

# *Letter to Shareholders*

*Financial Year 2016*

*Ladies and gentlemen,*



Patrick Frost and Rolf Dörig

2016 was yet another excellent year for Swiss Life. Lasting success is never assured, the fine results of recent years were achieved in a challenging political, social and economic environment. We are implementing our plans, which allows us to achieve significant progress in operations and make up for the rock-bottom interest rates.

A few key figures will make this clear: Swiss Life again increased its net profit, by 5% this time, to CHF 926 million. The increase in earnings power came in spite of an 8% decline in premium income, to CHF 17.4 billion – justifying our decision to focus on profitable growth. At the same time, we are seeing the fruits of our perseverance in expanding our fee business: the result in 2016 was a contribution to operating profit of CHF 396 million – an increase year on year of 14 percent. Another strategic reorientation in recent years has likewise fortified our company: our skill in the investment business. As of 31 December 2016, we had a total of CHF 204 billion assets under management, while in third-party customer business we achieved net new assets of CHF 8.5 billion. The company thus had CHF 49.6 billion in assets under management from third parties at the end of 2016, which represents a rise of 28 percent.

Our progress demonstrates the persistence with which we are implementing our plans as part of the “Swiss Life 2018” strategy, and we thank our employees most sincerely for their commitment, which enables Swiss Life’s continuing development.

While our business development has been very pleasing indeed, our nation is facing some major challenges. In the spring session just past, for instance, the Parliament had an intense discussion on the subject of retirement provision reform. Swiss Life has been advocating reform to restore inter-generational solidarity from the outset of the debate. Demographic and economic conditions are changing, the pension system must adapt accordingly. That is the only way for us to safeguard the stability of our provisions system and security of our pensions. This is in the interest of our insured parties.

A proposal for reforming the pension system has now been drafted. After working hard to come up with a solution acceptable to the people of Switzerland, the Parliament ratified the reform in a final vote on 17 March 2017. The bill will go before the voters in September 2017. Whatever the outcome of this referendum, one thing is certain: as more of us live to see 80, 90 or even 100, our entire social and economic equilibrium is being fundamentally altered. In the interest of our insured parties, we hope now for a fact-based and pragmatic public debate.

Another challenge for us at Swiss Life, and for the entire Swiss insurance industry, remains the solvency regime. Capital requirements in Switzerland are roughly two times higher than solvency provisions in Europe, according to a study by the University of St. Gallen. The excessive capital requirements harm SMEs that depend on our services, policyholders and the entire insurance industry, both as an employer and as a pillar of the Swiss economy and financial centre. We are headed in the wrong direction here, and we are disadvantaging customers, shareholders and working Switzerland in equal measures.

The influence of new technologies is another significant development for us and our customers. Humans, machines and algorithms will join forces to create a future in which new skills are in demand. Routine work, repetitive and dangerous activities will be increasingly taken over by robots and machines in the near future. Thus we will be challenged to integrate the interplay of innovation and continuity, as well as the new customer requirements arising from the digital world, into our everyday work. We will do this with circumspection and in a way that allows us to lead Swiss Life into a successful future – in gratitude for the company of our customers, investors and employees along the way.

Ladies and gentlemen, in an age of breath-taking innovation and quantum leaps in technology – we believe that people will remain at the heart of our life insurance business, whether that applies to working with customers, training our staff or in our drive to keep impressing our shareholders with our performance.

The successful 2016 financial year enables us to propose a dividend increase from CHF 8.50 to CHF 11.00 to the Annual General Meeting of Shareholders on 25 April 2017.

Thank you for the confidence you have placed in Swiss Life.



Rolf Dörig  
Chairman of the Board of Directors



Patrick Frost  
CEO

# Historical comparison

## Swiss Life Group

In CHF million (if not stated otherwise)

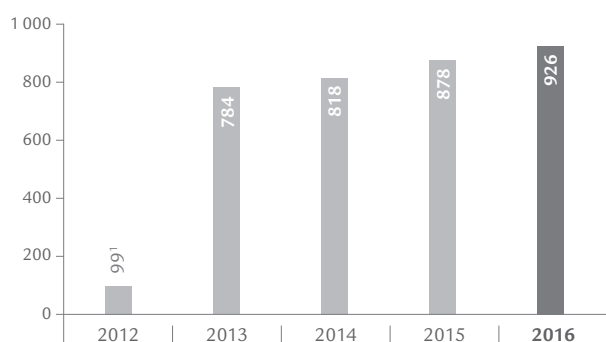
restated

	2016	2015	2014	2013	2012
<b>PREMIUM VOLUME</b>					
Gross written premiums, policy fees and deposits received	17 366	18 853	19 102	17 969	17 046
<b>FIGURES FROM CONSOLIDATED STATEMENT OF INCOME</b>					
Net earned premiums	13 228	13 771	13 776	12 944	11 871
Fee and commission income	1 351	1 292	1 305	1 143	1 135
Financial result	5 062	5 281	5 361	5 376	6 051
<b>TOTAL INCOME</b>	<b>19 707</b>	<b>20 555</b>	<b>20 474</b>	<b>19 462</b>	<b>19 082</b>
Net insurance benefits and claims	-14 064	-15 516	-15 218	-13 920	-13 819
Policyholder participation	-1 325	-899	-1 146	-1 361	-1 115
Operating expense	-2 765	-2 649	-2 735	-2 809	-3 534
<b>TOTAL EXPENSE</b>	<b>-18 314</b>	<b>-19 226</b>	<b>-19 304</b>	<b>-18 312</b>	<b>-18 721</b>
<b>PROFIT FROM OPERATIONS</b>	<b>1 393</b>	<b>1 329</b>	<b>1 169</b>	<b>1 149</b>	<b>361</b>
<b>NET PROFIT</b>	<b>926</b>	<b>878</b>	<b>818</b>	<b>784</b>	<b>99</b>
Net profit attributable to					
Equity holders of Swiss Life Holding	922	872	814	781	98
Non-controlling interests	4	6	4	3	1
<b>FIGURES FROM CONSOLIDATED BALANCE SHEET</b>					
Equity	13 739	12 258	12 831	9 018	10 155
Insurance reserves	159 899	154 953	156 684	142 479	137 736
Total assets	199 731	189 252	192 854	170 530	164 461
<b>FURTHER KEY FIGURES</b>					
Return on equity (in %) <sup>1</sup>	9.6	9.7	9.6	10.0	1.3
Assets under control	243 255	223 411	224 593	192 855	180 785
Year-end embedded value	13 681	12 509	12 901	11 378	9 628
Value of new business	296	268	255	289	158
Number of employees (full-time equivalents)	7 801	7 595	7 492	6 992	7 046

<sup>1</sup> equity excl. unrealised gains/losses on bonds

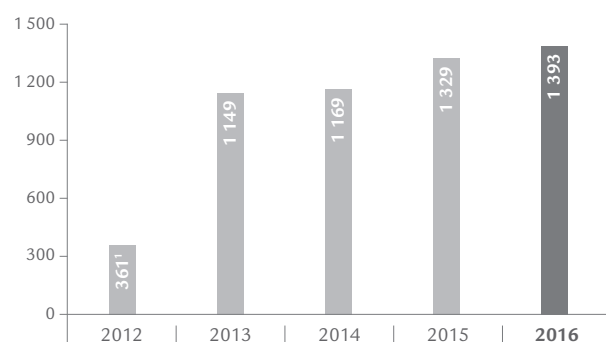
### Net profit

In CHF million

<sup>1</sup> restated

### Profit from operations

In CHF million

<sup>1</sup> restated

## Share performance

Amounts in CHF

	as at 2016	2016	2015	2014	2013	2012
Number of shares	31.12.	32 081 201	32 081 054	32 081 054	32 081 054	32 081 054
Annual high	23.12.	290.30	272.90	238.90	192.60	130.70
Annual low	08.07.	211.50	201.80	185.70	124.60	75.85
Year-end price	30.12.	288.20	271.30	236.40	185.20	121.40
Performance Swiss Life (in %)		+6	+15	+28	+53	+41
Swiss Market Index (SMI)	30.12.	8 220	8 818	8 983	8 203	6 822
Performance Swiss Market Index (SMI) (in %)		-7	-2	+10	+20	+15
Dow Jones STOXX 600 Insurance Index (in EUR)	31.12.	269.66	285.56	250.55	228.22	177.11
Performance of Dow Jones STOXX 600 Insurance Index (in %)		-6	+14	+10	+29	+33
Average trading volume		158 405	142 838	121 462	140 007	172 732
Market capitalisation (in CHF million)	30.12.	9 246	8 704	7 584	5 941	3 895
Basic earnings per share		28.92	27.41	25.52	24.45	2.88
Diluted earnings per share		27.27	25.85	24.11	24.22	2.86
Dividend paid per share <sup>1</sup>	30.04.	8.50	6.50	5.50	4.50	4.50
Total dividend payout to shareholders (in CHF million)	30.04.	271	207	176	144	144
Dividend yield on year-end price (in %)	30.12.	2.95	2.40	2.33	2.43	3.71

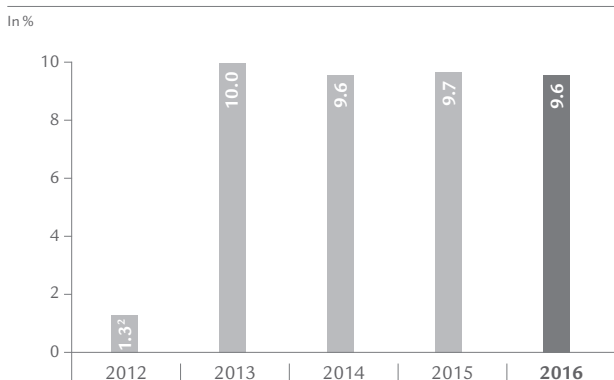
Source: Bloomberg

<sup>1</sup> For the 2016 financial year the Board of Directors proposes a distribution from the capital contribution reserve of CHF 11.00 per share.

## Swiss Life share details

Swiss security number	1 485 278
ISIN	CH 001 485 278 1
Ticker symbol SIX	SLHN
Reuters	SLHN.VX
Bloomberg	SLHN VX

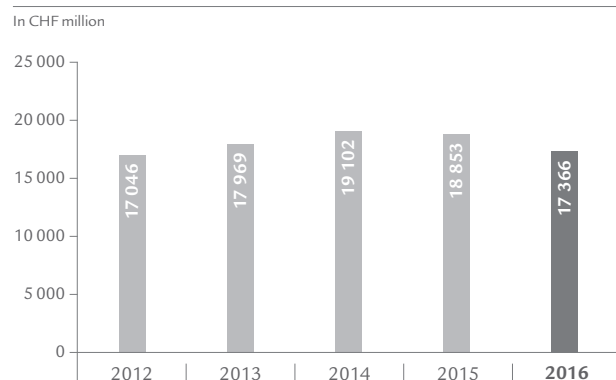
### Return on equity<sup>1</sup>



<sup>1</sup> equity excl. unrealised gains/losses on bonds

<sup>2</sup> restated

### Gross written premiums, policy fees and deposits received



## Key figures segments

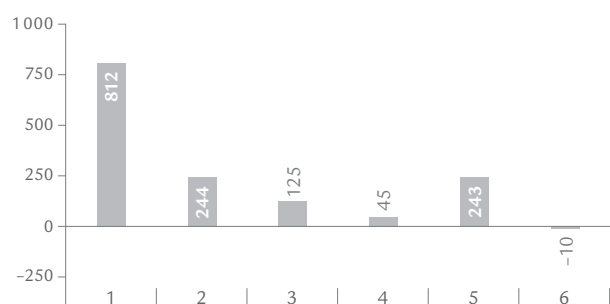
In CHF million

	2016	2015	+/-
<b>SWITZERLAND</b>			
Gross written premiums, policy fees and deposits received	9 876	10 534	-6%
Fee and commission income	233	199	17%
Segment result	812	761 <sup>1</sup>	7%
<b>FRANCE</b>			
Gross written premiums, policy fees and deposits received	4 507	4 536	-1%
Fee and commission income <sup>2</sup>	241	246	-2%
Segment result	244	234	4%
<b>GERMANY</b>			
Gross written premiums, policy fees and deposits received	1 290	1 399	-8%
Fee and commission income	379	364	4%
Segment result	125	130 <sup>1</sup>	-4%
<b>INTERNATIONAL</b>			
Gross written premiums, policy fees and deposits received	1 718	2 453	-30%
Fee and commission income	213	225	-5%
Segment result	45	42 <sup>1</sup>	8%
<b>ASSET MANAGERS</b>			
Fee and commission income	591	560	6%
Segment result	243	242	0%
<b>OTHER</b>			
Fee and commission income	6	5 <sup>1</sup>	26%
Segment result	-10	-10 <sup>1</sup>	2%

<sup>1</sup> without interest income and guarantee fees between the segments<sup>2</sup> including banking and Pôle AGAMI

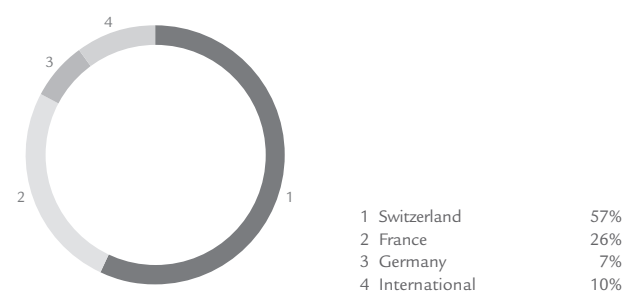
### Segment results

In CHF million



1 Switzerland  
2 France  
3 Germany  
4 International  
5 Asset Managers  
6 Other

### Gross written premiums, policy fees and deposits received by segment



**Important dates****Annual General Meeting 2017**

25 April 2017, Hallenstadion Zurich

**Interim Statement Q1 2017**

10 May 2017

**Half-year Results 2017**

16 August 2017

**Interim Statement Q3 2017**

8 November 2017

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This **Letter to Shareholders** is also available in German, French and Italian.

The German text is definitive.

**Annual Report 2016**

The Annual Report 2016 can be found at: [www.swisslife.com/ar2016](http://www.swisslife.com/ar2016)

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

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There may be minor discrepancies in total figures and percentages in this report due to rounding effects.

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*The future starts here.*

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