

Swiss Life Holding Financial Statements

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Management Report

Swiss Life Holding increased its profit in the 2015 financial year to CHF 349 million (2014: CHF 258 million).

The annual profit of Swiss Life Holding consisted mainly of dividends, guarantee fees and interest income within the Group, as well as investment income. Dividend payments received by the holding company from subsidiaries increased from CHF 232 million to CHF 337 million. Guarantee fees including processing fees for new loans rose from CHF 44 million to CHF 45 million. Corpus Sireo units were granted two new loans totalling EUR 44 million to finance new real estate projects. In addition, the Group-wide credit structure was simplified, as a result of which the volume of loans to Group companies rose from CHF 638 million to CHF 642 million. Interest earned on loans to Group companies increased from CHF 25 million to CHF 30 million. Most of the additional interest income arises from loans granted to subsidiaries in the previous year. Earnings from investments in bonds and fund units rose from CHF 16 million to CHF 29 million. All loans granted internally and external investments in foreign currencies are hedged with currency futures. The cost of hedging during the reporting period was CHF 9 million (2014: CHF 1.3 million). During the period under review, CHF 31 million in loans granted to subsidiaries was converted into equity capital. Furthermore, the investment book value of Swiss Life Deutschland Holding was revalued by CHF 41 million. The value of all participations thus declined slightly, from CHF 3946 million to CHF 3936 million.

Swiss Life Holding's profit distribution to shareholders in the period under review came to CHF 207 million or CHF 6.50 per share and was made out of the capital contribution reserve. The par value of the Swiss Life Holding share stands unchanged at CHF 5.10. The company's nominal share capital at the end of the year remained at CHF 164 million.

As at the end of the year Swiss Life Holding holds debt capital amounting to CHF 918 million. It consists of two senior bonds in the total nominal amount of CHF 425 million, comprising a tranche of CHF 225 million with a six-year maturity (coupon 1.125%; maturing 2019) and a tranche of CHF 200 million with a ten-year maturity (coupon 1.875%; maturing 2023), as well as a seven-year convertible bond in the amount of CHF 500 million (coupon 0%; maturing 2020). All financial instruments were issued in 2013. Interest on the bonds came to CHF 7 million. Total expenditure including taxes remained unchanged at CHF 33 million.

As at the end of the year Swiss Life Holding has assets (liquid funds, debt securities and investment funds) of CHF 1184 million. Due primarily to the reallocation of assets, liquid funds reduced from CHF 287 million to CHF 183 million, while debt security and investment fund holdings increased from CHF 801 million to CHF 1001 million. All debt securities are eligible for repo transactions.

Statement of Income

Statement of income for the years ended 31 December

In CHF million

	2015	2014
Dividends received	337	232
Realised gain/loss on non-current assets	-4	-7
Unrealised gain/loss on non-current assets	-51	1
Other finance income	58	41
Other financial expense	-10	-9
Foreign currency gains/losses	-9	-25
NET INCOME ON NON-CURRENT ASSETS	323	232
STAFF COSTS	-6	-5
OPERATING EXPENSE	-9	-8
OTHER PROFIT FROM OPERATIONS	45	48
OTHER OPERATING EXPENSE	-2	-6
INCOME TAX	-2	-3
ANNUAL PROFIT	349	258

Balance Sheet

Balance sheet

In CHF million

	31.12.2015	31.12.2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	183	287
Receivables from Group companies	34	23
Receivables from third parties	1	0
Prepayments and accrued income	14	13
TOTAL CURRENT ASSETS	233	323
NON-CURRENT ASSETS		
Debt securities	798	702
Investment funds	203	99
Loans to Group companies	642	638
Financial assets	1 643	1 439
Participations	3 936	3 946
TOTAL NON-CURRENT ASSETS	5 578	5 384
TOTAL ASSETS	5 811	5 708
LIABILITIES AND EQUITY		
LIABILITIES		
SHORT-TERM DEBT CAPITAL		
Payables to Group companies	9	–
Liabilities towards third parties	53	83
TOTAL SHORT-TERM DEBT CAPITAL	61	83
LONG-TERM DEBT CAPITAL		
Convertible securities	495	494
Senior bonds	423	423
TOTAL LONG-TERM DEBT CAPITAL	918	917
TOTAL LIABILITIES	979	1 000
EQUITY		
Share capital	164	164
Capital contribution reserve	862	1 070
Statutory capital reserve	862	1 070
General reserves	32	32
Statutory retained earnings	32	32
Free reserves	3 473	3 214
Balance carried forward from previous year	0	1
Annual profit	349	258
Profit shown in the balance sheet	349	259
Voluntary retained earnings	3 822	3 473
Own capital shares	–49	–31
TOTAL EQUITY	4 832	4 708
TOTAL LIABILITIES AND EQUITY	5 811	5 708

Notes to the Financial Statements

Accounting Rules

The 2015 Financial Statements are the first to incorporate the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). The previous year's balance sheet and income statement have been amended accordingly to ensure comparability. Treasury shares in particular are now represented as a negative value in equity. The reserve for treasury shares has been accordingly released. The valuation method for participations has also been adapted to the new Code of Obligations. With the introduction of new provisions, participations have been revalued by CHF 41 million. This adaptation is contained in the position "Unrealised gain/loss of capital assets". Swiss Life Holding's Financial Statements are presented in millions of Swiss francs (CHF), which is the presentation currency. Figures may not add up exactly due to rounding.

Explanations on the balance sheet and statement of income

Participations

	Currency	Authorised	Direct share	Currency	Authorised	Direct share
		share capital in 1000			share capital in 1000	
		31.12.2015			31.12.2014	
Swiss Life Ltd, Zürich	CHF	587 350	100.00%	CHF	587 350	100.00%
Swiss Life Deutschland Holding GmbH, Hannover	EUR	25	100.00%	EUR	25	100.00%
Swiss Life Intellectual Property Management AG, Zürich	CHF	250	100.00%	CHF	250	100.00%
Swiss Life International Holding AG, Zürich	CHF	1 000	100.00%	CHF	1 000	100.00%
Swiss Life Investment Management Holding AG, Zürich	CHF	50 000	100.00%	CHF	50 000	100.00%
Swiss Life Schweiz Holding AG, Zürich	CHF	250	100.00%	CHF	250	100.00%

Loans to Group companies

CHF 556 million of the loans to Group companies is classified as subordinated.

Major shareholders

The following shareholders hold over 5% of Swiss Life Holding's share capital.

As % of total share capital

	31.12.2015	31.12.2014
Deutsche Bank AG	5.35%	5.35%
BlackRock Inc.	5.58%	5.58%

Share capital

As at 31 December 2015, 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 his own shares and those he represents. As at 31 December 2014, Swiss Life Holding had 32 081 054 registered shares outstanding with a par value of CHF 5.10 per share. Conditional share capital was CHF 30 600 000.00 as at 31 December 2015 (2014: 30 600 000.00).

Statutory capital reserve

The statutory capital reserve consists of the reserve from capital contribution reserves of CHF 862 million. Following the distribution of CHF 6.50 per share, the capital contribution reserve was reduced by CHF 207 million during the year under review from CHF 1070 million to CHF 862 million as at 31 December 2015. Of this amount CHF 691 million is recognised by the Federal Tax Administration, while the legal qualification of CHF 171 million is still open and is to be reassessed according to future legal developments.

Statutory retained earnings

Statutory retained earnings comprise the general reserves.

Free reserves

This post comprises accumulated retained earnings which have not been distributed to the shareholders.

Issue of a convertible bond in 2013

On 2 December 2013, Swiss Life Holding launched a bond issue in the amount of CHF 500 million with a coupon of 0%, due in 2020. The bonds may be converted into registered Swiss Life Holding shares. The conversion price is set at CHF 240.70.

In 2015 no convertible bonds were converted into Swiss Life Holding shares.

Issue of two senior bonds in 2013

Two senior bonds for a total amount of CHF 425 million were issued on 21 June 2013, split into a tranche of CHF 225 million with a tenor of six years until 2019 (coupon of 1.125%) and a tranche of CHF 200 million with a tenor of ten years until 2023 (coupon of 1.875%).

Treasury shares

In the year under review the companies in the Swiss Life Group purchased a total of 158 001 Swiss Life Holding shares at an average price of CHF 219.76. No shares were sold in the same period. As at 31 December 2015, the Swiss Life Group held 254 495 treasury shares.

Contingencies

Swiss Life Holding acts as warrantor for all Swiss Life Ltd liabilities with regard to the various tranches of the subordinated perpetual step-up loans (hybrid debt), which amounted to an equivalent value of CHF 3730 million at the balance sheet date.

Swiss Life Holding further provides capital guarantees for a maximum net asset value of CHF 1100 million to Swiss Life Ltd, CHF 150 million to Swiss Life Funds, CHF 185 million to Swiss Life Products, CHF 7 million to Swiss Life Liechtenstein and CHF 7 million to Corpus Sireo.

In addition, Swiss Life Holding grants a line of credit in the amount of CHF 16 million to Swiss Life Products, a line of credit in the amount of CHF 6 million to Swiss Life Schweiz Holding and a line of credit in the amount of CHF 83 million to Corpus Sireo.

Financial assets pledged as collateral

In the year under review, Swiss Life Holding pledged no liquid assets as margin cover for currency forward transactions.

Statement of changes in equity for the years ended 31 December

In CHF million

	2015	2014
SHARE CAPITAL		
Balance as at 1 January	164	164
TOTAL SHARE CAPITAL	164	164
STATUTORY CAPITAL RESERVE		
Balance as at 1 January	1 070	1 246
Distribution of profit from the capital contribution reserve	-207	-176
TOTAL STATUTORY CAPITAL RESERVE	862	1 070
STATUTORY RETAINED EARNINGS		
General reserves		
Balance as at 1 January	32	32
Total general reserves	32	32
TOTAL STATUTORY RETAINED EARNINGS	32	32
VOLUNTARY RETAINED EARNINGS		
Free reserves		
Balance as at 1 January	3 214	3 098
Allocation to free reserves	259	90
Release of reserve for treasury shares	-	26
Total free reserves	3 473	3 214
Profit shown in the balance sheet		
Balance as at 1 January	259	91
Allocation to free reserves	-259	-90
Annual profit	349	258
Total profit shown in the balance sheet	349	259
TOTAL VOLUNTARY RETAINED EARNINGS	3 822	3 473
OWN CAPITAL SHARES		
Balance as at 1 January	-31	-26
Change in own capital shares	-18	-5
TOTAL OWN CAPITAL SHARES	-49	-31
TOTAL EQUITY	4 832	4 708

As a result of the adaptation to new provisions of the Code of Obligations, treasury shares are now represented as a negative value in equity capital. A reserve for treasury shares is thus now only to be created if other Group companies hold treasury shares. Since no other Group companies hold treasury shares, the reserve for treasury shares has been accordingly released to free reserves.

Number of full-time positions

The number of full-time positions is not above 50 employees on average over the year.

Events after the Reporting Period

On 2 March 2016, Swiss Life Ltd issued a perpetual subordinated bond for CHF 450 million with an initial optional call date in September 2021 and a subordinated bond for CHF 150 million maturing in 2046 with an initial optional call date in September 2026. Both bonds are guaranteed by Swiss Life Holding Ltd on a subordinated basis.

Disclosure of compensation to the Board of Directors and the Corporate Executive Board in accordance with Art. 663b^{bis} of the Swiss Code of Obligations (CO) and Art. 14–16 of the Federal Ordinance against Excessive Compensation in Listed Stock Companies, and disclosure of the shareholdings of members of the Board of Directors and the Corporate Executive Board in accordance with Art. 663c of the CO**Compensation in 2015**

The Board of Directors is responsible for drawing up a written compensation report each year to include the information required by Articles 14–16 of the Federal Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance). This compensation report supersedes the details in the notes to the balance sheet according to Art. 663b^{bis} CO. Swiss Life's compensation report for the 2015 financial year is provided on pages 51 to 68.

The following tables contain information on the share ownership and participation rights of members of the Board of Directors and the Corporate Executive Board in accordance with Art. 663c CO.

Share ownership/participation rights as at 31 December 2015

As at 31 December 2015, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Restricted Share Units (RSUs).

Board of Directors

	SLH shares 31.12.2015
Rolf Dörig, Chairman of the Board of Directors	38 850
Gerold Bühler	6 740
Frank Schnewlin	4 393
Wolf Becke	822
Adrienne Corboud Fumagalli	302
Ueli Dietiker	522
Damir Filipovic	1 285
Frank W. Keuper	522
Henry Peter	8 258
Franziska Tschudi Sauber	2 739
Klaus Tschütscher	522
TOTAL BOARD OF DIRECTORS	64 955

Corporate Executive Board

	SLH shares 31.12.2015
Patrick Frost, Group CEO	14 130
Thomas Buess	14 854
Nils Frowein	300
Ivo Furrer	2 000
Markus Leibundgut	1 420
Stefan Mächler	500
Charles Relecom	3 130
TOTAL CORPORATE EXECUTIVE BOARD	36 334

	Restricted Share Units (RSUs) 31.12.2015 ¹
Patrick Frost, Group CEO	9 218
Thomas Buess	7 148
Nils Frowein	5 942
Ivo Furrer	7 148
Markus Leibundgut	4 946
Stefan Mächler	1 591
Charles Relecom	5 694
TOTAL CORPORATE EXECUTIVE BOARD	41 687

¹ Total number of RSUs allocated in the years 2013, 2014 and 2015 in connection with the relevant equity compensation plan. The RSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are met at that point.

Share ownership/participation rights as at 31 December 2014

As at 31 December 2014, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Restricted Share Units (RSUs).

Board of Directors

	SLH shares
	31.12.2014
Rolf Dörig, Chairman of the Board of Directors	37 308
Gerold Bühler	6 289
Frank Schnewlin	3 942
Wolf Becke	654
Adrienne Corboud Fumagalli	134
Ueli Dietiker	354
Damir Filipovic	1 117
Frank W. Keuper	354
Henry Peter	7 052
Franziska Tschudi Sauber	2 571
Klaus Tschütscher	354
TOTAL BOARD OF DIRECTORS	60 129

Corporate Executive Board

	SLH shares
	31.12.2014
Patrick Frost, Group CEO	10 000
Thomas Buess	10 874
Ivo Furrer	1 300
Markus Leibundgut	500
Stefan Mächler	500
Charles Relecom	1 410
TOTAL CORPORATE EXECUTIVE BOARD	24 584

	Restricted Share Units (RSUs)
	31.12.2014 ¹
Patrick Frost, Group CEO	9 704
Thomas Buess	8 869
Ivo Furrer	8 869
Markus Leibundgut	5 044
Stefan Mächler	0
Charles Relecom	7 201
TOTAL CORPORATE EXECUTIVE BOARD	39 687

¹ Total number of RSUs allocated in the years 2012, 2013 and 2014 in connection with the relevant equity compensation plan. The RSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are met at that point.

Appropriation of Profit

Profit and Appropriation of Profit

Annual profit amounts to CHF 349 030 082. The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accordance with the table below. If this proposal is adopted, a distribution of CHF 8.50 per share will be made from the capital contribution reserve.

Profit shown in the balance sheet

In CHF

	2015	2014
Balance carried forward from previous year	301 707	1 090 961
Annual profit	349 030 082	258 210 747
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	349 331 790	259 301 707

Appropriation of profit

In CHF

	2015	2014
Dividend	-	-
Allocation to legal reserves	-	-
Allocation to free reserves	349 000 000	259 000 000
Balance carried forward to new account	331 790	301 707
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	349 331 790	259 301 707

Zurich, 15 March 2016

For the Swiss Life Holding Board of Directors

Rolf Dörig

Gerold Bühner

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 Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Life Holding Ltd, which comprise the statement of income, balance sheet and notes to the financial statements (pages 301 to 308), for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

PricewaterhouseCoopers AG

Ray Kunz
Audit expert
Auditor in charge

Nebojsa Baratovic
Audit expert

Zurich, 15 March 2016