

# Swiss Life Holding Financial Statements

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**Review of Operations** — Swiss Life Holding generated a profit of CHF 200 million in the 2010 financial year compared with CHF 40 million the previous year.

This marked improvement in annual profit vis-à-vis the previous year was largely achieved as a result of higher dividend payouts by subsidiaries, which climbed from CHF 57 million in 2009 to CHF 197 million in 2010.

Total income for Swiss Life Holding Ltd (Swiss Life Holding) was CHF 209 million in 2010, and total expenditure, including tax, declined to CHF 9 million compared with the previous year's figure of CHF 58 million. The substantial reduction in expenditure is mainly on the back of extraordinary charges in the previous year in connection with the strategic disposal of business units in 2008.

A new loan for EUR 60 million was granted to Swiss Life Insurance Finance Ltd in the period under review. The total value of loans made in euros came to EUR 430.5 million as at the end of 2010. As a result of the strong Swiss franc, an unrealised currency loss of CHF 42 million was incurred after hedging operations. Interest received on loans fell to around CHF 40 million due to the lower euro. Since the end of the second quarter of 2010, the EUR/CHF exchange rate risk has been fully hedged with forward contracts.

In order to finance ongoing business operations, Swiss Life Holding made capital increases at Swiss Life International Holding AG of CHF 50 million in 2010. With foreign insurance companies grouped together in Swiss Life International Holding AG, the participation in Swiss Life Products (Luxembourg) SA was transferred to Swiss Life International Holding AG and not recognised through profit or loss. In addition, by merging its stake in Swiss Life Selection Ltd with Swiss Life Asset Management Ltd, Swiss Life Holding continued to streamline Group structure. The total value of participations amounted to CHF 3258 million.

Swiss Life Holding's profit distribution to shareholders in the period under review came to CHF 77 million or CHF 2.40 per share. This took the form of a reduction in par value of the Swiss Life Holding share from CHF 12.00 to CHF 9.60. The company's share capital thus totals CHF 308 million.

The convertible bond issued in 2004 for CHF 317 million was bought back on 10 June 2010. The outstanding nominal value was CHF 43 million. As a result, Swiss Life Holding is exclusively financed by equity.

Swiss Life Holding's liquid assets (liquid funds plus time deposits) contracted to CHF 306 million, down from CHF 624 million. Conversely, a portfolio of easily tradable bonds and money market book claims for CHF 394 million was built up at the Swiss National Bank in the period under review. These share certificates are all eligible for repos and can generate liquidity at any time.

## Statement of Income

## STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	2010	2009
Dividends received	197	57
Realised gain/loss on non-current assets	2	-5
Unrealised gain/loss on non-current assets	3	-2
Other finance income	42	44
Other financial expense	-1	-3
Foreign currency gains/losses	-42	-3
<b>NET INVESTMENT INCOME</b>	<b>201</b>	<b>88</b>
<b>OPERATING EXPENSE</b>	<b>-7</b>	<b>-8</b>
<b>OTHER INCOME</b>	<b>7</b>	<b>7</b>
<b>OTHER EXPENSES</b>	<b>-</b>	<b>-47</b>
<b>INCOME TAX</b>	<b>-1</b>	<b>0</b>
<b>NET PROFIT</b>	<b>200</b>	<b>40</b>

## Balance Sheet

### BALANCE SHEET

In CHF million

	31.12.2010	31.12.2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	266	313
Time deposits and similar investments	40	311
Receivables from Group companies	19	4
Receivables from third parties	–	1
Accrued income	5	0
<b>TOTAL CURRENT ASSETS</b>	<b>330</b>	<b>629</b>
<b>NON-CURRENT ASSETS</b>		
Shares	16	22
Debt securities	394	83
Hedge funds	–	8
Participations	3 258	3 207
Loans to Group companies	653	666
Other assets	93	–
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4 414</b>	<b>3 986</b>
<b>TOTAL ASSETS</b>	<b>4 744</b>	<b>4 615</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Payables to Group companies	2	1
Liabilities towards third parties	86	39
Convertible securities	–	43
Total short-term liabilities	88	83
<b>TOTAL LIABILITIES</b>	<b>88</b>	<b>83</b>
<b>EQUITY</b>		
Share capital	308	385
General reserves	1 139	1 139
Reserve for treasury shares	19	25
Total legal reserves	1 158	1 164
Free reserves	2 986	2 939
Balance carried forward from previous year	4	4
Net profit	200	40
Total profit shown in the balance sheet	204	44
<b>TOTAL EQUITY</b>	<b>4 656</b>	<b>4 532</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4 744</b>	<b>4 615</b>

## Notes to the Financial Statements

### Accounting Rules

Assets and liabilities are stated in the balance sheet in accordance with the provisions of the Swiss Code of Obligations (CO).

#### 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	
		31.12.2010			31.12.2009	
Swiss Life AG, Zürich	CHF	587 350	100.00%	CHF	587 350	100.00%
Swiss Life Beteiligungs 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 Products (Luxembourg) S.A., Strassen	–	–	–	EUR	60 031	100.00%
Swiss Life Selection AG, Zürich	–	–	–	CHF	250	100.00%

**PARTICIPATIONS** – The foreign insurance companies are grouped together in Swiss Life International Holding AG. For this reason, equity participation in Swiss Life Products (Luxembourg) SA was transferred to Swiss Life International Holding AG and not recognised in profit or loss. In addition, equity participation in Swiss Life Selection Ltd was merged with Swiss Life Asset Management Ltd.

**LOANS TO GROUP COMPANIES** – CHF 178 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

	31.12.2010	31.12.2009
Talanx AG	9.31%	9.31%
Carsten Maschmeyer & Sons	5.05%	5.05%

**SHARE CAPITAL** – As at 31 December 2010, the share capital of Swiss Life Holding consisted of 32 081 054 fully-paid shares with a par value of CHF 9.60 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 2009, Swiss Life Holding had 32 081 054 registered shares outstanding with a par value of CHF 12 per share. Conditional share capital was CHF 22 650 105.60 as at 31 December 2010 (2009: CHF 28 312 632.00).

**LEGAL RESERVES** – Legal reserves comprise the general reserves (plus the additional paid-in capital in excess of the par value, net of transaction costs) and the reserve for treasury shares (equivalent in value to own Swiss Life Holding shares held by the Swiss Life Group).

**FREE RESERVES AND RETAINED EARNINGS** – Free reserves and retained earnings comprise accumulated retained earnings which have not been distributed to the shareholders, or which have not been allocated to the reserve for treasury shares.

**ISSUANCE OF CONVERTIBLE DEBT IN 2004** – On 10 June 2004 Swiss Life Holding issued CHF 317 million in 0.625% convertible bonds (2004 to 2010), convertible into Swiss Life Holding registered shares. The convertible bonds were repaid on 10 June 2010. The outstanding nominal value was CHF 43 million.

In 2010, no convertible bonds were converted into Swiss Life Holding shares.

**TREASURY SHARES** – In the year under review the companies in the Swiss Life Group purchased a total of 11 217 Swiss Life Holding shares at an average price of CHF 106.16. In the same period, they sold 74 819 shares at an average price of CHF 131.82. As at 31 December 2010, the Swiss Life Group held 168 556 treasury shares.

**PERSONNEL EXPENSES** – No direct staff costs are included under operating expenses.

**CONTINGENCIES** – Swiss Life Holding acts as warrant or for all Swiss Life Ltd liabilities with regard to the various tranches of the subordinated perpetual step-up loan (hybrid debt), which amounted to an equivalent value of CHF 1847 million at the balance sheet date.

Swiss Life Holding further gives several capital guarantees for a maximum net asset value of CHF 150 million to Swiss Life Funds, CHF 150 million to Swiss Life Funds (Lux) Management Company, CHF 100 million to Swiss Life Products and CHF 400 million to Swiss Life Ltd.

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	2010	2009
<b>SHARE CAPITAL</b>		
Balance as at 1 January	385	596
Reduction in par value (incl. cancellation of treasury shares)	-77	-211
<b>TOTAL SHARE CAPITAL</b>	<b>308</b>	<b>385</b>
<b>LEGAL RESERVES</b>		
General reserves		
Balance as at 1 January	1 139	1 139
Total general reserves	1 139	1 139
Reserve for treasury shares		
Balance as at 1 January	25	1 167
Allocation to reserve for treasury shares	-6	-1 142
Total reserve for treasury shares	19	25
<b>TOTAL LEGAL RESERVES</b>	<b>1 158</b>	<b>1 164</b>
<b>FREE RESERVES</b>		
Balance as at 1 January	2 939	43
Allocation to free reserves	40	1 920
Reserve for own shares (incl. reduction in par value)	7	976
<b>TOTAL FREE RESERVES</b>	<b>2 986</b>	<b>2 939</b>
<b>PROFIT SHOWN IN THE BALANCE SHEET</b>		
Balance as at 1 January	44	1 924
Allocation to free reserves	-40	-1 920
Net profit	200	40
<b>TOTAL PROFIT SHOWN IN THE BALANCE SHEET</b>	<b>204</b>	<b>44</b>
<b>TOTAL EQUITY</b>	<b>4 656</b>	<b>4 532</b>

**RISK ASSESSMENT** – For information on risk assessment, please refer to Note 5 of the Swiss Life Group's Consolidated Financial Statements.

**DISCLOSURE OF COMPENSATION TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD IN ACCORDANCE WITH THE SWISS CODE OF OBLIGATIONS (CO) ART. 663B<sup>BIS</sup> AND ART. 663C**

**COMPENSATION IN 2010** – The specifications below take into consideration the transparency regulations relating to compensation set out in the Swiss Code of Obligations Art. 663b<sup>bis</sup> and Art. 663c and the directives on information relating to corporate governance issued by the SIX Swiss Exchange as well as Circular 2010/1 of the Swiss Financial Market Supervisory Authority FINMA on minimum standards for remuneration schemes of financial institutions. Further information on compensation and benefit expenditure can be found in the Corporate Governance chapter and in the Consolidated Financial Statements (Notes 24 and 31).

The description of the compensation received by the members of the Board of Directors and the Corporate Executive Board and the tables showing the relevant amounts are based on those of 2009. The variable compensation to the Corporate Executive Board members, payable as a cash bonus for the 2010 financial year, which was determined by the Board of Directors at the beginning of 2011, is published in the compensation tables on an accrual basis as compensation for 2010. Likewise, the variable compensation payable in the form of blocked shares amounting to 10% of the fixed compensation, which was allocated to members of the Board of Directors at the beginning of 2011, is shown as part of the compensation for 2010.

The compensation received by each member of the Board of Directors and the Chairman of the Corporate Executive Board (Group CEO) is disclosed individually.

**COMPENSATION POLICY PRINCIPLES** – The Board of Directors as a whole is responsible for establishing guidelines on the Group's compensation policy (incl. bonuses and equity compensation plans) and on employee benefit institutions. The compensation policy underpins the performance culture required by the corporate strategy and forms part of the HR policy. The aim is to retain well-qualified employees and gain new, highly skilled staff. The compensation system is in line with the market environment and must be competitive. The individual overall compensation takes into account the employee's professional skills, engagement and personal performance. It is made up of a basic salary, a variable bonus based on achievement of the annual objectives, which is generally paid in cash and possibly in shares, as well as a deferred mid- to long-term salary component (equity compensation plan) and contributions for occupational provisions and risk insurance.

The salary is determined according to the employee's function and skill set, and is annually reassessed and adjusted if appropriate. Salary comparison studies and recognised job evaluation systems are used to check appropriateness and to ensure internal and external comparability.

Salary	
Variable compensation	
Compensation component based on achievement of annual objectives (Bonus in cash and possibly in shares)	Deferred mid- to long-term compensation component (Equity compensation plan)
Contributions to occupational provisions and risk insurance	

The variable compensation components are linked to the strategic objectives of the Group and the individual divisions, and the associated financial and HR-related targets. The variable bonus in cash and possibly in shares is based on achievement of the annual objectives. It is determined on the basis of the actual performance of individuals or

teams (performance-linked payment) in relation to the objectives set and the Swiss Life Group's annual result (share in the company's success). Quantitative and qualitative performance is also always assessed on the basis of the competencies required for the function held, such as professional expertise, entrepreneurship, task fulfilment,

cooperation and leadership. The percentage weighting between the individual and/or team performance and the share in the company's success depends on the position and responsibilities of the function holder.

The share in the company's success is measured using quantitative Group objectives (Key Performance Indicators, KPIs). The main KPIs, besides the key figures relating to annual profit, costs, business volume, return on equity and solvency, are the profitability of in-force and new business and margin development.

Personal performance based on the specified quantitative and qualitative objectives is assessed annually in the employee appraisal procedure implemented throughout the Group (Group Performance System, GPS). Two assessment elements/models are used for determining objectives and evaluating performance: the Group Objectives Model (GOM) relating to qualitative and quantitative objectives and the Group Competency Model (GCM) for measuring and assessing individual competencies.

For persons responsible for risk management and risk control, the quantitative objectives are set in such a way that performance is not linked to the result of the monitored business unit, specific products or transactions.

In order to be eligible for any variable compensation, a GPS target achievement of at least 80% is required.

Permanent employment contracts in Switzerland contain notice periods of between three and twelve months, depending on position and seniority. All current employment contracts with members of the Corporate Executive Board in Switzerland specify a notice period of twelve months. Contracts abroad are adapted to local circumstances.

**PRACTICE AND PROCEDURE** – Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and make-up of compensation for its members, whereas the Nomination and Compensation Committee (NCC) is responsible for putting forward appropriate proposals. The Board of Directors also establishes the guidelines for the Group's compensation policy. In doing so, it takes into consideration the compensation policies of other companies in the financial services industry, drawing its findings from publicly available information and, as necessary, studies

by external experts. Comparable companies in the insurance sector in Switzerland used for the purposes of providing relevant information for the current compensation policy included Allianz, AXA, Balaise Insurance, Swiss Re and Zurich Financial Services.

The Board of Directors as a whole sets the level and distribution of the variable compensation pool for all employees on the basis of its compensation policy guidelines and taking into consideration a proposal by the Nomination and Compensation Committee. When determining the level of the allocation to the compensation pool, it takes into consideration the annual result, as well as medium-term planning and the degree of target achievement. The Board of Directors as a whole is also responsible for determining the individual compensation of members of the Corporate Executive Board. It carries out a semi-annual performance assessment of all members of the Corporate Executive Board, based on preparatory work by the Nomination and Compensation Committee. In addition, current aspects of HR policy and in particular succession planning are regularly discussed at meetings of the Board of Directors.

**COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS** – Compensation remitted to members of the Board of Directors in the year under review comprises the basic compensation, additional compensation in cash and a variable compensation component in the form of blocked shares amounting to 10% of the fixed compensation.

The basic compensation, which is paid 80% in cash and 20% in blocked Swiss Life Holding shares, takes into account membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life Ltd as well as membership of the individual Board Committees. The additional compensation in cash is commensurate to the function and workload and is determined annually by the Board of Directors. If the Swiss Life Group's business operations have proved successful, a further, variable compensation component of up to a maximum of 15% of the fixed compensation may be remitted in the form of blocked Swiss Life Holding shares; this is decided upon by the Board of Directors, taking into consideration the business results. The shares are allocated at economic value, which is equal to the tax value, taking a blocking period of three years into account. The respective share price is also always published upon allocation.

As Chairman of the Board of Directors, Rolf Dörig is affiliated to the employee benefits institutions of Swiss Life for the purpose of occupational provisions. No such affiliation exists for other members of the Board of Directors and no contributions have been made on their behalf.

**COMPENSATION TO MEMBERS OF THE CORPORATE EXECUTIVE BOARD** – Compensation remitted to members of the Corporate Executive Board in the year under review comprises the basic salary, a variable bonus in cash and other compensation (child allowances, company cars, premium contributions to 3<sup>rd</sup> pillar pension plans). The members of the Corporate Executive Board also take part in a medium to long-term equity compensation plan, which is described in more detail below. They are insured for occupational benefits with Swiss Life’s employee benefits institutions.

Salary is determined annually by the Board of Directors, on the basis of a proposal by the Nomination and Compensation Committee, taking into account the individual member’s function-related responsibility and the current market conditions.

The variable cash bonus is determined by the Board of Directors in accordance with the described compensation policy principles and based on the company result and

the achievement of personal goals assessed in the employee appraisal procedure implemented throughout the Group (Group Performance System, GPS). The bonus is set at a maximum of 35% of total compensation (“bonus cap”) and requires that all objectives have been considerably exceeded.

At Corporate Executive Board level, the amount of the bonus depends 60% directly on the company’s success. As mentioned above, the following key figures are included in the Key Performance Indicators (KPIs) used to assess company success: the annual profit, costs, business volume, return on equity and solvency, as well as the profitability of in-force and new business and margin performance. The weighting of the individual KPIs is determined by the Board of Directors. 40% of the bonus is based on Corporate Executive Board members’ achievement of specified personal goals. On the one hand, these personal goals are linked back to the company’s success, in that each Corporate Executive Board member has to meet personal quantitative objectives contributing to the company’s success in relation to his division. On the other hand, the personal goals cover qualitative factors, namely project targets, risk management and compliance goals, as well as requirements relating to leadership and to supporting and further developing corporate culture.

Total compensation 100%		
Salary	Variable compensation	
	Cash bonus max. 35%	Equity compensation plan max. 35%

An equity compensation plan exists as a mid- to long-term remuneration component for members of the Corporate Executive Board and other senior management members of the Swiss Life Group. Based on this plan, participants are granted future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs). These subscription rights entitle them to receive Swiss Life Holding shares free of charge after a period of three years has elapsed, insofar as the relevant prerequisites have been satisfied at that point. The granting of this compensation component is in any case deferred for three years from the date of allocation until possible subscription of the shares and thus takes into consideration development in the meantime.

Pursuant to the regulations of the 2008, 2009 and 2010 equity compensation plans, two objective performance criteria have been defined, each weighted at 50%. The first criterion is the Total Shareholder Return on the Swiss Life Holding share (TSR Swiss Life Holding), requiring a performance of over 20% for a subscription right to shares to arise after three years. The second criterion involves a comparison of the Swiss Life Holding share’s TSR with the TSRs of the shares of the companies included in the Dow Jones STOXX 600 Insurance Index (TSR Outperformance). A subscription right arises if the performance on expiry of the three-year term is above the first quartile in comparison with the companies in question. Depending on the fulfilment of the two performance

criteria within the three-year period, the number of PSUs can increase by up to a factor of 1.5 (2008 and 2009 plans) or 2.0 (2010 plan) or drop to zero.

The number of PSUs entitling the participant to receive shares after the three-year term is determined in accordance with the following: One half of the PSUs allocated is multiplied by the factor resulting from the TSR Swiss Life Holding target being met, and the other half by the factor resulting from the TSR Outperformance target being met. The factor is 1 or 100%, if a performance of 30% (2008 and 2009 plans) or 35% (2010 plan) is achieved for the first performance criterion, the TSR Swiss Life Holding. Interim values are determined by linear interpolation. In the case of the second performance criterion, TSR Outperformance, the factor is 1 or 100%, if the TSR Swiss Life Holding is equal to the median of the benchmark index (Dow Jones STOXX 600 Insurance Index). Here, too, interim values are determined by linear interpolation. The results (factor TSR Swiss Life Holding mul-

tiplied by one half of the PSUs and the factor TSR Outperformance multiplied by the other half) are added up. The sum is the number of PSUs, which translates into an entitlement to an equal number of Swiss Life Holding shares.

Performance requirements for the 2010 equity compensation plan have been increased over the 2008 and 2009 plans to the extent that 35% performance (previously 30%) is required in the TSR Swiss Life Holding for factor 1 and at least 50% performance (previously 40%) for the maximum factor. The maximum factor has in turn been increased from 1.5 or 150% to 2 or 200%.

The value of the PSUs allocated equals the fair value as at 1 April of the year of allocation. It is determined by an independent consultancy company. The value of the PSUs allocated is a maximum of 35% of total compensation and requires that all objectives have been considerably exceeded.

#### 2010 equity compensation plan

50% of PSU x Factor		50% of PSU x Factor	
TSR SWISS LIFE HOLDING	FACTOR	TSR OUTPERFORMANCE	FACTOR
≤ 20%	0%	≤ 1st quartile	0%
= 35%	100%	= Median	100%
≥ 50%	200%	≥ 3rd quartile	200%

From 2011, participants in the equity compensation plan will be allocated Restricted Share Units (RSUs) instead of PSUs. As with PSUs, RSUs grant the holder future subscription rights, entitling them to receive Swiss Life Holding shares free of charge after a three-year period has elapsed, but without any additional performance leverage. The attribution of shares after the expiry of the three-year deferral period will be effected in future on a 1:1 basis (1 RSU = 1 share): the plan is therefore very simple and the process transparent throughout the whole term. The value of RSUs during the three-year term develops linear with the Swiss Life Holding share price and thus systematically corresponds with shareholder interests.

If the participant's employment relationship is terminated during the term of the RSU, the future subscription rights expire worthless. The plan also provides for

adjustment and reclaiming mechanisms (clawback) in the following cases: negative impact of the key figures applying to the allocation of RSUs due to a restatement of the annual accounts or damage to Swiss Life as a result of a violation of statutory, regulatory or compliance standards by participants of the RSU plan.

#### PERSONNEL CHANGES TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD IN 2010 –

There was one resignation from the Board of Directors in the period under review. After serving for seven years on the Swiss Life Board of Directors, Rudolf Kellenberger announced his resignation with effect from the General Meeting of Shareholders of 6 May 2010.

There were no personnel changes on the Corporate Executive Board during the year under review.

**COMPENSATION TO THE BOARD OF DIRECTORS IN 2010** – The compensation table below shows the variable compensation in blocked shares for the 2010 financial year which was determined by the Board of Directors at the beginning of 2011. It is disclosed on an accrual basis as compensation for 2010.

For comparison purposes, the corresponding details of the compensation for 2009, as published in the Annual Report 2009, are shown in a separate table below the compensation table for 2010.

	Compensation in cash		Compensation in blocked shares <sup>2</sup>				Expenditure for occupational provisions			
	Basic compensation	Additional compensation	Total compensation in cash	As part of basic compensation Number	As variable compensation for 2010 financial year Number	Amount	Total compensation in cash and shares (amount)	Regular contributions <sup>3</sup>	Extraordinary contributions	Aggregate total (amount)
Rolf Dörig, Chairman of the Board of Directors	960 000	0	<b>960 000</b>	1 970	761	302 399	<b>1 262 399</b>	195 656	–	<b>1 458 055</b>
Gerold Bühler	144 000	110 000	<b>254 000</b>	297	184	54 771	<b>308 771</b>			
Frank Schnewlin	144 000	30 000	<b>174 000</b>	297	134	48 146	<b>222 146</b>			
Volker Bremkamp	96 000	30 000	<b>126 000</b>	198	96	20 262	<b>146 262</b>			
Paul Embrechts	72 000	10 000	<b>82 000</b>	149	64	23 723	<b>105 723</b>			
Rudolf Kellenberger <sup>1</sup>	50 000	4 167	<b>54 167</b>	110	0	10 501	<b>64 668</b>			
Carsten Maschmeyer <sup>5</sup>	62 668	10 000	<b>72 668</b>	131	56	20 723	<b>93 391</b>			
Henry Peter	72 000	10 000	<b>82 000</b>	149	64	23 723	<b>105 723</b>			
Peter Quadri	72 000	10 000	<b>82 000</b>	149	64	23 723	<b>105 723</b>			
Franziska Tschudi	82 668	10 000	<b>92 668</b>	169	72	26 988	<b>119 656</b>			
<b>TOTAL BOARD OF DIRECTORS</b>	<b>1 755 336</b>	<b>224 167</b>	<b>1 979 503</b>	<b>3 619</b>	<b>1 495</b>	<b>554 959</b>	<b>2 534 462<sup>4</sup></b>	195 656	–	<b>2 730 118</b>

<sup>1</sup> Left 06.05.2010.

<sup>2</sup> The compensation in shares was, on the one hand, part of the basic compensation (3619 shares in total) and, on the other, variable compensation in shares for the 2010 financial year, allocated in 2011 (1495 shares in total). The allocation of shares was effected on 18.06.2010, 15.12.2010 and 04.03.2011 at economic value, which is equal to the tax value (CHF 95.464, CHF 110.242 and CHF 132.492 respectively), taking into account the blocking period of three years. The share prices (closing prices) on the days of allocation were CHF 113.70, CHF 131.30 and CHF 157.80 respectively.

<sup>3</sup> Pursuant to the fund regulations, occupational provisions were financed by the employer and the employee at a ratio of  $\frac{2}{3}$  to  $\frac{1}{3}$ .

<sup>4</sup> All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 139 793 in the year under review.

<sup>5</sup> In the year under review, AWD Holding AG paid a total of EUR 44 625 in consulting fees for services provided to the AWD Group to a company in which the Board of Directors member Carsten Maschmeyer has an important shareholding.

**COMPENSATION TO THE BOARD OF DIRECTORS IN 2009** – The members of the Board of Directors did not receive any variable compensation in shares for the 2009 financial year. All shares allotted in this financial year

form part of the basic compensation, which was paid 80% in cash and 20% in shares with a blocking period of three years.

Amounts in CHF	Compensation in cash			Compensation in blocked shares <sup>5</sup>			Expenditure for occupational provisions			Aggregate total (amount)
	Basic compensation	Additional compensation	Total compensation in cash	As part of basic compensation Number	As variable compensation for 2009 financial year Number	Amount	Total compensation in cash and shares (amount)	Regular contributions <sup>6</sup>	Extraordinary contributions	
Rolf Dörig, Chairman of the Board of Directors <sup>1</sup>	1 121 132	0	<b>1 121 132</b>	1 093	–	117 558	<b>1 238 690</b>	195 656	–	<b>1 434 346</b>
Gerold Bühler	138 667	110 000	<b>248 667</b>	319	–	29 139	<b>277 806</b>			
Frank Schneulin <sup>2</sup>	96 000	20 000	<b>116 000</b>	188	–	20 220	<b>136 220</b>			
Volker Bremkamp	96 000	30 000	<b>126 000</b>	224	–	20 207	<b>146 207</b>			
Paul Embrechts	72 000	10 000	<b>82 000</b>	169	–	15 248	<b>97 248</b>			
Rudolf Kellenberger	114 667	10 000	<b>124 667</b>	264	–	24 180	<b>148 847</b>			
Carsten Maschmeyer <sup>2</sup>	48 000	6 667	<b>54 667</b>	94	–	10 110	<b>64 777</b>			
Henry Peter	72 000	10 000	<b>82 000</b>	169	–	15 248	<b>97 248</b>			
Peter Quadri	72 000	10 000	<b>82 000</b>	169	–	15 248	<b>97 248</b>			
Franziska Tschudi	72 000	10 000	<b>82 000</b>	169	–	15 248	<b>97 248</b>			
Bruno Gehrig <sup>3</sup>	231 250	41 667	<b>272 917</b>	–	–	0	<b>272 917</b>	43 678	–	<b>316 595</b>
Pierfranco Riva <sup>4</sup>	30 000	4 167	<b>34 167</b>	82	–	6 369	<b>40 536</b>			
<b>TOTAL BOARD OF DIRECTORS</b>	<b>2 163 716</b>	<b>262 501</b>	<b>2 426 217</b>	<b>2 940</b>	<b>–</b>	<b>288 775</b>	<b>2 714 992<sup>7</sup></b>	<b>239 334</b>	<b>–</b>	<b>2 954 326</b>

<sup>1</sup> BoD Delegate until 07.05.2009 / BoD Chairman from 07.05.2009. As BoD Delegate until 07.05.2009, Rolf Dörig received compensation of CHF 19 662 for a company car and a premium contribution of CHF 41 470 to his 3<sup>rd</sup>-pillar pension plan. This total of CHF 61 132 was added to his basic compensation of CHF 1 060 000.

<sup>2</sup> BoD member from 07.05.2009.

<sup>3</sup> BoD Chairman until 07.05.2009.

<sup>4</sup> BoD member until 07.05.2009.

<sup>5</sup> The compensation in shares was part of the basic compensation (2940 shares in total). The allocation of shares was effected on 24.06.2009 and 18.12.2009 at economic value, which is equal to the tax value (CHF 77.6649 and CHF 107.5553 respectively), taking into account the blocking period of three years. The share prices (closing prices) on the days of allocation were CHF 92.50 and CHF 128.10 respectively. No variable compensation in shares was granted for the 2009 financial year.

<sup>6</sup> Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of  $\frac{2}{3}$  to  $\frac{1}{3}$ .

<sup>7</sup> All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 188 645 in the year under review.

**COMPENSATION TO THE CORPORATE EXECUTIVE BOARD IN 2010** – The compensation table below shows the bonus in cash for the 2010 financial year which was determined by the Board of Directors at the beginning of 2011. It is disclosed on an accrual basis as compensation for 2010.

The members of the Corporate Executive Board did not receive any compensation in shares for the 2010 financial year. They are participating in the current equity compensation plan, which provides for the allocation of Performance Share Units.

For comparison purposes, the corresponding details of the compensation for 2009, as published in the Annual Report 2009, are shown in a separate table below the compensation table for 2010.

Amounts in CHF	Compensation in cash			Compensation in shares 2010		Total compensation in cash and shares (amount)	
	Salary	Bonus for 2010 paid in 2011 <sup>2</sup>	Other compensation <sup>3</sup>	Total compensation in cash	Number		Amount
Bruno Pfister, Group CEO	1 237 530	1 200 000	47 905	<b>2 485 435</b>	–	0	<b>2 485 435</b>
Other members of Corporate Executive Board <sup>1</sup>	3 627 025	3 275 000	213 535	<b>7 115 560</b>	–	0	<b>7 115 560</b>
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>4 864 555</b>	<b>4 475 000</b>	<b>261 440</b>	<b>9 600 995</b>	<b>–</b>	<b>0</b>	<b>9 600 995</b>

<sup>1</sup> Six individuals were taken into account in the period under review.

<sup>2</sup> The bonus paid in 2011 relates to the 2010 financial year.

<sup>3</sup> Child allowances (CHF 12 150), allowance for years of service (CHF 45 840), company cars (CHF 102 363), premium contributions to 3<sup>rd</sup> pillar pension plans (CHF 91 413), other (CHF 9674), each in total.

Amounts in CHF	Expenditure for occupational provisions		Aggregate total compensation in cash and in shares and occupational provisions expense (amount) <sup>7</sup>
	Regular contributions <sup>4</sup>	Extra-ordinary contributions	
Bruno Pfister, Group CEO <sup>5</sup>	234 220	0	<b>2 719 655</b>
Other members of Corporate Executive Board <sup>6</sup>	976 910	0	<b>8 092 470</b>
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>1 211 130</b>	<b>0</b>	<b>10 812 125</b>

<sup>4</sup> Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of  $\frac{2}{3}$  to  $\frac{1}{3}$ .

<sup>5</sup> Regular contribution of CHF 185 230 and supplementary payment of CHF 48 990 in accordance with the pension fund regulations due to an increase in insured salary.

<sup>6</sup> Regular contribution of CHF 848 645 and supplementary payment of CHF 128 265 in accordance with the pension fund regulations due to an increase in insured salary.

<sup>7</sup> All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 401 435 in the year under review.

Amounts in CHF	Performance Share Units (PSU) <sup>8,9</sup>		Aggregate total incl. PSUs (amount)
	Number	Amount	
Bruno Pfister, Group CEO	6 500	974 870	<b>3 694 525</b>
Other members of Corporate Executive Board	18 200	2 729 636	<b>10 822 106</b>
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>24 700</b>	<b>3 704 506</b>	<b>14 516 631</b>

<sup>8</sup> The PSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years provided the relevant conditions are then met. Depending on the fulfilment during the three-year term of the two performance criteria defined, the number of PSUs can increase by a factor of 2.0 or drop to zero.

<sup>9</sup> The allocation of PSUs as at 01.04.2010 was effected at a fair value of CHF 149.98, as calculated by an independent consultancy firm.

**COMPENSATION TO THE CORPORATE EXECUTIVE BOARD IN 2009** – The compensation table below shows the bonus in cash for the 2009 financial year which was determined by the Board of Directors at the beginning of 2010. It is disclosed on an accrual basis as compensation for 2009.

The members of the Corporate Executive Board did not receive any compensation in shares for the 2009 financial year.

Amounts in CHF	Compensation in cash			Compensation in shares for 2009		Total compensation in cash and shares (amount)	
	Salary	Bonus for 2009 paid in 2010 <sup>2</sup>	Other compensation <sup>3</sup>	Total compensation in cash	Number		Amount
Bruno Pfister, Group CEO	1 200 000	925 000	53 553	<b>2 178 553</b>	–	0	<b>2 178 553</b>
Other members of Corporate Executive Board <sup>1</sup>	4 552 366	2 625 000	217 423	<b>7 394 789</b>	–	0	<b>7 394 789</b>
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>5 752 366</b>	<b>3 550 000</b>	<b>270 976</b>	<b>9 573 342</b>	–	0	<b>9 573 342</b>

<sup>1</sup> Eight individuals were taken into account in the period under review. In the case of Reto Himmel (left 31.03.2009), Thomas Müller (left 30.06.2009) and Thomas Buess (joined 01.08.2009), the compensation for 2009 membership of the Corporate Executive Board is disclosed on a pro-rata basis. The departing members of the Corporate Executive Board had a contractual twelve-month notice period, for which the agreed benefits were paid. The compensation given in this regard to former members of the Corporate Executive Board totalled CHF 1 515 379 (salary, other compensation and pension contributions).

<sup>2</sup> The bonus paid in 2010 relates to the 2009 financial year. No bonus was paid for the 2008 financial year.

<sup>3</sup> Child allowances (CHF 8700), company cars (CHF 121 318), premium contributions to 3<sup>rd</sup> pillar pension plans (CHF 88 730), other (CHF 52 228), each in total.

Amounts in CHF	Expenditure for occupational provisions		Aggregate total compensation in cash and in shares and occupational provisions expense (amount) <sup>5</sup>
	Regular contributions <sup>4</sup>	Extraordinary contributions	
Bruno Pfister, Group CEO	175 801		<b>2 354 354</b>
Other members of Corporate Executive Board	630 099		<b>8 024 888</b>
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>805 900</b>		<b>10 379 242</b>

<sup>4</sup> Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of  $\frac{2}{3}$  to  $\frac{1}{3}$ .

<sup>5</sup> All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 402 994 in the year under review.

Amounts in CHF	Performance Share Units (PSUs) <sup>6,7</sup>		Aggregate total incl. PSUs (amount)
	Number	Amount	
Bruno Pfister, Group CEO	6 500	332 930	<b>2 687 284</b>
Other members of Corporate Executive Board	15 700	804 154	<b>8 829 042</b>
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>22 200</b>	<b>1 137 084</b>	<b>11 516 326</b>

<sup>6</sup> The PSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years, provided the relevant conditions are then met. Depending on the fulfilment during the three-year term of the two performance criteria defined, the number of PSUs can increase by a factor of 1.5 or drop to zero.

<sup>7</sup> The allocation of PSUs as at 01.04.2009 was effected at a fair value of CHF 51.22, as calculated by an independent consultancy firm.

**SHARE OWNERSHIP/PARTICIPATION RIGHTS AS AT 31.12.2010** – As at the balance sheet date, acting members of the Board of Directors and the Corporate Executive Board (including closely related parties) held the following

number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs).

#### BOARD OF DIRECTORS

	SLH shares 31.12.2010
Rolf Dörig, Chairman of the Board of Directors	35 247
Gerold Bühler	2 782
Frank Schnewlin	485
Volker Bremkamp	1 465
Paul Embrechts	1 094
Carsten Maschmeyer	1 620 861
Henry Peter	2 174
Peter Quadri	1 874
Franziska Tschudi	1 114
<b>TOTAL BOARD OF DIRECTORS</b>	<b>1 667 096</b>

#### CORPORATE EXECUTIVE BOARD

	SLH shares 31.12.2010
Bruno Pfister, Group CEO	9 068
Manfred Behrens	698
Thomas Buess	2 500
Patrick Frost	4 013
Ivo Furrer	0
Klaus Leyh	53
Charles Relecom	0
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>16 332</b>

Performance Share Units (PSUs) as future subscription rights to SLH shares

	31.12.2010 <sup>1</sup>
Bruno Pfister, Group CEO	18 924
Manfred Behrens	8 407
Thomas Buess	4 800
Patrick Frost	9 149
Ivo Furrer	7 675
Klaus Leyh	4 196
Charles Relecom	5 400
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>58 551</b>

<sup>1</sup> Total number of PSUs allocated in the years 2008, 2009 and 2010 in connection with the relevant equity compensation plan. The PSUs 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 then met.

**SHARE OWNERSHIP/PARTICIPATION RIGHTS AS AT 31.12.2009** – As at the balance sheet date, acting members of the Board of Directors and the Corporate Executive Board (including closely related parties) held the follow-

ing number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs).

#### BOARD OF DIRECTORS

	SLH shares
	31.12.2009
Rolf Dörig, Chairman of the Board of Directors <sup>1</sup>	33 277
Gerold Bühler	2 485
Frank Schnewlin	188
Volker Bremkamp	1 267
Paul Embrechts	945
Rudolf Kellenberger	1 286
Carsten Maschmeyer	1 620 730
Henry Peter	2 025
Peter Quadri	1 725
Franziska Tschudi	945
<b>TOTAL BOARD OF DIRECTORS</b>	<b>1 664 873</b>

<sup>1</sup> Rolf Dörig owns an additional 6717 PSUs, which were allocated to him under the 2007 equity compensation plan for his former role of Group CEO. They represent future subscription rights that entitle him to receive SLH shares after a period of three years, provided that the relevant conditions are then met. Following his election to the Board of Directors on 8 May 2008 and resultant resignation from the Corporate Executive Board, Rolf Dörig was not allocated any further PSUs in 2008 or 2009.

## CORPORATE EXECUTIVE BOARD

	SLH shares
	31.12.2009
Bruno Pfister, Group CEO	9 068
Manfred Behrens	698
Thomas Buess	1 000
Patrick Frost	2 013
Ivo Furrer	0
Klaus Leyh	53
Charles Relecom	0
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>12 832</b>

	Performance Share Units (PSUs) as future subscription rights to SLH shares
	31.12.2009 <sup>1</sup>
Bruno Pfister, Group CEO	18 022
Manfred Behrens	6 092
Thomas Buess	1 600
Patrick Frost	7 815
Ivo Furrer	4 475
Klaus Leyh	1 873
Charles Relecom	3 385
<b>TOTAL CORPORATE EXECUTIVE BOARD</b>	<b>43 262</b>

<sup>1</sup> Total number of PSUs allocated in the years 2007, 2008 and 2009 in connection with the relevant equity compensation plan. The PSUs 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 then met.

## Appropriation of Profit

### Profit and Appropriation of Profit

The net profit for the year amounts to CHF 200 184 288. The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accor-

dance with the table below. If this proposal is adopted, a distribution in the form of a par value reduction of CHF 4.50 per share will be paid.

#### PROFIT SHOWN IN THE BALANCE SHEET

In CHF	2010	2009
Balance carried forward from previous year	3 609 395	3 958 859
Net profit	200 184 288	39 650 536
<b>TOTAL PROFIT SHOWN IN THE BALANCE SHEET</b>	<b>203 793 683</b>	43 609 395

#### APPROPRIATION OF PROFIT

In CHF	2010	2009
Dividend	-	-
Allocation to legal reserves	-	-
Allocation to free reserves	200 000 000	40 000 000
Balance carried forward to new account	3 793 683	3 609 395
<b>TOTAL PROFIT SHOWN IN THE BALANCE SHEET</b>	<b>203 793 683</b>	43 609 395

Zurich, 29 March 2011

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 180 to 194), for the year ended 31 December 2010.

#### **BOARD OF DIRECTORS' RESPONSIBILITY**

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

#### **AUDITOR'S RESPONSIBILITY**

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

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

#### **OPINION**

In our opinion, the financial statements for the year ended 31 December 2010 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 profit complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi

Audit expert

Auditor in charge

Reto Zemp

Audit expert

Zurich, 29 March 2011