



Summary Review 2006

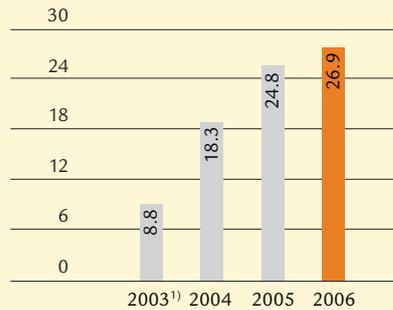
# Key Figures

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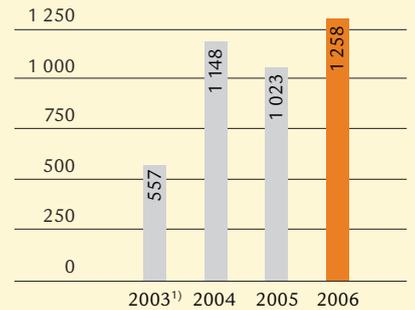
**Net profit** CHF million



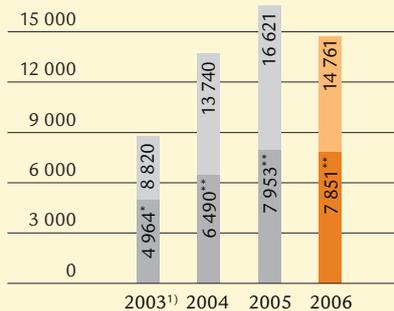
**Diluted earnings per share** CHF



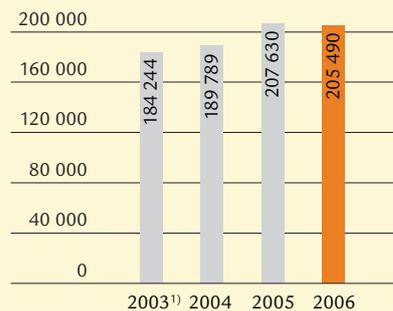
**Profit from operations** CHF million



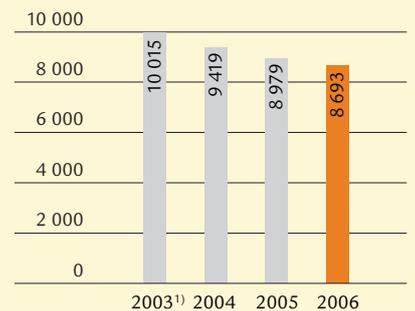
**Core capital** CHF million



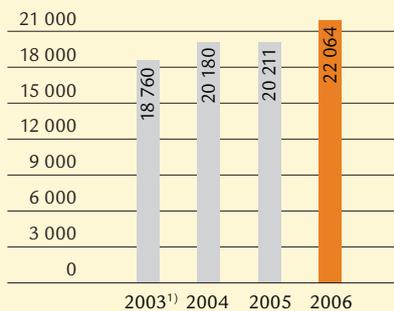
**Assets under management** CHF million



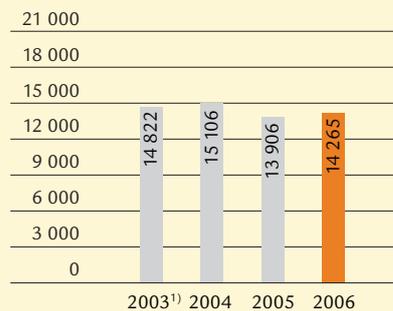
**Employees** (full-time equivalents)



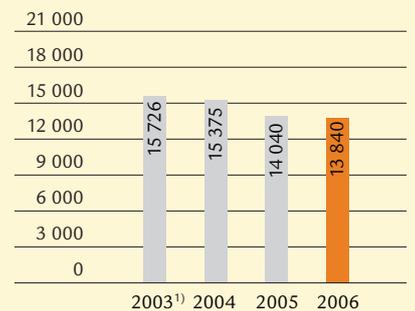
**Gross written premiums, policy fees and deposits received** CHF million



**Net earned premiums and policy fees earned** CHF million



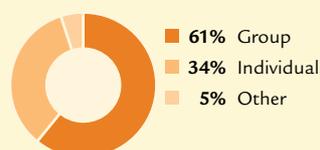
**Net insurance benefits and claims** CHF million



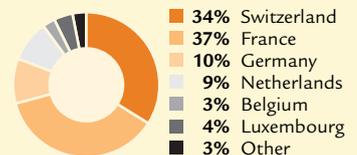
**Segment result**



**Direct written premiums by type of insurance**



**Gross written premiums, policy fees and deposits received by country**



1) The 2003 figures were not adjusted to the financial reporting requirements as at 1 January 2005.

\* Equity

\*\* Equity (incl. minority interest)

# Review

- Net profit up 9% to CHF 954 million
- Profit from operations improved by 23% to CHF 1258 million
- Premium income up 9% to CHF 22.1 billion
- Growth momentum sustained in international markets with premiums up 16%
- Quality of earnings improved and operating costs reduced in Switzerland
- Significantly expanded strategic and financial flexibility
- Dividend up 40% to CHF 7 per share

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## Swiss Life in brief

The Swiss Life Group is one of Europe's leading providers of pension and life insurance products. The Swiss Life Group offers individuals and companies comprehensive advice across a broad range of products via agents, brokers and banks in its domestic market, Switzerland, where it is market leader, and selected European markets. Multinational companies are serviced with tailor-made solutions by a network of partners in over 60 countries and regions. With Banca del Gottardo, the Swiss Life Group is also active in

private banking. The bank, with its head office in Lugano, has an extended national and international network and around CHF 36 billion in customer assets under management.

Swiss Life Holding, registered in Zurich, dates back to Schweizerische Rentenanstalt founded in 1857. Shares of Swiss Life Holding are listed on the SWX Swiss Exchange (SLHN). The Swiss Life Group employs a staff of around 9000.

# Dear Shareholders,

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The Swiss Life Group again achieved good results in 2006. Profit increased by 9% to CHF 954 million. The return on equity stood at 12.2%, which is in line with our target of achieving an ROE of more than 10%. Earnings per share amounted to CHF 26.92. Based on these strong results, the Board of Directors will recommend an increase in the dividend from CHF 5 to CHF 7 at the General Meeting of Shareholders on 8 May 2007. As in previous years, the dividend will take the form of a repayment of par value.

The implementation of our strategy continues to proceed according to plan. Our company has developed into a focused European life insurer over the past several years. The turnaround achieved in 2003 and 2004 was quite impressive. In 2005 and 2006, we made good progress towards our stated goal of sustained, profitable growth. Measured by premium volume, we are now the sixth largest life insurer in our markets with a market share of approximately 5%. We are one of the very few international players that is exclusively focused on pensions and long-term savings. We are still the market leader in our home market Switzerland. In the international markets we are growing above the average and successfully establishing Swiss Life as a leading specialist for occupational and personal pension products, despite competition from large local players. We have built up an attractive business portfolio and will continue to expand it going forward.

## Further improvements in earning power and efficiency

The strategic and operational progress is clearly reflected in the results for the 2006 financial year. Profit went up by 9% to CHF 954 million thanks to the rise in earning power and enhanced operational efficiency. The quality of earnings improved as well. The contribution of the financial result declined by CHF 368 million, primarily because fewer capital gains were realised on bonds, but efficiency gains and the good risk experience lifted the basic insurance result to CHF 598 million compared to CHF 148 million in the previous year.

Profit from operations rose by 23% to CHF 1258 million. Insurance operations accounted for the bulk of this figure, at CHF 1105 million. The Swiss Life Group achieved a segment profit of CHF 165 million in Banking and CHF 43 million in Investment Management. The performance of the Swiss Life share reflects the positive course of business, ranking among the best performers in the Swiss Market Index (SMI) in 2006 with a gain of 28%. Market



Bruno Gehrig



Rolf Dörig

capitalisation stood at CHF 10.3 billion as at 31 December 2006, double the figure of three years ago.

**Growing in attractive market segments** The Swiss Life Group increased its gross written premiums by another 9% in 2006 to CHF 22.1 billion. Swiss Life generated gross written premiums of CHF 14.5 billion outside Switzerland, a rise of 16% from the previous year. More than 40% of the premium growth outside Switzerland was achieved by the subsidiaries in Liechtenstein and Luxembourg, where Swiss Life is focusing on structured insurance solutions for high net worth individuals. We continued to strengthen our position selectively in this attractive business. As announced in December 2006, the Liechtenstein-based CapitalLeben was acquired in early 2007. Through this acquisition Swiss Life has become one of the leading providers in the area of pension planning for a wealthy international clientele.

Our French operations accounted for another 40% of the premium growth generated abroad. There is still considerable unsatisfied demand in the French market for pension and long-term savings solutions. Swiss Life is very well positioned in this highly competitive market. We are also on track to achieve our profitability and growth targets in Germany, the Netherlands and Belgium.

In Switzerland, Swiss Life's gross written premiums in the life business rose only slightly (as expected) to CHF 7.6 billion. The 3% increase in group insurance was accompanied by gratifying sales of the new performance-oriented products with capital protection.

**Banca del Gottardo generates solid result** 2006 was a year of realignment under largely new leadership for the Swiss Life Group's Banca del Gottardo, an important part of the Swiss Life Group. The bank defended its market position despite the transition process and the additional strain this put on its employees. Banca del Gottardo's consolidated net profit under local accounting rules rose by 17% to CHF 97 million. In view of the progress already made, we are confident that Banca del Gottardo will reach its targets.

**Holistic ALM approach pays off** The Swiss Life Group's equity declined by 6% in the first half of 2006 but rose during the second half to the level recorded as the year began. These developments were largely driven by interest trends. Balance sheet risks are actively managed as part of a holistic asset and liability management (ALM) process. Under the holistic ALM approach, the asset allocation also differentiates by product line to a greater extent. The result is that the Swiss Life Group's equity exposure can therefore exceed the previous target range of 0% to 7%.

**Strong commitment of Swiss Life employees** The trend in employee attitudes is particularly gratifying. Employee commitment, a reflection of identification with the company and job satisfaction, is measured annually and showed further improvement in 2006. At 73 index points, the Group-wide commitment value rose by another 3 points from the 2005 level. The survey reflected very favourably on the skills and resources of Swiss Life managers but individual career development prospects were still viewed somewhat critically. We have therefore intensified our training and development efforts.

**150 years of Swiss Life** Swiss Life looks back on a successful 150-year history. We have arranged a number of activities under the recurring theme "Perspectives for people" to mark the occasion and show our pride and gratitude. "Perspectives for people" is derived from our mission: "Swiss Life is committed to helping people create a financially secure future. For life." The aforementioned theme reflects our perception of ourselves as a company of people for people that offers interesting perspectives to its customers, staff and shareholders and is also committed to building perspectives for society beyond the scope of its business activities.

**Outstanding perspectives** The Swiss Life Group is on track to achieve the goals it has set for 2008. We have further improved our earning power and financial strength as well as our operational efficiency. We have established a sound foundation for the company to ensure long-term success as a leading specialist in the growing market for pension and long-term savings solutions. Swiss Life will thus remain an excellent choice. For customers wanting a reliable pensions partner to whom they can entrust their long-term financial security, and for shareholders seeking an attractive investment proposition.

We thank our customers and our shareholders alike for the confidence they have placed in Swiss Life and we appreciate their continued trust. We are particularly grateful to our employees for their contribution to the successful development of our company. We are confident that we will be able to master whatever challenges the future may bring while steadfastly striving to reach the ambitious goals we have set.



**Bruno Gehrig**  
Chairman of the  
Board of Directors



**Rolf Dörig**  
Group Chief  
Executive Officer

**The need for pensions and long-term savings is great. Demand for the right products and services will continue to grow. Swiss Life intends to establish a position of leadership in this fast growing market. With its strategic focus on growth, efficiency and leadership, Swiss Life is on track to achieve this ambition and reach the targets defined for 2008.**

Pensions and long-term savings is a dynamic market with sustained long-term growth potential. Increasing life expectancy and declining birth rates are forcing policy-makers to make adjustments to state social security systems. This, in turn, is leading to a shift from publicly to privately financed pensions and increasing the demand for personal retirement and savings plans. High growth rates are the result – and not only in emerging markets. Pension plan assets in Western Europe, for example, are projected to double by 2015.

**Positioning** Swiss Life has developed into a focused European life insurer in recent years. It currently holds a roughly 5% share in its markets and is the only leading international player that concentrates mainly on life insurance and pension and retirement solutions. This puts Swiss Life in an outstanding position to continue to benefit to an above-average extent from the fast growing pensions market.

**Ambitious goals** The Swiss Life Group is aiming to achieve a net profit of CHF 1 billion and a sustainable return on equity of more than 10% by 2008. Shareholders should be compensated for the provision of risk capital by the distribution of an appropriate dividend. Swiss Life also wants to be seen as an attractive employer – a company its employees are proud to work for.

To realise these targets, Swiss Life's strategic focus is on growth, efficiency and leadership.

**Growth** Swiss Life aims to benefit from the growing pensions market and establish itself as the preferred provider of solutions for individuals and companies in its markets operates. A steady increase in customer satisfaction is an important driver for this. In the life insurance business the Swiss Life Group wants to maintain its leading position while reinforcing its development of pension products and services. It wants to further sharpen its focus on the more sophisticated customer segments. Distribution in the different markets will be further diversified to create additional contact points for customers. Swiss Life expects to

grow at least 1% faster than the market average in the countries in which it operates as a result of these efforts.

**Efficiency** Swiss Life intends to further improve its basic profitability in the insurance business while reducing its reliance on the financial result. A basic profitability of CHF 500 million should be achieved by 2008. In 2006 the figure already stood at CHF 598 million. This target was already exceeded in 2006, due to the alignment of premiums with costs and risks and strict cost management. Operating costs showed no increase despite the substantial growth in premiums of 9% and the ongoing strategic initiatives.

**Leadership** Swiss Life wants to foster a performance-oriented culture and entrepreneurial thinking throughout its workforce. An important strategic aim is further raising employee job satisfaction and identification with the company by 2008. Further progress on this front will be driven by shorter decision-making processes, performance-oriented remuneration and the systematic recording and development of employee skills and abilities. Employee satisfaction and identification with the company continued to rise in the year under review. This was reflected by the results of the employee survey.

Swiss Life is committed to finding sustainable solutions for the political debate surrounding retirement provisions. In addition to Switzerland, where it has traditionally played a key role in forming political opinion, the company is now more active in its international markets as well.

# Summary of Group Results

**The Swiss Life Group generated a profit of CHF 954 million and a return on equity of 12.2% in 2006. Thanks to operational advances, Swiss Life not only increased its profit, but also significantly enhanced the quality of earnings. Implementation of the strategy is proceeding according to plan.**

The Swiss Life Group increased profits by 9% to CHF 954 million, which was above all attributable to the 23% rise in the profit from operations to CHF 1258 million. This marked improvement reflects the company's consistent focus on profitable growth, the implementation of additional measures to enhance efficiency and the good risk experience. After allowing CHF 21 million for minority interests, CHF 933 million is available for the shareholders of Swiss Life Holding. This translates into (diluted) earnings per share of CHF 26.92 and a return on equity of 12.2%, (2005: 12.3%).

The segment result generated by the insurance business totalled CHF 1105 million, CHF 668 million or 60% of which came from the home market in Switzerland. In the European markets, Swiss Life realised a segment result of CHF 437 million. The segment result for Banking, to which Banco del Gottardo contributed with a solid performance, came to CHF 165 million. In Investment Management, Swiss Life generated a segment result of CHF 43 million.

Gross premiums, policy fees and deposits received under insurance and investment contracts climbed 9% to CHF 22.1 billion. This rise was largely attributable to international business, where the premium volume grew by 16%. In Switzerland, Swiss Life increased its gross written premiums in the life business by 1% to CHF 7.6 billion. However, due to the sale of the non-life business, Swiss Life's reported premium income fell 3% in Switzerland.

As in the previous year, total income amounted to CHF 21.5 billion. Net earned premiums rose 2% to CHF 13.8 billion and policy fees were up 17% to CHF 460 million in the period under review. At CHF 493 million, the fee income from asset management and banking matched the 2005 figure.

The financial result for investments held at own risk came to CHF 6.6 billion, down 5% on the prior-year figure, due mainly to the considerable fall in realised and unrealised gains on assets. The direct return on insurance portfolio investments came to 3.6% (2005: 3.7%) and the total return to 1.8% (2005: 5.5%). The reason for this decline vis-à-vis the previous year was rising interest rates, which adversely affected the value of bond holdings.

Due to the good risk experience, insurance benefits fell slightly to CHF 13.8 billion compared with the previous year. At CHF 2.3 billion, total policyholder participation matched the previous year's level. Despite the strong growth in premiums, operating costs remained stable at CHF 2.0 billion, which indicates another increase in efficiency. All in all, operating expenses fell 5% to CHF 3.2 billion.

Equity amounted to CHF 7.6 billion as at 31 December 2006. Embedded value (which serves to indicate the value of the existing insurance portfolio) rose by 20% in the period under review to stand at CHF 10.7 billion. This represents an embedded value per share of CHF 316. The value of new business accounted for CHF 121 million of this increase in embedded value.

As at 31 December 2006, the Swiss Life Group employed a workforce of 8693 on a full-time equivalent basis – 286 less than at the end of 2005. This decrease is due to the sale of Banca del Gottardo (Monaco) and Dreieck Industrie Leasing Ltd, as well as Swiss Life's merger with «La Suisse».

# Segment Result

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**The operating result came to CHF 1258 million. The insurance segment contributed CHF 1105 million.**

**Insurance** The Swiss market generated operating income of CHF 668 million. The above-average growth continued abroad, with gross written premiums up 16%.

**Switzerland** With a market share of 28% for 2006, Swiss Life again maintained its position as the market leader in its home market. In the period under review, the company generated a segment result of CHF 668 million, thereby maintaining the previous year's performance despite the significant decline of CHF 300 million in "other income" and the substantially lower financial result. This has set the groundwork for a further increase in profitability. Gross written premiums in the Swiss life insurance business climbed 1% to CHF 7611 million. The premium volume of CHF 7807 million published for the previous year included premium income of CHF 290 million from the non-life business, which was sold to Helsana and Vaudoise in the second half of 2005. In 2006, Swiss Life increased its gross written premiums for group insurance by 3% to CHF 5799 million. This growth is mainly attributable to the premiums fully included for the first time from the group life insurance business acquired from Vaudoise. Due to the market slowdown and Swiss Life's conservative bonus policy (also with a view to profitability), premium volume for the traditional individual insurance business declined by 7% to CHF 1594 million. In contrast, the volume for performance-oriented pension products rose by over 60% to CHF 322 million in line with the company's strategic targets.

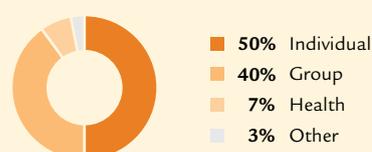
The financial result fell by 6% to CHF 2773 million. Investment income was stable, but realised and unrealised capital gains fell by CHF 153 million due to the fact that the previous year's result included considerably higher gains realised from the sale of bonds. A decrease of CHF 306 million was posted for "other income", which in 2005 had included foreign currency gains and profit from portfolio sales.

Net insurance benefits and claims fell by 3% to CHF 7719 million. This reduction stems from the dropping of the non-life business, the positive risk experience and the decreased need for provisions for future risk. In keeping with the decline in the financial result and "other income",

policyholder participation for 2006 was down slightly on the previous year, but – at CHF 864 million – remained at a high level.

Operating expenses diminished by 24% to CHF 799 million. However, the 2005 figure included three special factors: Restructuring costs in connection with the integration of the life business of «La Suisse», a one-off amortisation of the present value of future profits on the group life insurance business acquired from Vaudoise, and the extraordinary write-downs on deferred acquisition costs due to altered actuarial assumptions. On a comparable basis, oper-

Premiums by type of insurance



Key figures Insurance

In CHF million	2006	2005	+/-%
Gross written premiums, policy fees and deposits received	22 064	20 211	9.2%
Net earned premiums and policy fees earned	14 265	13 906	2.6%
Financial result	6 389	6 524	-2.1%
Other income	149	451	-67.0%
<b>Total income</b>	<b>20 803</b>	<b>20 881</b>	<b>-0.4%</b>
Net insurance benefits and claims	-13 840	-14 040	-1.4%
Policyholder participation	-2 320	-2 227	4.2%
Interest expense	-806	-778	3.6%
Operating expense	-2 732	-2 848	-4.1%
<b>Segment result</b>	<b>1 105</b>	<b>988</b>	<b>11.8%</b>
Assets under management	161 062	154 684	4.1%
Insurance reserves	145 527	139 586	4.3%
Number of employees (full-time equivalents)	7 177	7 454	-3.7%

ating costs declined by 2%. This is above all due to various measures implemented to boost efficiency, in particular last year's merger of Swiss Life and «La Suisse», and strict cost management.

**France** Swiss Life grew its gross premium income in the French life insurance business by 12% (11% in local currency) to CHF 5932 million, thus lying above the adjusted market growth of 9%. Swiss Life's market share for life and health insurance totalled 3%. The growth in unit-linked life insurance policies was again very pleasing, surging 158% (154% in local currency) to CHF 1979 million and clearly outperforming the market. The company increased premium volume in health insurance by 10% (8% in local currency) to CHF 1691 million.

Swiss Life in France posted a segment result of CHF 217 million (2005: CHF 112 million). Income increased by a total of 7% to CHF 5056 million. In addition to earned premiums, which were up 8%, higher policy fees (+16%) also made a contribution. Net insurance benefits and claims rose 3% to CHF 2268 million, reflecting the course of business. The outlay for policyholder participation rose 5% to CHF 857 million. Along with the strong growth in premiums, commissions expense increased by 9% to CHF 666 million, which also largely explains the 9% rise in operating expenses to CHF 1171 million.

Swiss Life also won a number of awards again this year. It received the "Grand Prix de la Transparence" from the trade press for the "Swiss Life Strategic" product. In addition, Swiss Life was the first health insurance company in France to receive the "Excell Santé" quality seal from the certification company Bureau Veritas Quality International.

**Germany** Swiss Life increased its gross premium income in Germany by 3% (2% in local currency) to CHF 2116 million and held a market share of about 2%. The increase in premium volume stems mainly from group business. Swiss Life is a leader in occupational pension provision and intends to further expand its activities in this area. Income increased by a total of 3% to CHF 2868 million on the back of the premium growth and a higher financial result. The company used the good stock market year to realise gains on equity investments.

Net insurance benefits and claims dropped 4% to CHF 1988 million. The improved technical result and higher financial result led to an 82% increase in policyholder par-

ticipation to CHF 420 million. Meanwhile, operating expenses went down 8% to CHF 350 million. Adjustments to the model assumptions used to calculate the deferred acquisition costs led to a decline in the cost for their amortisation. Furthermore, measures to increase efficiency and reduce costs had an effect. At CHF 84 million, the segment result was similar to that of the previous year.

In 2007, Swiss Life will continue to optimise its distribution and service concepts and will extend its range of products and services to include a unit-linked Riester product. MetallRente, Germany's largest employee benefits institution, remains an attractive business area with high growth potential. On the cost side, Swiss Life has defined further measures to significantly reduce administrative costs by 2008.

**Netherlands** Swiss Life increased its gross written premiums in the Netherlands by 19% (18% in local currency) compared with the previous year, clearly outpacing the market's growth. The strong advance in premium income was due to a contract concluded with a large pension fund, which led to a one-off premium of CHF 204 million.

Income rose 3% on the previous year's level to stand at CHF 2090 million, with net earned premiums and policy fees coming in CHF 77 million higher. Net insurance benefits and claims also increased to CHF 1512 million for a year-on-year rise of 4%, reflecting the trend in premiums. The outlay for policyholder participation declined from CHF 229 million to CHF 168 million because of the lower investment gains realised on separate-account contracts. The 25% rise in operating expenses to CHF 260 million was due above all to adjustments in model assumptions for calculating deferred acquisition costs and to a sizable increase in amortisation expense. The segment result in the Netherlands improved by 17% to CHF 135 million.

The year 2006 saw new legislation take effect in the Netherlands which had repercussions for the life insurance market. Insurers are subject to new transparency requirements with regard to costs and commissions, particularly where unit-linked life insurance is concerned, and the scaling back of tax-exempt contributions led to stiffer competition with the banks. For Swiss Life, this meant that the year under review was marked by the launch of innovative products and services.

**Belgium** For Swiss Life in Belgium, a highlight of the 2006 financial year was the merger of Swiss Life (Belgium) and Zelia S.A. into Swiss Life (Belgium) S.A., which was successfully completed in July.

A premium tax on individual insurance contributions, which was introduced on 1 January 2006 led to a significant fall in demand for life insurance in the reporting period. Swiss Life's gross premium income came to CHF 742 million (-2%). The 19% growth in group insurance helped to keep the overall premium decline within bounds.

The financial result, at CHF 184 million, was CHF 20 million lower than the previous year, when the gains realised on the sale of bonds in connection with asset and liability management had a positive impact. This resulted in a reduction of the segment result to CHF 5 million.

Operating expenses increased by 7% to CHF 123 million. The rise was due to the one-off additional costs connected with the merger of the Belgian insurance business mentioned above.

**Luxembourg** In Luxembourg, Swiss Life's gross written premiums surged 78% to CHF 841 million (75% in local currency). This gratifying development can be primarily attributed to the cross-border business with structured insurance solutions for high net worth individuals. The local group insurance market also contributed to the premium growth. Swiss Life in Luxembourg is one of the leading providers in both these areas.

Income increased by 9% to CHF 71 million. This increase was primarily due to higher earned premiums and policy fees. Expenses for net insurance benefits and claims were down 35% at CHF 26 million. In 2005, the increased reserves requirement in connection with higher life expectancy adversely affected the result. Expenses went down 19% overall to CHF 61 million, resulting in a segment result of CHF 10 million.

**Other** The results realised in Liechtenstein and Italy were presented together in this reporting period for the last time.

In Liechtenstein Swiss Life reported gross written premiums for 2006 totalling CHF 646 million. This represents a quadrupling of premium volume vis-à-vis the previous year. Income totalled CHF 4 million for the period under review. The unit, which is still in the development stage, posted a segment loss of CHF 5 million for its second year of busi-

ness. As announced in December 2006, Swiss Life acquired Liechtenstein-based CapitalLeben at the beginning of 2007. The companies have a comparable business model and similar products. CapitalLeben posted gross premium income for 2006 of CHF 1.3 billion with customer assets under management of CHF 4.0 billion. The acquisition makes Swiss Life, with its companies in Liechtenstein and in Luxembourg, one of the leading providers of structured pension solutions for international high net worth individuals, and will enable it to accelerate its dynamic growth in this global market.

Swiss Life generated gross written premiums of CHF 19 million in Italy for 2006. The sale of both Italian subsidiaries to the Italian banking group bancApulia, announced in August 2006, was completed at the end of January 2007. Due to currency factors, a loss on deconsolidation amounting to CHF 11 million was realised.

**Banking** The segment result of CHF 165 million, generated primarily by Banca del Gottardo, represented an increase of CHF 56 million (51%) vis-à-vis the previous year.

**Banca del Gottardo** 2006 was a year of repositioning for Banca del Gottardo under largely new leadership. Under local accounting practices, the bank reported a consolidated net profit of CHF 97 million, which corresponded to an increase of 17% on the prior-year figure.

Net income was down 9% to CHF 447 million compared to the previous year. This decline is largely due to the sale of Dreieck Industrie Leasing and Banca del Gottardo (Monaco), two subsidiaries that were no longer part of core business activities.

The special factors mainly pertained to a net capital gain of CHF 72 million from the sale of companies which were no longer part of core business activities, in addition to costs, provisions and impairments of CHF 44 million related to strategic projects and CHF 24 million in provisions following a reassessment of credit and process risks. These figures also take tax effects into consideration.

Assets under management as at 31 December 2006 amounted to CHF 36 billion, down from CHF 39 billion at the end of 2005. This reduction is largely attributable to the sale of Banca del Gottardo (Monaco). Net new customer assets in the Private Banking division amounted

to CHF 240 million. Including the custody business – which mainly consists of assets held for the Swiss Life Group – total assets under management at the end of 2006 amounted to CHF 89 billion, compared to CHF 77 billion at the end of 2005.

As planned, Banca del Gottardo repaid CHF 100 million in capital to Swiss Life Holding in the year under review. With a core capital ratio (BIS Tier 1) of 13% at the end of 2006 (2005: 12%), Banca del Gottardo is still adequately capitalised and has enough funds to implement its growth strategy.

This year Banca del Gottardo is celebrating its 50th anniversary and Swiss Life its 150th. To mark the occasion, the bank will be staging various events and actively sponsoring social and cultural events under the motto “50 Years – Looking Forward”.

**Investment Management** Swiss Life’s Investment Management generated a segment result of CHF 43 million.

Swiss Life Investment Management Holding AG was founded in 2005 to simplify Investment Management’s operational structures and to enhance the transparency and efficiency of the asset management activities. In 2006, some tasks, such as the processing of securities transactions and the exercise of control functions, were transferred from the Insurance segment to the Investment Management segment to further optimise operational structures. Due to these changes, a year-on-year comparison of segment results is not very informative. For example, income for 2006 amounted to CHF 212 million while expenses amounted to CHF 169 million, an increase of 18% and 42%, respectively, vis-à-vis the previous year. Continued growth in income and the segment result is expected in the years ahead. Swiss Life also adjusted the method used to calculate assets under management. On a comparable basis, assets under management were up 13% to CHF 74.4 billion, of which CHF 71.1 billion consisted of insurance assets and CHF 3.3 billion of third-party mandates.

# Corporate Governance

**The Swiss Life Group supports good corporate governance. The company is committed to openness and transparency in the context of responsible management.**

The internal competencies and responsibilities are clearly delineated and the cooperation between the Board of Directors, senior management and internal control bodies is optimally structured. In this sense, the Board of Directors of Swiss Life Holding consists entirely of non-executive members; the functions of the Chairman of the Board of Directors and those of the Group CEO are separated.

**Board of Directors** As of the balance sheet date, the Board of Directors was composed of the following members:

Name	Functions	Year appointed/ reelected	Elected until
Bruno Gehrig	Chairman Chairman's Committee, Chairman	2003/2006	2009
Gerold Bühler	Vice Chairman Chairman's Committee Investment and Risk Committee, Chairman	2002/2003/2005 <sup>1)</sup>	2008
Volker Bremkamp	Member Audit Committee, Chairman	2003/2004	2007
Paul Embrechts	Member Audit Committee	2003/2005	2008
Rudolf Kellenberger	Member Chairman's Committee Investment and Risk Committee	2003/2004	2007
Henry Peter	Member Audit Committee	2006	2009
Peter Quadri	Member Audit Committee	2003/2004	2007
Pierfranco Riva	Member Investment and Risk Committee	2003/2006	2009
Franziska Tschudi	Member Investment and Risk Committee	2003/2005	2008

1) Member of the Board of Directors of Swiss Life/Rentenanstalt since 2000

**Corporate Executive Board** The Corporate Executive Board of Swiss Life Holding comprises the following members:

Name	Function	Member of the Corporate Executive Board since
Rolf Dörig	Group CEO	06.11.2002
Bruno Pfister	CEO International	01.08.2002
Paul Müller	CEO Switzerland	15.01.2003
Reto Himmel	Group CTO	20.01.2003
Thomas Müller	Group CFO	01.01.2006
Patrick Frost	Group CIO	01.07.2006

**Compensation** Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and the make-up of compensation for its members. The Chairman's Committee, in its capacity as a Compensation Committee, is responsible for putting forward corresponding proposals. The Board of Directors also establishes guidelines for the compensation policy within the Group. In so doing, it takes into consideration the compensation policies of other organisations of comparable size and in comparable industries, with its findings drawn from publicly available information or, as necessary, studies by external experts. Based on these guidelines, the Chairman's Committee determines the compensation for individual members of the Corporate Executive Board and informs the entire Board of Directors accordingly.

Within the framework of the compensation arrangements for the members of the Corporate Executive Board and other key performers within the Swiss Life Group, set by the Corporate Executive Board with the concurrence of the Chairman's Committee, a long-term remuneration component was introduced in 2004 on the basis of corresponding regulations. This equity compensation programme was adjusted slightly in 2005 by defining specific performance criteria. These take account of both the performance of the Swiss Life Holding share and its performance vis-à-vis other companies in the market. Participants are granted future subscription rights, in the form of Performance Share Units (PSU) on Swiss Life Holding shares, entitling 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. The number of PSUs

can increase no more than by a factor of 1.5, or drop by 0.5, within three years, depending on how the performance criteria develop. In 2005, 37 members of the Swiss Life Group senior management participated in this programme. A total of 67 412 PSUs were allocated in 2005; a total of 33 297 for the Corporate Executive Board, of which 9604 to the Group CEO.

During the review period, 36 members of the Swiss Life Group senior management participated in the corresponding continued equity compensation programme. A total of 46 651 PSUs were allocated; a total of 22 255 for the Corporate Executive Board, of which 7153 to the Group CEO.

Compensation paid to acting members of the Board of Directors and the Corporate Executive Board during the period under review was as follows:

In CHF	2006	2005
Board of Directors	<b>1 479 300</b>	1 367 000
Corporate Executive Board	<b>8 859 305</b>	7 633 850

Swiss Life Holding shares were allocated to members of the Board of Directors and the Corporate Executive Board as follows during the 2006 financial year:

Board of Directors	1483 shares allocated at values of CHF 255.25, 229.22 and 226.28 <sup>1)</sup> . They are subject to a three-year vesting period
Corporate Executive Board	6949 shares <sup>2)</sup> allocated at a value of CHF 257.55 <sup>3)</sup> . They are subject to a one-year vesting period.

1) Economic value equivalent to the taxable value taking the vesting period into account. The share prices on allocation amounted to CHF 304.00, 273.00 and 269.50.

2) The 6949 shares were allocated under the 2004 regulations governing the long-term remuneration component.

3) Economic value equivalent to the taxable value taking the vesting period into account. The share price on allocation amounted to CHF 273.00.

The highest total compensation for a member of the Board of Directors in 2006 was paid to Bruno Gehrig as Chairman of the Board. The total compensation paid in the year under review is as follows:

Compensation <sup>1)</sup>	CHF	615 000
Shares <sup>2)</sup>	CHF	79 998 349 SLHN shares at CHF 229.22
Share options		none
Total compensation 2006:		
in cash and shares	CHF	694 998
including contribution to occupational provisions	CHF	787 020
Total compensation 2005:		
in cash and shares	CHF	601 496
including contribution to occupational provisions	CHF	693 518

1) including bonus in cash

2) The 349 allocated shares are subject to a vesting period of three years. The share price at the time of allocation was CHF 273.00; the allocation, subject to a three-year vesting period, took place at an economic value of CHF 229.22, which corresponds to the tax value.

The highest total compensation for a member of the Corporate Executive Board was paid to Rolf Dörig as Group CEO. The total compensation paid in 2006 was as follows:

Compensation <sup>1)</sup>	CHF	3 312 635
Shares <sup>2)</sup>	CHF	447 364 1 737 SLHN shares at CHF 257.55
Share options		none
Total compensation 2006:		
in cash and shares	CHF	3 759 999
including contribution to occupational provisions	CHF	3 950 039
Total compensation 2005:		
in cash and shares	CHF	3 321 339
including contribution to occupational provisions	CHF	3 598 709

1) including bonus in cash

2) In accordance with the 2004 regulations, these shares are allocated via the long-term remuneration component and blocked for one year until the end of March 2007. The share price at the time of allocation was CHF 273.00; the allocation, subject to a one-year vesting period, took place at an economic value of CHF 257.55, which corresponds to the tax value.

The complete text on corporate governance can be found in the 2006 Annual Report or at [www.swisslife.com/report](http://www.swisslife.com/report).

# Consolidated Statement of Income

## Consolidated statement of income for the years ended 31 December

In CHF million	2006	2005
<b>Income</b>		
Premiums earned on insurance contracts	13 960	13 519
Premiums earned on investment contracts with discretionary participation	78	233
Premiums ceded to reinsurers	-233	-240
Net earned premiums	13 805	13 512
Policy fees earned on insurance contracts	128	114
Policy fees earned on investment and unit-linked contracts	332	280
Policy fees earned	460	394
Asset management and other commission income	493	494
Investment income	5 188	5 185
Net gains/losses on financial assets	1 045	2 582
Net gains/losses on financial instruments at fair value through profit or loss	351	-687
Net gains/losses on investment property	97	-24
Other income	92	86
<b>Total income</b>	<b>21 531</b>	<b>21 542</b>
<b>Expenses</b>		
Benefits and claims under insurance contracts	-13 909	-13 944
Benefits and claims under investment contracts with discretionary participation	-91	-240
Benefits and claims recovered from reinsurers	160	144
Net insurance benefits and claims	-13 840	-14 040
Policyholder participation	-2 320	-2 227
Interest expense	-908	-862
Commission expense	-1 172	-1 092
Employee benefits expense	-1 215	-1 208
Depreciation and amortisation expense	-521	-750
Impairment of property and equipment and intangible assets	-32	-119
Acquisition and origination costs deferred	538	572
Other expenses	-803	-793
<b>Total expenses</b>	<b>-20 273</b>	<b>-20 519</b>
<b>Profit from operations</b>	<b>1 258</b>	<b>1 023</b>
Borrowing costs	-177	-173
Share of results of associates	1	3
<b>Profit before income tax</b>	<b>1 082</b>	<b>853</b>
Income tax expense	-128	21
<b>Net profit</b>	<b>954</b>	<b>874</b>
<i>Net profit attributable to</i>		
equity holders of Swiss Life Holding	933	860
minority interest	21	14
<b>Net profit</b>	<b>954</b>	<b>874</b>
Basic earnings per share for the net profit attributable to equity holders of Swiss Life Holding (in CHF)	27.87	25.67
Diluted earnings per share for the net profit attributable to equity holders of Swiss Life Holding (in CHF)	26.92	24.82

# Consolidated Balance Sheet

## Consolidated balance sheet

In CHF million	31.12.2006	31.12.2005
<b>Assets</b>		
Cash and cash equivalents	7 621	14 170
Insurance receivables and other receivables	4 899	4 175
Derivatives	859	777
Financial assets at fair value through profit or loss	29 437	23 653
Financial assets available for sale	92 916	80 031
Loans	28 883	30 280
Financial assets held to maturity	4 090	4 256
Financial assets pledged as collateral	124	1 232
Investment property	11 816	11 439
Investments in associates	75	76
Reinsurance assets	969	923
Property and equipment	1 159	1 263
Intangible assets including intangible insurance assets	3 507	3 075
Current income tax assets	22	53
Deferred income tax assets	94	79
Assets held for sale	14	1 409
Other assets	465	706
<b>Total assets</b>	<b>186 950</b>	<b>177 597</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Insurance payables and other payables	4 268	4 093
Derivatives	2 262	1 881
Financial liabilities at fair value through profit or loss	9 538	6 830
Investment contracts	28 853	24 629
Deposits	7 356	6 419
Borrowings	6 139	4 750
Insurance liabilities	109 235	106 541
Policyholder participation liabilities	7 092	8 082
Employee benefit liabilities	2 561	2 576
Current income tax liabilities	232	273
Deferred income tax liabilities	865	1 136
Provisions	202	212
Liabilities associated with assets held for sale	–	1 734
Other liabilities	496	488
<b>Total liabilities</b>	<b>179 099</b>	<b>169 644</b>
<b>Equity</b>		
Share capital	1 385	1 554
Share premium	2 459	2 467
Treasury shares	–66	–42
Foreign currency translation differences	61	–11
Gains/losses recognised directly in equity	305	1 185
Retained earnings	3 435	2 502
<b>Total shareholders' equity</b>	<b>7 579</b>	<b>7 655</b>
Minority interest	272	298
<b>Total equity</b>	<b>7 851</b>	<b>7 953</b>
<b>Total liabilities and equity</b>	<b>186 950</b>	<b>177 597</b>

**Important dates**

Annual General Meeting  
8 May 2007  
Hallenstadion, Zurich

Presentation of half-year figures  
4 September 2007

**Contacts**

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obtained from:

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You can find the Annual Report  
for the Swiss Life Group on the  
Internet at  
<http://www.swisslife.com/report>

**Caution regarding forward-  
looking statements**

This Annual Report contains  
forward-looking statements about  
Swiss Life which involve certain  
risks and uncertainties. The reader  
should be aware that such state-  
ments represent projections which  
could differ materially from actual  
outcomes and results. All forward-  
looking statements are based  
on the data available to Swiss Life  
at the time the present Summary  
Review was compiled.

This Summary Review is also  
available in German, French and  
Italian. The German text is  
definitive.

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