



2015 operating result

Occupational provisions
Swiss Life Switzerland

Editorial

Dear Reader

Swiss Life provided impressive proof in 2015, as in previous years, of its financial stability, innovativeness and competitiveness. And this in an environment which continues to be characterised by low interest rates and low investment income. With a further increase of its technical reserves, Swiss Life ensures continuity and long-term stability for its occupational provisions customers.

With continuing strong interest in full-insurance solutions, 2015 also saw a robust increase in demand for semi-autonomous solutions. Total premium income was increased by 6% to CHF 8.7 billion, while the volume of contract cancellations remained at a very low level.

Claims paid in 2015 – with an increase of 10% over the previous year – amounted to CHF 6.2 billion.

Administrative costs were again reduced in 2015 thanks to the systematic implementation of efficiency-enhancing measures. Costs per active insured person fell by 3.3% from CHF 460 to CHF 445.

Net return on book values was a solid 3.40% in 2015. This was an excellent result in view of the current investment environment, made possible by a targeted and security-oriented investment policy.

As in the previous years, additional technical reserves were set aside in 2015 amounting to CHF 939 million aimed at



consolidating financial stability and ensuring the long-term financing of benefit commitments to insured persons.

The distribution ratio in business subject to the statutory minimum distribution ratio stood at 92.9% in 2015, thus satisfying the legally stipulated value of 90%. Furthermore, the result enabled allocation of a total of CHF 156 million to the bonus reserve (CHF 265 million in 2014). The bonus reserve at the end of the year was CHF 465 million.

The growth attained in full insurance and in semi-autonomous solutions, the low volume of contract cancellations, the constant improvements in administrative costs, insured persons' uncomplicated access to provisions by way of a modern portal and the stable investment result prove that Swiss Life is on the right path with its product range. As a full-range provider, Swiss Life offers its customers a comprehensive spectrum of solutions for occupational provisions and is able to meet all customer needs.

A stylized, handwritten signature in black ink, consisting of several fluid, overlapping loops and strokes.

Hans-Jakob Stabel
Head of Corporate Clients business area
Member of the Executive Board

At a glance – Operating result, group life Switzerland

Income	2015	2014
Premium income	8 688	8 196
Savings premiums	7 778	7 304
Risk premiums	695	683
Cost premiums	215	209
Investment income, net	2 119	2 074
Direct investment income	2 050	2 047
Result from disposals	438	157
Currency result	-8	1
Balance from write-ups and write-downs	-202	0
Interest expense	-14	-3
Asset management costs	-145	-128
Other income	6	24
Reinsurance result	-1	-1
Total income	10 812	10 293
Expenses	2015	2014
Insurance benefits, gross	6 213	5 671
Benefits as a result of old age, death and disability	2 250	2 052
Vested benefits	3 337	2 923
Surrender values	591	662
Benefit processing expenses	35	34
Change in insurance reserves, gross	4 020	3 907
Retirement savings	2 176	2 371
Mathematical reserve for current retirement and survivors' benefits	1 186	414
Mathematical reserve for current disability benefits	-16	-27
Mathematical reserve, vested benefit policies	297	261
Provision for incurred but not settled claims	4	-11
Other technical reserves	373	899
Costs for acquisitions and administration, gross	204	211
Other expenses	20	34
Bonuses allocated to bonus reserve	156	265
Operating result	199	205
Total expenses	10 812	10 293

All figures in CHF million

Breakdown of savings premiums

Breakdown of savings premiums	2015	2014
Contributions to retirement savings	2 375	2 254
Transferred retirement savings (individually transferred)	2 983	
Transferred retirement savings (new affiliation)	1 269	4 171
Deposits for acquired retirement and survivors' benefits	247	71
Deposits for acquired disability pensions	26	26
Deposits for vested benefit policies	878	782
<i>Total savings premiums</i>	<i>7 778</i>	<i>7 304</i>

All figures in CHF million

Breakdown of insurance benefits

Breakdown of insurance benefits	2015
Lump-sum benefits as a result of old age, death and disability	1 047
Pension benefits as a result of old age, death and disability	1 203
<i>Total benefits as a result of old age, death and disability</i>	<i>2 250</i>

All figures in CHF million

Accounting principles

The occupational provisions operating result comprises the occupational benefits business in Switzerland. The legal bases include the BVG (Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans), the VAG (Insurance Supervisory Law) and resulting decrees.

The main income figures presented in the operating result are periodic premiums, single premiums and investment income. The insurance benefits consist primarily of benefits for retirement, disability and death, as well as lump-sum benefits resulting from vesting and surrenders.

The material presented below is based on the statutory financial statements. The statutory financial statements for Switzerland describe the Swiss group life and individual life operations from an actuarial perspective. Based on these statements, the Federal Financial Market Supervisory Authority FINMA can check compliance with solvency and other regulations. The statutory financial statements form the basis for the allocation of bonuses to policyholders, dividend policy and reporting to the supervisory authorities.

The statutory financial statements are not to be confused with the consolidated financial statements of the Swiss Life Group, which describe the business activities of the whole Group from a shareholder's point of view. They are produced in accordance with consistent rules conforming to IFRS (International Financial Reporting Standards) requirements. The results of the foreign subsidiaries are also consolidated in the annual financial statements. It is not possible to make a direct comparison with the operating result for Switzerland.

Proof of adherence to statutory minimum distribution ratio

The occupational pensions business can be divided into the three processes of savings, risk and costs. The income is first used to cover the expenses allotted to each process. The

remaining income is then used to strengthen the reserves, to ensure that promised benefits will always be paid and to build up the bonus reserve.

Process	Income	Associated services
Savings process	Net investment income	Interest on retirement savings and mathematical reserves for current pensions, conversion of retirement savings into retirement pensions
Risk process	Risk premium	Payment of disability and survivors' benefits, formation of mathematical reserves for new pensions
Cost process	Cost premium	Services for the administration of occupational benefit and insurance solutions and for client advisory services

Group business subject to statutory minimum distribution ratio

The bulk of the group business is subject to the statutory minimum distribution ratio. The legal provisions on the statutory minimum distribution ratio – also known as the legal quote – require that at least 90% of the income is

used for the benefit of the policyholders. This ensures that they participate appropriately in any profit the insurance company makes.

	2015	2014
Sum of income components	2 532	2 477
Savings process	1 784	1 746
Risk process	548	536
Cost process	200	195
Sum of expenses	1 508	1 463
Savings process	951	933
Risk process	354	324
Cost process	203	206
Gross result	1 024	1 014
Accumulation (+) or release (–) of technical reserves	798	692
In the savings process		
Longevity risk	658	413
Insufficient funding upon conversion into pension	147	279
Interest rate guarantees	0	0
Fluctuations in value of investments	0	0
In the risk process		
Reported but not settled claims*	–7	15
Incurred but not reported claims	2	2
Fluctuations in claims	–2	–17
Rate adjustments and rate restructuring	0	0
Costs of raising additional borrowed capital	0	0
Allocation to bonus reserve	47	139
Operating result	179	183
Distribution ratio	92.9%	92.6%

All figures in CHF million

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

In 2015, Swiss Life used a total of CHF 2 353 million in favour of the insured persons in business subject to the statutory minimum distribution ratio. With a distribution

ratio of 92.9%, the minimum legal requirements have been met.

Group business not subject to statutory minimum distribution ratio

Contracts with a special arrangement for participation in surplus are not subject to the statutory minimum distribution ratio. This includes contracts with their own profit

and loss accounts, where participation in any surplus (bonus) is determined by the risk experience of the individual contract.

	2015	2014
Sum of income components	497	489
Savings process	335	328
Risk process	147	147
Cost process	15	14
Sum of expenses	227	250
Savings process	140	177
Risk process	72	58
Cost process	15	15
Gross result	270	239
Accumulation (+) or release (-) of technical reserves	141	91
In the savings process		
Longevity risk	127	67
Insufficient funding upon conversion into pension	12	35
Interest rate guarantees	0	0
Fluctuations in value of investments	0	0
In the risk process		
Reported but not settled claims*	1	2
Incurred but not reported claims	0	0
Fluctuations in claims	1	-13
Rate adjustments and rate restructuring	0	0
Costs of raising additional borrowed capital	0	0
Allocation to bonus reserve	109	126
Operating result	20	22
Distribution ratio	96.0%	95.5%

All figures in CHF million

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

In 2015, Swiss Life used a total of CHF 477 million in favour of the insured persons in business not subject to the statutory minimum distribution ratio.

Summary

	*MDR	**NMDR	Total
<i>Gross income</i>	2 532	497	3 029
<i>Benefits in favour of the insured</i>			
Sum of expenses	1 508	227	1 735
Change in technical reserves	798	141	939
Allocation to bonus reserve	47	109	156
<i>Operating result</i>	179	20	199
<i>Distribution ratio</i>	92.9%	96.0%	93.4%
<i>Share of total income</i>	7.1%	4.0%	6.6%

* MDR: subject to minimum distribution ratio

** NMDR: not subject to minimum distribution ratio

Insurance reserves

Insurance reserves, gross		Mandatory	Supplementary
Retirement savings	35 178	17 987	17 191
Additional reserve for future pension conversions	1 741	1 190	551
Mathematical reserve for current retirement and survivors' benefits	11 027	4 996	6 031
Mathematical reserve for current disability benefits	2 085	1 247	838
Strengthening of mathematical reserve for current pensions	2 748	1 272	1 476
Mathematical reserve, vested benefit policies	3 580		
Provision for incurred but not settled claims	815		
Cost of living (COL) adjustment fund	869		
Credited bonuses	139		
Other insurance reserves	3 217		
<i>Total insurance reserves</i>	61 399		

All figures in CHF million

In view of the persistent low interest rate environment, Swiss Life has taken further steps to guarantee its obligations to beneficiaries. By building up additional insurance reserves it has been able to further reduce its future interest burden. This will guarantee that Swiss Life

can continue to fulfil its customer promise. In addition, Swiss Life has built up a generous bonus reserve, which will guarantee beneficiaries a high level of profit participation in the future.

Bonus reserve

The bonus reserve is a reserve for future bonus distributions to policyholders. It serves to even out fluctuations in the course of business so that policyholder bonuses remain stable. The bonus reserve is used exclusively for the policyholders. It is built up using allocations from the operating

result. The distributions to policyholders are taken from this reserve. Money that flows into the bonus reserve must be passed on to the policyholders within five years at the most. No more than two-thirds of the bonus reserve can be distributed to policyholders in any given year.

Bonus reserve as at end of 2014	573
Allocated to employee benefits institutions	264
Valuation adjustment	0
Withdrawn from bonus reserve to cover an operating shortfall	0
Allocated to bonus reserve from operating result	156
Balance as at end of 2015	465

All figures in CHF million

From the 2015 result, Swiss Life allocated a total of CHF 156 million to the bonus reserve for group life insurance.

Cost of living (COL) adjustment fund

The cost of living adjustment fund is an insurance reserve used to finance future adjustments of current disability and surviving dependants' pensions to price developments.

The fund is financed by cost of living premiums paid by the active insured persons.

Cost of living adjustment fund as at end of 2014	858
COL premiums received (risk and cost component)	12
Tariff interest	2
Expenditure for COL increases in risk pensions	0
Withdrawal for costs	3
Balance as at end of 2015	869

All figures in CHF million

Book values

Total insurance reserves	61 399
Bonus reserve	465
Other obligations (including those to policyholders)	1 859
Other liabilities	1 822
<i>Total book value</i>	<i>65 545</i>

All figures in CHF million

Other key figures

Number of group insurance contracts	42 320
Number of insured persons at end of accounting year	612 566
Number of active insured persons	441 406
Number of pension recipients	78 250
Number of vested benefit policies	92 910
Interest rate for retirement savings in mandatory insurance, guaranteed	1.75%
Interest rate for retirement savings in mandatory insurance, with interest surplus	1.75%
Interest rate for retirement savings in supplementary insurance, guaranteed	1.25%
Interest rate for retirement savings in supplementary insurance, with interest surplus *	1.90%
Conversion rate for women's supplementary insurance (retirement age 64)	5.72%
Conversion rate for men's supplementary insurance (retirement age 65)	5.84%

* Other rates apply for contracts with an individualised calculation of bonuses (ICB)

Information on the 2015 investment year

For once we can report on a year in which the long-term interest rates on government bonds have risen modestly, albeit with considerable volatility over the course of the year. Unsurprisingly, the exception to this trend is the yield on a 10-year Swiss government bond that spent most of the year in negative territory. The interest on a 10-year Japanese government bond, too, was lower by year's end than it had been at the outset. The European Central Bank's announcement of a programme of quantitative easing in March at first led to a drop in the yield on the German government bond, followed by a significant rise into June.

The central banks' monetary policy and market participants' expectations of coming decisions are directly reflected in the performance of the major stock indices in the year under review. Potential rises in the key interest rate and strong currencies wreaked havoc with indices in the English-speaking world, with both the S&P 500 and the UK's FTSE 100 closing in minus. The SMI recovered astonishingly quickly from the shock of the discontinued minimum exchange rate. Common to all indices was the stock market correction in June, August and December 2015. Grexit, anxiety about China's economy and the free fall in the price of oil continued to curb the risk appetite of investors and led to increased volatility over the whole year.

Only the US dollar and the Japanese yen were able to strengthen against the Swiss franc during the year under review. Following the Swiss National Bank's decision to discontinue the minimum exchange rate for the franc with the euro, the market's attention was at first directed to that currency pair, and beginning in September 2015 the exchange rate remained in a relatively narrow bandwidth of 1.08–1.10. The significant appreciation of the British pound against the Swiss franc by early December was less of a concern. Thanks to the conciliatory rhetoric of the Bank of England, nevertheless, the pound experienced another considerable downward correction by the end of the year.

Against this background, Swiss Life continued to pursue its strategy of previous years. In the persistent low interest rate environment, Swiss Life invested in senior collateralised loans and infrastructure as well as bonds. The partial rise in interest rates and surcharges had a negative effect on the rating of fixed-interest investments. As in previous years, further expansions were made to the real estate portfolio. In addition, the equity holding was increased from its low level. These measures enabled Swiss Life to generate a net return on investment for occupational benefits insurance of 3.40% (2014: 3.51%), with an investment performance at market values of 1.39% (2014: 11.44%).

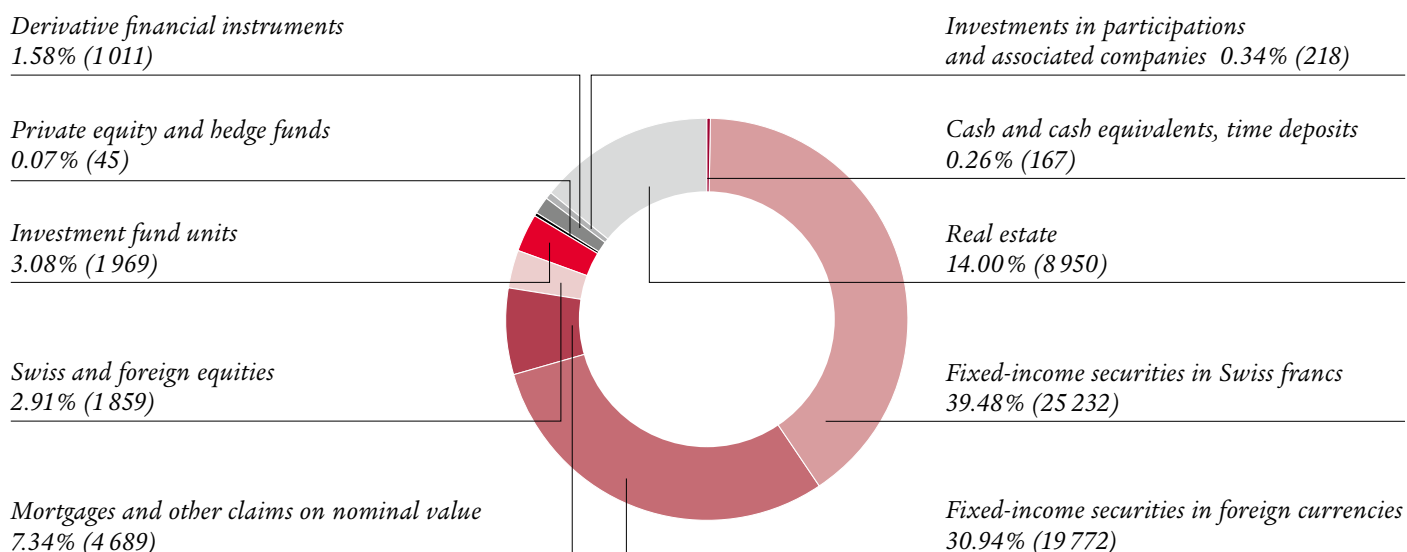
Information on Swiss Life's investment policy

Swiss Life manages investments in such a way that the economic risk capital is efficiently used in line with its risk appetite. The company's asset and liability management (ALM) is applied for this purpose, and the investment strategy is based on these risk assessment findings. The aim is to be in a position to pay benefits whenever they fall due and

always to have sufficient equity to absorb fluctuations in the value of assets and liabilities. Clearly defined criteria on security, yield and liquidity are taken into account when policyholder assets, the company's free reserves and shareholders' equity are invested.

The investment portfolio in detail

Investments by asset class as at 31 December 2015 (as a percentage of the book value).
The total is CHF 63 912 million (all figures in brackets in CHF million).



Investments

Investments	Book value	Market value
Investments at beginning of accounting year*	61 521	70 155
Investments at end of accounting year*	63 316	70 810
Percentage of collective investment schemes**		2.84%
Percentage of capital investments that are not cost transparent**		0.27%

All figures in CHF million

*Total investments minus obligations under derivative financial instruments

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

Valuation reserve

Valuation reserve at beginning of accounting year	8 634
Valuation reserve at end of accounting year	7 494
Change in valuation reserve	-1 140

Yield and performance

	gross	net
Investment income	2 264	2 119
Return on book values*	3.63%	3.40%
Market value performance**	1.60%	1.39%

All figures in CHF million

*Investment income as percentage of average book value

**Investment income and change in valuation reserve as percentage of average market value

Book values

Total investments	63 912
Other assets	1 633
Total book value	65 545

All figures in CHF million

Asset management costs

Asset management costs as percentage of investments at market value (all figures in brackets in CHF million).

Asset management costs without real estate maintenance	0.21% (145)
Cost of upkeep and maintenance of real estate	0.11% (77)
Asset management costs with real estate maintenance	0.31% (222)

The asset management costs without real estate maintenance comprise all internal costs resulting from investment

activities as well as external costs. External costs include, for instance, custodian and other fees.

Schedule of asset management costs

The gross expenses for management of occupational pension investments are posted by cost category: Administration and

management (TER), Transaction and commission (TTC) and Other non-assignable service costs (SC).

	TER	TTC	SC
Direct investments	202	51	
Single-tier collective investments	5		
Multi-tier collective investments	6		
Investments that are not cost transparent			
Service costs of investments			6
Total before capitalisation	213	51	6
Capitalised costs	0	42	6
Total recognised in income	213	9	0

All figures in CHF million

Summary

	Market value	Total costs
Direct investments	68 603	253
Single-tier collective investments	1 742	5
Multi-tier collective investments	272	6
Investments that are not cost transparent	193	
Service costs of investments		6
Total market value / Total before capitalisation	70 810	270
Capitalised costs		48
Total recognised in income		222

All figures in CHF million

Cost premiums and operating expense

	Operating expense (in CHF million)	per capita (in CHF)	Cost premiums (in CHF million)	per capita (in CHF)
Active insured persons	196	445	208	472
Vested benefit policies	5	55	4	47
Other	3		3	
Subtotal	204		215	
Pensioners	35*	442		
Total	239			

*Operating expense for pensioners is borne by the savings and risk process

Breakdown of expense by cost unit is as follows:

		to brokers and intermediaries	to own sales force
Acquisition expenses including commission to brokers, agents, sales force	57	34*	23
Benefit processing expenses	35		
Marketing and advertising expenses	5		
Other general administrative expenses	142		
Reinsurers' share in operating expense	0		
Total net operating expense	239		

All figures in CHF million

*incl. commissions for distribution agreements

The administrative costs of CHF 204 million include all the costs for acquisitions and administration, which Swiss Life incurs in managing its group life business. Thanks to the efficiency enhancing measures introduced, Swiss Life was able

to reduce the administrative costs by 3.3% against 2014, from CHF 211 million to CHF 204 million. Swiss Life aims to reduce these costs still further in the future.

The future starts here.

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