20	-7	244	0	16	-	16	260
foreign currency translation differences		-	-64	-8	0	-71	-5	2	-	-3	-74
Net other comprehensive income before non-controlling interests		-294	-947	58	27	-1 156	-5	-60	-	-65	-1 221
Non-controlling interests		3	0	0	0	3	0	0	-	0	3
<b>NET OTHER COMPREHENSIVE INCOME</b>		<b>-291</b>	<b>-947</b>	<b>58</b>	<b>27</b>	<b>-1 153</b>	<b>-5</b>	<b>-60</b>	<b>-</b>	<b>-65</b>	<b>-1 218</b>

<sup>1</sup> Amount relates to debt securities reclassified to loans in 2008 (note 13)

## Accumulated other comprehensive income for the year 2014

In CHF million	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total
	Foreign currency translation differences	Gains/ losses financial assets available for sale	Gains/ losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items	Total	
Net balance as at 1 January	-819	836	47	-107	-42	71	-140	-	-69	-112
Net other comprehensive income	-47	3 017	331	-26	3 275	0	-96	-	-96	3 179
NET BALANCE AS AT END OF PERIOD	-866	3 852	378	-132	3 232	71	-236	-	-165	3 067

### NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:

Gains/losses arising during the period	9	-48	10 384	853	-	11 189	0	-299	-	-299	10 891
Share of other comprehensive income of associates	15	-	-	-	0	0	-	-	-	-	0
Gains/losses transferred to the income statement	8,9	-	-223	-1	61 <sup>1</sup>	-163	-	-	-	-	-163
Effects of											
policyholder participation	-	-6 054	-418	-89	-6 562	0	175	-	175	-6 386	
shadow accounting	-	-174	-17	-5	-197	0	-	-	0	-196	
income tax	-	-907	-85	7	-984	0	27	-	27	-957	
foreign currency translation differences	-	-9	-1	0	-9	0	0	-	0	-10	
Net other comprehensive income before non-controlling interests	-48	3 017	331	-26	3 274	0	-96	-	-96	3 178	
Non-controlling interests	1	0	0	0	0	0	0	-	0	1	
NET OTHER COMPREHENSIVE INCOME	-47	3 017	331	-26	3 275	0	-96	-	-96	3 179	

<sup>1</sup> Amount relates to debt securities reclassified to loans in 2008 (note 13)

## Retained earnings

Retained earnings comprise accumulated retained earnings of the Group entities which have not been distributed to the shareholders. The distribution of profit is subject to restrictions in the various jurisdictions where the Group entities are located.

The Group's insurance subsidiaries are subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to the Group. Certain foreign jurisdictions have restrictions that allow the payment of dividends but may cause a delay in their remittance. Dividends payable are not accrued until they have been ratified at the General Meeting.

## Non-controlling interests

Summarised financial information for subsidiaries with material non-controlling interests is as follows.

In CHF million	SwissLife Banque Privée Paris		TECHNOPARK Real Estate LTD Zurich	
	2015	2014	2015	2014
Principal place of business	<b>France</b>	France	<b>Switzerland</b>	Switzerland
Ownership interests held by non-controlling interests	<b>40.0%</b>	40.0%	<b>33.3%</b>	33.3%
Voting rights held by non-controlling interests	<b>40.0%</b>	40.0%	<b>33.3%</b>	33.3%
<b>SUMMARISED FINANCIAL INFORMATION BEFORE INTRAGROUP ELIMINATIONS</b>				
Current assets	<b>1 073</b>	768	<b>10</b>	11
Non-current assets	<b>182</b>	376	<b>189</b>	184
Current liabilities	<b>-1 160</b>	-1 048	<b>-58</b>	-58
Non-current liabilities	<b>-8</b>	-9	<b>-19</b>	-19
<b>NET ASSETS</b>	<b>87</b>	86	<b>121</b>	118
Accumulated non-controlling interests	<b>35</b>	35	<b>40</b>	39
Revenue	<b>83</b>	91	<b>11</b>	9
Profit or loss	<b>8</b>	6	<b>6</b>	4
Total comprehensive income	<b>0</b>	3	<b>6</b>	4
Profit or loss allocated to non-controlling interests	<b>3</b>	2	<b>2</b>	1
Net cash flows from operating activities	<b>105</b>	59	<b>4</b>	5
Net cash flows from investing activities	<b>-4</b>	-10	<b>-</b>	-1
Net cash flows from financing activities	<b>0</b>	6	<b>-5</b>	-4
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>101</b>	55	<b>-1</b>	0
Dividends paid to non-controlling interests	<b>-</b>	-	<b>1</b>	1

## 27 Capital Management

Swiss Life's objectives when managing capital are as follows: to comply with the regulatory capital requirements, to define and manage economic capital and to fulfil the company's target on rating capital. The company also actively manages the composition and quality of the capital to continuously optimise its capital structure and interest cover ratio.

### Swiss Solvency Test

The Swiss Solvency Test (SST) is the Swiss legislation which governs the capital requirements of insurance companies and groups. It was enacted in 2006 with the revised Insurance Supervision Law and corresponding Insurance Supervision Ordinance and constituted a reporting requirement during a five-year transition period before the capital requirements ultimately became binding from January 2011. The SST is a principle-based framework where the main objective is the alignment of the required capital with the underlying risks. The SST capital requirement underpins a high level of confidence that insurers will meet their obligations towards policyholders even in adverse circumstances. Swiss Life uses an internal model to calculate the available and the required capital for the SST.

Continuous monitoring of solvency under the SST is conducted on a monthly basis, calibration is updated based on the full SST calculations as at the beginning of each calendar year and as at mid-year.

### Regulatory requirements

Swiss Life reports to the Swiss Financial Market Supervisory Authority FINMA. The reporting covers risk management and solvency, legal structure, management organisation and intra-group transactions. The reporting is submitted on an ad-hoc, monthly, half-yearly or yearly basis depending on the topic and is reviewed on a yearly basis by the statutory auditor according to the legal requirements. As at 31 December 2015 and 2014, Swiss Life was compliant with the legal requirements.

In addition to the Group's solvency requirements, constraints at local level are considered to address the specific situation of each country and business unit.

### Economic capital

The value of a life insurance company for its shareholders comprises the economic net worth and the present value of future profits. The optimal amount of economic capital an insurance company needs to hold in order to maximise the company value is based on a risk/reward trade-off. For risk and capital management decisions, Swiss Life uses an integrated approach. The economic risk capital is determined bottom-up for each large business unit and takes into account market risk, credit risk and insurance risk. These risks are calculated on the basis of loss distributions using a specified risk measure. The overall capital requirement is obtained by taking into consideration respective diversification effects.

Economic and statutory capital requirements and the profit target are the main elements determining the risk budgets. Based on the overall risk budget set by the Investment and Risk Committee of the Board of Directors, the Group Risk Committee of the Corporate Executive Board defines the risk limits for the particular business units. Adherence to these limits is also checked on a monthly basis.

### **Standard & Poor's rating capital**

In Standard & Poor's risk-based capital model, the total adjusted capital (TAC) is the measure used for available capital. TAC is set against the capital required given the company's target rating category (target capital). The calculation of target capital takes into account, in particular, insurance risks, asset value volatility and credit risks. Swiss Life has established a target capital level in line with its rating ambition. Within the capital analysis, in addition to assessing capital adequacy, Standard & Poor's also evaluates the quality of capital with respect to its structure (including the share of equity and hybrid capital). Capital adequacy is monitored on an ongoing basis according to Standard & Poor's capital model.

## 28 Acquisitions and Disposals of Subsidiaries

### Assets and liabilities from acquisitions

In CHF million

	Notes	2015	2014
<b>CONSIDERATION</b>			
Cash consideration		12	251
Contingent consideration arrangement(s)		6	-
<b>TOTAL CONSIDERATION</b>		<b>18</b>	<b>251</b>
Fair value of equity interest(s) held before acquisition		1	-
<b>TOTAL</b>		<b>19</b>	<b>251</b>
<b>ACQUISITION-RELATED COSTS</b>			
Commission expense		0	4
<b>TOTAL</b>		<b>0</b>	<b>4</b>
<b>IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED</b>			
Cash and cash equivalents		5	29
Loans and receivables		1	34
Investments in associates		-	4
Property and equipment	16	0	1
Intangible assets including intangible insurance assets	17	1	83
Other assets		2	120
Derivatives		-	0
Financial liabilities		-1	-86
Policyholder participation liabilities		-	-
Employee benefit liabilities		-3	-27
Provisions	25	-	-3
Deferred income tax liabilities		-	-12
Other liabilities		0	-9
<b>TOTAL IDENTIFIABLE NET ASSETS</b>		<b>5</b>	<b>134</b>
Non-controlling interests		-1	0
Goodwill	17	15	117
<b>TOTAL</b>		<b>19</b>	<b>251</b>
<b>ACQUIRED LOANS AND RECEIVABLES</b>			
Fair value		1	34
Gross contractual amounts receivable		1	34
Estimated uncollectible cash flows		0	0

In 2015, Actuaire & Associés, Petit-Lancy, ABCON AG, Bern, and Sobrado Software AG, Cham, were acquired. Actuaire & Associés, Petit-Lancy, and ABCON AG, Bern, operate as pension fund administrators. Sobrado Software AG, Cham, offers a software platform to facilitate transactions between brokers and insurers.

Through the purchase of additional shares, the Swiss Life Group obtained control of RheinCOR Projektentwicklung GmbH, Cologne.

In October 2014, the Swiss Life Group acquired a 100% share in Corpus Sireo Holding GmbH & Co. KG, Cologne, the leading independent real estate asset management service provider in Germany. Goodwill arose on the acquisition because of expected synergies and leveraging effects with existing business.

In 2015 and 2014, no significant disposals of subsidiaries took place.

## 29 Related Party Transactions

### Consolidated statement of income

In CHF million	Associates	Key management personnel	Other	Total	
				2015	2014
Net earned premiums	1	-	-	1	1
Asset management and other commission income	1	-	-	1	1
Investment income	0	-	-	0	0
Other income	0	-	-	0	0
Interest expense	-	-	0	0	0
Commission expense	-1	-	-	-1	-1
Employee benefits expense	-	-20	-	-20	-19

### Consolidated balance sheet

In CHF million	Associates	Key management personnel	Other	Total	
				31.12.2015	31.12.2014
Loans and receivables	6	-	-	6	9
Other assets	0	-	-	0	-
Borrowings	-	-	-1	-1	-1
Other financial liabilities	-2	-	-	-2	-2

For the years ended 31 December 2015 and 2014, no impairment allowance has been made for doubtful debts in respect of the amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

### Guarantees and commitments

In CHF million					
	Associates	Key management personnel	Other	Total	Total
				31.12.2015	31.12.2014
Financial guarantees issued	2	-	-	2	4

“Guarantees issued” relates to a bank loan granted to an associated company of the Group in relation to property under construction.

### Key management compensation

In CHF million			2015	2014
Short-term employee benefits			14	13
Post-employment benefits			2	2
Equity-settled share-based payments			4	4
<b>TOTAL</b>			<b>20</b>	<b>19</b>

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

The details regarding key management compensation in accordance with the Swiss Code of Obligations, Article 663b<sup>bis</sup> and Article 663c and the Federal Ordinance against Excessive Compensation in Listed Stock Companies are set out in the Compensation Report, which forms part of the Corporate Governance section of the Annual Report 2015 of the Swiss Life Group.



## *30 Fair Value Measurements*

For reporting purposes, a fair value hierarchy is established that categorises the inputs to valuation techniques used to measure fair value into level 1, 2 or 3. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

The fair value of assets or liabilities included in level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities. The fair value of assets or liabilities which are not traded in an active market is determined using valuation techniques. If all significant inputs to these valuation techniques are observable (directly and indirectly) in the market, the assets or liabilities are included in level 2.

If one or more significant inputs to these valuation techniques are not observable in the market, the assets or liabilities are included in level 3. Such inputs may include information that is derived through extrapolation which is not substantiated by observable market data or that reflects own assumptions about what market participants would use in pricing the asset or liability.

### 30.1 Assets and liabilities measured at fair value on a recurring basis

#### Financial instruments

As a general rule, fair values of financial instruments are based on quoted prices sourced from well-known independent price providers such as Bloomberg. Model-based level 2 and level 3 valuations of financial instruments are applied to a minority of the assets.

#### Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>FINANCIAL ASSETS</b>								
<b>Derivatives</b>								
Currency	0	1	416	64	–	–	416	66
Interest rate	0	–	1 421	1 880	–	–	1 421	1 880
Equity	262	408	13	4	–	–	275	412
<b>Total derivatives</b>	<b>262</b>	<b>409</b>	<b>1 851</b>	<b>1 949</b>	<b>–</b>	<b>–</b>	<b>2 113</b>	<b>2 358</b>
<b>Debt instruments</b>								
Government/supranational	43 908	44 115	373	419	–	–	44 281	44 534
Corporate	40 692	45 045	410	836	16	79	41 118	45 960
Other	112	123	8	15	–	–	120	139
<b>Total debt instruments</b>	<b>84 713</b>	<b>89 283</b>	<b>791</b>	<b>1 270</b>	<b>16</b>	<b>79</b>	<b>85 519</b>	<b>90 633</b>
<b>Equity instruments</b>								
Equity securities	3 368	1 616	21	67	281	229	3 670	1 912
Investment funds	7 201	4 368	1 168	845	937	568	9 306	5 781
Alternative investments	65	57	69	63	1 197	1 042	1 331	1 162
<b>Total equity instruments</b>	<b>10 634</b>	<b>6 041</b>	<b>1 258</b>	<b>975</b>	<b>2 415</b>	<b>1 838</b>	<b>14 307</b>	<b>8 854</b>
Financial assets pledged as collateral	2 109	2 763	–	–	–	–	2 109	2 763
Assets attributable to non-controlling interests of investment funds	1 658	364	268	299	570	427	2 496	1 090
Assets for the account and risk of the Swiss Life Group's customers	23 300	24 369	1 243	857	2 750	3 750	27 293	28 975
<b>TOTAL FINANCIAL ASSETS</b>	<b>122 675</b>	<b>123 230</b>	<b>5 411</b>	<b>5 349</b>	<b>5 751</b>	<b>6 094</b>	<b>133 837</b>	<b>134 673</b>
<b>INVESTMENTS IN ASSOCIATES</b>								
Associates at fair value through profit or loss	–	–	1	212	5	7	6	219
<b>FINANCIAL LIABILITIES</b>								
<b>Derivatives</b>								
Currency	0	2	374	1 185	–	–	375	1 187
Interest rate	–	–	571	868	–	–	571	868
Equity	8	82	1	1	–	–	8	83
Other	–	–	35	27	–	–	35	27
<b>Total derivatives</b>	<b>8</b>	<b>85</b>	<b>981</b>	<b>2 080</b>	<b>–</b>	<b>–</b>	<b>989</b>	<b>2 165</b>
Investment contracts without discretionary participation	–	–	343	262	–	–	343	262
Unit-linked contracts	–	–	22 491	24 212	124	113	22 615	24 325
Share of net assets of investment funds attributable to non-controlling interests	–	–	1 926	663	570	427	2 496	1 090
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>8</b>	<b>85</b>	<b>25 742</b>	<b>27 217</b>	<b>693</b>	<b>540</b>	<b>26 443</b>	<b>27 842</b>

The fair value hierarchy of assets for the account and risk of the Swiss Life Group's customers is consistent with the categorisation of assets for the account and risk of the Swiss Life Group.

The following sections outline the valuation techniques and significant inputs used in the fair value measurement of financial instruments categorised within level 2 and level 3 of the fair value hierarchy.

#### Level 2: Valuation techniques and inputs

Level 2 financial instruments carried at fair value include debt instruments, equity securities, investment funds, alternative investments, over-the-counter derivatives and investments in associates.

**Debt instruments:** Debt instruments categorised as level 2 of the fair value hierarchy comprise government, supranational and corporate bonds for which prices are only available on an irregular basis or with a significant time lag. The price for such assets is obtained from an independent, acknowledged market data provider, which refers to quotes of recent transactions with the same or similar, actively traded bonds and systematically derives a comparable price for those less liquid securities. Alternatively, if such a derived price is missing, level 2 fair values of debt instruments are measured on a discounted cash flow basis using risk-adjusted discount factors. Main inputs to determine the discount factor are zero coupon yield curves and observable, rating-implied flat spreads to account for credit risk.

**Equity securities:** Equity securities categorised as level 2 of the fair value hierarchy comprise unlisted equities for which the prices are not available in the exchange market. The instruments are evaluated by counterparties or third-party independent agencies based on market consistent valuation parameters.

**Investment funds:** Some fair value measurements of fund units, including unlisted fixed income funds, are only available on an irregular basis and are therefore categorised as level 2. Prices are provided by independent external market data providers who measure the fair value using market-consistent parameters.

**Alternative investments:** Alternative investments classified as level 2 assets comprise hedge funds of funds and leveraged loans funds based on third-party quotes substantiated by observable market data, such as recent transactions or valuation techniques that reflect the market participant's assumptions. The level 2 classification is chosen because those funds maintain an irregular basis of price and are evaluated with some time lag.

**Over-the-counter derivatives:** Level 2 fair values of over-the-counter derivatives on currencies, interest rates and equities are based on theoretical valuations with observable market data from well-known data providers as inputs. The fair value measurement is based on acknowledged, well-established models. In certain cases, the market quotes used in those models may be slightly adjusted to better reflect specific market behaviour, e.g. volatility smiles.

#### Currency derivatives:

- Foreign currency options are valued on the basis of the Garman-Kohlhagen model with the spot foreign exchange rate, the interest rates of the underlying currencies and the foreign exchange rate volatility as main inputs.
- The fair value of foreign currency forwards is derived from the foreign exchange spot rate and actively traded foreign exchange ticks.

#### Interest rate derivatives:

- Interest rate swaps are valued on a discounted cash flow basis. Main inputs used to derive the discount factors are the overnight index/deposit/swap rates.
- Swaptions are theoretically valued with the Black model. Main inputs are the current par swap rate that is calculated out of the standard yield curve and the implied volatility that is derived from observable at-the-money swaption volatility curves.
- Forward starting bonds are valued on a cost-of-carry basis using the discounted cash flow method. Main inputs to calculate the current forward rate are the spot price of the underlying bond and the discount factors to coupon payment dates/maturity date.

#### Equity derivatives:

Over-the-counter equity-index options are valued using the Black-Scholes model. Main inputs are the current spot value and the dividend yield of the underlying index. The implied volatility is taken from similar exchange-traded equity index options.

#### Other derivatives:

Other derivatives mainly comprise credit default swap indices. CDS indices are valued using the discounted cash flow method for the fee and the contingent leg. Main inputs for the valuation are the swap curve and the CDS par spreads quoted in the market.

In the exceptional case that a theoretical valuation of an OTC derivative is not available in Swiss Life's asset management system, the fair value is provided by counterparties. The appropriateness of such quotes is validated by Swiss Life based on established models using observable market data as input.

*Investments in associates:* The associate is categorised as level 2 of the fair value hierarchy as the entity holds investments that qualify inherently as level 1 financial instruments.

#### Level 3: Valuation techniques and inputs

The exposure of level 3 financial instruments primarily consists of alternative investments (private equity, hedge funds) and real estate funds.

*Debt instruments:* Debt instruments categorised as level 3 of the fair value hierarchy mainly comprise instruments with embedded derivatives to guarantee the participation on a defined underlying (hedge fund of funds or equity basket). The valuation, which is provided by banks, is derived from valuation techniques that take into account the market value of the underlying assets, transaction prices and other information, such as market participants' assumptions.

*Equity securities:* The fair values of equity securities, which are not traded in an active market and are determined using unobservable inputs, classify as level 3 within the fair value hierarchy. These fair values are based on generally accepted valuation techniques. Valuation techniques aim at using a maximum of market inputs and include discounted cash flow analysis (e.g. profit situation, investment plans, investment property) and other valuation techniques commonly used by market participants.

*Investment funds:* Level 3 fair values of investment funds are primarily related to real estate funds. The valuation of the underlying property investments is done by independent appraisers using generally accepted valuation techniques (mainly discounted cash flow). The appraisers consider the general economic situation and the individual condition of the property investments. Main input factors applied in the discounted cash flow method are estimates on rental income and vacancies, projections of non-recoverable running costs (e.g. property taxes), maintenance costs and risk-adjusted discount rates, which are determined individually for each property.

*Alternative investments:* The fair values of private equity and infrastructure investments are based on generally accepted valuation techniques. Valuation techniques use a maximum of market inputs and include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from the values that would be used if a ready market for the financial assets existed, and those differences could be material. The fair values are determined by the general partner in the partnership and reviewed by management. In determining the fair value of fund investments, the partnership considers the funds as transparent holding vehicles. The fair values of the underlying investments are determined using the general partner valuation. These fair value measurements are generally categorised as level 3 within the fair value hierarchy.

To measure the fair value of hedge funds for which no quoted market price is available, valuation techniques are used that take into account the market value of the underlying assets, transaction prices and other information.

*Investments in associates:* The valuation methods of investments in associates categorised as level 3 of the fair value hierarchy are identical to the methods outlined for level 3 private equity investments.

#### Financial liabilities

*Investment contracts without discretionary participation:* The fair value of investment contracts, which are carried at fair value, is measured using market consistent, risk-neutral economic option price models, i.e. Monte Carlo simulations based on scenarios of capital market variables (share price and interest rate indices, interest rates and foreign currency rates). These inputs to fair value measurements are generally categorised as level 2 within the fair value hierarchy.

*Unit-linked contracts:* The fair value of liabilities arising from unit-linked insurance and investment contracts is measured by reference to the fair value of the underlying assets. Unit-linked contract liabilities are generally categorised as level 2, except for contracts that are backed predominantly by assets categorised within level 3 of the fair value hierarchy.

### Investment property

The following table shows the fair value hierarchy of investment property as at 31 December.

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014		
Commercial	–	–	–	–	7 648	6 642	7 648	6 642
Residential	–	–	–	–	7 933	7 215	7 933	7 215
Mixed use	–	–	–	–	5 976	5 739	5 976	5 739
<b>TOTAL INVESTMENT PROPERTY</b>	–	–	–	–	<b>21 557</b>	19 596	<b>21 557</b>	19 596

#### Level 3: Valuation techniques and inputs

Discounted cash flow models used for investment property consider the present value of net cash flows to be generated from the property, taking into account expected rent growth rate, vacancy rate, rent-free periods, other costs not paid by tenants, maintenance costs and investment plans. The expected net cash flows are discounted using risk-adjusted discount rates. Location- and property-related criteria are reflected in the discount rate for each property. The criteria reflect the micro- and macro-location characteristics as well as the relevant parameters of the current management situation.

Trends in fair value are determined by various fundamental parameters. A distinction has to be made between property-specific factors and exogenous factors that relate to the real estate and finance market environments. Changes in the property management situation on both the income and the cost side directly trigger an adjustment in the reported market value. Key determinants are new and expiring leases, change in the vacancy situation, as well as movements in running, maintenance and repair costs. Developments in the relevant local real estate market have an impact on the calculation of potential rental values. Changes in the capital or transaction markets have an influence on discount rates. Property ageing is another key factor.

### Significant unobservable inputs

	Switzerland		Other countries	
	2015	2014	2015	2014
Rent growth p.a.	0.5–4.5%	1.0–3.0%	–	–
Long-term vacancy rate	4.0–7.0%	4.0–7.0%	–	–
Discount rate	2.5–5.0%	3.1–5.0%	3.3–7.5%	3.3–9.1%
Market rental value p.a. (price/m <sup>2</sup> /year)	–	–	EUR 130–4500	EUR 130–590

Significant increases or decreases in estimated rental value and rent growth per annum would result in a higher or lower fair value of the properties. Significant decreases or increases in long-term vacancy rate and discount rate would result in a higher or lower fair value.

### Reconciliation of fair value measurements categorised within level 3

The following tables show a reconciliation from the opening balances to the closing balances for fair value measurements categorised within level 3 of the fair value hierarchy.

#### Assets measured at fair value based on level 3 for the year 2015

In CHF million

	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Associates at fair value through profit or loss	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss <sup>1</sup>	Available for sale				
Balance as at 1 January	-	46	33	1 182	1 083	3 750	7	19 596	25 697
Total gains/losses recognised in profit or loss	-	0	5	6	47	-380	0	655	334
Total gains/losses recognised in other comprehensive income	-	-	-	-	-36	-	-	-	-36
Additions	-	0	-	801	402	277	-	2 779	4 259
Disposals	-	-27	-37	-245	-172	-603	-1	-1 172	-2 257
Foreign currency translation differences	-	-5	-	-43	-42	-294	-	-302	-686
<b>BALANCE AS AT END OF PERIOD</b>	-	<b>15</b>	<b>1</b>	<b>1 702</b>	<b>1 283</b>	<b>2 750</b>	<b>5</b>	<b>21 557</b>	<b>27 313</b>
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-	0	6	10	-18	-380	0	648	266

<sup>1</sup> including assets attributable to non-controlling interests of investment funds

#### Assets measured at fair value based on level 3 for the year 2014

In CHF million

	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Associates at fair value through profit or loss	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss <sup>1</sup>	Available for sale				
Balance as at 1 January	-	139	1	665	1 103	2 924	10	18 517	23 359
Total gains/losses recognised in profit or loss	-	5	-18	27	36	577	0	288	915
Total gains/losses recognised in other comprehensive income	-	-	0	-	78	-	-	-	78
Additions	-	0	50	555	56	521	-	1 659	2 841
Disposals	-	-96	-	-58	-181	-238	-4	-809	-1 387
Foreign currency translation differences	-	-2	-	-7	-9	-35	-	-58	-110
<b>BALANCE AS AT END OF PERIOD</b>	-	<b>46</b>	<b>33</b>	<b>1 182</b>	<b>1 083</b>	<b>3 750</b>	<b>7</b>	<b>19 596</b>	<b>25 697</b>
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-	3	-18	25	-20	577	0	278	845

<sup>1</sup> including assets attributable to non-controlling interests of investment funds

During 2015, debt securities of CHF 183 million (2014: CHF 197 million) were transferred from level 1 into level 2 due to reduced frequency of price quotations, and debt securities of CHF 415 million (2014: CHF 321 million) were transferred from level 2 into level 1 due to available quoted prices. Changes in fund pricing frequency (daily/weekly) resulted in the following transfers of investment funds during 2015: CHF 10 million (2014: CHF 493 million) from level 1 into level 2, and CHF 15 million (2014: CHF 63 million) from level 2 into level 1.

The transfers between the levels of the fair value hierarchy were made at the end of the reporting period.

### Liabilities measured at fair value based on level 3

In CHF million	Derivatives		Unit-linked contracts		Share of net assets of investment funds attributable to non-controlling interests		Total	
	2015	2014	2015	2014	2015	2014		
	Balance as at 1 January	-	-	113	107	427		280
Total gains/losses recognised in profit or loss	-	-	0	0	1	0	1	0
Additions	-	-	11	1	242	148	254	149
Disposals	-	-	0	5	-90	-	-91	5
Foreign currency translation differences	-	-	0	0	-11	-1	-11	-1
<b>BALANCE AS AT END OF PERIOD</b>	-	-	<b>124</b>	<b>113</b>	<b>570</b>	<b>427</b>	<b>693</b>	<b>540</b>
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	-	-	0	0	1	0	1	0

### Gains/losses recognised in profit or loss

Gains/losses on level 3 fair value measurements recognised in profit or loss are presented in the income statement as follows.

In CHF million	Net gains/losses on financial assets		Net gains/losses on financial instruments at fair value through profit or loss		Net gains/losses on investment property	
	2015	2014	2015	2014	2015	2014
	<b>ASSETS</b>					
Total gains/losses recognised in profit or loss	52	18	-374	609	655	288
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-12	-38	-370	605	648	278
<b>LIABILITIES</b>						
Total gains/losses recognised in profit or loss	-	-	-1	0	-	-
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	-	-	-1	0	-	-



### 30.2 Fair value of financial instruments carried at amortised cost

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

In CHF million	Carrying amount		Fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>ASSETS</b>				
Loans	19 955	23 348	22 620	27 107
Receivables <sup>1</sup>	4 379	4 600	4 379	4 600
<b>LIABILITIES</b>				
Investment contracts without discretionary participation <sup>1</sup>	9	11	9	11
Borrowings	4 078	3 798	4 278	4 021
Other financial liabilities <sup>1</sup>	10 284	12 056	10 284	12 056

<sup>1</sup> Carrying amount approximates fair value

#### Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>ASSETS</b>								
Loans	4 735	6 991	9 281	12 058	8 604	8 058	22 620	27 107
<b>LIABILITIES</b>								
Investment contracts without discretionary participation	–	–	9	11	–	–	9	11
Borrowings	2 821	2 494	1 457	1 527	–	–	4 278	4 021

#### Receivables and other financial liabilities

The carrying amounts of receivables and other financial liabilities represent a reasonable estimate of fair value as the effect of discounting is immaterial and changes in credit risk are not significant. Such instruments include insurance receivables and payables, demand and short-term deposits and repurchase agreements. The disclosure of the fair value hierarchy is not applicable for these instruments.

### Loans

Level 1: This category consists of debt securities reclassified from financial assets available for sale due to the disappearance of an active market and where the market has become active again. Additionally, debt securities not quoted in an active market at initial recognition and where the market has become active again are included in this category.

Level 2: This category mainly consists of note loans (*Schuldscheindarlehen*) classified as loans. The fair values are measured on a discounted cash flow basis with zero coupon yield curves and credit spreads as main inputs.

Level 3: The fair values of mortgages and other loans are estimated using the discounted cash flow method.

For mortgages, the discount factors are derived from the libor/swap curve and a flat spread. Contract-specific spreads are based on an internal model that covers both risk and administration costs. Main inputs to that model are characteristics of the underlying property, the financial situation of the debtor and the duration of the contract. If no contract-specific spread is available a standard spread is applied that shall cover the marketability disadvantages and the administration costs, as mortgages are less standardised and tradable than exchange-traded bonds.

The discount factors for other loans are derived from the Group's current lending rates for similar loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values equal the carrying values.

### Investment contracts without discretionary participation

Level 2: The fair value of investment contracts without discretionary participation is estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The fair values of deposits are equal to the amount payable on demand or the carrying amount. The carrying amounts of variable-rate deposits approximate their fair values at the reporting date.

### Borrowings

Level 1: This category consists of hybrid debt listed on the stock exchange.

Level 2: Privately placed hybrid debt, the liability component of the convertible debt and bank loans are categorised as level 2. The fair value of Swiss Life's privately placed hybrid debt (subordinated step-up loans) is calculated as the present value of the prospective cash flows to the lenders. The discount rate used for the calculation consists of a relevant government bond rate plus a credit spread. The fair value of the liability component of the convertible debt is calculated as the present value of the prospective cash flows to the bondholders. The discount rate used for the calculation is based on the yield-to-maturity of outstanding straight senior bonds issued by Swiss Life Holding. The fair value of the bank loans secured by mortgage is estimated using discounted cash flow calculations based upon the Group's current borrowing rates for similar borrowings with remaining maturities consistent with the debt being valued.

## 31 Offsetting Financial Assets and Liabilities

The Swiss Life Group enters into separate collateral management and netting agreements with counterparties to manage the credit risks associated with repurchase and reverse repurchase transactions, securities lending and over-the-counter and exchange-traded derivatives transactions. These agreements and similar arrangements generally enable the counterparties to set off liabilities in connection with the respective agreement against assets received in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The right to setoff is a legal right to settle or otherwise eliminate all or a portion of an amount due by applying an amount receivable from the same counterparty against it to reduce credit exposure.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

### Offsetting financial assets

In CHF million	Derivatives		Repurchase agreements		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Gross amounts of recognised financial assets before offsetting	2 113	2 358	–	–	2 113	2 358
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	2 113	2 358	–	–	2 113	2 358
Related amounts not set off in the balance sheet:						
Financial instruments	–11	–571	–	–	–11	–571
Cash collateral received	–1 939	–1 756	–	–	–1 939	–1 756
Net amounts	163	31	–	–	163	31

### Offsetting financial liabilities

In CHF million	Derivatives		Repurchase agreements		Total	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Gross amounts of recognised financial liabilities before offsetting	989	2 165	2 146	2 780	3 135	4 944
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	989	2 165	2 146	2 780	3 135	4 944
Related amounts not set off in the balance sheet:						
Financial instruments	–11	–571	–2 109	–2 763	–2 120	–3 334
Cash collateral pledged	–754	–1 265	–	–	–754	–1 265
Net amounts	224	329	37	17	261	345

## 32 Guarantees and Commitments

In CHF million

	31.12.2015	31.12.2014
Financial guarantees <sup>1</sup>	29	42
Loan commitments	320	242
Capital commitments for alternative investments	376	272
Other capital commitments	264	334
Operating lease commitments	128	136
Contractual obligations to purchase or construct investment property	1 138	1 253
Other contingent liabilities and commitments	452	451
<b>TOTAL</b>	<b>2 707</b>	<b>2 730</b>
<sup>1</sup> of which relating to investments in associates	2	4

### Financial guarantees

The Group has issued financial guarantees and similar instruments. Financial guarantees provide for specified payments to be made to reimburse the holder for a loss incurred in the event that a client fails to make payment when due.

### Loan commitments

The Group has also entered into irrevocable commitments to extend credit in the form of loans and other instruments. They represent undrawn credit lines which are available to clients to secure their liquidity needs. With respect to credit risk, these commitments are contingent upon clients maintaining certain credit standards, and the Group monitors its exposure on a regular basis.

The total amount of credit commitments includes commitments to lend at fixed rates, which expose the Group to interest rate risk. These commitments are entered into for restricted periods of time. As at 31 December 2015, committed principal amounts stood at EUR 66 million and CHF 200 million (2014: EUR 30 million and CHF 165 million). The range of committed interest rates is 1.2% to 4.7% for commitments in euro and 1.0% to 2.3% for commitments in Swiss francs.

### Capital commitments for alternative investments

Represent unfunded commitments to make investments in direct private equity, private equity funds, infrastructure and hedge funds. Such commitments do not involve credit or market risk, as the Group purchases investments at market value at the time the commitments are invoked.

### Other capital commitments

Represent agreements to provide liquidity to protection funds in the insurance industry.

### Operating lease commitments

The Group has entered into various operating leases as a lessee. Rental expenses recognised in income for these items totalled CHF 41 million for the year ended 31 December 2015 (2014: CHF 39 million). Minimum lease payments totalled CHF 41 million in 2015 (2014: CHF 39 million).

### Future minimum lease payments under non-cancellable operating leases

In CHF million

	31.12.2015	31.12.2014
Not later than 1 year	35	38
Later than 1 year and not later than 5 years	88	93
Later than 5 years	5	5
<b>TOTAL</b>	<b>128</b>	<b>136</b>
Expected future minimum sublease payments	0	-

### Other contingent liabilities and commitments

Contractual obligations for repairs and maintenance of investment property amounted to CHF 152 million as at 31 December 2015, which are included in this line item (2014: CHF 182 million).

The Group is involved in various legal proceedings, claims and litigation generally relating to its insurance operations. The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of the management these matters are adequately provided for as at the balance sheet date.

## 33 Collateral

### Financial assets pledged as collateral

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition because substantially all risks and rewards of ownership are retained. Repurchase agreements and securities lending transactions are discussed in notes 2.7 and 12. Other securities pledged include debt securities pledged as collateral under reinsurance contracts issued and debt securities pledged as collateral under prime broker contracts to cover margins due in respect of derivative transactions.

In CHF million	Pledged amount		Fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Securities pledged under repurchase agreements <sup>1</sup>	2 109	2 763	2 109	2 763
Securities lent in exchange for securities received	3 619	4 571	3 619	4 571
Other securities pledged	1 068	2 392	1 068	2 392
Cash pledged for derivative liabilities	754	1 265	754	1 265
Cash pledged for other liabilities	31	33	31	33
Other financial assets pledged	1	1	1	1
<b>TOTAL</b>	<b>7 581</b>	<b>11 025</b>	<b>7 581</b>	<b>11 025</b>
<sup>1</sup> of which can be sold or repledged by transferee	2 109	2 763	2 109	2 763

### Collateral held

The Group holds marketable securities as collateral in respect of the following transactions.

In CHF million	Fair value	
	31.12.2015	31.12.2014
Securities received as collateral in exchange for securities lent	3 619	4 810
Securities received under derivative and other transactions	885	1 853
<b>TOTAL</b>	<b>4 504</b>	<b>6 662</b>

## 34 Future Minimum Lease Payments under Non-Cancellable Operating Leases – Lessor

In CHF million		
	31.12.2015	31.12.2014
Not later than 1 year	377	336
Later than 1 year and not later than 5 years	1 159	1 014
Later than 5 years	1 114	952
<b>TOTAL</b>	<b>2 650</b>	<b>2 303</b>
Contingent rents recognised in profit or loss	0	0

Leased assets where the Group is a lessor primarily relate to investment property leased to third parties under operating leases.

## 35 Events after the Reporting Period

On 2 March 2016, Swiss Life Ltd successfully placed a CHF 450 million undated subordinated bond, first callable in September 2021 (coupon until first call date: 3.75%) and a CHF 150 million dated subordinated bond with final maturity in 2046, first callable in September 2026 (coupon until first call date: 4.375%). The bonds were placed with investors in the Swiss franc market. The proceeds will be used for general corporate purposes, including future refinancing of outstanding subordinated debt instruments in accordance with applicable laws and regulations.

## 36 Scope of Consolidation

### Switzerland

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
ABCON AG, Bern	CH	from 06.07.2015	100.0%	100.0%	Services
Actuaires et Associés SA, Petit-Lancy	CH	from 12.01.2015	100.0%	100.0%	Services
Adroit Private Equity AG, Zürich	CH		100.0%	100.0%	Private equity
aXenta AG, Baden-Dättwil	CH		100.0%	100.0%	Information technology
GENBLAN AG, Zürich	CH		100.0%	100.0%	Real estate
Livit AG, Zürich	AM		100.0%	100.0%	Asset management & Real estate
Livit FM Services AG, Zürich	AM		100.0%	100.0%	Services
Neue Warenhaus AG, Zürich	CH		100.0%	100.0%	Real estate
Oscar Weber AG, Zürich	CH		100.0%	100.0%	Real estate
Oscar Weber Holding AG, Zürich	CH		100.0%	100.0%	Asset management & Real estate
Sobrado Software AG, Cham	CH	from 29.09.2015	66.7%	66.7%	Information technology
Swiss Life AG, Zürich	CH		100.0%	100.0%	Life insurance
Swiss Life Asset Management AG, Zürich	AM		100.0%	100.0%	Asset management
Swiss Life Capital Holding AG, Zürich	Other		100.0%	100.0%	Holding
Swiss Life Funds AG, Lugano	AM		100.0%	100.0%	Finance
Swiss Life Holding AG, Zürich	Other		-	-	Holding
Swiss Life Intellectual Property Management AG, Zürich	Other		100.0%	100.0%	Services
Swiss Life International Holding AG, Zürich	Other		100.0%	100.0%	Holding
Swiss Life International Services AG, Schaan, Branch Zürich, Zürich	IN		100.0%	100.0%	Services
Swiss Life Investment Management Holding AG, Zürich	AM		100.0%	100.0%	Holding
Swiss Life Lab AG, Zürich	CH	from 22.06.2015	100.0%	100.0%	Information technology
Swiss Life Pension Services AG, Zürich	CH		100.0%	100.0%	Services
Swiss Life Private Equity Partners AG, Zürich	AM		100.0%	100.0%	Asset management
Swiss Life REIM (Switzerland) AG, Zürich	AM		100.0%	100.0%	Asset management
Swiss Life Products (Luxembourg) S.A., Strassen, Branch Zürich, Zürich	DE	until 26.08.2014	-	-	
Swiss Life Schweiz Holding AG, Zürich	CH		100.0%	100.0%	Holding
Swiss Life Select International Holding AG, Zürich	IN		100.0%	100.0%	Holding
Swiss Life Select Schweiz AG, Zug	CH		100.0%	100.0%	Services
Swissville Centers Holding AG, Zürich	CH		100.0%	100.0%	Holding
Swissville Commerce AG, Zürich	CH		100.0%	100.0%	Real estate
TECHNOPARK Immobilien AG, Zürich	CH		66.7%	66.7%	Real estate

### Liechtenstein

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Liechtenstein) AG, Schaan	IN		100.0%	100.0%	Life insurance
Swiss Life International Services AG, Schaan	IN		100.0%	100.0%	Services

<sup>1</sup> Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)



## France

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
AGAMI, Levallois-Perret	FR		100.0%	100.0%	Services and broker
ATIM Université SCI, Levallois-Perret	FR		100.0%	100.0%	Real estate
AXYALIS PATRIMOINE, Valence	FR		77.6%	97.0%	Services
Carte Blanche Partenaires, Paris	FR	until 31.12.2014	-	-	
Cegema, Villeneuve-Loubet	FR		97.6%	97.6%	Broker
CrossQuantum, Levallois-Perret	FR	from 06.11.2015	100.0%	100.0%	Services
Financière du Capitole, Balma	FR		80.0%	80.0%	Finance
Financière du Patrimoine, Balma	FR		80.0%	100.0%	Real estate
MA Santé Facile, Levallois-Perret	FR		100.0%	100.0%	Services and broker
PRIGEST, Paris	FR	until 29.04.2014	-	-	
SAS Placement Direct, Pau	FR		100.0%	100.0%	Services and broker
SCI SWISSLIFE 148 UNIVERSITE, Levallois-Perret	FR		100.0%	100.0%	Real estate
Swiss Life Asset Management (France), Levallois-Perret	AM		100.0%	100.0%	Asset management
SWISS LIFE REIM (France), Marseille	AM		79.8%	79.8%	Asset management
SwissLife Agence Régionale (formerly CGPI 2014), Levallois-Perret	FR		100.0%	100.0%	Asset management
SwissLife Assurance et Patrimoine, Levallois-Perret	FR		100.0%	100.0%	Life insurance
SwissLife Assurances de Biens, Levallois-Perret	FR		100.0%	100.0%	Non-life insurance
SwissLife Banque Privée, Paris	FR		60.0%	60.0%	Bank
SwissLife Dynapierre, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife France, Levallois-Perret	FR		100.0%	100.0%	Holding
SwissLife Gestion Privée, Paris	FR		60.0%	100.0%	Bank
SwissLife Immobilier, Levallois-Perret	AM		100.0%	100.0%	Real estate
SwissLife Prestigimmo, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife Prévoyance et Santé, Levallois-Perret	FR		99.8%	99.8%	Non-life insurance

<sup>1</sup> Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

## Germany

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Anatol Acquisition GmbH, Köln	AM	until 27.04.2015	-	-	
AWD Zweite Vermögensverwaltungsgesellschaft mbH, Hannover	DE		100.0%	100.0%	Services
CitCor Residential Verwaltungs GmbH, Düsseldorf	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Adlershof GmbH & Co. KG, Köln	CH	from 18.12.2015	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Commercial GmbH, Heusenstamm	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Residential GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Retail GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Broadway Acquisition GmbH, Köln	AM	until 27.04.2015	-	-	
CORPUS SIREO HOLDING GmbH (formerly CORPUS SIREO Holding GmbH & Co. KG), Köln	AM	from 01.10.2014	100.0%	100.0%	Holding
CORPUS SIREO Immobilien Beteiligungs GmbH (formerly CitCor Commercial Properties Management GmbH), Köln	CH	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Commercial No. 6 GmbH, Köln	AM	until 04.05.2015	-	-	
CORPUS SIREO Investment Residential Berlin GmbH, Köln	AM	until 23.04.2015	-	-	
CORPUS SIREO Investment Residential No. 2 GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 24 S.à.r.l. – Branch Köln, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 30 GmbH & Co. KG, Köln	AM	from 01.10.2014	99.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler GmbH, Branch Düsseldorf, Düsseldorf	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler GmbH, Branch Frankfurt am Main, Frankfurt am Main	AM	from 19.03.2015	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler GmbH, Branch KölnBonn, Bonn	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler Frankfurt GmbH, Frankfurt am Main	AM	until 09.03.2015	-	-	
CORPUS SIREO Makler GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Beteiligungs GmbH (formerly CORPUS SIREO Holding GmbH), Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Düsseldorf GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Frankfurt-Mitte GmbH, Köln	AM	until 19.03.2015	-	-	
CORPUS SIREO Projektentwicklung Köln-West GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Lessingstrasse GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung München GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung München II GmbH, Köln (formerly CORPUS SIREO Projektentwicklung München II S.à.r.l., Luxembourg)	AM	from 26.11.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Neuenhöfer Allee GmbH, Köln	AM	until 19.03.2015	-	-	
CORPUS SIREO Projektentwicklung Wohnen Bonner Strasse GmbH, Köln	AM	until 19.03.2015	-	-	
CORPUS SIREO Projektentwicklung Wohnen GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen Residenz GmbH, Köln	AM	until 19.03.2015	-	-	

<sup>1</sup> Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

## Germany (continued)

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
DEUTSCHE PROVENTUS AG, Hannover	DE		100.0%	100.0%	Services
Faircompare GmbH, Hannover	DE		100.0%	100.0%	Services
Financial Solutions AG Service & Vermittlung, Garching b. München	DE		100.0%	100.0%	Services
FRECOR Projektentwicklung und Wohnbau GmbH, Köln	AM	from 01.10.2014	76.0%	76.0%	Asset management & Real estate
Horbach Wirtschaftsberatung GmbH, Köln	DE		100.0%	100.0%	Services
IC Investment Commercial No. 5 GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
Maicor Projektentwicklung Winterhafen GmbH, Mainz	AM	from 01.10.2014	74.2%	74.2%	Asset management & Real estate
Pegasus Acquisition GmbH, Köln	AM	until 27.04.2015	-	-	
ProVentus Akademie- und Vertriebs GmbH, Hannover	DE		100.0%	100.0%	Services
RheinCOR Projektentwicklung GmbH, Köln	AM	from 19.01.2015	55.0%	55.0%	Asset management & Real estate
SELECT Bauprojektentwicklung GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien I KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien II KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien III KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien IV KG, Garching b. München	DE	from 22.01.2014	100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL-Immobilien-Beteiligungs-Gesellschaft mbH, Garching b. München	DE		100.0%	100.0%	Holding
SL Private Equity GmbH, Frankfurt am Main	DE		98.9%	98.9%	Private equity
SLPM Schweizer Leben PensionsManagement GmbH, Garching b. München	DE		100.0%	100.0%	Services
SolViva Immobilien GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
Swiss Life AG, Garching b. München (Branch Swiss Life AG)	DE		100.0%	100.0%	Life insurance
Swiss Life Asset Management GmbH, Garching b. München	AM		100.0%	100.0%	Services
Swiss Life Assurance Solutions S.A., Branch Germany, München	Other	until 10.03.2014	-	-	
Swiss Life Beteiligungen GmbH, Garching b. München	DE		100.0%	100.0%	Holding
Swiss Life Deutschland erste Vermögensverwaltungs AG, Garching b. München	DE		100.0%	100.0%	Services
Swiss Life Deutschland Holding GmbH, Hannover	DE		100.0%	100.0%	Holding
Swiss Life Deutschland Operations GmbH, Hannover	DE		100.0%	100.0%	Services
Swiss Life Deutschland Vertriebsservice GmbH, Hannover	DE		100.0%	100.0%	Services
Swiss Life Gastronomie GmbH, Hannover	DE		100.0%	100.0%	Staff restaurant/Canteen
Swiss Life Insurance Solutions S.A. Branch Germany, Garching b. München	Other		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Invest GmbH, München	AM		100.0%	100.0%	Asset management
Swiss Life Partner Service- und Finanzvermittlungs GmbH, Garching b. München	DE		100.0%	100.0%	Services
Swiss Life Pensionsfonds AG, Garching b. München	DE		100.0%	100.0%	Life insurance
Swiss Life Pensionskasse AG, Garching b. München	DE		100.0%	100.0%	Life insurance
Swiss Life Products (Luxembourg) S.A. Branch Germany, Garching b. München	DE		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Select Deutschland GmbH, Hannover	DE		100.0%	100.0%	Services
Swiss Life Service GmbH, Leipzig	DE		100.0%	100.0%	Services
Swiss Life Vermittlungs GmbH, Garching b. München	DE		100.0%	100.0%	Services
tecis Finanzdienstleistungen AG, Hamburg	DE		100.0%	100.0%	Services

<sup>1</sup> Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

## Luxembourg

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Basket Fonds (LUX), Luxembourg	AM	until 15.12.2015	-	-	
CORPUS SIREO Health Care III Management S.à.r.l., Luxembourg	AM	from 12.06.2015	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Health Care III SICAV-FIS, Luxembourg	AM	from 17.06.2015	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO International S.à.r.l. (formerly CORPUS SIREO Investment Management S.à.r.l.), Luxembourg	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 24 S.à.r.l., Luxembourg	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO RetailCenter Management S.à.r.l., Luxembourg	AM	from 17.12.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO RetailCenter-Fonds Deutschland SICAV-FIS, Luxembourg	AM	from 22.12.2014	57.0%	57.0%	Asset management & Real estate
CS Stella (LUX) S.à.r.l., Luxembourg	CH	from 16.11.2015	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Trust No. 1 S.à.r.l., Luxembourg	AM	until 31.12.2015	-	-	
DRED Real Estate Deutschland GP S.à.r.l., Luxembourg	AM	from 17.07.2015	100.0%	100.0%	Asset management & Real estate
Heralux S.A., Strassen	FR		99.8%	100.0%	Reinsurance
Stella (LUX) Holding S.à.r.l., Luxembourg	CH	from 16.11.2015	100.0%	100.0%	Asset management & Real estate
Stella (LUX) Pool 1 S.à.r.l., Luxembourg	CH	from 16.11.2015	100.0%	100.0%	Asset management & Real estate
Stella (LUX) Pool 2 S.à.r.l., Luxembourg	CH	from 16.11.2015	100.0%	100.0%	Asset management & Real estate
Stella (LUX) Pool 3 S.à.r.l., Luxembourg	CH	from 16.11.2015	100.0%	100.0%	Asset management & Real estate
Stella (LUX) Single 1 S.à.r.l., Luxembourg	CH	from 16.11.2015	100.0%	100.0%	Asset management & Real estate
Stella (LUX) Single 2 S.à.r.l., Luxembourg	CH	from 16.11.2015	100.0%	100.0%	Asset management & Real estate
Stella 2 SCS, Luxembourg	CH	from 19.11.2015	100.0%	100.0%	Asset management & Real estate
Stella 2-Management S.à.r.l., Luxembourg	CH	from 19.11.2015	100.0%	100.0%	Asset management & Real estate
Swiss Life (LUX) German Core Real Estate Management S.à.r.l., Luxembourg	AM	from 06.07.2015	100.0%	100.0%	Asset management & Real estate
SWISS LIFE (LUXEMBOURG) S.A., Strassen	IN		100.0%	100.0%	Life insurance
Swiss Life Assurance Solutions S.A., Strassen	Other		100.0%	100.0%	Non-life insurance
Swiss Life Fund Management (LUX) S.A., Luxembourg	AM		100.0%	100.0%	Investment funds
Swiss Life Funds (Lux) Global Infrastructure Opportunities Management S.à.r.l., Strassen	AM		100.0%	100.0%	Asset management
Swiss Life Funds (Lux) Global Infrastructure Opportunities S.C.A., SICAV-SIF, Luxembourg	AM		100.0%	100.0%	Asset management
Swiss Life Funds (LUX), Luxembourg	AM		-	-	Investment funds
Swiss Life German CRE Holding S.à.r.l., Luxembourg	AM	from 06.07.2015	-	-	Asset management & Real estate
Swiss Life German CRE Office and Retail S.C.S., Luxembourg	AM	from 06.07.2015	-	-	Asset management & Real estate
Swiss Life German CRE Residential S.C.S., Luxembourg	AM	from 06.07.2015	-	-	Asset management & Real estate
Swiss Life German CRE S.à.r.l., Luxembourg	AM	from 06.07.2015	-	-	Asset management & Real estate
Swiss Life Funds (Lux) Management Company S.A., Luxembourg	AM	until 17.12.2014	-	-	
Swiss Life GIO Holdings S.à.r.l., Luxembourg	AM		100.0%	100.0%	Asset management
Swiss Life GIO S.à.r.l., Luxembourg	AM		100.0%	100.0%	Asset management
Swiss Life Hotel Properties SCS, Luxembourg	DE		100.0%	100.0%	Asset management & Real estate
Swiss Life Immo-Arlon, Société Anonyme, Strassen	Other		100.0%	100.0%	Real estate
Swiss Life Insurance Solutions S.A., Strassen	Other		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life International Pension Fund ASBL, Strassen	IN		-	-	Pension funds
Swiss Life Invest Luxembourg S.A., Strassen	Other		100.0%	100.0%	Holding
Swiss Life Participations Luxembourg S.A., Strassen	Other		100.0%	100.0%	Holding
Swiss Life Products (Luxembourg) S.A., Strassen	DE		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Real Estate Management Funds I S.C.S., Strassen	DE	from 05.11.2014	100.0%	100.0%	Real estate
Swiss Life Real Estate Management I S.à.r.l., Strassen	DE	from 03.11.2014	100.0%	100.0%	Real estate
Swiss Life Real Estate Management II S.à.r.l., Luxembourg	DE	from 27.10.2015	100.0%	100.0%	Asset management & Real estate
Swiss Life REF (LUX) German Core Real Estate SCS, Société en Commandite simple, Luxembourg	AM	from 06.07.2015	-	-	Asset management & Real estate
White Tower Munich General Partner S.à.r.l., Luxembourg	DE	from 27.10.2015	100.0%	100.0%	Asset management & Real estate
White Tower Munich SCS, Luxembourg	DE	from 27.10.2015	100.0%	100.0%	Asset management & Real estate

<sup>1</sup> Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

## United Kingdom

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Bazalgette (Investments) Limited, London	AM	from 07.04.2015	99.0%	99.0%	Asset Management
Chase de Vere Consulting Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere Financial Solutions Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere IFA Group Plc, London	IN		100.0%	100.0%	Finance
Chase de Vere IFA Services Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere Independent Financial Advisers Limited, London	IN		100.0%	100.0%	Finance
Chase de Vere Loans Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere Private Client Trustees Limited, London	IN		100.0%	100.0%	Dormant
Chase de Vere Trustees Limited, Leicestershire	IN	until 01.09.2014	-	-	

## Austria

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Swiss Life International Services AG, Branch Austria, Wien	CH		100.0%	100.0%	Services
Swiss Life Products (Luxembourg) S.A., Branch Austria, Wien	DE		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Select CEE Holding GmbH, Wien	IN		100.0%	100.0%	Holding
Swiss Life Select Österreich GmbH, Wien	IN		100.0%	100.0%	Services

## Belgium

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
RENAISSANCE OFFICE SPRL, Bruxelles	FR		100.0%	100.0%	Real estate
RENAISSANCE RESIDENTIAL, Bruxelles	FR	until 31.07.2015	-	-	

## Canada

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Swiss Life GIO Canada Group Ltd, Montréal	AM		100.0%	100.0%	Asset management

## Cayman Islands

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Adroit Investment (Offshore) Ltd., Grand Cayman	CH		100.0%	100.0%	Private equity
Adroit Partnerships (Offshore) L.P., Grand Cayman	CH		100.0%	100.0%	Private equity
Swiss Life Financial Services (Cayman) Ltd., Grand Cayman	Other		100.0%	100.0%	Services
Swiss Life Insurance Finance Ltd., Grand Cayman	Other		100.0%	100.0%	Finance

## Czech Republic

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Select Ceska Republika s.r.o., Brno	IN		100.0%	100.0%	Services

<sup>1</sup> Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

**Poland**

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Select Spółka z ograniczona odpowiedzialnoscia, Warszawa	IN		100.0%	100.0%	Services

**Singapore**

	Segment <sup>1</sup>	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Singapore) Pte. Ltd., Singapore	IN		100.0%	100.0%	Life insurance
Swiss Life Network (Asia) Pte. Ltd., Singapore	IN		100.0%	100.0%	Services

<sup>1</sup> Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

# *Report of the Statutory Auditor*

Report of the Statutory Auditor  
to the General Meeting of  
Swiss Life Holding Ltd  
Zurich

## **Report of the Statutory Auditor on the Consolidated Financial Statements**

As statutory auditor, we have audited the consolidated financial statements of Swiss Life Holding Ltd, which comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements (pages 152 to 296), for the year ended 31 December 2015.

### **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 2015 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

Ray Kunz  
Audit expert  
Auditor in charge

Nebojsa Baratovic  
Audit expert

Zurich, 15 March 2016