Swiss Life Group | Annual Report 2007

Perspectives

Perspectives

Annual Report 2007

In its anniversary year Swiss Life generated a record result, paving the way for a successful future.

Profit

+43 %

2007	**1368** CHF m
2006	954 CHF m

Profit | With a net profit of CHF 1368 million, Swiss Life surpassed its 2008 profit target of CHF 1 billion already in 2007.

Return on equity

+5.9 ppts

2007	**18.1 %**
2006	12.2 %

Return on equity | Return on equity came to 18.1 %, above the 10 % level as in previous years.

Growth

+10 %

2007	**24.2** CHF bn
2006	22.1 CHF bn

Growth | Swiss Life's growth momentum continued with premium income climbing 10 % to CHF 24.2 billion.

Operating expense ratio

–0.6 ppts

2007	**6.6 %**
2006	7.2 %

Efficiency | Swiss Life sustainably improved its cost situation by reducing the operating expense ratio of its insurance business by around 10 % to under 7 % within 5 years.

Employee commitment

+4 Points

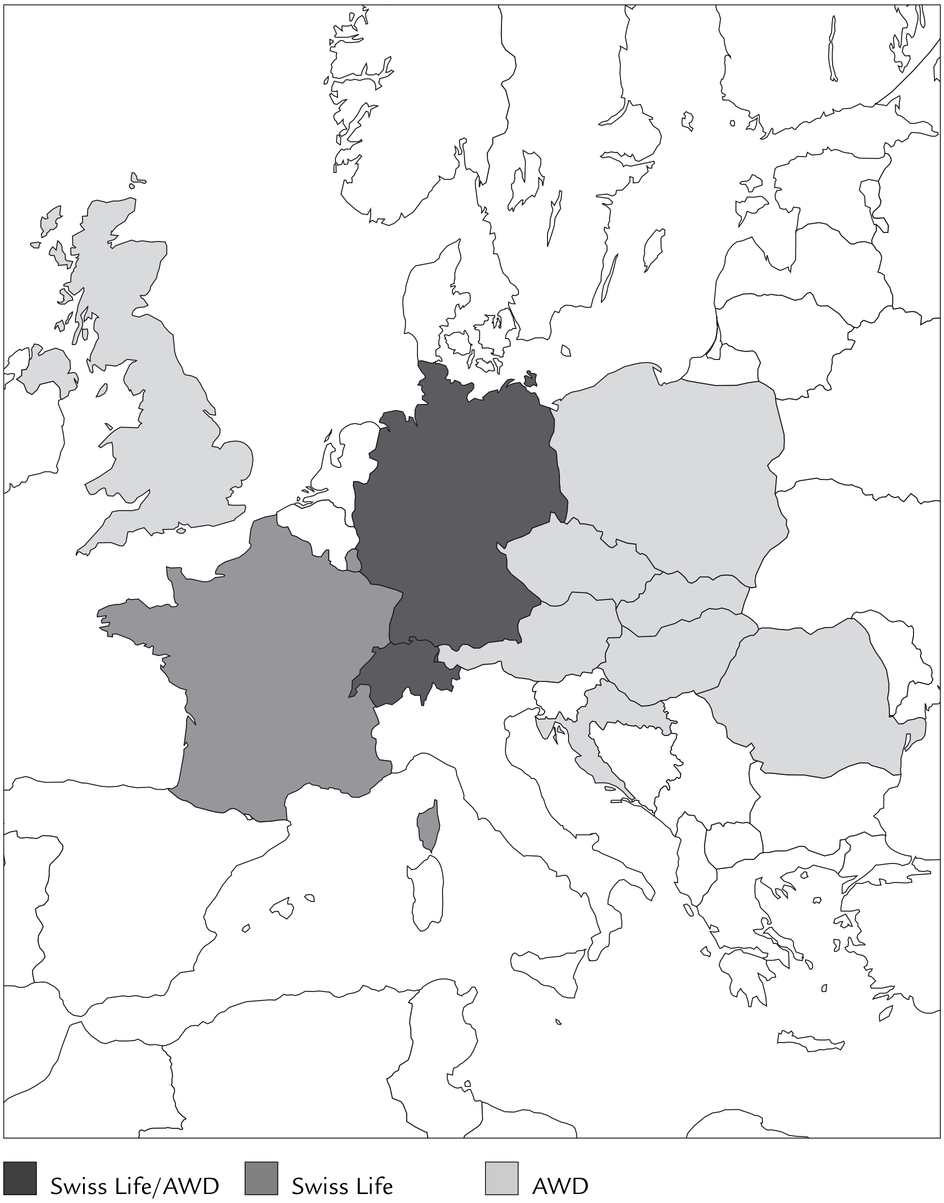
2007	**77** index points
2006	73 index points

Leadership | Employee commitment continued to rise. The value ascertained for job satisfaction and employees' identification with the company came to 77 of 100 possible index points, thus steadily approaching the 80 point target.

Swiss Life at a glance | The Swiss Life Group is one of Europe's leading providers of life insurance and pension solutions. The company offers individuals and companies a broad range of products combined with comprehensive advice through its own sales force as well as brokers and banks in Switzerland, France and Germany. It provides internationally operating corporations with employee benefits solutions from a single source, and is among the global leaders in structured life and pension products for high net worth individuals.

Swiss Life is the majority shareholder of the Hanover-based AWD Group, one of Europe's top financial services providers for the medium- and high-income customer segments. AWD offer its clients independent financial advisory services. It employs over 6300 financial consultants in ten European countries.

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



Insurance Switzerland

In its home market Switzerland, Swiss Life is the clear leader in the area of pensions and long-term savings.

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Insurance France

Thanks to its private insurer concept, Swiss Life generated profitable growth in France.

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Insurance Germany

In Germany Swiss Life is the leading specialist in occupational disability coverage and a successful provider of innovative pension products for individuals.

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Insurance Other

The cross-border business in Liechtenstein and Luxembourg is expanding rapidly. Swiss Life's portfolio of products and services sold from these countries address the requirements of both high net worth individuals and international corporations.

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AWD

The partnership with AWD opens up additional distribution capabilities and accelerates international growth.

Page 7–8

Each human being is unique. No two sets of wishes and visions or life histories are the same. Naturally, then, perspectives are never absolute; they are always shaped by a certain point of view. They can open up new dimensions, depending on the angle taken. And because life never stops moving, perspectives change.

Swiss Life is committed to helping people create a financially secure future. For life. The company aims to give each individual customer an appropriate financial perspective.

Based on this strong result, the Board of Directors will propose an increase in the profit distribution from CHF 7 to CHF 17 per share.

DEAR SHAREHOLDERS | 150 years of Swiss Life! In its anniversary year, your company achieved a very good result despite all the turbulences on the financial markets. The net profit of CHF 1368 million is equivalent to CHF 39.60 per share. Based on this strong result, the Board of Directors will propose an increase in the profit distribution from CHF 7 to CHF 17 per share to the General Meeting of Shareholders on 8 May 2008. A prominent feature of the year 2007 was Swiss Life's 150th anniversary. The various activities organised under the recurring theme "Perspectives for people" gave me the opportunity to forge numerous valuable contacts with customers, employees and business partners. In many encounters I sensed the strong personal ties these people have with Swiss Life. This has reinforced my conviction that Swiss Life is a company with a very promising future.

The anniversary year saw great progress in the implementation of our strategy and the achievement of a significant part of our targets originally set for 2008. In the past year, the Board of Directors therefore focused predominantly on developing the strategy and setting the future course. Reassessing the strategy, we were confirmed in our view that pensions and long-term savings will remain a long-term growth market and thus an attractive business field. We have therefore decided to systematically pursue the chosen strategic course. We want to position Swiss Life as the leading specialist for life insurance and pension solutions and to accelerate our growth. The core focus of our activities will remain the same, as expressed in our mission statement: "We are committed to helping people create a financially secure future. For life." Swiss Life takes care of people's pension needs not just before, but also after retirement. We will seize growth opportunities in our existing markets, in international business and in attractive growth markets, building on a more function-oriented management structure to further enhance efficiency and Group-wide cooperation.

We want to position Swiss Life as the leading specialist for life insurance and pension solutions and to accelerate its growth.

In the fourth quarter of 2007 we benefited from the highly attractive market conditions to optimise our business portfolio for this next stage of development. We decided to sell our insurance operations in the Netherlands and Belgium as well as Banca del Gottardo. These two transactions announced in November 2007 are expected to generate a profit contribution of around CHF 1.8 billion. CHF 300 million of this was already included in the financial statements for 2007. In December 2007 we took a further step towards accelerated profitable growth by announcing a partnership with AWD. AWD is a successful European financial services provider with a strong distribution network in Germany, Austria and Switzerland, a promising position in the growth markets of Central and Eastern Europe, and operations in the United Kingdom. The Board of Directors is convinced that financial services providers such as AWD, who offer independent advice to clients, will in future play an increasingly important role in the distribution of life insurance and pension products. This partnership is therefore very significant for us in view of our multi-channel distribution concept. In January 2008, Swiss Life made a bid to all AWD shareholders, offering to buy their shares for EUR 30 each. After expiry of the acceptance period in mid-March 2008, Swiss life holds approximately 86% of AWD's shares. As majority shareholder, Swiss Life will plan the next steps in this forward-looking cooperation together with AWD. As a result of these corporate transactions, Swiss Life is now extremely well placed to meet its strategic targets. Naturally, we are monitoring the market closely and assessing further carefully targeted acquisition options, giving priority to our principal markets.

Our financial targets up to 2012 underscore our commitment to profitable growth and the efficient use of capital. We aim to boost the earnings per share by at least 12% a year. The return on equity should come to above 12% each year. Active capital management is a further key element of the strategy. We will be conducting a share buy-back programme up to CHF 2.5 billion and are counting on a profit distribution of at least CHF 600 million for 2008. From the financial year 2009 onwards, we will annually propose a distribution to shareholders of between 40% and 60% of the reported profit.


Bruno Gehrig

In parallel to the realignment of the strategy, the Board of Directors also took measures to assure continuity at top executive level and on the Board of Directors. I decided last year to relinquish my function at Swiss Life in 2010 to enable a rejuvenation process at the top of the company. It is the Board of Directors' and my personal wish that Rolf Dörig, who has been leading Swiss Life with great success as Group CEO since November 2002, be appointed Chairman of the Board as my successor. Thus the election of Rolf Dörig to the Board of Directors will be proposed to you already at the General Meeting on 8 May 2008. It is planned that Rolf Dörig will assume the position of Delegate of the Board of Directors until my departure. His key responsibilities will involve strategy development and overseeing strategy implementation. It is further planned that, following Rolf Dörig's election to the Board of Directors, Bruno Pfister will be appointed Group CEO. Bruno Pfister has been with Swiss Life since August 2002, initially as Group Chief Financial Officer and, since 1 January 2006, as CEO International. I am convinced that he will ensure the continuation of Swiss Life's success story. The Board of Directors also decided to boost the international component in the Corporate Executive Board by including the national CEOs of France and Germany, Jacques Richier and Manfred Behrens. With their specific knowledge and their personality, they will no doubt prove an ideal addition to the Corporate Executive Board.

Besides strategic and personnel matters, the Board of Directors was also strongly concerned with the extension of Swiss Life's risk management framework in 2007.

I would like to thank all those who have contributed to the successful development of our company and who have placed and continue to place their trust in us.

Gehrig

BRUNO GEHRIG | Chairman of the Board of Directors

The successful implementation of our strategic priorities of growth, efficiency and leadership led to this very good result.

DEAR SHAREHOLDERS | The Swiss Life Group generated the best result of its 150-year history in 2007, with a net profit of CHF 1368 million. Adjusted for the profit contribution of around CHF 300 million from the dissolution of reserves following a change in Dutch law, the figure came to CHF 1064 million. Thus we already achieved our 2008 profit target of CHF 1 billion in 2007. The return on equity stood at 18.1%, thereby continuing to exceed the 10% level as in previous years. The successful implementation of our strategic priorities of growth, efficiency and leadership led to this very good result, despite the decline in the financial result vis-à-vis the previous year.

Of the profit from operations amounting to CHF 1706 million, CHF 650 million was generated in Switzerland, CHF 324 million in France, CHF 65 million in Germany and CHF 93 million by Investment Management. The contribution to profit from operations by the units sold in the Netherlands and Belgium came to CHF 471 million, around CHF 300 million of which stemmed from the dissolution of reserves mentioned above. Banca del Gottardo turned in a good performance, which was reflected in its segment result of CHF 168 million.

The positive trend in premium growth was maintained. The overall premium volume of CHF 24.2 billion for the Swiss Life Group represented 10% growth over the previous year. The Swiss business made an important contribution to these figures. In our home market we continued to expand our leadership position with premiums growing 11%, which was above the market average, to stand at CHF 8413 million. The company in Liechtenstein, specialising in structured pension solutions for high net worth individuals, recorded a veritable growth surge. The previous year's premium growth of CHF 646 million to CHF 2786 million included the acquisition of the Liechtenstein company CapitalLeben, which was fully consolidated from the end of March 2007, and the consistently strong organic growth. France showed a decline of 10% with premium income at CHF 7411 million, but adjusted for the sale of the ERISA companies, the growth rate of 6% outperformed the market. In Germany, the premium volume advanced by 2% to CHF 2158 million. In the Netherlands, Swiss Life acquired further autonomous pension funds as customers, raising the premium income by 21% to CHF 2302 million. In Belgium and Luxembourg, premium income declined due to special situations.

A very good overall result was achieved, although the financial result on assets held for own risk was, at CHF 4885 million, 8% or CHF 422 million lower than in the previous year. This was a consequence of the negative development on the international financial markets since the middle of 2007. Direct investment income increased 25% to CHF 4627 million, but – in contrast to the previous year's net capital gain of CHF 783 million – there was a net capital loss of CHF 218 million. Direct and indirect investments in subprime US mortgages total CHF 83 million overall, which represents less than 0.1% of overall investments. Swiss Life is, therefore, not directly affected by the crisis on the US mortgage market. However, for the 2007 accounts, we decided to completely write off positions vulnerable to a further aggravation of the liquidity situation brought on by all the market turbulence. This reduced the net profit by CHF 72 million. We made further efficiency gains in 2007. Despite the premium growth of 10% we were able to reduce our operating costs by a further 2%. Stringent cost management will continue to be a top priority for us. Swiss Life has a solid financial base for the next development stage. Shareholders' equity amounted to CHF 7277 million on

Rolf Dörig

31 December 2007. Because of the negative trend in unrealised gains on investments, it was slightly below the previous year's level. The solvency margin of the Swiss Life Group came to 162% on 31 December 2007.

Employee commitment increased further. The value determined in the annual survey for job satisfaction and employees' identification with the company rose by another four points, from 73 to 77 index points, thus moving closer to the target of 80. Commitment has risen by 16 points since the first time it was measured in 2004. To enable this positive trend to continue, we have systematically expanded the training and development measures available to employees, and above all to managers.

With the progress we have achieved and our strategic focus, Swiss Life is well positioned for the next growth surge. The strategic directions defined in 2007 will lead to further gains in Swiss Life's attractiveness to customers, shareholders and employees. The focus will be placed even more sharply on our strengths in the area of pensions and long-term savings. To respond still better to customers' requirements we are stepping up product management. With AWD, we can expand our multichannel distribution capability in existing markets and tap into attractive growth markets. The new financial objectives underscore our commitment to profitable growth and the efficient use of capital.

It is a great honour and pleasure for me to be given the opportunity to continue my work at Swiss Life over the long term. In my new role as Delegate of the Board of Directors, I will primarily be responsible for strategy development and for overseeing strategy implementation, and will work closely with the Chairman of the Board of Directors, Bruno Gehrig, and with Group CEO, Bruno Pfister.

I wish to thank all employees very much for their commitment and contribution to Swiss Life's progress. For myself and on behalf of my colleagues on the Corporate Executive Board, I would like to extend my thanks to Bruno Gehrig and the members of the Board of Directors for the confidence shown in us and the constructive cooperation over the past years. I am convinced that we have laid the groundwork for Swiss Life to enjoy a very successful future.

ROLF DÖRIG | Group Chief Executive Officer

Strategy and Markets | Swiss Life made great progress in implementing its pensions leadership strategy and achieved its targets sooner than expected in many areas. The company will continue along this path. Swiss Life wants to position itself as a leading provider of life insurance and pension solutions, and to accelerate its pace of growth.

The area of pensions and long-term savings is a growth market.

Life expectancy is on the rise, whereas the birth rate is falling. Populations are getting older. This demographic trend poses a major challenge to state pension systems, with the number of pensioners rising and the number of people in gainful employment sinking. This trend will be accelerated in the near future when the generation of baby boomers retires. Whoever wants to ensure that they are sufficiently and securely provided for after retirement or in the event of disability must give the matter some thought and put the right measures in place well in advance. Consequently, privately funded pension solutions will gain in importance. Given the demographic trend and the condition of the state pension systems, this applies to both western industrial nations and emerging markets which have not built up their pension systems yet.

Targets met earlier than planned

Swiss Life has become a focused European life insurer in recent years and is excellently positioned to substantially benefit from this growth. It is the only leading international player in Switzerland, France and Germany that concentrates on life insurance and pension solutions. Swiss Life has progressed greatly in terms of its strategic directions of growth, efficiency and leadership and, in many areas, attained the goals it set for 2008 one year earlier than planned.

GROWTH | The Swiss Life Group posted an above-average increase in gross written premiums, with premium income coming to CHF 24 billion in 2007.

We are committed to helping people create a financially secure future. For life.

EFFICIENCY | Swiss Life sustainably improved its cost situation by reducing the operating expense ratio from approximately 10% to under 7% over a five-year period.

LEADERSHIP | Employee commitment climbed steadily from 61 out of 100 index points in 2004 to 77 index points in 2007.

Thanks to these developments, Swiss Life surpassed its 2008 profit target of CHF 1 billion already in 2007. The company has also exceeded its 10% return on equity target annually since 2004.

Strategic course set

Swiss Life wants to continue along its chosen path and to carve out an even stronger position as the leading provider of life insurance and pension solutions. The company plans to continue to accelerate growth and to boost its profitability. Therefore, following a comprehensive analysis and review of the various options open to it, Swiss Life made some landmark decisions in the 2007 financial year.

In December 2006 Swiss Life announced the takeover of CapitalLeben, a Liechtenstein-based company specialising in structured life insurance solutions, and finalised this transaction in March 2007. As planned, the company was merged with Swiss Life (Liechtenstein) AG on 1 October 2007.

In March 2007 Swiss Life communicated that it was selling its majority stakes in the French companies ERISA and ERISA IARD to HSBC France. The sale, which was concluded on market terms, enhances Swiss Life's strategic and financial flexibility in the French market with respect to the focus on profitable growth and high net worth individuals. Swiss Life exercised this flexibility early on by acquiring the banking and asset management business of Banque Privée Fideuram Wargny from VIEL & Cie. and taking over Meeschaert Assurances, a subsidiary of the French Meeschaert Group.

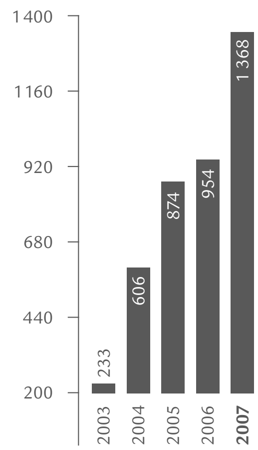
In November 2007 Swiss Life announced the sale of Banca del Gottardo and its Dutch and Belgian insurance business. Given the company's clear focus on pensions and long-term savings, management at Swiss Life and Banca del Gottardo decided that Swiss Life was no longer the ideal owner of the bank in its next stage of development. At the same time, market conditions meant that the bank could be sold at an attractive price. The sale of the bank to the Ticino-based company BSI was completed in March 2008.

The reason for the sale of the Dutch and Belgian business was that Swiss Life believed it would not have been possible to independently attain a sustainably profitable market position without significant investment and within a reasonable period of time. The decision to sell while market conditions were favourable optimised the value of this transaction for shareholders. The sale will be closed in the second quarter of 2008.

However, what stands out most in terms of acquisitions in the year under review is the transaction announced in December 2007, namely, the public tender offer for shares in the German firm AWD Holding AG. With AWD, the biggest independent financial services provider in Europe, Swiss Life can consolidate its distribution network and extends its options with respect to customer proximity. In addition, it provides access to growth markets in Central and Eastern Europe, and Austria. Moreover, the partnership enables Swiss Life to accelerate its growth in Germany and to strengthen its leading market position in Switzerland.

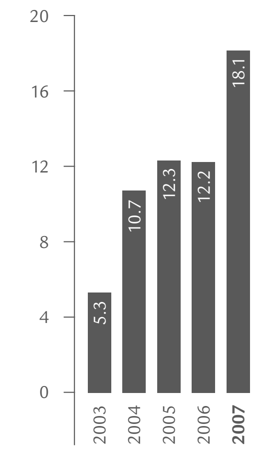
Net profit

In CHF million



Return on equity

in %

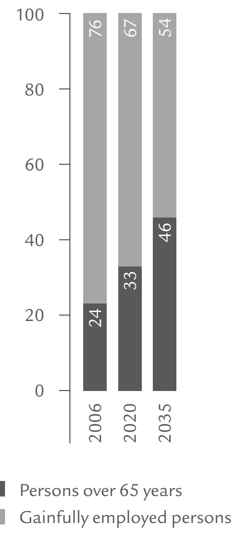


Business portfolio with excellent perspectives

Following the operational progress and the strategic adjustments made in 2007, Swiss Life is very well positioned to accelerate growth and further enhance its profitability.

In its home market, Switzerland, Swiss Life remains the market leader in the area of private and occupational pensions. Approximately one million people are insured with Swiss Life, either directly or through their employer. By focusing on reliability and high quality services, the company clearly distinguishes itself from its competitors. Thanks to product innovations in individual and group insurance to meet customer demands for more clarity and transparency, Swiss Life can not only optimise its potential vis-à-vis existing customers, but is also better equipped to win new ones. In France Swiss Life has steadily improved its standing in recent years. The company is the preferred alternative to large national providers, especially for high net worth individuals. Another advantage is Swiss Life's well diversified distribution network. Partnerships with private banks and independent asset managers contribute greatly to profitable growth. In Germany Swiss Life is one of the preferred partners among insurance brokers due to its professional competence and high service quality standards. Through its partnership with AWD, Swiss Life can exploit its potential even better in the long term.

In Europe, the number of pensioners is rising, while the working population is declining



Source: United Nations, 2006 Revision Population Database

In cross-border private placement life insurance Swiss Life is already the number two in the world, although it has only been operating in this segment for the last three years. From its locations in Liechtenstein, Luxembourg and Singapore, the company offers tailored concepts for high net worth individuals, combining individual asset management with attractive pension planning solutions. Swiss Life cooperates with leading private banking institutions and independent asset managers to sell these products.

The Swiss Life Network specialises in employee benefit solutions for international corporations. The network is made up of 50 partners and serves approximately 423 multinational companies in over 70 countries and regions.

Pensions leadership strategy

Based on these strong, sustainable and extendable market positions, Swiss Life can drive forward its pensions leadership strategy in coming years. Its promise to customers remains unchanged: "Swiss Life is committed to helping people create a financially secure future. For life." The company wants customers, investors and employees to regard it as the first choice provider for life insurance and pension products. Whoever thinks of financial security for old age should first think of Swiss Life.

The company concerns itself with the pension needs of people, not just before, but also after retirement. Swiss Life is focusing on growth opportunities in its existing markets, in international business and in attractive growth markets, and, is establishing a functional management structure to further enhance efficiency and cooperation within the Group.

Acceleration of profitable growth

Mission | We are committed to helping people create a financially secure future. For life.

Ambition | We aim to become a leading international specialist in life insurance and pension solutions.

Focus on pensions and long-term savings	Focus on growth opportunities	Focus on functional optimisation

Foster commitment

FOCUS ON PENSIONS AND LONG-TERM SAVINGS | The focus on pensions and long-term savings involves strongly accentuating attractive customer segments, strengthening product management and optimising the diversity of the distribution channels.

Swiss Life is concentrating on the pension needs of the population before and after retirement, and intends to more actively address the requirements of customers who are due to retire shortly or have already retired. In addition, the customer segment of affluent private individuals or high net worth individuals is becoming increasingly important. Swiss Life is already enjoying success in this segment in France thanks to its private insurer concept. Similar initiatives are also planned for Switzerland and Germany.

To respond even better to customer requirements, the company is reinforcing its product management. Swiss Life wants to identify market needs more quickly, to inject more innovativeness into product development and to shorten time to market. It is expected that new products will generate considerably more added value for customers and shareholders. Moreover, they will bring about more clarity and transparency with respect to how this added value is generated and distributed. As regards new business, the product portfolio will move away from traditional products with fixed guarantees towards new products with either variable or no guarantees. Such products offer customers higher potential returns, on the one hand, and tie up less risk capital, on the other.

Furthermore, Swiss Life intends to shore up its distribution capability with a multi-channel distribution concept. Swiss Life has already built up a well diversified distribution network in France. It distributes its products via proprietary channels and tied agents, has established very strong relationships with brokers and independent financial consultants, and cooperates with various private banks. The company aims to diversify its distribution resources in Switzerland and Germany. In view of this and the growing significance of independent consultation services in the sale of pension products, which is also expected to persist in the future, Swiss Life decided to acquire a majority interest in AWD. In addition, Swiss Life is seeking to improve its sales in Switzerland and Germany by cooperating with banks. Products in all markets will also be sold via the internet.

FOCUS ON GROWTH OPPORTUNITIES | Swiss Life wants to seize growth opportunities more systematically in its existing markets, in international business and in attractive growth markets. The company believes that the greatest potential lies in the area of cross-border business in structured pension solutions for high net worth individuals. With its presence in Liechtenstein and Luxembourg, Swiss Life is excellently positioned in the rapidly growing global market for private placement life insurance. In March 2008 Swiss Life opened a branch in Singapore, permitting it to access the attractive Asian market more easily. Swiss Life expects the volume of premiums in this sector to increase from around CHF 3 billion in 2007 to between CHF 8 and 10 billion in 2012.

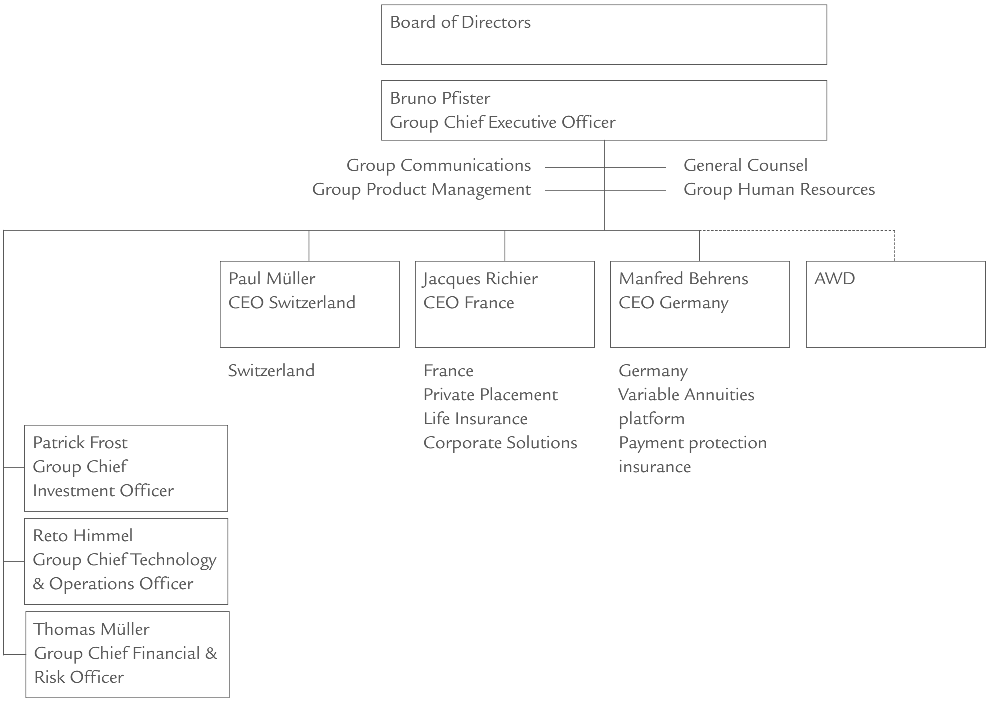
Flexible products with variable guarantees (variable annuities) represent another cross-border business segment with outstanding growth potential. Swiss Life distributes these products among various countries from a central product platform in Luxembourg. Variable annuity products offer customers an optimal combination of traditional insurance and modern investment products. Not only is there a clear demand for such products on the part of the customer, they require less risk capital than traditional products and are attractive in terms of profitability.

The employee benefits solutions offered by international companies also fall under cross-border business. Due to changes in the regulatory framework within the European Union (EU), it is now possible to offer cross-border pension products without having to conclude a separate policy in each individual country. In order to fully tap into these new business opportunities, the Swiss Life Network and its existing corporate business in Luxembourg was merged into the Corporate Solutions business unit.

Moreover, Swiss Life intends to exploit growth opportunities its existing markets through acquisitions. New markets will be mainly targeted via joint ventures and partnerships.

FOCUS ON FUNCTIONAL OPTIMISATION | Swiss Life will further boost efficiency and effectiveness within the organisation through increased functional management. Following the noticeable rise in efficiency achieved in individual markets in recent years, the company is now creating Group-wide synergies. Priority is given to the creation of economies of scale and to knowledge transfer, which is why the company is being increasingly managed across organisational lines and borders. The German and French CEOs are joining the Corporate Executive Board and will assume additional responsibilities involving key Group functions. This ensures that market-based decisions can be made while taking into account all the interests within the company, thereby laying the foundations for cooperation between the various countries. Swiss Life expects to generate additional efficiency gains of CHF 50 to 100 million by 2012.

Management structure as of May 2008



FOSTER COMMITMENT | Employee commitment is the key to attaining the company's ambitious goals. Swiss Life wants to greatly strengthen the performance culture within the organisation, especially with regard to customer orientation and innovation. This will be based on an incentive system which focuses on value drivers relevant to the strategy. The competencies of employees will be systematically recorded and enhanced by means of training and development measures. In this way, Swiss Life intends to improve its standing in the labour market and to enhance its ability to attract, develop and retain talented staff. Staff commitment – a combination of job satisfaction and identification with work – will continue to be measured in annual surveys. Swiss Life's target is 80 out of 100 index points.

Active capital management

A key component of strategy is active capital management. The capital structure is designed by taking into account economic criteria, the regulatory framework and specifications relating to technical ratings. The aim is to achieve a balanced maturity structure of outstanding liabilities on the capital market. Developments with regard to innovative risk transfer solutions are incorporated into the capital management decision-making process. The aim of these measures is to increase the profit distribution to shareholders. Once the announced sales have been closed, Swiss Life plans to launch a share buyback programme of up to CHF 2.5 billion.

Swiss Life aims to increase its earnings per share by an annual rate of at least 12% up to 2012 and archieve a return on equity of 12% or more.

Ambitious financial targets for 2012

The new financial goals underscore the company's commitment to profitable growth and the efficient deployment of capital. Swiss Life has set itself the goal of increasing its earnings per share by an annual rate of at least 12% up to 2012, and to achieve a sustainable return on equity of 12% or more. Every year 40% to 60% of the profit is to be distributed to shareholders.

Summary of Group Results | The Swiss Life Group achieved a very good result in 2007 and set the course for a successful future. The net profit of CHF 1368 million is the highest in the history of the company, corresponding to a return on equity of 18.1%. Embedded value rose by 20% to CHF 12.8 billion.

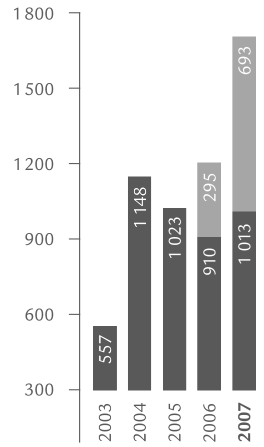
CONSOLIDATED RESULT | Due to the sale of its Dutch and Belgian operations and of Banca del Gottardo announced in November 2007, Swiss Life adjusted the presentation of its annual accounts in accordance with the relevant regulations, gearing them to the continuing operations. Insurance operations are broken down by country. The units sold are fully consolidated up to the completion of the transaction in question, but only their net contribution to the net profit is included in the Consolidated Statement of Income. The segment reports on the other hand contain the full results of the units sold also for 2007. The previous year's figures have been adjusted accordingly to enhance comparability. In the Balance Sheet, too, the assets and liabilities of the units sold are stated separately.

TARGETS ACHIEVED | In its 150th year of operation, the Swiss Life Group generated a net profit of CHF 1368 million, the highest in its history. After allowing for CHF 23 million for minority interests, CHF 1345 million is available for the shareholders of Swiss Life Holding. This translates into (diluted) earnings per share of CHF 39.60 and a return on equity of 18.1%. Adjusted for the profit contribution from a reserve release of around CHF 300 million due to a change in Dutch law, the profit amounted to CHF 1064 million and the return on equity to 14.3%. The overall premium volume came to CHF 24.2 billion. This means that, already in 2007, Swiss Life achieved the financial targets originally set for 2008.

PROFIT FROM OPERATIONS UP 11% | The profit from operations from continuing operations was raised by 11% to CHF 1013 million, to which the Swiss insurance segment contributed the largest share amounting to CHF 650 million. Despite a distinctly lower financial result, the Swiss segment managed to maintain the profit level of the previous year. Insurance operations in France generated a segment result of CHF 324 million, an increase of 54% against the year before. Comparability with the previous year was, however, influenced by the sale of the ERISA companies. Without this one-off effect, the French segment reported a 32% profit increase to CHF 187 million. For insurance operations in Germany, Swiss Life posted a segment result of CHF 65 million. As two special effects burdened the 2007 figures to the amount of roughly CHF 40 million, the segment result receded by CHF 19 million despite the operational advances achieved. The Insurance Other segment, which comprises the Liechtenstein and Luxembourg locations, generated a segment result of CHF 8 million, in contrast to the loss of CHF 3 million posted in 2006 due to the losses incurred on the sale of the Italian business. In the Investment Management segment, Swiss Life boosted its result from CHF 50 million to CHF 93 million thanks to higher returns and the transfer from the insurance sector of the investment company in Germany responsible for asset management. The result of the segment Other, comprising primarily financing and holding companies, and the eliminations offset one another. Overall, continuing operations achieved a net profit of CHF 726 million, up 26% against the previous year.

Profit from operations

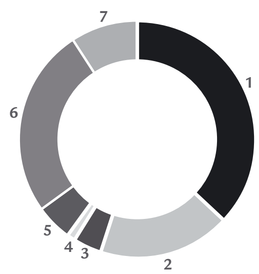
In CHF million



Continuing operations
Discontinued operations

Segment results

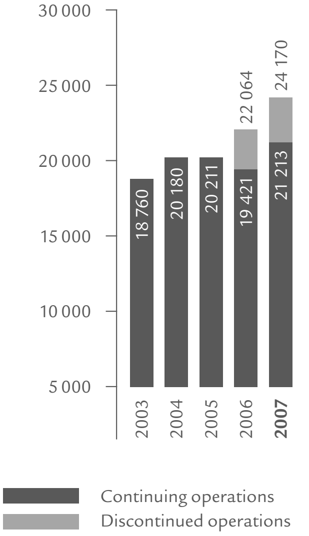
Total 100%



1 Insurance Switzerland 37%
2 Insurance France 18%
3 Insurance Germany 4%
4 Insurance Other 1%
5 Investment Management 5%
6 Discontinued Insurance 26%
7 Discontinued Banking 9%

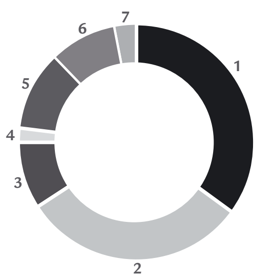
Gross written premiums, policy fees and deposits received

In CHF million



Gross written premiums, policy fees and deposits received by country

Total 100%



1 Switzerland 35%
2 France 31%
3 Germany 9%
4 Luxembourg 2%
5 Liechtenstein 11%
6 Netherlands 9%
7 Belgium 3%

The profit contribution by discontinued operations amounted to CHF 642 million. The increase compared to 2006 was due to the significantly higher result from the discontinued insurance segment. This result rose from CHF 144 million to CHF 471 million owing to the above-mentioned release of a reserve position of around CHF 300 million. The segment profit of the sold banking business came to CHF 168 million.

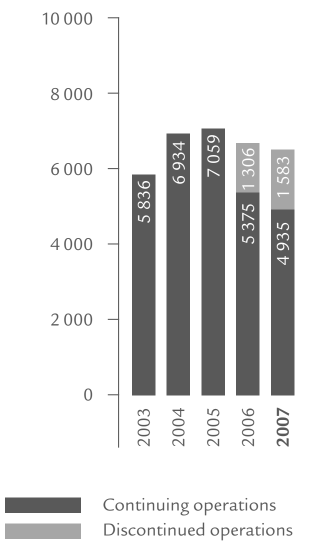
MAINTAINING GROWTH MOMENTUM | In continuing operations, the gross premiums, policy fees and deposits received under insurance and investment contracts amounted to CHF 21.2 billion, which represents an increase of 9% year on year. Swiss operations contributed a significant portion, registering a premium volume of CHF 8.4 billion. This translates into an above-average growth of 11%, enabling Swiss Life to further consolidate its leading market position. The largest contribution to the rise in premium volume, however, stemmed from Liechtenstein. The advance in its premium volume by over CHF 2 billion originated from the acquisition of CapitalLeben and from ongoing strong organic growth. In France, the reported premium income receded by 10% to CHF 7.4 billion owing to the sale of the ERISA companies. In the first half of 2007, these companies still contributed premium income totalling CHF 1.9 billion. Disregarding the ERISA companies, the growth in France amounted to 6%. In Germany, premium income rose by 2% to CHF 2.2 billion, whereas in Luxembourg, it declined temporarily from CHF 841 million to CHF 508 million owing to the location's strategic realignment.

At CHF 389 million, policy fees from insurance and investment contracts remained in line with the previous year's result. The rise in Liechtenstein and Germany was neutralised by the drop in France resulting from the sale of the ERISA companies. Fee income from asset management and other commission income came to CHF 196 million, remaining on a par with the previous year.

Key figures for the Swiss Life Group			
In CHF million	**2007**	2006	+/–%
Gross written premiums, policy fees and deposits received	**24 170**	22 064	9.5%
Net earned premiums and policy fees	**13 705**	12 673	8.1%
Asset management and other commission income	**196**	198	–1.0%
Financial result (without share of results of associates)	**4 923**	5 364	–8.2%
Other income	**147**	–16	n.a.
Total income	**18 971**	18 219	4.1%
Net insurance benefits and claims	**–13 268**	–12 012	10.5%
Policyholder participation	**–1 746**	–2 143	–18.5%
Interest expense	**–455**	–722	–37.0%
Operating expenses	**–2 489**	–2 432	2.3%
Total expenses	**–17 958**	–17 309	3.7%
Profit from operations	**1 013**	910	11.3%
Net profit	**1 368**	954	43.4%
Equity	**7 334**	7 851	–6.6%
Insurance reserves	**121 829**	153 800	–20.8%
Assets under management	**121 167**	205 490	–41.0%
Assets under control	**138 946**	214 041	–35.1%
Return on equity (in %)	**18.1**	12.2	48.4%
Number of employees (full-time equivalents)	**8 556**	8 693	–1.6%

Financial result

In CHF million

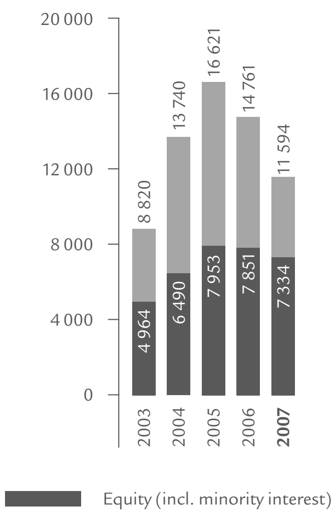


SATISFACTORY FINANCIAL RESULT | The financial result from investments held at own risk in continuing insurance business receded by 3% to CHF 4.2 billion. In terms of direct income, Swiss Life benefited from rising interest rates and higher hedge fund and dividend distribution. The direct investment return was 4.1% (2006: 3.3%). Taking into account asset changes relevant to the income statement and asset management costs, the net investment return came to 3.7% (2006: 3.9%). Whereas in 2006 Swiss Life had realised net capital gains of CHF 783 million, it posted a net capital loss of CHF 218 million for 2007. This was attributable to the negative trend on the international financial markets since the middle of 2007. Swiss Life is not directly affected by the crisis on the US mortgage market. However, for the 2007 accounts, it decided to completely write off positions vulnerable to a further aggravation of the liquidity situation brought on by all the market turbulence. The total investment return of 1.0% also includes the asset changes directly reflected in equity. The rise in interest rates had a negative impact on the investment return.

EFFICIENCY AGAIN ENHANCED | Insurance benefits and changes in the mathematical reserve rose by 10% to CHF 13.3 billion, mirroring the business growth. Owing to the lower financial result, policyholder bonuses declined by 19% to CHF 1.7 billion. Interest expense (excl. borrowing costs) decreased by 37% to CHF 455 million, mainly as a consequence of the sale of the ERISA companies.

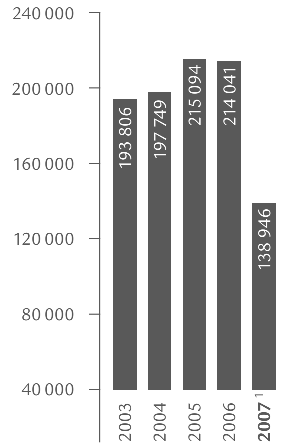
Core capital

In CHF million



Assets under control

In CHF million



1 Continuing operations

Operating costs were reduced by a further 2% in spite of the vigorous growth. In Switzerland, they were pushed back by a full 7%. This welcome development, which also strengthens the company's competitiveness in its home market, is primarily due to the efficiency gains achieved from the successful integration of «La Suisse» and the simplification of the systems landscape in individual insurance. At Group level, the operating expenses climbed to CHF 2.5 billion, a 2% increase against the previous year. This increase is due primarily to overall growth and the effect of the rising euro. Tax expenses totalled CHF 122 million, down CHF 104 million on 2006 because of tax rate cuts in Germany and Switzerland and changes with regard to tax-privileged financial gains.

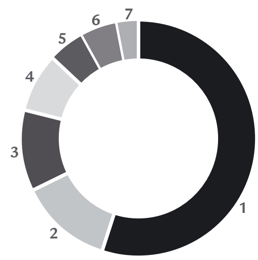
SOLID CAPITAL BASE | On a comparable basis, liabilities from insurance operations advanced in line with growth and the course of business by 11% to CHF 121.8 billion. In 2007, shareholders' equity decreased by 4% to CHF 7.3 billion. The hike in interest rates led to a reduction in the revaluation reserves for bonds. For the same reason, the core capital declined by 21% to CHF 11.6 billion. Owing to the sale of the ERISA companies, the overall balance sheet total fell from CHF 187.0 billion to CHF 179.8 billion. The solvency ratio, calculated according to the new regulations issued by the Federal Office of Private Insurance, came to 162% (2006: 194%). Total assets controlled by the Swiss Life Group from continuing business amounted to CHF 138.9 billion.

Asset allocation as at 31 December (insurance portfolio)

In CHF million	**2007**		2006	
Shares	**9 417**	**8.3%**	7 221	6.5%
Alternative investments	**6 025**	**5.3%**	4 832	4.4%
Real estate	**12 252**	**10.8%**	11 567	10.4%
Mortgages	**5 927**	**5.2%**	6 355	5.7%
Loans	**15 113**	**13.3%**	16 587	15.0%
Bonds	**61 930**	**54.5%**	57 933	52.3%
Cash and cash equivalents	**2 955**	**2.6%**	6 362	5.7%
Total	**113 619**		110 857	
Net equity exposure		***7.5%***		*7.0%*
Duration of bonds		***8.7 years***		*8.4 years*

Asset allocation as at 31.12.2007 (insurance portfolio)

Total 100%



1 Bonds 55%
2 Loans 13%
3 Real estate 11%
4 Shares 8%
5 Mortgages 5%
6 Alternative investments 5%
7 Cash and cash equivalents 3%

EMBEDDED VALUE | Embedded value serves as an indicator of the value of the existing insurance portfolio. It is made up of three components: the present value of future profits (PVFP) minus the present value of the cost of holding capital (CoHC) and the adjusted net asset value (ANAV) attributable to shareholders. Future new business is not included.

For the PVFP calculations, best estimate assumptions are made regarding a number of factors, in particular returns on investment, the development of costs and claims, insurance customers' participation in surplus and the risk discount rate. Business is also assumed to be continuing at the same level (going concern) and the current cost ratios – adjusted for inflation – are thus assumed to hold good for the future as well. The opportunity costs of the capital to be provided by shareholders to cover the statutory solvency margin arising from the existing insurance contracts for their current maturities is charged to the PVFP.

The extent to which the embedded value is dependent on the assumptions made can be seen in the "Economic sensitivities" table on the next page.

DEVELOPMENT IN 2007 | Embedded value for the Swiss Life Group came to CHF 12 837 million as at 31 December 2007. This corresponds to an increase of CHF 2172 million compared with the previous year and an embedded value per share of CHF 367. A compilation of changes in embedded value is shown in the "Analysis of change" table on the next page. Extraordinary impacts arose in 2007 from the sales of Banca del Gottardo (effect of CHF 608 million, net of taxes and expenses) and the insurance units ERISA, Swiss Life Belgium and Swiss Life in the Netherlands (effect of CHF 59 million, net of taxes and expenses). The embedded value of the insurance companies sold was determined by their selling price. All positions in the analysis of change, except the unwind and the impact of the sales, relate solely to the continuing insurance business.

Embedded Value of the Swiss Life Group as at 31 December

In CHF million	**2007**	2006	+/–%
Switzerland	**4 847**	4 053	**+19.6%**
Europe without Switzerland	**4 996**	4 502	**+11.0%**
ANAV Swiss Life Holding [1,2]	**2 994**	2 110	**+41.9%**
Swiss Life Group	**12 837**	10 665	**+20.4%**
thereof ANAV [1]	**8 705**	6 793	
thereof PVFP [3]	**4 880**	4 922	
thereof cost of holding capital	**– 748**	–1 050	

1 Adjusted Net Asset Value
2 Equity of Swiss Life Holding less book value of Swiss Life/Rentenanstalt and embedded value of Swiss Life Luxembourg (for 2007)
3 Present Value of Future Profits

Assumptions for Embedded Value Calculations				
	Switzerland		Europe without Switzerland	
	current	in 5 years	current	in 5 years
Risk discount rate	**7.0%**	7.0%	**8.0%**	8.0%
Total weighted return on new money	**4.0%**	4.3%	**4.9%**	5.4%
Return assumptions per asset class				
Return on bonds	**3.3%**	3.8%	**4.7%**	5.2%
Real estate return	**4.5%**	4.7%	**5.4%**	5.4%
Equities return	**6.5%**	6.5%	**7.5%**	7.5%
Return on alternative investments	**6.5%**	6.5%	**7.5%**	7.5%

Analysis of change	
In CHF million	
Embedded value of the Swiss Life Group as at end of 2006	**10 665**
Dividend payments	**–245**
Unwind 2007	**+674**
2007 investment return: variance from assumptions made at the end of 2006	**+119**
Future investment return: variance from assumptions made at the end of 2006	**+672**
Impact of new hybrid capital	**+63**
New treatment of policyholder participation in unrealised gains	**–512**
Re-evaluation of reserving after IT systems migration in Swiss individual life business	**+304**
Fiscal effects: variance from assumptions made as of the end of 2006	**+115**
Change in currency exchange rate	**+141**
Value of new business 2007	**+118**
Various	**+56**
Effect of divestments	**+667**
Embedded value of the Swiss Life Group as at end of 2007	**12 837**

Economic sensitivities				
In CHF million	Switzerland	Europe without Switzerland	ANAV Swiss Life Holding	Total
Embedded value of the Swiss Life Group as at end of 2007	**4 847**	**4 996**	**2 994**	**12 837**
Impact of 100 bp increase in investment return	**+509**	**+420**		**+929**
Impact of 100 bp decrease in investment return	**–679**	**–398**		**–1 077**
Impact of 100 bp decrease in risk discount rate	**+337**	**+278**		**+615**
Impact of 100 bp increase in return on new bond investments	**+151**	**+255**		**+406**

New business sensitivities	
In CHF million	
Value of new business 2007	**118**
Impact of 100 bp increase in investment return	**+47**
Impact of 100 bp decrease in risk discount rate	**+28**
Impact of 100 bp increase in return on new bond investments	**+29**

Attestation regarding embedded value information as at 31. December 2007
"PricewaterhouseCoopers has reported to the Board of Directors that, based on the procedures performed, in their opinion:
- The methodology set out in the EV-Guidelines, in all material respects and with due regard to the nature of the business, is appropriate and consistent for the purpose of the (traditional) embedded value;
- The local implementation of the methodology is, in all material respects and with due regard to the nature of the business, consistent with the prescriptions of Swiss Life Group and in line with general market practice;
- The assumptions determined by the Swiss Life Group are reasonable to derive the embedded value information;
- The embedded value information has been properly compiled on the basis of the chosen assumptions and methodology.

The assurance report issued by PricewaterhouseCoopers to the Board of Directors, where the assumptions made, the work performed and the results are outlined, can be seen on www.swisslife.com."

Segment Reporting | Swiss Life adjusted its segment structure following the sale of its insurance business in the Netherlands and Belgium and of Banca del Gottardo. Continuing insurance operations have been broken down by country and the areas sold are shown separately. The result for continuing segments rose 12% from CHF 969 million to CHF 1086 million.

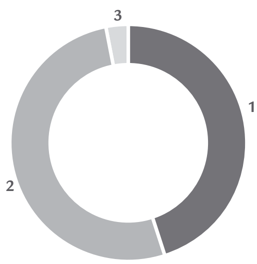
Following the disposals of the Dutch and Belgian insurance business and of Banca del Gottardo, which were announced in November 2007, Swiss Life adapted its reporting to reflect the new situation in accordance with the accounting principles. Continuing insurance operations have been broken down into Insurance Switzerland, Insurance France, Insurance Germany and Insurance Other. Insurance Other comprises the results of the countries of Liechtenstein and Luxembourg. Two further segments are Investment Management and Other, the latter containing the financing and holding companies. The areas whose disposal the company had announced in the period under review will remain fully consolidated in the statements until the respective transactions have been finalised. They are, however, disclosed separately and broken down into insurance and banking. To facilitate a year-on-year comparison, the previous year's figures are also shown in accordance with the new structure.

In 2007 Swiss Life achieved a total segment result of CHF 1086 million for continuing operations, which represents a 12% increase on the previous year. Insurance Switzerland contributed 60% to this figure, Insurance France 30% and Insurance Germany 6%. Gross written premiums for continuing operations climbed 9% to CHF 21.2 billion. Approximately 40% of the premiums were written in Switzerland, 35% in France, 10% in Germany and 15% in Liechtenstein and Luxembourg, which mainly conduct cross-border business. The French result still includes premium income from the ERISA companies which were sold during the period under review. Without these companies' contribution, the premium income for continuing operations amounted to CHF 19.3 million in 2007.

In its Discontinued Insurance segment, Swiss Life generated a result of CHF 471 million and gross premium income of around CHF 3.0 billion. The CHF 325 million increase in the segment result is due primarily to a dissolution of reserves amounting to roughly CHF 300 million following a change in Dutch law.

Direct written premiums by type of insurance

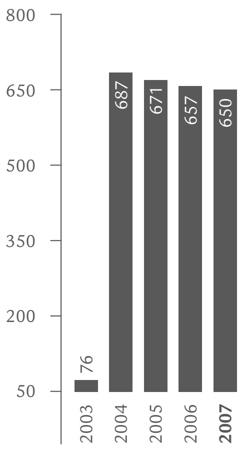
Total 100%



1 Group 45%
2 Individual 52%
3 Other 3%

Segment result Insurance Switzerland

In CHF million



INSURANCE SWITZERLAND | In Switzerland Swiss Life achieved a segment result of CHF 650 million. With premium growth clearly above the market average and additional advancements in efficiency, Swiss Life again reinforced its leading position in its home market. The segment result could not improve on the previous year's very impressive figure because the financial result fell by CHF 211 million.

Following four years of declining premium income in the Swiss life insurance market, which was attributable to economic factors and structural changes, the Swiss Insurance Association again reported an increase of approximately 3% to CHF 28.8 billion. Driven on by this environment, Swiss Life outperformed the market and increased its market share from 28% to 29%. With a share of 34% in group insurance and 20% in individual insurance, the company is the clear market leader in Switzerland for pensions and long-term savings.

Swiss Life grew its gross premium income by 11% to CHF 8413 million. The company's premium income for group insurance climbed 14% to CHF 6630 million. This positive development is mainly attributable to the high level of new business and the introduction of a new booking practice for participation contracts. In individual insurance, premiums declined by 2% to CHF 1715 million. The demand for traditional products fell, but there was a surge of interest in unit-linked products and account-based solutions.

At CHF 2556 million, the financial result was 8% lower than in the previous year. With regard to direct income, Swiss Life benefited from rising interest rates and higher hedge fund and dividend distribution by stocking up its bond portfolio. Realised and unrealised capital gains declined in the second half of the year because of the crisis which hit the international financial markets.

Key figures for Insurance Switzerland

In CHF million	2007	2006	+/–%
Gross written premiums, policy fees and deposits received	**8 413**	7 611	10.5%
Net earned premiums and policy fees	**8 200**	7 373	11.2%
Asset management and other commission income	**38**	62	–38.7%
Financial result (without share of results of associates)	**2 556**	2 767	–7.6%
Other income	**–24**	–26	–7.7%
Total income	**10 770**	10 176	5.8%
Net insurance benefits and claims	**–8 758**	–7 719	13.5%
Policyholder participation	**–458**	–864	–47.0%
Interest expense	**–133**	–136	–2.2%
Operating expenses	**–771**	– 800	–3.6%
Total expenses	**–10 120**	–9 519	6.3%
Segment result	**650**	657	–1.1%
Assets under control	**74 996**	75 357	–0.5%
Insurance reserves	**67 256**	67 134	0.2%
Number of employees (full-time equivalents)	**2 792**	2 963	–5.8%

Insurance benefits, including changes in insurance reserves, rose by 14% to CHF 8758 million. The increase is primarily due to higher income from savings premiums in group insurance. The need for provisions for future risk remained at the previous year's level and the favourable loss experience was also similar to that of 2006. The amount allocated to the reserves for policyholder bonuses receded to CHF 458 million due to the considerably lower financial result.

Operating costs decreased by 7%. This development is primarily due to the efficiency gains achieved from the successful integration of «La Suisse» and the measures implemented to simplify the systems landscape in individual insurance. Last year, Swiss Life migrated all the individual life insurance policies to one single contract administration system. Overall operating expenses were reduced by 4% to CHF 771 million.

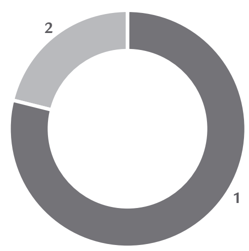
In 2007 Swiss Life continued its pricing policy aimed at sustainably improving profitability, thereby increasing the value of new business. At the beginning of the second half of the year, Swiss Life brought its organisational structure more closely in line with the business processes and distribution channels in order to further improve customer orientation and efficiency. Besides reducing duplication and the number of interfaces, these measures are aimed at promoting and accelerating the development of market-aligned products and improving the quality of services. Thus both External Sales and Internal Services are well equipped to cope with the intensifying competition.

One of the company's forward-looking product innovations is Swiss Life VitalityPlus: a unit-linked insurance financed by periodic premiums which offers policyholders the option to waive death coverage in order to receive higher savings premiums. It is available as both a tax-qualified (pillar 3a) or non tax-qualified (pillar 3b) product. In the case of pillar 3a products, Swiss Life grants its customers the option of extending the contract for up to five years after they have reached retirement age or to defer payment of their retirement pension.

Given the fact that the number of pensioners or people who are approaching retirement will continue to rise, this customer group is increasingly important. Swiss Life is stepping up its marketing measures for this segment by offering a portfolio of suitable products and advisory services. In 2008, Swiss Life will pave the way for and begin its partnership with AWD, through which it expects to enhance its market penetration, especially in the younger customer segment, and continue to drive growth in the unit-linked products business.

Premiums for Switzerland, by type of insurance

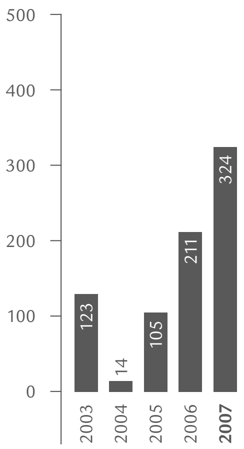
Total 100%



1 Group 79%
2 Individual 21%

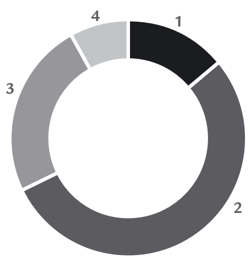
Segment result Insurance France

In CHF million



Premiums for France, by type of insurance

Total 100%



1 Group 14%
2 Individual 54%
3 Health insurance 24%
4 Property 8%

INSURANCE FRANCE | Swiss Life posted a segment result of CHF 324 million. The sale of ERISA and ERISA IARD to HSBC France in 2007 renders a year-on-year comparison difficult. Both companies were fully consolidated into the results for the first half of 2007; but only the gain on disposals was included in the second half. On a comparable basis, the segment result increased from CHF 142 million to CHF 187 million (+32%).

Following a strong growth in premium volume in 2006, the French life insurance market experienced a 3% decline in 2007. Swiss Life generated premium income of CHF 7411 million. Disregarding the ERISA companies, the premium volume amounted to CHF 5518 million, which, on a comparable basis, corresponds to a 6% rise (1% in local currency). Thus Swiss Life outperformed the market in the area of life insurance, mainly due to ongoing premium growth in unit-linked products, which came to 39% (33% in local currency). One major factor of the company's success in this field is its strong distribution partnerships with various private banks. Premium income in health insurance went up 12% (7% in local currency) to CHF 1887 million, exceeding the market growth of 4%. The changes in income and expenses vis-à-vis the previous year are primarily due to the deconsolidation of the ERISA companies. Income grew by 9% on a comparable basis to CHF 4283 million (4% in local currency). On the same basis, expenses increased by 4% to CHF 3929 million, which, however, represents a decline of 1% in local currency.

Swiss Life is continuing to expand it distribution capabilities and service portfolio with systematic acquisitions as part of its private insurer concept. In August, Swiss Life acquired the banking and asset management business of Banque Privée Fideuram Wargny. In September, it announced that it was purchasing the insurance subsidiary of the French-based Meeschaert Group and, in January 2008, it reported that it was buying the internet brokers Placement Direct. Swiss Life has intensified its cooperation with independent financial consultants by launching a new internet platform.

Key figures for Insurance France

In CHF million	**2007**	2006	+/–%
Gross written premiums, policy fees and deposits received	**7 411**	8 204	–9.7%
Net earned premiums and policy fees	**3 401**	3 287	3.5%
Asset management and other commission income	**46**	31	48.4%
Financial result (without share of results of associates)	**1 326**	1 719	–22.9%
Other income	**155**	14	n.a.
Total income	**4 928**	5 051	–2.4%
Net insurance benefits and claims	**–2 372**	–2 268	4.6%
Policyholder participation	**–777**	–857	–9.3%
Interest expense	**–287**	–547	–47.5%
Operating expenses	**–1 168**	–1 168	0.0%
Total expenses	**–4 604**	–4 840	–4.9%
Segment result	**324**	211	53.6%
Assets under control	**24 071**	43 442	–44.6%
Insurance reserves	**23 657**	41 384	–42.8%
Number of employees (full-time equivalents)	**2 191**	2 279	–3.9%

INSURANCE GERMANY | Swiss Life achieved a segment result of CHF 65 million. Based on the good financial result and further enhancements in efficiency, a considerable year-on-year improvement was realised on a comparable basis. The segment result posted represents a decline of CHF 19 million on the previous year, as the spin-off of investment management into a separate investment company and the passing on of the tax rate reduction in the form of policyholder bonuses added one-off costs of CHF 40 million to the accounts in the period under review.

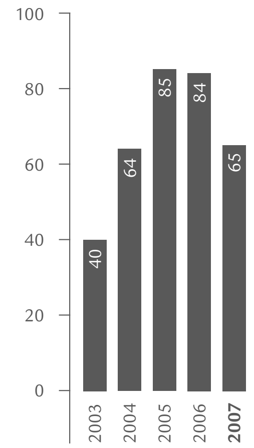
Premium volume in the German life insurance market stagnated in 2007 at EUR 79 billion (+0.6%). The population is noticeably reluctant to commit to long-term retirement pension policies because of the uncertainty surrounding the implications of the current political reforms. Swiss Life grew its premium volume by 2% (–2% in local currency) to CHF 2158 million. In individual insurance Swiss Life increased its premium income to CHF 1648 million (unchanged in local currency). Premium income in group insurance went down 5% (–9% in local currency) to CHF 509 million as a result of the drop in single premiums. However, the company recorded a further increase in periodic premiums. Income climbed 8% to CHF 3109 million, mainly due to the sound financial result. The 9% rise in expenses is attributable in particular to the one-off effects mentioned above and to the higher bonus allocation based on the improved financial result. The efficiency improvements attained led to a further reduction in operating costs, which fell by 5%.

Product development is shaped by current market requirements. In the year under review the company launched a new tranche of its index-linked annuity insurance and a unit-linked Riester annuity insurance with guarantees. Another new development in 2008 was a capitalisation product based on an attractive investment funded by capital not currently required. Thanks to further product innovations and the strategic partnership with AWD, Swiss Life expects a spurt in growth in the coming years.

Key figures for Insurance Germany			
In CHF million	**2007**	2006	+/–%
Gross written premiums, policy fees and deposits received	**2 158**	2 116	2.0%
Net earned premiums and policy fees	**2 009**	1 950	3.0%
Asset management and other commission income	**32**	30	6.7%
Financial result (without share of results of associates)	**1 064**	872	22.0%
Other income	**4**	16	–75.0%
Total income	**3 109**	2 868	8.4%
Net insurance benefits and claims	**–2 119**	–1 988	6.6%
Policyholder participation	**–502**	–420	19.5%
Interest expense	**–22**	–26	–15.4%
Operating expenses	**–401**	–350	14.6%
Total expenses	**–3 044**	–2 784	9.3%
Segment result	**65**	84	–22.6%
Assets under control	**20 249**	19 678	2.9%
Insurance reserves	**21 243**	19 871	6.9%
Number of employees (full-time equivalents)	**732**	791	–7.5%

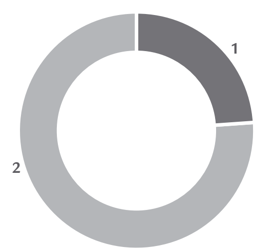
Segment result Insurance Germany

In CHF million



Premiums for Germany, by type of insurance

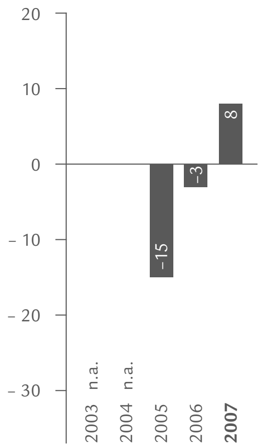
Total 100%



1 Group 24%
2 Individual 76%

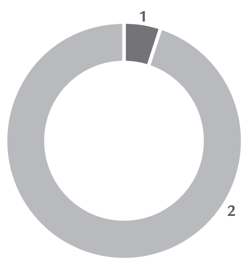
Segment result Insurance Other

In CHF million



Premiums Other, by type of insurance

Total 100%



1 Group 5%
2 Individual 95%

INSURANCE OTHER | The segment Insurance Other comprises Swiss Life's business in Liechtenstein and Luxembourg in the period under review. Both companies specialise in structured pension products for high net worth individuals. In Luxembourg Swiss Life also provides group insurance solutions for international and local corporate clients. In the previous year this segment also included the results of the Italian companies since sold.

In 2007, the segment result amounted to CHF 8 million compared to a loss of CHF 3 million the previous year, which was directly related to the sale of the Italian business. Thanks to ongoing dynamic growth and the acquisition of the Liechtenstein company CapitalLeben, gross premium income rose by CHF 1.5 billion to CHF 3.3 billion. In March 2007, Swiss Life completed the acquisition of CapitalLeben and successfully integrated it into Swiss Life (Liechtenstein) AG during the course of the year. 95% of the overall premium income in this segment stemmed from cross-border insurance policies subject to Liechtenstein or Luxembourg law, and 5% from Group business in Luxembourg.

At the end of 2007 Swiss Life consolidated its Liechtenstein and Luxembourg business for high net worth individuals in the area of private placement life insurance under one leadership. The opening of the Singapore branch in March 2008 represents another sales platform in this area and enables the company to tap into the opportunities on the Asian market more effectively.

In addition, Swiss Life merged the operations of its group business in Luxembourg with that of the Swiss Life Network, which specialises in employee benefits solutions for international corporations, to form Corporate Solutions. Through this new organisation, the company aims to intensify its distribution of comprehensive solutions for international corporate clients and multinational corporations. Furthermore, Swiss Life has developed a platform for variable annuity products in Luxembourg, which will be produced centrally and distributed in various countries. Swiss Life Products (Luxembourg) SA. will launch the first product in Germany in the middle of 2008.

Key figures for Insurance Other

In CHF million	**2007**	2006	+/–%
Gross written premiums, policy fees and deposits received	**3 294**	1 506	n.a.
Net earned premiums and policy fees	**103**	68	51.5%
Asset management and other commission income	**0**	0	n.a.
Financial result (without share of results of associates)	**34**	38	–10.5%
Other income	**5**	–17	n.a.
Total income	**142**	89	59.6%
Net insurance benefits and claims	**–20**	–39	–48.7%
Policyholder participation	**–9**	–3	n.a.
Interest expense	**–15**	–14	7.1%
Operating expenses	**–90**	–36	n.a.
Total expenses	**– 134**	– 92	45.7%
Segment result	**8**	–3	n.a.
Assets under control	**10 200**	2 835	n.a.
Insurance reserves	**10 055**	2 736	n.a.
Number of employees (full-time equivalents)	**122**	67	82.1%

INVESTMENT MANAGEMENT | In the Investment Management segment, which comprises Group-wide institutional asset management activities, Swiss Life achieved a result of CHF 93 million. The CHF 43 million increase on the previous year is primarily due to higher income from asset management and other commission income. There are a number of reasons for this: In Germany, Swiss Life spun off its investment management, previously integrated in the insurance business, into a separate investment company, whose result is now included in this segment. In Switzerland, a new service level agreement was concluded with the Swiss insurance business, and transactions in the real estate sector attained a higher volume. Thanks to stringent cost management, expenses rose by only 2% to CHF 189 million despite the first-time inclusion of the German business.

Assets under management came to CHF 120 billion, consisting of CHF 110 billion in insurance assets, around CHF 7 billion in investment funds and CHF 3 billion from third-party mandates.

In the period under review, Swiss Life adjusted its Investment Management organisation and processes. In order to boost the earnings potential, exploit synergies and improve risk control, all units in the Investment Management segment have been reporting directly to the Group Chief Investment Officer since 1 January 2008. Investment activities are now conducted in accordance with a Group-wide standardised process. Moreover, Swiss Life is concentrating its resources for the various investment classes at two locations in Zurich and Paris, from where a uniform implementation of investment decisions throughout the Group will be ensured.

Swiss Life continued to develop its guidelines with regard to directives and risk limits in the Investment Management segment, based on its existing Code of Compliance. Great significance is attached to monitoring adherence to the relevant directives and limits.

In 2008, the focus is on the full integration of the new Investment Management units, and the establishment of appropriate, modern infrastructure tailored to the requirements of present-day asset management.

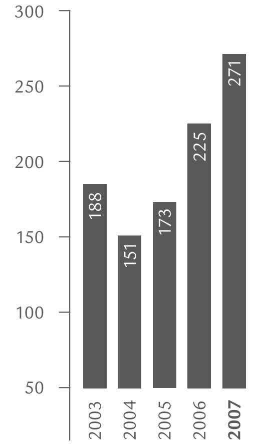
Key figures for Investment Management

In CHF million	2007	2006	+/–%
Asset management and other commission income	**271**	225	20.4%
Financial result (without share of results of associates)	**3**	2	50.0%
Other income	**8**	8	0.0%
Total income	**282**	235	20.0%
Interest expense	**0**	0	n.a.
Operating expenses	**–189**	–185	2.2%
Segment result	**93**	50	86.0%
Assets under management [1]	**119 928**	118 127	1.5%
Number of employees (full-time equivalents)	**574**	522	10.0%

[1] incl. intragroup assets

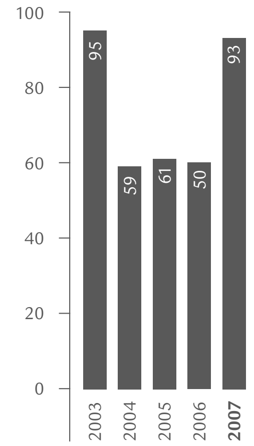
Asset management and other commission income, Investment Management

In CHF million



Segment result Investment Management

In CHF million



DISCONTINUED INSURANCE | The Discontinued Insurance segment comprises Swiss Life's insurance business in the Netherlands and Belgium. In November 2007, the company announced it was selling this to SNS REAAL. The transaction is expected to be completed by the second quarter of 2008. In January 2008, SNS REAAL, in turn, announced that it was selling on the Belgian business it acquired from Swiss Life to Delta Lloyd.

In the period under review, Swiss Life generated a segment result of CHF 471 million in the Netherlands and Belgium. This significant increase on the previous year is primarily due to a change in the Dutch accounting standards, which led to a release of deferred bonus liabilities, improving the result by CHF 300 million.

In the Netherlands, Swiss Life grew its gross premium income by 21% to CHF 2302 million or 16% in local currency, which considerably exceeds the overall market growth. The rise in premiums written is attributable to the impressive growth recorded in corporate business. As in previous years, Swiss Life was especially successful in the acquisition of corporate clients such as autonomous pension funds who were looking for the security provided by a leading life insurance company.

In Belgium, gross premium income came to CHF 656 million, down 12% on the previous year (–16% in local currency). This decline stems from the cancellation of a distribution agreement in the area of individual insurance. On the other hand, premium volume in group insurance rose 18% (13% in local currency) to CHF 340 million and 5% in the non-life business (0% in local currency) to CHF 75 million.

Key figures for Discontinued Insurance

In CHF million	**2007**	2006	+/–%
Gross written premiums, policy fees and deposits received	**2 957**	2 643	11.9%
Net earned premiums and policy fees	**2 083**	1 588	31.2%
Asset management and other commission income	**31**	26	19.2%
Financial result (without share of results of associates)	**1 008**	999	0.9%
Other income	**1**	11	–90.9%
Total income	**3 123**	2 624	19.0%
Net insurance benefits and claims	**–2 347**	–1 826	28.5%
Policyholder participation	**221**	–175	n.a.
Interest expense	**–105**	– 94	11.7%
Operating expenses	**–421**	–385	9.4%
Total expenses	**–2 652**	–2 480	6.9%
Segment result	**471**	144	n.a.
Number of employees (full-time equivalents)	**1 128**	1 081	4.3%

DISCONTINUED BANKING | The Banking segment consists primarily of Banca del Gottardo and is to be discontinued following the sale of this bank to BSI, which was announced in November 2007. Banca del Gottardo will be fully consolidated in Swiss Life's financial statements for 2007 and up to 7 March 2008.

In 2007 the segment result came to CHF 168 million, up 46% against the previous year. Based on local accounting practice, Banca del Gottardo reported a net profit of CHF 129 million. Principal factors in the 32% year-on-year increase were higher operating income and reduced credit risk, which enabled provisions amounting to CHF 34 million after tax to be dissolved. Disregarding one-off special factors of CHF 17 million after tax, the net profit comes to CHF 111 million (+16%).

Income was down 6% to CHF 475 million compared to the previous year. Income from trading operations in particular, benefiting strongly from the favourable market conditions, improved by 19%. Interest income rose by 5%, and commission and service fee activities were up 4%.

Business expenses rose during the period under review by 2% to CHF 332 million. The slight increase was due mainly to a higher headcount and higher performance-based compensation paid. The cost/income ratio declined from 73% to 70%.

The net outflow in Private Banking customer funds owing to earlier staff departures was curbed in the second half of the year, rising by only CHF 0.1 billion to CHF 1.0 billion between 30 June and 31 December 2007. Customer assets under management (excluding custody business) totalled CHF 36.0 billion as at 31 December 2007 compared to CHF 35.8 billion at the end of 2006. Total assets under control amounted to CHF 101.1 billion as at 31 December 2007 (31 December 2006: CHF 89.3 billion).

Key figures for Discontinued Banking

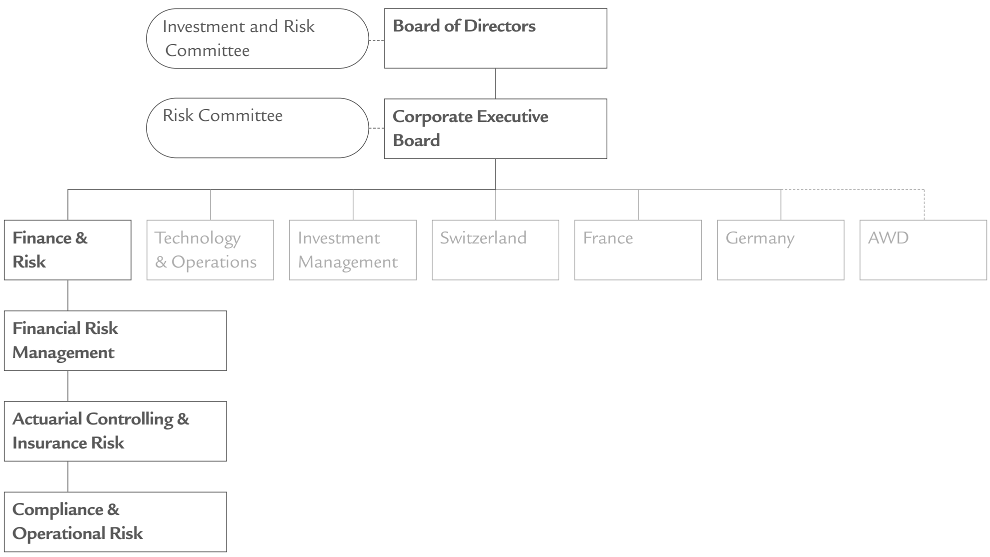
In CHF million	**2007**	2006	+/–%
Fiduciary and portfolio management fees	**154**	191	–19.4%
Custody fees, trust and other fiduciary fees	**66**	0	n.a.
Brokerage commissions	**59**	66	–10.6%
Other fees and commissions	**24**	34	–29.4%
Asset management and other commission income	**303**	291	4.1%
Financial result (without share of results of associates)	**598**	318	88.1%
Other income	**–9**	98	n.a.
Total income	**892**	707	26.2%
Interest expense	**–337**	–189	78.3%
Operating expenses	**–387**	–403	–4.0%
Segment result	**168**	115	46.1%
Assets under control [1]	**93 492**	92 100	1.5%
Number of employees (full-time equivalents)	**1 016**	988	2.8%

[1] incl. Swiss Life Group assets

Risk Management | Swiss Life pursues an integrated, value-oriented risk management approach ensuring the protection and the best-possible investment of the risk capital. By reducing the overall risk level and maintaining a broader spread across all risk classes, Swiss Life has created a foundation on which capital is invested efficiently and sustainable returns are achieved.

Risk management is a key component of Swiss Life's financial management process. The overall responsibility is borne by the Group Chief Financial & Risk Officer. The Board of Directors' Investment and Risk Committee monitors the process, takes decisions with regard to risk budgeting and keeps the Board of Directors in its entirety informed on the company's risk situation. Further risk management functions are performed by the Corporate Executive Board's Group Risk Committee and the Asset and Liability Management Committees at country level.

Organisational and governance structure of the risk management functions



RISK BUDGETING | The key tasks of risk management comprise the breakdown of risks into risk classes and their analysis, measurement and control. Swiss Life uses the following risk classes in its risk models:

- Market risks: equities, interest, & currencies
- Credit risks: investments and reinsurance
- Underwriting risks: mortality, longevity, disability and customer behaviour
- Operational risks: people, processes, systems and external factors

Based on the economic evaluation of assets and liabilities, financial risk specialists assess the amount of risk capital available and the Group's risk capacity derived from this amount. The risk capital limits are set with regard to the market and credit risks entered into. There are also thresholds for foreign exchange as well as equities and equity-type securities.

MARKET RISK | The market risk stems from fluctuations on the financial markets which impact the value of capital investments and liabilities. Risk types significant for Swiss Life include primarily the risk of changes in interest rates, volatile stock markets and fluctuating rates of exchange against the Swiss franc.

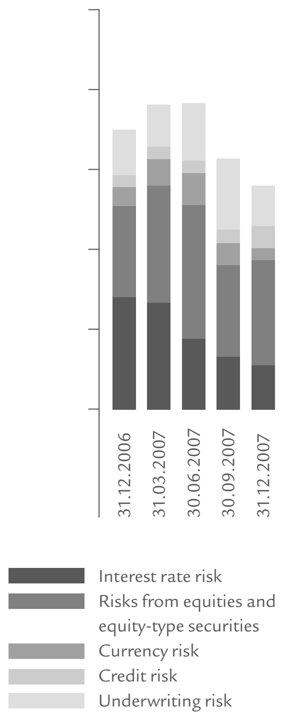
The interest rate risk refers to interest rate fluctuations, especially in CHF and EUR, that simultaneously impact the value of investments and the company's financial obligations (future insurance benefits). The interest rate risk is evaluated and controlled within the context of asset and liability management. By investing in the appropriate interest-rate-sensitive instruments, in particular bonds, companies can reduce their exposure to interest rate changes. The process also involves the harmonisation of the maturity and cash flow patterns of investments and financial obligations. Swiss Life distinctly reduced its interest rate risk in the year under review, which is also reflected in the duration gap (cf. chart on page 33). This led to a reduction in the overall risk level.

The equity risk results from the fluctuations on the global stock markets. The individual business units control this risk by setting investment limits. Swiss Life invests in equity markets without actively engaging in stock picking. The Group's equity exposure after hedging (net equity exposure) came to 7.5% (IFRS-based) at the end of 2007.

Further information on risks

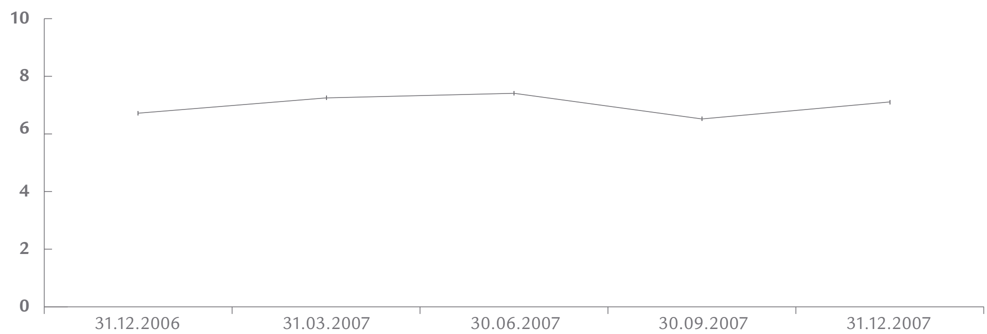
	Page
Interest rate risk	121
Equity price risk	123
Credit risk	123
Currency risk	128
Liquidity risk	130

Risk capital consumption: total risks reduced and diversification improved



Equity exposure (net) held in a narrow bandwidth around 7%

Indication in %

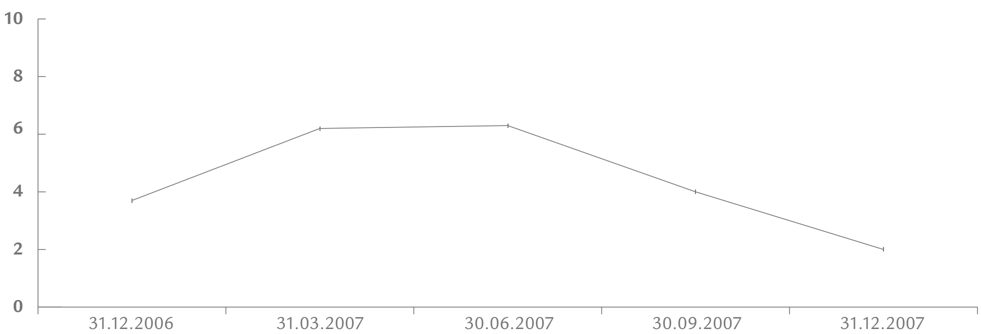


Equity exposure (net) of the insurance portfolio, statutory basis

The currency risk concerns fluctuations in foreign currencies vis-à-vis the Swiss franc and is restricted by exchange rate hedging transactions.

Currency risk (net) distinctly reduced by year end

Indication in %



Foreign currency allocation (net) in the insurance portfolio, statutory basis

In addition to being monitored and controlled in the individual business units, market risks are consolidated and centrally managed at Group level. External requirements by supervisory authorities and rating agencies also play a key role in the assessment of risks. These requirements can lead to specific limits with regard to the investment policy in the individual countries.

CREDIT RISK | Creditors face the risk of counterparties not living up to their obligations. This can for instance involve failure to pay outstanding interest in the case of bonds, loans or mortgages. Credit risk arises in connection with investments and, to a lesser degree, in reinsurance business. Swiss Life strives to prevent such loss of income by setting Group-wide guidelines on the creditworthiness of borrowers and by requiring guarantees. It also strives to achieve an adequate return for the risks entered into. Outstanding positions in connection with derivative transactions with financial institutions are regularly evaluated. The counterparties provide deficiency payments, which limit the net credit risk per counterparty.

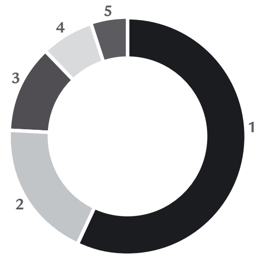
Bonds make up over half of Swiss Life's investments. Of these, almost 60% are bonds with an AAA rating. The remaining part of the bond portfolio is broadly diversified, with strict limits for lower-rated bonds (BBB or lower).

UNDERWRITING RISK | Underwriting risks comprise biometric risks (mortality, longevity and disability) on the one hand and the unpredictability of customer behaviour (surrenders and capital options) on the other.

The underwriting parameters such as mortality, disability and cancellation rates are determined on the basis of in-house data from the past and partly on external statistics. These parameters in turn form the basis for the setting of premium rates and the evaluation of insurance portfolios. There is currently a special focus on the future development of life expectancy, which represents a great challenge in connection with pension products and in particular occupational pension business in Switzerland. The fact that the parameters for the evaluation of future business build on historic data gives rise to a parameter risk. In order to assess this risk, various sensitivity analyses deliberately deviate from the best-possible estimates for biometric parameters so as to take into account the impact of additional factors on the evaluations. In addition, simulations are carried out applying extreme scenarios and their impact on business activities. A pandemic, for instance, is not only modelled by adjusting the relevant underwriting parameters, but also by taking into account their possible influence on the capital markets. These considerations enable the company to determine the insurance risk capital.

Rating structure of bond portfolio as at 31.12.2007

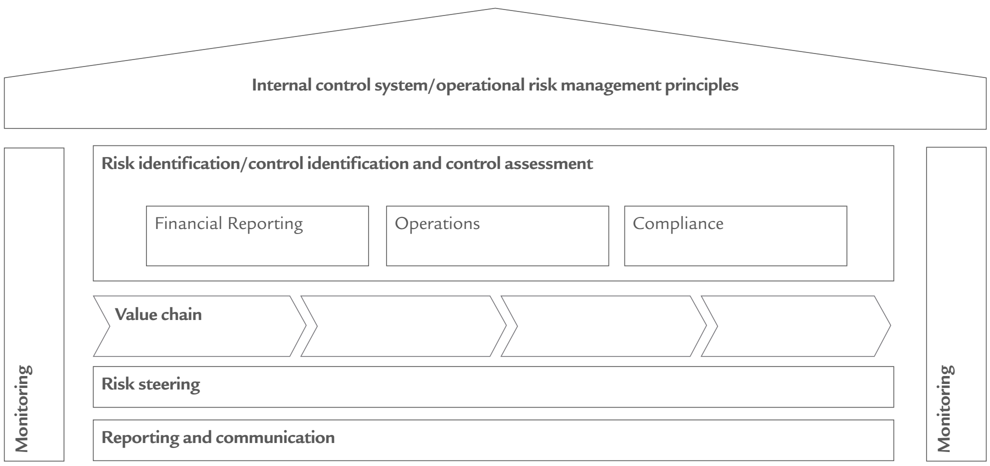
Total 100%



1 AAA 57%
2 AA 19%
3 A 12%
4 BBB 7%
5 below BBB 5%

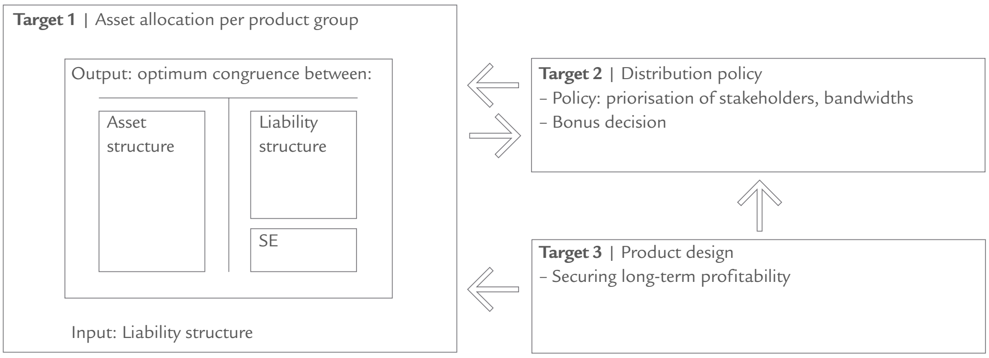
OPERATIONAL RISK | Operational risk is understood to be the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. With operational risk management (ORM) in the form of an internal control system (ICS), Swiss Life aims to identify, evaluate, manage and reduce these risks. The identified risks are monitored and steered on the basis of the value chain and the defined risk tolerance with the aim of ensuring that operations run smoothly. The focus is on the effectiveness of business processes (operations), reliability of financial reporting and adherence to the relevant laws and regulations (compliance). In this connection, the Board of Directors launched the Internal Control System project in the spring of 2007, which – together with the market units – defined the framework for the ICS. At the end of 2008, the implementation of the ICS will be assessed by the external auditors for the first time.

Comprehensive risk management refined further



ASSET AND LIABILITY MANAGEMENT | Asset and liability management (ALM), with its long-term approach, uses the risk evaluations made as a basis for the investment strategy. The aim is to be in a position to pay benefits whenever they fall due and always have sufficient equity to cover value fluctuations in assets and liabilities. Clearly defined criteria with regard to security, return and liquidity are taken into account when policyholder assets, free reserves and equity are invested.

Asset and Liability Management as integral process for all business units

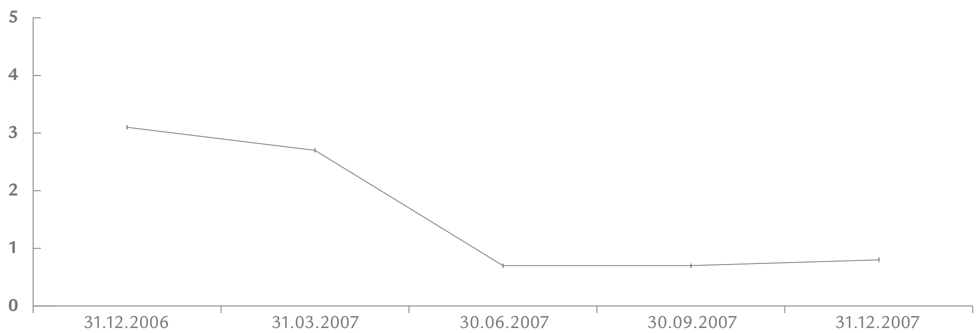


ASSET ALLOCATION | Swiss Life manages investments in such a way that economic risk capital deployment is consistent with its risk appetite. Insurance liabilities can be split into a guaranteed segment and a non-guaranteed segment (bonus component). The guaranteed segment corresponds to the guaranteed minimum interest rate. The bonus is subject to fluctuations over the course of time, because the amounts to be distributed are directly influenced by developments on the financial markets or by legal requirements.

With regard to interest rate risk, the management of the duration gap between assets and liabilities is decisive. Swiss Life's risk capacity enables it to take on interest rate risks in a targeted fashion within the limits defined by the Board of Directors. Moreover, the integrated ALM approach allows greater differentiation by product line in the allocation of assets.

Duration gap reduced to long-term target level by middle of year

Indication in %



Weighted duration gap (interest instruments in relation to liabilities), statutory basis

Further factors in addition to economic considerations have to be taken into account for asset allocation, such as regulatory requirements and international accounting standards. The level of equity (solvency), the need for liquidity and the requirements of rating agencies also entail restrictions on the asset allocation.

DISTRIBUTION POLICY | With its distribution determined annually within the framework of the defined distribution policy, Swiss Life seeks to harmonise the interests of policyholders and shareholders. For policyholders, the accent is firmly on the need for security: They favour a guaranteed minimum interest rate coupled with regular and appropriate discretionary participation. Meanwhile, shareholders place greater emphasis on returns commensurate with the level of risk: They are looking for adequate compensation in the form of dividends and capital gains for the equity capital they provide.

PRODUCT DESIGN | Swiss Life offers its customers the products they need. These products include guaranteed commitments while allowing customers to participate in positive market trends. In designing products, Swiss Life coordinates asset and liability management and the distribution policy to ensure that future developments on the capital market have as little impact as possible on profitability. Product development guidelines have been introduced throughout the Group to make sure that the product design principles are observed. They serve as standards for the local guidelines. When business is written, therefore, the responsibility does not rest exclusively with the local business unit; in certain cases, it lies with the Corporate Executive Board as stipulated by directive.

There must always be sufficient insurance reserves to meet the contractual and regulatory requirements arising from the existing business portfolio. Consequently, not only must the regulatory constraints be observed, but internal estimates concerning specific types of risk must also be taken into consideration.

Swiss Life reviews the product design principles every half year, while the economic viability of new business is examined quarterly. This permits the company to adapt the conditions of sale for the individual products to a constantly changing environment.

PROCESS MANAGEMENT | Swiss Life manages the ALM process centrally. Responsibility for the Group-wide ALM process rests with the Group Chief Financial & Risk Officer. The areas of risk management, asset management, actuarial services, product management and financial management determine the ALM process, for which the Group Chief Financial & Risk Officer has the overall responsibility and which is monitored by the Board of Directors' Investment and Risk Committee. Decisions which apply to the entire Group are implemented at local level by the units concerned in close collaboration with the local Asset and Liability Committee at their business unit.

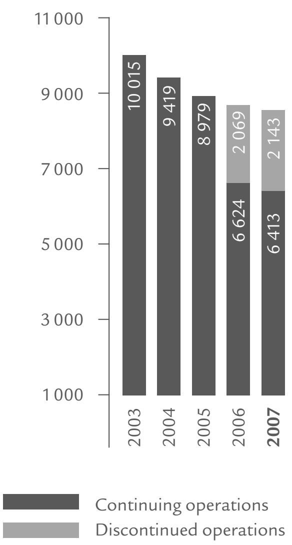
REGULATORY REQUIREMENTS | The Federal Office of Private Insurance, the Swiss supervisory authority, launched the Swiss Solvency Test (SST) project in spring 2003 with the aim of creating new solvency requirements focusing on economic and risk-related aspects.

A solvent insurance company is in a position to meet its payment obligations on time. This requires a minimum level of freely available equity which serves to cover general business risks that are not or not sufficiently covered by the technical reserves. Under the previous Swiss solvency requirements, the minimum level is determined in relation to the business volume. In the case of life insurance companies, this amounts to roughly 4% of the mathematical reserves.

The new SST was given a legal foundation on 1 January 2006 with the introduction of the revised supervisory law and the associated ordinance (AVO). Since then, Swiss Life has been legally obliged to implement an SST. The risk categories that Swiss Life has been using for several years to steer economic risk are congruent with the corresponding categories of the Swiss Solvency Test. In the year under review, Swiss Life again met the solvency criteria required by the SST. In the internal risk reporting, SST figures are established as estimates during the year, too. Solvency considerations are integrated in the risk management process insofar as the Group Chief Financial & Risk Officer and the Group Chief Investment Officer introduce measures to reduce the necessary risk capital if the economic solvency rate drops below a defined threshold.

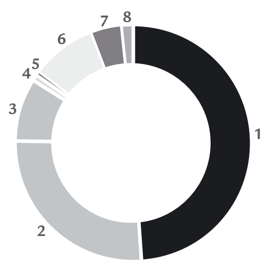
At a multi-national level, the European Union is aiming to set up a risk-based solvency supervision mechanism with its Solvency II project. On 10 July 2007, an initial draft of the corresponding directive was published by the European Commission. The intention is to have Solvency II integrated into national legislation by 2012. Although Swiss Life is domiciled in a non-member state, the EU's regulations with regard to third-party states are extremely important. The EU's framework directive moreover provides for modernised group supervision, based on the principle of equivalence. The Swiss insurance industry is trying to have this principle applied to all insurance companies regardless of where their head office is domiciled so as to create equal competitive conditions for all.

Employees (full-time equivalents)



Employees (full-time equivalents) by country as at 31.12.2007

Total: 8556 employees



1 Switzerland 4193
2 France 2253
3 Germany 752
4 Luxembourg 71
5 Liechtenstein 31
6 Netherlands 758
7 Belgium 364
8 Other 134

Human Capital | Employees are a strategic success factor for Swiss Life. The aim of human capital management is to find and retain the right employees and enable them to systematically develop their skills. In 2007, the figures reflecting the commitment of Swiss Life's staff increased by a further 4 points to 77 index points, due mainly to investments made in management development as well as basic and advanced training for employees.

Swiss Life reaches its ambitious targets thanks to its appropriately qualified and extremely committed workforce. The corporate strategy and corporate values provide the guidelines for the definition of the requisite competencies, from which the skill-sets required of individual employees are derived.

The development of the Group's human capital is measured on the basis of specific key factors. Thus the productivity and added value achieved by the employees is described in terms of Human Capital Return on Investment (HCROI), by which the return achieved is placed in relation to the personnel expenses. The HCROI developed positively over the past few years. In 2007 it came to CHF 2.50, which represents an increase of 25% since 2004. A further key factor for Swiss Life is commitment. The level of commitment reflects employees' satisfaction and the extent to which they identify with their work. People who are happy at work, who identify with the company's goals and have an affinity with their team and their supervisors are dedicated and prepared to put in above-average performance. Each year, Swiss Life measures this commitment in its Employee Survey. In 2007, the commitment level of the Swiss Life Group's workforce averaged 77 index points on a scale of 1 to 100 (previous year: 73 index points). Six out of ten employees registered over 80 points. The aim is to achieve and maintain an average of 80 index points for the entire Swiss Life Group.

PERFORMANCE CULTURE | Swiss Life professes and pursues a performance culture. An important element of this performance culture is a consistently applied employee appraisal system. Once a year, line managers appraise the performance and skills of their staff and make an assessment of their potential. Based on this evaluation, employees' strengths are then fostered by appropriate development measures and gaps in competence are closed. The annual Employee Survey also allows employees to appraise their supervisors, who then receive a detailed feedback report. This feedback provides Swiss Life with an overview of its managers' skills, enabling it to devise individualised management development programmes.

TRAINING AND DEVELOPMENT | Swiss Life sets great store in recruiting good employees, nurturing and developing their knowledge and skills, and motivating them so that they are keen to stay with the company. Based on insights gained from earlier Employee Surveys, Swiss Life invested primarily in management development and in basic and advanced training for its staff in 2007. Overall, expenses for training and development of the entire workforce amounted to around CHF 25 million, which corresponds to nearly CHF 3000 per employee. Expressed as a ratio of the entire personnel expenses, the costs for training and development came to 3.1% (previous year: 3.4%).

Measures in the individual countries, tailored to the specific local circumstances, constitute an important factor in this context. In Germany, for instance, Swiss Life joined forces with representatives of the insurance industry and 11 other companies to develop the Executive Master of Insurance course. Since the 2007/2008 semester, the course has been part of the curriculum of the Faculty of Business Administration at the Ludwig-Maximilians University in Munich. This part-time post-graduate course provides students with specific insurance and actuarial knowledge. It contributes to the availability of highly qualified young specialists and ensures that current or potential Swiss Life employees who graduate from the course are ideally prepared for their tasks on the job.

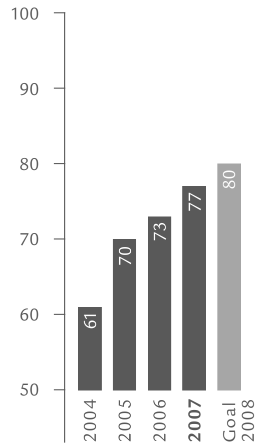
In France, Swiss Life initiated the "Contrat social" development programme in May 2007. This programme helps harmonise the requirements of the company with regard to staff flexibility and mobility on the one hand and the employees' desire for professional change on the other. It enables Swiss Life to retain competent and motivated employees and offer its staff additional in-house development and career options.

In Switzerland, Swiss Life launched a modern learning management system in 2007 which promotes continuous and systematic training. "Life Learn", the online portal, supports the entire learning process. All the requisite steps of an individual course – application, preparation, execution and evaluation – are performed electronically. Swiss Life Switzerland's entire training programme is accessible via the intranet and currently comprises more than 200 attendance courses, online courses, or a combination of the two. Employees can consult the programme on offer independently to find out which courses are best suited to their individual development requirements and then apply online. Approximately 600 training events were carried out in the year under review.

TALENT FOSTERING | Since introducing its new concept for management development measures in 2005, Swiss Life has been fostering talented young staff through a specifically designed on-the-job training programme. Carefully selected employees with high potential are prepared for future leadership roles over two to three years. Participants work on strategically relevant topics in groups with an interdisciplinary and intercultural structure. Individual measures include coaching and mentoring. To qualify for this programme, staff must be nominated by the Corporate Executive Board. Out of the roughly one hundred participants in this talent development programme to date, 80% have since taken on a new, more demanding position within the Group.

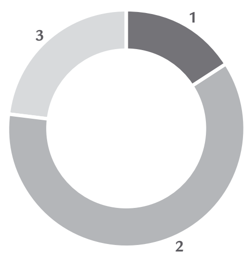
Employee commitment

(in index points)



Investments in training and development

Total 100%



1 Apprentices and trainees 16%
2 Specialist training, social and methodological skills 61%
3 Management and talent development 23%

Responsible Corporate Conduct | Trust is a key component of long-term success in the world of life insurance and pensions. The trust Swiss Life inspires is based primarily on the quality of its products and services, but is also greatly influenced by the company's activities beyond its actual field of operations. Swiss Life has a long tradition of commitment on behalf of society and the environment.

Responsible corporate conduct is part and parcel of the Swiss Life culture. It is based on the corporate values of expertise, proximity, openness, clarity and commitment, which provide the guidelines for interaction with customers, partners and employees. In addition, the Code of Compliance sets out specific rules of conduct. Adherence to these rules is a prerequisite for legally and ethically correct business conduct and for economic profitability. The principles in the Code of Compliance apply to the entire Swiss Life Group. Outside Switzerland and Liechtenstein, they are supplemented or modified in accordance with the local legal requirements.

Visions of the future at the "Young people design living space" competition

The Kids Festival, fostering tomorrow's football stars

SOCIAL COMMITMENT | In 2007, Swiss Life celebrated its 150th anniversary. The company used the occasion not least to enhance its longstanding social commitment. Under the motto of "Perspectives for people", Swiss Life initiated a number of projects and events in Switzerland. In cooperation with the University of Applied Sciences in Rapperswil, for instance, it launched a nationwide competition entitled "Young people design living space", which encouraged over 1000 youngsters aged between 12 and 20 to take a close look at their residential environment. The youths analysed their surroundings and developed their own visions of urban and regional planning. Visions were then transformed into specific ideas and suggestions for a desirable and future-oriented design of their living space. Over 14 000 boys and girls between six and ten years of age took part in the Kids Festival events. Kids Festival stands for a series of forty football-related events that Swiss Life organised in cooperation with the Swiss Football Association throughout Switzerland between April 2007 and May 2008. The newly established "Perspectives" foundation promoting non-profit initiatives in the fields of health, science, education, culture and sports represents a special anniversary gift from Swiss Life. The foundation has decided to focus on integration and education. In connection with the anniversary year, it allocated approximately CHF 3 million to a number of special projects. Among the beneficiaries was the "Zurich Jobs" foundation, which helps to integrate youths and the long-term unemployed into the world of work. The "Bridge to Work" project run by the Pestalozzi Children's Village in Trogen has similar goals. Youngsters with problems at school or in their private life are given the opportunity to do an intercultural "pre-apprenticeship", which facilitates entry into the working world. In its anniversary year, Swiss Life also made significant contributions to Pro Juventute Switzerland to support its free emergency telephone service for children and youths, and a foundation called "Cerebral" for the procurement of special mobility aids for cerebrally impaired children.

Already back in 1957, when marking its 100th anniversary, Swiss Life had set up the Swiss Life Anniversary Foundation for Public Health and Medical Research. The foundation has remained active to this day, providing annual contributions to various research projects.

Swiss Life's commitment to social responsibility is not limited to Switzerland. In Germany, Swiss Life has for instance been supporting the Nicolaidis Foundation since October 2007, a non-profit organisation that helps widowed mothers and fathers and their children cope with bereavement. It organises self-help groups and special projects for children and youths. Various advisory services are available to provide help in personal crisis situations. In France, one of the institutions Swiss Life supports is the "Institut Curie", a hospital and research facility with the mission to fight cancer.

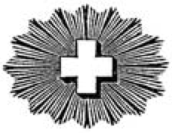
ENVIRONMENTAL MANAGEMENT | Evaluation of the Swiss Internal Services' environmental data for 2006, which reflect the consumption of electricity, paper and water, reveals a positive overall picture compared to the internationally recognised benchmark of the environmental management association "Verein für Umweltmanagement" (VfU). The VfU focuses on environmental management concerns in connection with financial services providers. There are a number of reasons for the positive evaluation results: Swiss Life regularly takes energy aspects into consideration when refurbishing its office buildings, its power supply in Zurich is entirely sourced from hydro-electric plants, and it has a well-established waste disposal system whereby two thirds of all re-usable waste is recycled. The company plans to raise its energy efficiency ratio at its Zurich location by at least another 1.5% a year. Measures to enhance the efficient use of resources will be further expanded in the coming years and are set to be introduced at Swiss Life's units abroad too.


The "Salon Palais Leopold" series of events: debating social and political issues relevant for the future

POLITICAL COMMITMENT | Swiss Life representatives from all areas of the Group play an active role in committees and associations to raise public awareness of pension issues and trigger political debates. In Germany, Swiss Life set up the "Salon Palais Leopold" series of events, where decision-makers from the worlds of business, politics and media hold regular discussions on key social and political subjects. Also in Munich, the first German Swiss Life Pension Day in November met with broad public appeal. Politicians and business representatives discussed the issue of retirement pensions in a European comparison and the direction that retirement provision is to take in future.

SUSTAINABLE PRODUCTS | Swiss Life Asset Management, a Swiss Life subsidiary, together with the independent asset management company for sustainable investments SAM, have been providing direct Sustainability Balanced mandates since 2005. They were in fact the first to do so. The investments – a combination of equities and bonds – are selected according to the criteria of economic, ecological and social added value. The investment volume now amounts to around CHF 125 million. In view of their long-term investment horizon, pension funds in particular show an interest in sustainable products. The track records of the Sustainable Balanced mandates demonstrate that the sustainability approach has a positive impact on the performance. From February 2005 to 31 December 2007, the return before costs exceeded the benchmark index by 0.6%.

Corporate identity:
a look back on 150 years



1857

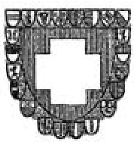
Already in the Rentenanstalt's infancy the Swiss cross formed part of its corporate identity. From 1893 the colour red was used in combination with the lettering and the Swiss cross.

1903

At the turn of the century the design was framed by a border of various coats of arms for the first time. This stylistic component was used at home and abroad in the brochures of that time. The Canton of Zurich's coat of arms was always located at the top.

1907

Public insurance was promoted in a very patriotic fashion. In addition to the white cross on a red background, the design bore the famous last words uttered by the national hero Winkelried before giving up his life for his country: "Take care of my wife and children!"



1917

As this special design, complete with coats of arms, indicates, our company began experimenting with its corporate identity early on, demonstrating a high level of creativity.

Brand Management | Swiss Life is renowned for its proven expertise in pensions and long-term savings and for the outstanding quality of its services. It is the market leader in Switzerland, a fact reflected in its self-assured marketing slogan "Provide for the future with the number one". In 2007, Swiss Life again succeeded in enhancing the recognition value of its brand in all its markets.

In spring 2004, Swiss Life introduced a simplified brand structure and a uniform corporate identity across the Group. The brand underscores the company's image as a specialist in financial provisions for the future and as a trustworthy partner for private individuals and companies. Swiss Life companies all operate under the same brand, which strengthens the staff's identification with the Group and the potential for international positioning. While using the Swiss Life brand, the companies in the individual countries can nevertheless set their own priorities in advertising campaigns based on their specific market position, distribution policy and competitive situation.

In Switzerland, the company's market presence is built on the brand promise "Prepared for the future", which has been relaunched several times since 2004. In the current year, the company has positioned itself with a slogan reflecting its confidence: "Provide for the future with the number one". At the end of 2007, Swiss Life was one of the insurance companies with the highest brand recognition values – 21% unprompted and 73% prompted – whereby it held its own among the major all-lines insurance groups. The appeal of the Swiss Life brand has been consistently on the rise over the past few years, thanks especially to the perceived characteristics of trustworthiness, competence and being prepared for the future. Swiss Life reinforces its market appeal with sponsorship activities predominantly in the areas of football and running on the one hand and classical music and film on the oth-

In July 2004, Swiss Life became the sponsor of the Swiss Football Association and the Swiss national teams.

er. The greatest amount of attention is no doubt generated by the company's sponsorship of the Swiss national football team. This sponsorship agreement has been extended for another four years up to the 2012 European Championships. And of course Swiss life is especially pleased to be able to support the national side in 2008 on the occasion of the European Championships staged in Switzerland itself.

Outside Switzerland, the brand's chief strengths are the associated qualities of Swissness, trust and security. In its marketing campaigns in Germany, Swiss Life emphasises the company's longstanding tradition and reliability. Thanks to the systematic expansion of advertising activities, the brand recognition values rose markedly in 2007 to 8% unprompted and 25% prompted. Brand awareness levels in France also improved, reaching 53% unprompted and 3% prompted in the year under review. The strongest image component associated with the brand there is trustworthiness. Further strengthening the brand in all markets remains a high-priority goal in view of Swiss Life's ambitious growth targets.

Brand identity is characterised by five corporate values

EXPERTISE | We offer first-class solutions for pensions and long-term savings. This expertise is based on our proven professional competence and many years of experience.

PROXIMITY | We foster close relationships with our customers and partners and endeavour to understand their needs. This proximity enables us to provide optimum solutions tailored to their requirements.

OPENNESS | We nurture open and direct dialogue both within and outside of our organisation. This approach builds trust in the work we do.

CLARITY | We communicate clearly and offer products and services that are comprehensible. This clarity gives our customers and partners a sense of security.

COMMITMENT | We work with commitment and enthusiasm to help our customers, staff and shareholders achieve their goals. This commitment forms the basis of long-term partnerships, and enables us to meet our social responsibilities.

1920

From the twenties to the end of the fifties, the design of promotional material was dominated by frames of coats of arms in various grades of abstraction – in black and white, red or coloured.

1957

At the beginning of the fifties, the brand name "Rentenanstalt" was added to the series of coats of arms. In the sixties and seventies the frames of coats of arms were used in combination with the brand name and an abbreviated form of the name.

1978

The logo used until 2004 was created. The additional name "Swiss Life" was introduced in the mid eighties for international purposes. In 1992 the double logo was officially launched.

2004

The Swiss Life logo combines the company's tradition with its objectives. The red colour and the Swiss cross stand for the roots and origin of the 150-year-old company. The three lines of the logo symbolise the most prominent lines on the palm of the hand.

Corporate Governance | Swiss Life is committed to implementing the recognised principles of corporate governance.

Good corporate governance ensures responsible, risk-based and transparent management and is conducive to sustainable success. In the interests of its shareholders, policyholders and staff, Swiss Life attaches great importance to corporate governance and the requirements it entails in terms of the management and organisation of the Swiss Life Group.

Swiss Life's corporate governance is based on the Directive on Information Relating to Corporate Governance issued by the SWX Swiss Exchange and the Federal Office of Private Insurance's (FOPI) directives on corporate governance, risk management and internal control systems. It is also modelled on leading national and international corporate governance standards, in particular the Swiss Code of Best Practices for Corporate Governance issued by the Swiss Business Federation, economiesuisse, as well as the Organization for Economic Cooperation and Development's (OECD) principles on corporate governance.

Whereas in previous years, the corporate governance principles were further adjusted to meet the best practice requirements by revising the organisational regulations and introducing a Code of Compliance applicable throughout the Group, in the year under review, the company concentrated on examining the effectiveness of the existing corporate governance practices. As part of the annual self-evaluation carried out by the Board of Directors, the working techniques of the Board of Directors and its committees and the delimitation of competencies were particularly assessed. Special attention was given to the relationship between the Board of Directors and the Corporate Executive Board. The results revealed that the measures and mechanisms introduced by Swiss Life to ensure good corporate governance work well in practice; however, specific adjustments will be examined on an ongoing basis in order to optimise the organisational structure. It was discussed whether the Chairman's Committee, which assumes the functions of a corporate governance committee, a compensation committee and a nomination committee, should be split into several committees. In view of the clear allocation of functions, it was decided not to form further committees.

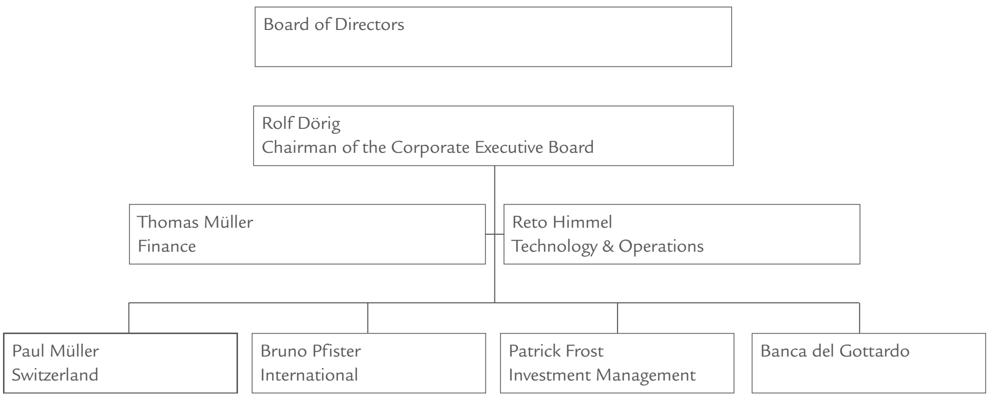
This report describes the essential features of corporate governance within the Swiss Life Group. The structure below largely follows the Directive on Information Relating to Corporate Governance issued by the SWX Swiss Exchange, which came into force on 1 July 2002 and 1 January 2007, and also takes into consideration the new regulations on transparency stipulated in the Swiss Code of Obligations. Further information on the Code of Compliance and the values of the Swiss Life Group can be found in the passage "Responsible Corporate Conduct" (pages 38 to 39).

Group structure and shareholders

GROUP STRUCTURE | Swiss Life Holding is a public limited company incorporated under Swiss law with its registered office in Zurich. It was established in 2002 and has been listed on the SWX Swiss Exchange since 19 November of that year. Swiss Life Holding brings together all the Swiss Life Group companies and activities under a single holding company umbrella. The holding company structure makes it easier to effect investments, enter into partnerships or cooperation agreements and execute capital market transactions. Transparency is also improved by separating the interests of shareholders from those of policyholders.

The most important companies falling within the Group's scope of consolidation are presented in the Financial Statements (note 39) (cf. also the section "Important Changes after the Balance Sheet Date" on page 73). Details concerning the listing on the SWX Swiss Exchange and market capitalisation can be found on page 214. The organisational structure of the Group mirrors the company's main areas of business. The resulting allocation of functional responsibilities is reflected in the division of responsibilities in the Corporate Executive Board and can be seen in the market units. With regard to the insurance business, each country has one person with market responsibility who is also responsible for the results.

Management structure from 01.01.2007 – 31.12.2007



The new management structure as of May 2008 is shown in the Strategy and Markets section on page 11.

SHAREHOLDERS | In connection with the amendment to the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading (SESTO-SFBC), Swiss Life Holding reported on 5 July 2007 that it held 1 392 797 Swiss Life Holding shares and options on 326 653 Swiss Life Holding shares, either directly or indirectly through its Group companies and employer-sponsored foundations. This corresponded to a 5.04% share of the voting rights of Swiss Life Holding. The voting rights are held by Swiss Life Holding, General-Guisan-Quai 40, 8002 Zurich, Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich; Banca del Gottardo, viale Franscini 8, 6900 Lugano; Welfare Foundation for the Swiss Life Insurance and Pension Company's Internal Services at its Head Office in Zurich, c/o Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich; Welfare Foundation for the Swiss Life Insurance and Pension Company's External Sales staff in Switzerland, c/o Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich; and Welfare Foundation for Internal Services and External Sales staff in Switzerland, c/o Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich.

FMR LLC, with its main address at 82 Devonshire Street, Boston, MA 02109, USA, reported on various occasions in the period under review that it had exceeded or fallen short of the limits stipulated by the stock exchange law. FMR LLC is the parent company of Fidelity Management & Research Company, an investment manager for US investment funds, and of Fidelity Management Trust Company, a bank licensed to operate in the USA, which manages various pension savings accounts and fiduciary deposits in its role as fiduciary or investment manager. On 25 July 2007, FMR LLC reported that it and its direct and indirect subsidiaries held a total of 5.00% (1 689 510 registered shares) of the voting rights of Swiss Life Holding at that time. On 29 August 2007, FMR LLC reported that on this date it and its direct and indirect subsidiaries held a total of 4.97% (1 677 390 registered shares) of the voting rights of Swiss Life Holding. On 4 December 2007, FMR LLC reported, in compliance with the new notification limit of 3% applicable since 1 December 2007, that on this date it and its direct and indirect subsidiaries held a total of 4.54% (1 532 680 registered shares) of the voting rights of Swiss Life Holding.

Fidelity International Limited, with its main address at Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, disclosed on 4 December 2007 that it and its direct and indirect subsidiaries held 3.38% of the voting rights of Swiss Life Holding through various asset management accounts. Fidelity International Limited is a fund management company offering investment advisory and investment management services to various investment companies and funds outside the US, as well as to institutional investors.

Also in connection with the new reporting regulations in force since 1 December 2007, Banque Cantonale Vaudoise, Place St-François 14, 1003 Lausanne, informed Swiss Life Holding on 7 December 2007 that it held a total of 1 378 046 purchase positions (247 333 registered shares of Swiss Life Holding, 536 185 long calls and 594 528 short puts on Swiss Life Holding shares) as at 3 December 2007 corresponding to 4.08% of the voting rights of Swiss Life Holding. On this date Banque Cantonale Vaudoise also held 2 022 212 sales positions (999 858 short calls and 1 030 354 long puts) on Swiss Life Holding shares, which was the equivalent of 5.99% of the voting rights of Swiss Life Holding recorded in the commercial register at this time. In a second notification received on 28 December 2007, Banque Cantonale Vaudoise informed the company that its sales positions (trading book) on Swiss Life Holding shares had again fallen below the 5% threshold on 21 December 2007 due to the maturity of derivatives traded on the Eurex. At this point in time Banque Cantonale Vaudoise held 1 324 113 sales positions (619 387 short calls and 704 726 long puts on Swiss Life Holding shares), which corresponded to 3.92% of the voting rights of Swiss Life Holding. Furthermore Banque Cantonale Vaudoise was still in possession of 787 443 purchase positions (281 280 registered shares of Swiss Life Holding, 127 318 long calls and 378 845 short puts on Swiss Life Holding shares), which was the equivalent of 2.33% of the voting rights.

Swiss Life Holding is not aware of any other shareholders whose stake on the balance sheet date (31 December 2007) either directly or indirectly exceeded the reportable threshold of 3% of the registered shares issued.

No cross participations exceeding the 3% threshold exist between Swiss Life Holding or its subsidiaries and other listed companies.

SHAREHOLDER STRUCTURE | On the balance sheet date a total of 190 956 shareholders and nominees were listed in the Swiss Life share register, of which about 4900 were institutional shareholders. Taken together, the shareholders entered in the share register held around 56% of the shares issued. Around half of these shares were owned by shareholders domiciled in Switzerland; over one quarter of the registered shares were in private hands.

A table showing the shareholder structure is provided in the section “Information on Share Performance” on page 215.

Capital structure

CAPITAL AND CHANGES IN CAPITAL | The capital structure of Swiss Life Holding was as follows on the balance sheet date:

- Ordinary share capital: CHF 1 188 654 926, divided into 34 960 439 fully paid registered shares with a par value of CHF 34 each
- Conditional share capital: CHF 84 439 034, divided into 2 483 501 registered shares with a par value of CHF 34 each
- Authorised share capital: none

The conditional share capital is at the disposal of the holders of conversion or option rights granted by the company or by companies belonging to the Group in connection with existing and new loan debentures or similar bonds issued by Swiss Life Holding or companies belonging to the Group. The shareholders are excluded from subscription rights, but their preemptive subscription rights remain safeguarded. The Board of Directors sets the terms of conversion and option conditions.

Since the establishment of Swiss Life Holding on 17 September 2002, a number of capital market transactions have been conducted. A detailed description of the transactions carried out up to and including the end of 2004 can be found in the Corporate Governance section of the annual reports for the relevant years. The annual reports can be accessed at www.swisslife.com, "Shareholders & Analysts" area, "Archive Reports & Results" section (www.swisslife.com/en/annualreports).

On 10 May 2005 the Swiss Life Holding Annual General Meeting resolved to pay a dividend of CHF 4 per registered share in the form of a repayment of par value. As a result of the corresponding reduction in capital, the share capital decreased from CHF 1 688 790 900, divided into 33 775 818 registered shares with a par value of CHF 50 each, to CHF 1 553 687 628, divided into 33 775 818 registered shares with a par value of CHF 46 each. Conditional capital was reduced accordingly to CHF 168 733 612, divided into 3 668 122 registered shares with a par value of CHF 46 each.

As a result of the partial conversion of the 0.625% convertible bond issue (2004–2010) (cf. section on "Convertible bonds and options" on page 48), a total of 260 registered shares were created from conditional capital in 2005. The ordinary share capital thereby rose to CHF 1 553 699 588, divided into 33 776 078 fully paid registered shares with a par value of CHF 46 each, and the conditional capital fell by CHF 11 960 to stand at CHF 168 721 652, divided into 3 667 862 registered shares with a par value of CHF 46 each.

At Swiss Life Holding's Annual General Meeting on 9 May 2006, the shareholders approved a motion to reduce the par value by CHF 5 per registered share. Consequently, the ordinary share capital fell to CHF 1 384 819 198, divided into 33 776 078 registered shares with a par value of CHF 41 each, and the conditional capital decreased to CHF 150 382 342, divided into 3 667 862 registered shares with a par value of CHF 41 each.

In 2006 the 0.625% convertible bond issue (2004–2010) was again partially converted, creating 191 new registered shares. This meant that the ordinary share capital increased to CHF 1 384 827 029, divided into 33 776 269 registered shares with a par value of CHF 41 each, and the conditional capital decreased to CHF 150 374 511, divided into 3 667 671 registered shares with a par value of CHF 41 each.

At the Annual General Meeting of 8 May 2007 it was decided to reduce the par value by CHF 7, i.e. from CHF 41 to CHF 34 per registered share, thereby decreasing the ordinary share capital to CHF 1 148 393 146, divided into 33 776 269 registered shares.

The 0.625% convertible bond issue (2004–2010) was again partially converted in the period under review, creating 1 184 170 new registered shares. Therefore, the ordinary share capital increased to CHF 1 188 654 926 as at 31 December 2007, divided into 34 960 439 registered shares with a par value of CHF 34 each, and the conditional capital decreased to CHF 84 439 034, divided into 2 483 501 registered shares with a par value of CHF 34 each.

SHARES | 34 960 439 fully paid Swiss Life Holding registered shares with a par value of CHF 34 each were outstanding on the balance sheet date. Subject to the 10% limit on voting rights set out in the Articles of Association (cf. the section on "Shareholders' participation rights" on page 69), each share grants the right to one vote at the General Meeting of Shareholders.

There are no outstanding shares with either increased or limited voting rights, privileged or restricted voting rights, privileged dividend entitlements or other preferential rights.

There are no other equity securities besides the registered shares mentioned above, nor do any participation certificates or dividend right certificates exist.

Transactions in Swiss Life Holding shares carried out by Swiss Life Group employees are regulated. Pursuant to the Code of Compliance and the Directive on Insider Information, all purchases and sales of Swiss Life Holding securities made by members of senior management or employees who are privy to confidential information are subject to approval. In addition, a blackout period is imposed from 1 January each year until 24 hours after the year-end results have been presented and from 1 July each year until 24 hours after the half-year results have been presented.

Additional information on the Swiss Life share is available in the section "Information on Share Performance" on page 214.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS | Swiss Life Holding shares are not subject to any limitations on transferability. According to the Articles of Association, resolutions for the introduction, amendment or repeal of limitations on transferability must be put before the General Meeting of Shareholders and must be approved by two-thirds of the voting shares represented and by an absolute majority of the share par value represented.

The Board of Directors may refuse to recognise an acquirer as a shareholder with voting rights, if, upon request, the acquirer does not expressly declare that he has acquired the registered shares in his own name and for his own account.

Swiss and foreign banks, securities brokers and companies acting on their behalf may be entered in the share register as nominees if they are holding shares of Swiss Life Holding in their custody for the account of the beneficial owners. Professional asset managers may also be registered as nominees if, in a fiduciary capacity, they have deposited Swiss Life Holding shares for the account of third parties with Swiss or foreign banks or securities brokers in their own name. Nominees are required to be subject to banking or financial market supervision. A request must be filed to register as a nominee. The voting right representation is restricted to 10% of the share capital overall, whereby nominees who are connected with regard to capital or voting rights under uniform management or contractual agreement will be counted as a single shareholder. The Board of Directors may approve exceptions to these restrictions on registration, observing the principle of responsible judgement. No such exceptions were granted during the period under review.

CONVERTIBLE BONDS AND OPTIONS | One convertible bond issue was outstanding on the balance sheet date, the Swiss Life Holding 0.625% issue (2004–2010) amounting to CHF 317 000 000. The specific conditions attached to these convertible securities and further information on them can be found in the Financial Statements (note 22) as well as in the issue prospectus of 8 June 2004.

Information on options granted by Swiss Life Holding or by Group companies on rights to participate in Swiss Life Holding under equity compensation plans for employees is available in the Financial Statements (note 24).

Board of Directors

FUNCTION | The Board of Directors is responsible for all matters that are not reserved for the consideration of the General Meeting of Shareholders (formally the supreme decision-making body of a public limited company) under the terms of the law (Art. 698 of the Swiss Code of Obligations (OR)) or by the company's Articles of Association. In line with its non-transferable duties prescribed by law the Board of Directors is responsible, in particular, for the ultimate direction of the Group, as well as the supervision of the Corporate Executive Board.

ELECTIONS AND TERMS OF OFFICE | Pursuant to the Articles of Association, the Board of Directors shall consist of no fewer than five and no more than fourteen members. The members of the Board are elected by the General Meeting of Shareholders for a maximum term of three years, and on an individual basis. The Organisational Regulations stipulate that a member of the Board of Directors shall automatically resign from the Board at the

Annual General Meeting of Shareholders in the year in which the member reaches the age of 70.

STAGGERED TERMS OF OFFICE | Due to the staggered terms of office introduced when the Board of Directors was reconstituted in 2003, it is ensured that, as far as possible, an equal number of members will come up for re-election every year. If a member resigns during his or her term of office, the successor will serve only for the rest of that term. Thus, with respect to the annual re-elections, an important prerequisite has been established for ensuring continuity on the Board of Directors.

COMPOSITION | In the year under review the Board of Directors of Swiss Life Holding consisted entirely of non-executive directors with no duties related to operational management within the Swiss Life Group, and who had not exercised such duties during the past three financial years.

No member of the Board has any significant business relationship with Swiss Life Holding or any other Group companies. The members of the Board of Directors of Swiss Life Holding also make up the Board of Directors of Swiss Life/Rentenanstalt.

There are no mutual cross-directorships with boards of directors of listed companies. Acceptance of appointments to the boards of directors of other companies by members of the Swiss Life Holding Board of Directors requires the permission of the Board of Directors. Information on additional board mandates held by individual members of the Board of Directors is presented in the following pages.

MEMBERS OF THE 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 Bührer	Vice Chairman Chairman's Committee Investment and Risk Committee, Chairman	2002/2003/2005[1]	2008
Volker Bremkamp	Member Audit Committee, Chairman	2003/2004/2007	2010
Paul Embrechts	Member Audit Committee	2003/2005	2008
Rudolf Kellenberger	Member Chairman's Committee Investment and Risk Committee	2003/2004/2007	2010
Henry Peter	Member Audit Committee	2006	2009
Peter Quadri	Member Audit Committee	2003/2004/2007	2010
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

BRUNO GEHRIG | Born 1946, Swiss national
Chairman of the Board of Directors

Bruno Gehrig received his doctorate in economics (Dr. rer. pol.) in 1975 from the University of Berne where, following studies at the University of Rochester, New York, he also qualified as a lecturer in 1978 with a study on monetary policy. From 1971 to 1980 Mr Gehrig was an assistant and lecturer at the University of Berne, becoming Assistant Professor in 1978. In 2006 he received an honorary doctorate from the University of Rochester and became a Doctor of Laws.

From 1981 to 1984 Bruno Gehrig was the Head of the Economics Section at the Union Bank of Switzerland. In 1985 he spent a year studying international banking. In 1988 he was promoted to Head of the Stock Markets and Securities Sales Division of the UBS Group. Between 1989 and 1991 Mr Gehrig was Chairman of the Executive Board of Bank Cantrade. From 1992 to 1996 he held the chair as Professor of Business Administration at the University of St. Gallen and was Head of its Swiss Institute of Banking and Finance. In 1996 Mr Gehrig was appointed Member of the Governing Board of the Swiss National Bank as Head of Department III, and served as the Board's Vice Chairman from 2001 to 2003. His political activities include serving as Chairman of the economic policy study group of the Swiss Christian Democratic Party (CVP) from 1984 to 1991. He was a member of the Swiss Federal Banking Commission between 1992 and 1996.

Other appointments:
- Roche Holding AG, Basel, Vice Chairman of the Board of Directors and (until 4 March 2008) Independent Lead Director
- Swiss Air Transport Foundation, Chairman of the Board of Trustees

GEROLD BÜHRER | Born 1948, Swiss national
Vice Chairman of the Board of Directors

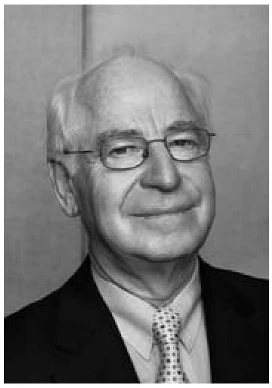
Gerold Bührer graduated in economics (lic. oec. publ.) from the University of Zurich in 1972. Following 17 years with the Union Bank of Switzerland as a member of senior management in its financial sector and Member of the Executive Board of its fund investment company, he joined Georg Fischer AG in 1991, where he was a Member of its Executive Board (Finances) until 2000. He now acts as an independent economic consultant.

Gerold Bührer will be put forward for re-election at the Swiss Life Holding Annual General Meeting of Shareholders on 8 May 2008.

Other appointments:
- economiesuisse, Zurich, Chairman
- Bank Sal. Oppenheim jr. & Cie. (Schweiz) Ltd, Zurich, Member of the Board of Directors
- Cellere AG, St. Gallen, Member of the Board of Directors
- Georg Fischer Ltd, Schaffhausen, Member of the Board of Directors
- Züblin Real Estate Holding Ltd., Zurich, Member of the Board of Directors

Political activities:
- 1982 to 1991 Member of the Grand Council of the Canton of Schaffhausen
- 1991 to 2007 Member of the Swiss Parliament (National Councillor)

VOLKER BREMKAMP | Born 1944, German national
Member of the Board of Directors



Volker Bremkamp joined Albingia Versicherungs AG in Hamburg (a subsidiary of Guardian Royal Exchange plc, London) in 1963, receiving his qualifications as an insurance expert in 1965. Between 1969 and 1971 he was employed by various insurance companies and brokers in London and Paris. He returned to Albingia Versicherungs AG, Hamburg, in 1971, serving as an Executive Director from 1978 to 1989 and as Chief Executive Officer of Albingia Lebensversicherungs AG and of Albingia Versicherungs AG from 1989 to 2000. Volker Bremkamp was an Executive Director and, at the same time, Group Executive Director, Continental Europe, of Guardian Royal Exchange plc, London, from 1995 to 1999, which was taken over by the AXA Group in 1999. From 1999 to 2000 he held the position of Executive Director of AXA Colonia Konzern AG, Cologne, which is the holding company of AXA Germany. Since 2000 he has been Managing Director of BMB Bremkamp Management- und Beteiligungs-GmbH. In 2007 he assumed the role of Managing Director at Xenios Invest GmbH.

Other appointments:
- AON International Insurance Broker, Hamburg, Chairman of the Supervisory Board
- Everpublic AG, Hamburg, Chairman of the Supervisory Board
- WAVE Management AG, Hamburg, Chairman of the Supervisory Board
- UKE University Clinic Hamburg, Member of the Supervisory Board

PAUL EMBRECHTS | Born 1953, Belgian national
Member of the Board of Directors

Paul Embrechts received his master's degree in mathematics from the University of Antwerp (Belgium) in 1975 and his doctorate (Dr. sc. [Math.]) from the Catholic University of Leuven (Belgium) in 1979. Between 1975 and 1983 he held a post as Research Assistant at the Catholic University of Leuven. From 1983 to 1985 he was a Lecturer in Statistics at the Imperial College, University of London, before taking up a position as Lecturer at the University of Limburg (Belgium), which he held from 1985 to 1989. In 1989 he was appointed Professor of Mathematics at the Swiss Federal Institute of Technology (ETH) in Zurich.

Paul Embrechts will be put forward for re-election at the Swiss Life Holding Annual General Meeting of Shareholders on 8 May 2008.

Other appointment:
- Julius Baer Holding Ltd, Zurich, Member of the Board of Directors (until 15 April 2008)

RUDOLF KELLENBERGER | Born 1945, Swiss national
Member of the Board of Directors

Rudolf Kellenberger received his degree in civil engineering from the Swiss Federal Institute of Technology (ETH), Zurich, in 1970. Between 1970 and 1978 he was employed as a project planning engineer in the bridge construction industry, including three years in the United Kingdom. He joined Swiss Re in 1978, where he served as Head of the Engineering Department from 1990 to 1992. In 1993 he was appointed Member of the Executive Board with responsibility for Europe. From 2000 to the end of December 2004 Mr Kellenberger served as Deputy Chief Executive Officer at Swiss Re. He has been appointed to various boards of directors in the area of insurance since retiring in March 2005.

Other appointments:
- Swiss Pool for Aviation Insurance, Chairman
- Captive Mutual (Schweiz) AG, Baar, Chairman of the Board of Directors
- OCAD AG, Baar, Chairman of the Board of Directors
- Infrassure Ltd., Zurich, Member of the Board of Directors

HENRY PETER | Born 1957, Swiss and French national
Member of the Board of Directors

Henry Peter completed his studies in law at the University of Geneva in 1979, and in 1981 he was called to the Geneva bar. Following a pupillage in Geneva, a period of study as a visiting scholar at the University of California in Berkeley and legal work in Lugano, he obtained his PhD at the University of Geneva in 1988. Since 1988 he has been a partner in a law firm in Lugano, Peter, Bernasconi & Partners. In addition, he has been Professor of Business Law at the University of Geneva since 1997. Henry Peter frequently acts as arbitrator in commercial and sport cases. He has been a member of the Swiss Takeover Board since 2004, and a member of the Sanction Commission of the SWX Swiss Exchange since 2007.

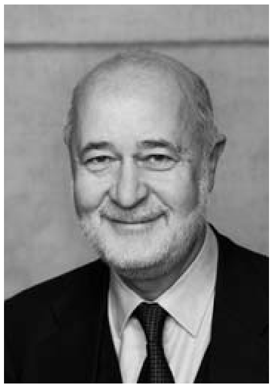
Other appointments:
- Casino de Montreux SA, Montreux, Vice Chairman of the Board of Directors
- Otis, Fribourg, Member of the Board of Directors
- Autogrill Switzerland LTD, Olten, Member of the Board of Directors
- Ferrari (Suisse) SA, Nyon, Member of the Board of Directors
- Swiss Olympic Association, Berne, Vice Chairman of the disciplinary chamber in charge of doping cases

PETER QUADRI | Born 1945, Swiss national
Member of the Board of Directors

Peter Quadri received his master's degree in economics and business administration (lic. oec. publ.) in 1969 from the University of Zurich. In 1970 he joined IBM as a systems engineer and software/operating systems specialist. Following various periods spent in the USA, Denmark and Switzerland, he held the position of CEO of IBM Switzerland from 1998 to April 2006. He now works as a management and technology consultant.

Other appointments:
- Vontobel Holding AG, Zurich, Member of the Board of Directors
- Bühler AG, Uzwil, Member of the Board of Directors
- Zurich Chamber of Commerce, Chairman
- economiesuisse, Zurich, Member of the Board

PIERFRANCO RIVA | Born 1940, Swiss national
Member of the Board of Directors



Pierfranco Riva studied at the universities of Fribourg, Munich and Berlin between 1960 and 1966, and received his Doctorate in Law in 1968. He became a member of the bar in 1970. He has been an attorney and notary with the law firm Felder Riva Soldati in Lugano since 1970. He served as Chairman of the Council of the Bar Association for the Canton of Ticino between 1987 and 1989, and from 1995 to 1999 was a member of the supervisory authority, Council of Magistrates for the Canton of Ticino.

Other appointments:
- Finter Bank Zürich, Zurich, Vice Chairman of the Board of Directors
- Fondazione Daccò, Lugano, Member of the Board of Trustees
- Fondazione Nerina Bellingeri ved. Gualdi, Lugano, Member of the Board of Trustees
- Fondazione Rudolf Chaudoire, Lugano, Member of the Board of Trustees

FRANZISKA TSCHUDI | Born 1959, Swiss national
Member of the Board of Directors

Franziska Tschudi graduated in law at the University of Berne and passed her bar exam there in 1984. She studied US law at Georgetown University, Washington DC, earning an LL.M., and passed the bar exam for the US states of New York and Connecticut in 1987. Franziska Tschudi also completed her postgraduate studies at the University of St. Gallen (1991 to 1993), receiving an Executive MBA. After initially working as an Assistant for Media Law at the Institute for Constitutional and Administrative Law at the University of Berne and practising business and media law in Zurich, Washington DC and Geneva, she served as Secretary General at SIG Holding AG from 1992 to 1995. Ms Tschudi then became a Member of the Executive Board of WICOR Holding AG ("Weidmann Group"), Rapperswil in 1995, where she was Head of Corporate Development and, from 1998, Head of the Business Area Electrical Technology Asia/Pacific. She has held the positions of Chief Executive Officer and Managing Director of WICOR Holding AG since 2001.

Franziska Tschudi will be put forward for re-election at the Swiss Life Holding Annual General Meeting of Shareholders on 8 May 2008.

Other appointments:
- Lakers Sport AG, Rapperswil, Vice Chairperson of the Board of Directors
- BIOMED AG, Dübendorf, Member of the Board of Directors
- Swiss-American Chamber of Commerce, Member of the Executive Committee
- Chamber of Commerce Germany-Switzerland, Member of the Executive Committee
- St. Gallen – Appenzell Chamber of Commerce and Industry, Vice Chairperson

RESIGNATIONS | There were no resignations from the Board of Directors during the period under review.

OUTLOOK | On 26 November 2007, Swiss Life announced HR measures it planned to implement in order to safeguard the continuity of the Board of Directors and to strengthen the Corporate Executive Board. Bruno Gehrig, who has held the position of Chairman of the Board of Directors since May 2003, has decided to resign from the Board of Directors of Swiss Life with effect from the Annual General Meeting of Shareholders in 2010. In this connection, Rolf Dörig, who has been the Group CEO since November 2002, will be put forward for election to the Board of Directors at the Annual General Meeting on 8 May 2008. It is envisaged that, from this date on, Rolf Dörig will assume the role of Delegate of the Board of Directors for a two-year period and be responsible for overseeing both strategy implementation and further strategy development. He is to succeed Bruno Gehrig as the Chairman of the Board of Directors following the 2010 Annual General Meeting of Shareholders.

INTERNAL ORGANISATIONAL STRUCTURE | In line with the Articles of Association and in observance of local and international standards for corporate governance, the Board of Directors decided to introduce a revision of the Organisational Regulations, effective 1 December 2003. These regulations are reviewed regularly in line with national and international best practice, and are updated whenever necessary. They govern the internal organisation and set forth the tasks and competencies of the Board of Directors, the Board of Directors' committees, the Chairman of the Board of Directors and the Corporate Executive Board. The Organisational Regulations can be accessed on the internet at www.swisslife.com, "About Swiss Life" area, "Organisation" section (www.swisslife.com/en/organisation).

The Chairman of the Board of Directors coordinates the work of the Board and the committees, and ensures reporting from the Corporate Executive Board to the Board of Directors. In urgent situations, the Chairman may also determine the necessary measures and take steps falling within the scope of the competencies of the Board until the Board of Directors takes a decision. If a timely decision cannot be reached by the Board of Directors, the Chairman is empowered to take a decision.

The Board of Directors meets as often as business requires, but at least six times a year as a rule. Meetings are generally called by the Chairman of the Board of Directors. However, any member of the Board of Directors may request that a meeting be called, as can the Corporate Executive Board. In addition to the members of the Board of Directors, the Group CEO generally also attends the meetings or parts of meetings in an advisory capacity, as do other members of the Corporate Executive Board when required.

The Board of Directors met eleven times during the year under review in ordinary and extraordinary meetings. The ordinary meetings of the Board of Directors lasted around four hours on average, and all members attended, with the exception of two meetings, where one member was excused on each occasion. The Group CEO and the other members of the Corporate Executive Board were present at all the meetings, the Board of Directors did, however, conduct parts of the meetings among themselves.

The Board of Directors regularly performs a self-assessment. Furthermore, discussions take place between the Chairman of the Board and its members on an individual basis.

Three standing committees support the work of the Board of Directors as a whole: the Chairman's Committee – which also assumes the functions of a corporate governance committee, a compensation committee and a nomination committee – the Investment and Risk Committee, and the Audit Committee. The Board of Directors may establish other committees to be entrusted with special tasks.

The committees of the Board of Directors sometimes call on the services of external consultants and assess their own work once a year. If the Chairman of the Board of Directors is not a member of a committee of the Board of Directors, he has the right to attend meetings (without voting rights).

CHAIRMAN'S COMMITTEE | The Chairman's Committee assists both the Chairman of the Board of Directors in fulfilling his leadership and coordination role, and the Board of Directors with matters concerning strategy and corporate governance. It also advises the Board of Directors in decisions concerning the appointment of personnel at the highest levels of management *(nomination function)* and in setting guidelines for the compensation of members of the Board of Directors and the Corporate Executive Board, and determines, in application of these guidelines, the compensation and terms of employment of the Group CEO and other members of the Corporate Executive Board *(compensation function)*.

The Chairman of the Board of Directors presides over meetings. As a rule, the Group CEO attends the Chairman's Committee meetings or parts of the meetings in an advisory capacity. Further members of the Corporate Executive Board or in-house specialists may also be invited to attend. The Chairman's Committee meets at least six times a year.

It held sixteen ordinary and extraordinary meetings during the year under review. The average duration of the ordinary meetings was around two hours. There was full attendance at all meetings, and the Group CEO was also present on each occasion.

INVESTMENT AND RISK COMMITTEE | The Investment and Risk Committee assists the Board of Directors in matters concerning investment management, financial management and risk management within the Group. The tasks of the Investment and Risk Committee include, among others, drafting proposals on the principle features of asset and liability management (ALM) and submitting them to the Board of Directors, determining the investment policy, assessing capital adequacy, verifying compliance with guidelines on investments, and establishing the risk tolerance in insurance and investment operations. The Investment and Risk Committee is vested with the authority to define various regulations and directives pertaining to the investment activities of the Swiss Life Group and must inform the Board of Directors accordingly. In addition, the Investment and Risk Committee is free to decide itself on investments at a particular level and specifies the terms of significant intra-Group financing.

Generally, the Group CIO and Group CFO attend the Investment and Risk Committee meetings or parts of meetings in an advisory capacity. The Group CEO may attend the meetings of the Investment and Risk Committee (without voting rights). Further members of the Corporate Executive Board or in-house specialists may also be invited to attend. The Investment and Risk Committee meets at least four times a year.

Five meetings of the Investment and Risk Committee were held in the year under review; each session lasted for around two hours on average. There was full attendance at all meetings.

AUDIT COMMITTEE | The Audit Committee assists the Board of Directors in its supervision of the accounting function and financial reporting activities, as well as compliance with the legal requirements. It reviews the appropriateness of the internal control structures and processes used to comply with the legal requirements. It monitors the activities of Corporate Internal Audit and the external audit services, and takes due note of their reports and recommendations. The Committee is empowered to make decisions with respect to defining the terms and conditions for mandates to external auditors and keeps the Board of Directors appropriately informed. Moreover, the Audit Committee issues the regulations of Corporate Internal Audit and sets the annual programme of activities for the internal audit units.

Generally, the Group CFO and the Head of the Corporate Internal Audit attend the Audit Committee meetings or parts of the meetings in an advisory capacity. The Group CEO may attend the meetings of the Audit Committee (without voting rights). Representatives from the external audit services are also regularly invited (cf. also "Supervisory and control instruments vis-à-vis the auditors", page 71). In addition, further members of the Corporate Executive Board or in-house specialists may also be invited to attend.

The Audit Committee meets at least four times a year. The frequency of meetings depends on the financial budgeting and reporting process. The Audit Committee met six times during the year under review, with the meetings lasting over three and a half hours on average. There was full attendance at all meetings, and representatives from the external audit services were present at four of the meetings.

DELINEATION OF COMPETENCIES BETWEEN THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD | The Organisational Regulations of Swiss Life Holding provide for the comprehensive delegation of the executive management responsibilities of the company to the Group CEO and the Corporate Executive Board, with the exception of those duties reserved for other bodies in accordance with the law, the Articles of Association or the Organisational Regulations themselves. The Articles of Association of Swiss Life Holding can be found at www.swisslife.com, "Shareholders & Analysts" area, "Archive Reports & Results" section (www.swisslife.com/association). The Organisational Regulations are also published on Swiss Life's internet site at www.swisslife.com, "About Swiss Life" area, "Organisation" section (www.swisslife.com/en/organisation).

The Corporate Executive Board bears responsibility in particular for the implementation of the corporate strategy, for the conditions governing business operations and for financial guidance. It is further responsible for preparing the resolutions for the Board of Directors and its committees, and for monitoring the implementation of these decisions in the Group. It is vested with the authority to rule on business referred to it by the Board of Directors, the Board of Directors' committees and the Chairman of the Board of Directors insofar as approval or a decision is not reserved exclusively to the delegating body.

INFORMATION AND CONTROL INSTRUMENTS OF THE BOARD OF DIRECTORS VIS-À-VIS THE CORPORATE EXECUTIVE BOARD | The Board of Directors is continually and comprehensively briefed on the activities of the Corporate Executive Board. The Group CEO keeps the Chairman of the Board of Directors, as well as the Board of Directors and its committees, regularly informed about the course of business, new business activities and significant projects. The Group CEO informs the Chairman of the Board of Directors immediately about extraordinary matters. Considerable expenditure which is unbudgeted for and amounts to more than 10% of the relevant budget must be submitted to the Chairman's Committee for approval. Similarly, significant investments and divestments require the approval of the Investment and Risk Committee or, when they reach a certain level, the approval of the Board of Directors as a whole.

If required, the Board of Directors and its individual committees regularly invite all or some members of the Corporate Executive Board or internal specialists to its meetings. Outside the meetings, each member of the Board of Directors may request information about the course of business from the Corporate Executive Board subject to the prior notification of the Chairman of the Board of Directors. Requests for information on individual transactions require the prior approval of the Chairman of the Board of Directors.

The Chairman of the Board of Directors may participate (without voting rights) in the meetings of the Corporate Executive Board. He receives the invitations and the minutes of the meetings. With the exception of two occasions, the Chairman of the Board of Directors attended all of the Corporate Executive Board meetings or parts of the meetings in the year under review.

Corporate Internal Audit, which reports directly to the Chairman of the Board, represents a suitable means of independent monitoring and information gathering for the Board of Directors. Regular meetings take place between the Chairman of the Board of Directors and the Head of Corporate Internal Audit, as well as between the Chairman of the Audit Committee and the Head of Corporate Internal Audit. The implementation of the measures recommended by Corporate Internal Audit is monitored by Group Compliance & Operational Risk Management. The Audit Committee regularly receives a report on all compliance activities and on operational risk management within the Swiss Life Group. Swiss Life's Internal Control System (ICS) also serves the Board of Directors for information and controlling purposes. Further details on this system are available in the section Risk Management on page 32.

The performance of the Corporate Executive Board and the contributions made by the individual members are regularly discussed and evaluated by the Chairman's Committee and the Board of Directors with no members of the Corporate Executive Board being present. The acceptance of directorships and senior political or military roles by members of the Corporate Executive Board is subject to the consent of the Chairman of the Board of Directors.

Corporate Executive Board

The Group CEO directs the business operations of the Group. The Group CEO, together with the Corporate Executive Board, works out the long-term objectives and strategic orientation of the Group for submission to the Board of Directors and, based on the resolutions of the Board of Directors, ensures the goal-oriented leadership and development of the Group. The Corporate Executive Board can form committees to address specific areas and can delegate competencies to such a Corporate Executive Board committee.

Each member of the Corporate Executive Board has responsibility for a Group division. The members of the Corporate Executive Board are responsible for setting objectives, financial planning, HR management and achievement of objectives within their division. They issue directives for their division within the context of legal and regulatory requirements, the relevant regulations and the Group directives valid for the Group as a whole.

MEMBERS OF THE CORPORATE EXECUTIVE BOARD | On 31 December 2007, the Corporate Executive Board of Swiss Life Holding was composed of the following members:

Name	Functions	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

ROLF DÖRIG | Born 1957, Swiss national
Group Chief Executive Officer (Group CEO)

Rolf Dörig laid the groundwork for his professional career by obtaining a doctorate in law (Dr. iur.) from the University of Zurich before being called to the bar in Zurich. Joining Credit Suisse in 1986, he assumed a number of executive responsibilities in various areas of banking and in different geographical markets. He subsequently became Chief of Staff and Chief Communications Officer for Credit Suisse Group. As a member of the Executive Board, he was assigned responsibility for Swiss Corporate and Retail Banking from 2000 onwards. In 2002 he assumed the role of Chairman Switzerland.

Rolf Dörig has been Chief Executive Officer (Group CEO) of the Swiss Life Group since 6 November 2002. He will be put forward for election to the Board of Directors at the Annual General Meeting on 8 May 2008.

Other appointments:
- Swiss Insurance Association, Member of the Board
- economiesuisse, Zurich, Member of the Board Committee
- Adecco S.A.,Vice Chairman of the Board of Directors
- Kaba Holding Ltd, Rümlang, Vice Chairman of the Board of Directors
- Danzer AG, Baar, Chairman of the Board of Directors
- Zurich Chamber of Commerce, Member of the Board of Directors
- Grasshopper-Club Zurich, Chairman of the Board of Directors

BRUNO PFISTER | Born 1959, Swiss national
Chief Executive Officer International (CEO International)

Bruno Pfister graduated from the University of Geneva with a master's degree in law before being called to the bar in Geneva. Following completion of his business management studies (MBA from the UCLA Graduate School of Management in Los Angeles), the initial stages of his career saw him working for Chase Manhattan Bank in London and Geneva. From 1988 onwards he was a management consultant for McKinsey & Co. In 1996 Mr Pfister became Chief of Staff of the Private Banking division at Liechtenstein Global Trust (LGT) where he managed a global strategic project before being appointed Chief Financial Officer of LGT Group and LGT Bank in Liechtenstein in 1998. In 1999, as a member of the Credit Suisse Group Executive Board, he took over as Head of Customer Segment Management and Product Management at Credit Suisse.

Mr Pfister has been with the Swiss Life Group since August 2002, initially as Chief Financial Officer (Group CFO) and, as of 1 January 2006, Chief Executive Officer International (CEO International). He is designated to become the Group Chief Executive Officer (Group CEO) in May 2008 following Rolf Dörig's appointment to the Board of Directors.

Other appointments:
- Gottex Fund Management Holdings Limited, St. Peter Port, Guernsey, Member of the Board of Directors
- Swiss Insurance Association, Chairman of the Economics and Finances Committee
- Member of the Admission Board and Executive Committee of the Admission Board of the SWX Swiss Exchange

PAUL MÜLLER | Born 1950, Swiss national
Chief Executive Officer Switzerland (CEO Switzerland)

Paul Müller studied economics at the University of St. Gallen. After graduating with a master's degree (lic. oec. HSG), he launched his career in 1975 by joining Winterthur Versicherungen. In 1982 he moved to Baloise Insurance where he held a number of leading positions. As a member of the Executive Board he was ultimately assigned responsibility for the German, Austrian, French, Belgian and Luxembourg markets. From 1995 Mr Müller served as CEO of Helvetia Patria Assurances' Swiss Division in Basel.

Mr Müller assumed the role of Chief Executive Officer Switzerland (CEO Switzerland) at the Swiss Life Group in January 2003.

Other appointments:
- Swiss Insurance Association, Chairman of the Life Insurance Committee
- Chamber of Commerce Germany-Switzerland, Member of the Executive Committee
- Society for the Promotion of the Institute of Insurance Economics of the University of St. Gallen, Member of the Board
- Board of Trustees of WBZ Reinach, Canton of Basel-Land (Wohn- und Bürozentrum für körperlich Behinderte)
- Open Systems AG Zürich, Member of the Mission Control Advisory Board

RETO HIMMEL | Born 1956, Swiss national
Group Chief Technology & Operations Officer (Group CTO)

The physicist Reto Himmel (Master's Degree in Physics, Swiss Federal Institute of Technology (ETH), Zurich, 1982) graduated from the Harvard Business School in 1987 with an MBA. He began his career in 1982 as a software engineer with Brown Boveri & Co. in Baden, before joining Credit Suisse in 1985. From 1990 to 1994 he went on to head the General Secretariat at Bank Leu, where he was also in charge of corporate planning. He later served as Chief of Staff of the Investment and Trading division at Credit Suisse. In 1997 Mr Himmel became a member of the Executive Board of ABN AMRO (Switzerland), assuming responsibility for the bank's logistics operations. He took on the position of Head of Operations at UBS Warburg Switzerland in August 2001.

Reto Himmel has served as Group Chief Technology & Operations Officer (Group CTO) for the Swiss Life Group since January 2003.

Other appointments:
- Swiss Financial Market Services, Member of the Board of Directors
- Technopark Zurich, Member of the Board of Trustees

THOMAS MÜLLER | Born 1965, Swiss national
Group Chief Financial & Risk Officer (Group CFRO)

Thomas Müller studied economics and business administration (lic. rer. pol.) at the University of Berne and earned an MBA from the IMD in Lausanne. His professional career began in 1991 at Swiss Volksbank where he was responsible for asset and liability management. Up to and after the integration of Swiss Volksbank into Credit Suisse Group, he headed the Treasury department from 1994 to 1997. In 1997 he moved to Marc Rich Holding where he was responsible for the group's trading in interest rate instruments. Thomas Müller joined Banca del Gottardo in 2002 as Chief Financial & Risk Officer and Member of the Executive Board.

He became Group Chief Financial Officer (Group CFO) of the Swiss Life Group in January 2006. On 1 April 2008, he will also assume the role of Group Chief Risk Officer.

Other appointments:
- Castle Alternative Invest AG, Freienbach, Member of the Board of Directors
- Swiss Insurance Association, Member of the Economics and Finances Committee
- The Sustainability Forum, Zurich, Chairman of the Board of Directors

PATRICK FROST | Born 1968, Swiss national
Group Chief Investment Officer (Group CIO)

Patrick Frost studied at the ETH in Zurich and the universities of Cologne, Basel and Zurich, obtaining degrees in natural science (dipl. Natw. ETH, 1993), economics (Dr. rer. pol., 1998) and law (lic. iur., 2001). He began his professional career in 1996 as a portfolio manager and analyst in financial engineering at Winterthur Group. Between 1999 and 2001 he was employed as a Senior Bond Portfolio Manager at Winterthur Investment Management Corp. in New York. He became the Head of Global Fixed Income at Winterthur Group in 2001, where he played a key role in the further strategic development of its asset management.

Patrick Frost has been Group Chief Investment Officer (Group CIO) of the Swiss Life Group since July 2006.

RESIGNATIONS | No members of the Corporate Executive Board resigned in 2007.

OUTLOOK | Rolf Dörig, who has held the position of Group CEO since November 2002, will be put forward for election to the Board of Directors at the Annual General Meeting on 8 May 2008. As a result it is planned that Bruno Pfister will be subsequently appointed Group CEO. Bruno Pfister has been with Swiss Life since August 2002, initially as Group Chief Financial Officer and, as of 1 January 2006, as CEO International. A new CEO International will not be appointed. The international components in the Corporate Executive Board will, however, be reinforced by the inclusion of the national CEOs of France and Germany, Jacques Richier and Manfred Behrens.

JACQUES RICHIER | Born 1955, French national
Chief Executive Officer France (CEO France)

Jacques Richier graduated from the University of Lyon with a degree in engineering and a master's degree in natural sciences and physics. He went on to gain an MBA at the HEC in Paris. He began his professional career as a guest researcher at the University of Berkeley, before assuming a number of leading positions in research and development in the oil industry. Jacques Richier's career in insurance began with Azur Assurances in 1985, where he held a number of leading roles before becoming designated Chief Executive Officer and Member of the Board of Directors. In November 2000 he joined Swiss Life in France, and was appointed Chief Executive Officer in September 2003.

Other appointments:
– Member of the French Federation of Insurance Companies
– Créserfi, Member of the Board of Director

MANFRED BEHRENS | Born 1955, German national
Chief Executive Officer Germany (CEO Germany)

After graduating in law, Manfred Behrens initially worked as an attorney in a Hamburg-based law firm. In 1984 he moved to Hamburg Mannheimer AG, where he assumed various leading positions in the areas of law and sales and went on to become federal state manager. In May 1996 he joined Volksfürsorge Deutsche Lebensversicherungs-AG and, in 1998, was appointed Member of the Board of Directors responsible for sales and marketing. Since January 2004, Mr Behrens has been in charge of the Swiss Life branch in Munich (CEO Germany).

Other appointments:
– Aareal Bank, Wiesbaden, Member of the Supervisory Board
– Commerzbank, Member of the Federal State Advisory Committee
– German Insurance Association, Member of the Main Committee Life Insurance
– German Insurance Association, Member of the Chairman's Committee

Transfer of management tasks

No management tasks have been contractually delegated to third parties by Swiss Life Holding.

Compensation, participation in equity, loans

The specifications below follow the directives on information relating to corporate governance issued by the SWX Swiss Exchange and take into consideration the new transparency regulations on compensation set out in the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c. Further details on compensation and benefit expenditure for the management and employees of the Swiss Life Group can be found in the Financial Statements (notes 24 and 31). In addition, the compensation of the members of the Board of Directors and the Corporate Executive Board and their participation interests are shown in the notes to the Swiss Life Holding Financial Statements.

In this Annual Report, the information is presented in a similar way to the previous year. However, in accordance with the new transparency requirements, the compensation of each member of the Board of Directors is listed separately, and the compensation of the Chairman of the Corporate Executive Board (Group CEO) is shown individually.

COMPENSATION POLICY PRINCIPLES | Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for establishing the guidelines on the Group's compensation policy (incl. bonuses, equity compensation programmes and share option programmes) and with regard to 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 chosen compensation system is in line with the market environment and must be competitive. The overall compensation takes into account the employees' professional skills, commitment and personal performance. Individual compensation is made up of a basic salary and variable short-, medium- and long-term salary components, as well as contributions to occupational provisions and risk insurance. The basic salary is determined according to the employee's function and skill-set, and is annually re-assessed and adjusted if appropriate. The variable salary components are linked to the strategic objectives of the company and the individual divisions, and the associated financial and HR-related targets. Personal performance and target achievement are assessed annually in the employee appraisal procedure implemented throughout the Group (Group Performance System) and taken into consideration when applying the defined compensation policy.

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 Chairman's Committee, in its capacity as a Compensation Committee, is responsible for putting forward corresponding proposals. The Board of Directors also establishes the guidelines for the company's compensation policy. In doing so, it takes into consideration the compensation policies of other organisations of comparable size and in comparable industries, drawing its findings from publicly available information and, as necessary, studies by external experts. Based on these guidelines, the Chairman's Committee determines the compensation for the individual members of the Corporate Executive Board and informs the entire Board of Directors accordingly.

The share option programme for Swiss Life Group management, which was introduced in 2000, was discontinued at the end of 2002. Accordingly, no more share options have been allocated since 2003.

Within the framework of the compensation arrangements for the members of the Corporate Executive Board and other key performers within the Swiss Life Group, which are selected by the Corporate Executive Board with the approval 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. Based on the programme, participations are granted future subscription rights, in the form of Performance Share Units (PSUs) 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; 33 297 to the Corporate Executive Board, of which 9604 to the Group CEO.

In 2006, 36 members of the Swiss Life Group senior management participated in the continued equity compensation programme. A total of 46 651 PSUs were allocated; 22 255 to the Corporate Executive Board, of which 7153 to the Group CEO.

For the 2007 equity compensation programme, the Chairman's Committee of the Board of Directors decided that the retention component (factor of 0.5) which was appropriate during the turnaround phase would be rescinded in the future so that the number of PSUs could drop to zero after three years. The maximum possible factor of 1.5 has been maintained. Furthermore, the programme continues to be based on two performance criteria, each with a 50% weighting. One criterion is the Total Shareholder Return on Swiss Life Holding shares (TSR Swiss Life Holding), whereby a performance in excess of 20% is required for the subscription right to share allocation to arise. The TSR of the company's own shares is also compared with the TSR of the shares of the companies included in the Dow Jones STOXX 600 Insurance Index (TSR outperformance); on the basis of this criterion, a subscription right arises if the performance is above the first quartile in comparison with the companies in question on expiry of the three-year period.

In the period under review, 55 members of the Swiss Life Group senior management participated in the corresponding equity compensation programme. A total of 56 222 PSUs were allocated; 24 444 to the Corporate Executive Board, of which 6717 to the Group CEO.

COMPENSATION PAID TO ACTING MEMBERS OF GOVERNING BODIES | Compensation paid in cash to acting members of the Board of Directors and the Corporate Executive Board during the period under review was as follows:

In CHF	**2007**	2006
Board of Directors	**1 543 000**	1 479 300
Corporate Executive Board	**9 572 243**	8 859 305

Compensation remitted to members of the Board of Directors in the year under review comprised the basic compensation, compensation in cash and a variable compensation component in shares. The basic compensation takes into account membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life/Rentenanstalt 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 Swiss Life Group's business operations have proved successful, a further, variable compensation component is remitted in the form of Swiss Life Holding shares, decided upon by the Board of Directors taking into consideration the business result.

The following compensation in cash and shares was received by acting members of the Board of Directors of Swiss Life Holding in 2007 during the period under review.

Name		**Compensation in cash**	**Shares**[1]
Bruno Gehrig	CHF	655 000	312
Gerold Bührer	CHF	238 000	235
Volker Bremkamp	CHF	126 000	152
Paul Embrechts	CHF	82 000	108
Rudolf Kellenberger	CHF	114 000	153
Henry Peter	CHF	82 000	108
Peter Quadri	CHF	82 000	108
Pierfranco Riva	CHF	82 000	108
Franziska Tschudi	CHF	82 000	108

1 cf. also the section on share allotment

There were no resignations from the Board of Directors or the Corporate Executive Board in the period under review. In 2006, two new members were appointed to the Corporate Executive Board; one on 1 July of that year.

COMPENSATION PAID TO FORMER MEMBERS OF GOVERNING BODIES | None.

SHARE ALLOTMENT IN THE YEAR UNDER REVIEW | Swiss Life Holding shares were allocated to members of the Board of Directors and the Corporate Executive Board as follows during the 2007 financial year:

Board of Directors	1392 shares, allocated at values of CHF 270.56, 256.08 and 243.27[1]. They are subject to a three-year vesting period.
Corporate Executive Board	6225 shares, allocated at a value of CHF 287.73[2]. 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 322.25, 305.00 and 289.75.
2 Economic value equivalent to the taxable value, taking the vesting period into account. The share price on allocation amounted to CHF 305.00.

No shares were allocated to closely linked parties[3] within the meaning of the law.

SHARE OWNERSHIP | On the balance sheet date, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held a total number of Swiss Life Holding registered shares as follows:

Board of Directors	**11 868**	**Shares**
Bruno Gehrig	1 636	Shares
Gerold Bührer	1 725	Shares
Volker Bremkamp	742	Shares
Paul Embrechts	558	Shares
Rudolf Kellenberger	710	Shares
Henry Peter	1 638	Shares
Peter Quadri	1 338	Shares
Pierfranco Riva	2 963	Shares
Franziska Tschudi	558	Shares
Corporate Executive Board	**27 275**	**Shares**
Rolf Dörig	12 245	Shares
Bruno Pfister	6 723	Shares
Paul Müller	6 290	Shares
Reto Himmel	903	Shares
Thomas Müller	557	Shares
Patrick Frost	557	Shares

3 "Closely linked parties" are natural persons and legal entities pursuant to Art. 678 of the Swiss Code of Obligations that have close personal, economic, legal or de facto ties with members of the governing body. This typically includes spouses, minor children, companies controlled by members of the governing body, and natural or legal persons serving the members of the governing body in a fiduciary capacity.

OPTIONS | No share options have been granted in the Swiss Life Group since 2003. At the end of 2007 there were no options outstanding. Options on shares of Swiss Life/Rentenanstalt were allocated to the members of the Board of Directors and Corporate Executive Board in 2000, 2001 and 2002 in the context of the share option programme for the entire senior management of the Swiss Life Group, and were subsequently converted into options on Swiss Life Holding shares. At the end of 2002 this share option programme was discontinued with effect from 2003. The share options allocated in the years 2000 and 2001 expired worthless at the end of March 2004 and the end of May 2006. The options allocated in 2002 were exercisable up to the end of June 2007 at a strike price of CHF 224.10. In connection with the exchange of Swiss Life/Rentenanstalt shares for shares of Swiss Life Holding and the capital increases in autumn 2002 and spring 2004 as well as the reduction in par value of Swiss Life Holding shares as at August 2005 and 2006, the parameters of the options allocated in 2001 and 2002 were adjusted in accordance with Eurex guidelines.

ADDITIONAL HONORIUMS AND REMUNERATIONS | During the period under review no additional honorarium or remuneration payments were made to the members of the Board of Directors or the Corporate Executive Board.

LOANS | On the balance sheet date, there were no loans outstanding to members of the Board of Directors or members of the Corporate Executive Board

Board of Directors	none
Corporate Executive Board	none

EXPENDITURE FOR OCCUPATIONAL PROVISIONS | Details on the company's benefit expenditure can be found in the Financial Statements (notes 24 and 31) and the notes to the Swiss Life Holding Financial Statements. For reasons of transparency, the following benefits are provided here:

As Chairman of the Board of Directors, Bruno Gehrig 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; no contributions have been made on their behalf.

The same conditions apply for Bruno Gehrig as for other insured persons. In the period under review, the employer's contribution assumed by Swiss Life on behalf of Bruno Gehrig amounted to CHF 197 992. This comprised the regular annual contribution of CHF 99 492 and a subsequent contribution of CHF 98 500 due to the increase in the insured income. In addition, Swiss Life paid CHF 652 961 to make up for a gap in full insurance coverage.

Expenditure for occupational provisions in favour of members of the Corporate Executive Board totalled CHF 825 944. The proportion allocated for Rolf Dörig as Group CEO was CHF 238 856; CHF 195 656 as the regular annual contribution and CHF 43 200 as a subsequent contribution due to the increase in the maximum insurable income (Art. 79c BVG).

HIGHEST TOTAL COMPENSATION, BOARD OF DIRECTORS | The highest total compensation for a member of the Board of Directors in 2007 was paid to Bruno Gehrig as Chairman of the Board. The total compensation paid in the form of cash, shares and contributions to occupational provisions in the year under review is as follows:

Compensation in cash [1]	CHF	655 000	
Shares [2]	CHF	79 898	312 SLHN shares at CHF 256.084
Share options		keine	
Total compensation 2007:			
in cash and shares	CHF	734 898	
including annual contributions to occupational provisions of CHF 99 492	CHF	834 390	
including additional contribution to occupational provisions of CHF 751 461 [3]	CHF	1 585 851	
Total compensation 2006:			
in cash and shares	CHF	694 998	
including contribution to occupational provisions	CHF	787 020	

1 Basic compensation and additional compensation in cash determined annually by the Board of Directors.
2 The 312 allocated shares are subject to a vesting period of three years. The share price at the time of distribution was CHF 305.00; the allocation was effected at economic value, which is equal to the tax value (CHF 256.084), taking into acccount the vesting period.
3 Subsequent contribution and payment for a gap in full insurance coverage.

HIGHEST TOTAL COMPENSATION, CORPORATE EXECUTIVE BOARD | 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 the form of cash, shares and contributions to occupational provisions in 2007 is as follows:

Compensation in cash [1]	CHF	3 510 001	
Shares [2]	CHF	447 143	1 554 SLHN shares at CHF 287.737
Share options		keine	
Total compensation 2007:			
in cash and shares	CHF	3 957 144	
including contribution to occupational provisions of CHF 238 856	CHF	4 196 000	
Total compensation 2006:			
in cash and shares	CHF	3 759 999	
including contribution to occupational provisions	CHF	3 950 039	

1 Including bonus in cash and other compensation in cash (child allowances, company car, premium contribution).
2 The allocated shares are subject to a vesting period of one year. The share price at the time of distribution was CHF 305.00; the allocation was effected at economic value, which is equal to the tax value (CHF 287.737), taking into account the vesting period.

As mentioned above, Rolf Dörig was allocated 6717 Performance Share Units (PSUs) in the year under review as part of the three-year equity compensation programme, which entitle him to Swiss Life Holding shares as at 1 April 2010, provided that the relevant requirements have then been met. On the allocation date of 1 April 2007 the fair value of one PSU was CHF 189.22. Taking into account this mathematical value of the PSUs allocated, which came to CHF 1 270 991, Rolf Dörig's total compensation for 2007 amounted to CHF 5 466 991.

Shareholders' participation rights

RESTRICTIONS ON VOTING RIGHTS | 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. Legal entities and partnerships which are connected through capital, voting rights, uniform management or in any other way, as well as individuals or legal entities and partnerships which act in concert by virtue of agreement, as a syndicate or in any other way, are deemed to be a single person. Any amendment to or revocation of restrictions on voting rights must be approved by at least two-thirds of the voting shares represented at the General Meeting of Shareholders and an absolute majority of the share par value represented. The Board of Directors can permit exceptions to this limit on the basis of its discretionary powers; during the year under review, no such exceptions were granted.

RIGHT OF REPRESENTATION | The Articles of Association stipulate that a shareholder may be represented by another shareholder, a legal representative, a management representative, an independent voting representative or a representative of deposited shares. Married persons may also be represented by their spouses, who are not required to be shareholders.

REQUIRED MAJORITIES | In addition to the resolutions provided for by law, a qualified majority (corresponding to at least two thirds of the voting shares represented and an absolute majority of the share par value represented) is required to:

– change provisions concerning restrictions on voting rights
– dissolve the company (liquidation)
– dismiss more than one third of the members of the Board of Directors;
– change these provisions of the Articles of Association

CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS AND AGENDA |
The rules set out in the Articles of Association for convening a General Meeting of Shareholders and drawing up the agenda encompass the stipulations of the law. Shareholders representing shares with a par value of at least one million francs can submit a written request within a time limit published in advance by Swiss Life Holding for the inclusion on the agenda of an item for discussion, together with the relevant motions. The written application must be accompanied by a certificate issued by a bank to confirm that the shares are deposited with it until after the General Meeting of Shareholders is held.

ENTRY IN THE SHARE REGISTER | Entries can be made in the share register up to the day before the General Meeting of Shareholders. In all cases, however, the company reserves the right to adhere to the legal maximum period of 20 days for recognition of entries in the share register in accordance with Art. 685g of the Swiss Code of Obligations. For administrative reasons (postal delivery times), the deadline for registering to participate in the General Meeting of Shareholders is usually seven calendar days before the event takes place.

VOTING SYSTEM AND PROCEDURES | Based on a corresponding authorisation in the Articles of Association, the presiding officer at Swiss Life Holding's General Meeting of Shareholders generally requests for votes to be taken electronically. Swiss Life Holding uses a certified electronic voting system which permits balloting with remote-controlled handsets and records the exact number of voting shares represented.

Changes of control and defence measures

DUTY TO MAKE AN OFFER | Swiss Life Holding's Articles of Association provide for neither an "opting up" nor an "opting out" clause within the meaning of Art. 32 and 22 BEHG (Swiss Stock Exchange Act).

CLAUSES ON CHANGES OF CONTROL | No contractual provisions exist in favour of the Board of Directors or the Corporate Executive Board with regard to control of the company.

Auditors

PricewaterhouseCoopers (PwC) serves as external statutory auditor for 86% of the Swiss Life Group companies that are directly or indirectly held by Swiss Life Holding under its scope of consolidation. PwC is also the Group auditor for Swiss Life Holding. The remaining auditing mandates for subsidiaries are carried out by Ernst & Young (9%) and other auditing firms (5%).

In the report of the Group auditor, PwC confirms that it meets the legal requirements concerning professional qualification and independence.

DURATION OF THE MANDATES AND TERM OF OFFICE OF THE LEAD AUDITOR | The Articles of Association stipulate that the external auditor is to be elected by the General Meeting of Shareholders for one financial year at a time. When Swiss Life Holding was established in 2002, PwC was named as statutory auditor and Group auditor. Since then PwC has been re-elected without fail, most recently for the year 2007. PwC has also acted as statutory auditor and Group auditor for Swiss Life/Rentenanstalt since 1994.

The partner at PwC in charge of auditing the Swiss Life Holding annual financial statements and consolidated financial statements (lead auditor) has held that function since the 2004 financial year.

With respect to the 2008 financial year, Swiss Life Holding invited tenders for its statutory auditor and Group auditor mandate. On completion of the evaluation process, the Board of Directors, in accordance with the proposal of the Audit Committee, has agreed to again nominate PwC as its statutory auditor and Group auditor at the Annual General Meeting on 8 May 2008.

AUDITING FEES | In 2007 the auditing fees credited to PwC came to CHF 12.0 million (2006: CHF 12.0 million). This includes the fees for reviewing the 2007 half-year accounts.

ADDITIONAL FEES | In 2007 PwC received additional fees totalling around CHF 1.8 million for advisory services (2006: CHF 2.1 million), approximately CHF 1.3 million of which was for strategic and actuarial advice. The remainder resulted from legal, fiscal and financial advice, as well as other advisory services.

SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS | The Audit Committee maintains regular contact with the external auditors. It assesses the quality and effectiveness of the external reporting, ascertains the independence of the statutory auditor and identifies possible conflicts of interest. Representatives from the external auditing firms may be called upon by the Audit Committee to attend any meetings it may hold. In the year under review, representatives of the external auditors attended four of the six meetings, either in their entirety or for specific items on the agenda.

Information policy

Swiss Life communicates actively and openly both within and outside the company. Investor Relations and Public Relations provide up-to-date reports to private and institutional investors, financial analysts, journalists and the public.

Key facts and figures about the Swiss Life Group, info kits on previous annual reports and all the details on events relevant to the shareholders, analysts and the media (General Meetings of Shareholders, media conferences, etc.), can be accessed at www.swisslife.com in the areas "Shareholders & Analysts" (www.swisslife.com/analysts) and "News & Media" (www.swisslife.com/media).

Furthermore, all interested parties can subscribe to the company's mailing list so as to receive up-to-date ad-hoc reports and media releases free of charge via the e-mail distribution system (www.swisslife.com/subscription). These releases are also published on the Swiss Life website at the same time as they are sent to subscribers and are available online for at least two years (www.swisslife.com/media).

In addition to its comprehensive Annual Report and Financial Statements, Swiss Life Holding also publishes its half-year results. All the Swiss Life annual and half-year reports since 1997 can be accessed on the website, "Shareholders & Analysts" area, "Archive Reports & Reports" section (www.swisslife.com/slcom/en/home/annualreports). Twice a year, a report detailing the key facts and figures about business operations is sent to all the shareholders listed in the share register. Moreover, the company's fifth Investor's Day was held on 4 December 2007.

Contact details are available at the end of the Annual Report.

Important Changes after the Balance Sheet Date

The Group structure has changed since the balance sheet date (31 December 2007) or changes are pending.

AWD HOLDING AG | As part of a takeover bid, Swiss Life Beteiligungs GmbH, a wholly-owned subsidiary of Swiss Life Holding, acquired either directly or indirectly around 86% of the shares in AWD Holding AG on 19 March 2008. AWD Holding AG is based in Hanover and has been listed on the German stock exchange since 20 October 2000 (International Stock Identification Number, ISIN: DE 000 508 5906). Its market capitalisation was around EUR 1.153 billion at the end of February 2008.

BANCA DEL GOTTARDO | Effective 7 March 2008, Swiss Life Holding sold its entire stake in Banca del Gottardo to the Ticino-based bank BSI, which belongs to the Generali Group.

DUTCH AND BELGIAN BUSINESS | The Dutch and Belgian business was sold to SNS REAAL. This transaction involves the operations of the Dutch branch of Rentenanstalt/Swiss Life (Zwitserleven) and the shares of Swiss Life Asset Management (Nederland) and Swiss Life (Belgium). It is expected that the transaction will be completed in the first half of 2008.

Consolidated Statement of Income

Consolidated statement of income for the years ended 31 December

In CHF million	Notes	2007	2006
Continuing operations			
Income			
Premiums earned on insurance contracts		**13 455**	12 424
Premiums earned on investment contracts with discretionary participation		**107**	78
Premiums ceded to reinsurers		**–246**	–219
Net earned premiums	7	**13 316**	12 283
Policy fees earned on insurance contracts		**70**	73
Policy fees earned on investment and unit-linked contracts		**319**	317
Net earned policy fees	7	**389**	390
Asset management and other commission income	8	**196**	198
Investment income	5, 8	**4 878**	4 129
Net gains/losses on financial assets	5, 8	**–5**	885
Net gains/losses on financial instruments at fair value through profit or loss	5, 8	**–179**	256
Net gains/losses on investment property	5, 15	**229**	94
Other income	8	**147**	–16
Total income		**18 971**	18 219
Expenses			
Benefits and claims under insurance contracts		**–13 332**	–12 077
Benefits and claims under investment contracts with discretionary participation		**–124**	–91
Benefits and claims recovered from reinsurers		**188**	156
Net insurance benefits and claims	8	**–13 268**	–12 012
Policyholder participation		**–1 746**	–2 143
Interest expense	8, 37	**–455**	–722
Commission expense	8, 37	**–620**	–637
Employee benefits expense	8, 37	**–870**	–848
Depreciation and amortisation expense	8, 17, 18	**–448**	–421
Impairment of property and equipment and intangible assets	17, 18	**–6**	–31
Other expenses	8, 37	**–545**	–495
Total expenses		**–17 958**	–17 309
Profit from operations		**1 013**	910
Borrowing costs	37	**–177**	–119
Share of results of associates	5, 16	**12**	11
Profit before income tax		**848**	802
Income tax expense	25	**–122**	–226
Net profit from continuing operations		**726**	576
Discontinued operations			
Net profit from discontinued operations	30	**642**	378
Net profit		**1 368**	954
Net profit attributable to			
equity holders of Swiss Life Holding		**1 345**	933
minority interest		**23**	21
Net profit		**1 368**	954
Earnings per share from continuing operations attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	**21.33**	16.59
Diluted earnings per share (in CHF)	6	**20.83**	16.16
Earnings per share attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	**40.76**	27.87
Diluted earnings per share (in CHF)	6	**39.60**	26.92

Consolidated Balance Sheet

Consolidated balance sheet

In CHF million	Notes	31.12.2007	31.12.2006
Assets			
Cash and cash equivalents		**4 555**	7 621
Insurance receivables and other receivables	9, 33	**4 152**	4 899
Derivatives	10	**463**	859
Assets held for sale	30	**40 468**	14
Financial assets at fair value through profit or loss	11	**19 399**	29 437
Financial assets available for sale	12	**68 588**	92 916
Loans	13, 33	**20 652**	28 883
Financial assets held to maturity	14, 33	**3 624**	4 090
Financial assets pledged as collateral	11, 12, 35	**–**	124
Investment property	15	**12 252**	11 816
Investments in associates	16	**72**	75
Reinsurance assets	23	**975**	969
Property and equipment	17	**864**	1 159
Intangible assets including intangible insurance assets	18	**3 151**	3 507
Current income tax assets		**1**	22
Deferred income tax assets	25	**118**	94
Other assets	19	**423**	465
Total assets		**179 757**	186 950

Consolidated balance sheet

In CHF million	Notes	31.12.2007	31.12.2006
Liabilities and equity			
Liabilities			
Insurance payables and other payables	9, 33	**3 350**	4 268
Derivatives	10, 37	**213**	817
Liabilities associated with assets held for sale	30	**37 502**	–
Financial liabilities at fair value through profit or loss	11	**11 427**	9 538
Investment contracts	20, 37	**12 907**	30 077
Deposits	21, 33, 37	**2 622**	10 685
Borrowings	22, 33, 37	**3 621**	2 810
Insurance liabilities	23, 37	**94 492**	109 456
Policyholder participation liabilities		**3 388**	7 092
Employee benefit liabilities	24	**1 980**	2 561
Current income tax liabilities		**245**	232
Deferred income tax liabilities	25	**485**	865
Provisions	26	**116**	202
Other liabilities	19	**75**	496
Total liabilities		**172 423**	179 099
Equity			
Share capital		**1 189**	1 385
Share premium		**2 612**	2 459
Treasury shares		**–618**	–66
Foreign currency translation differences		**123**	61
Gains/losses recognised directly in equity	27	**–809**	305
Retained earnings		**4 780**	3 435
Total shareholders' equity		**7 277**	7 579
Minority interest		**57**	272
Total equity	28	**7 334**	7 851
Total liabilities and equity		**179 757**	186 950

Consolidated Statement of Cash Flow

Consolidated statement of cash flow for the years ended 31 December

In CHF million	Notes	2007	2006
Cash flow from operating activities			
Profit before income tax		**1 536**	1 082
Adjustments			
Net realised and unrealised gains (–)/losses (+)		**–126**	–1 474
Amortisation of premiums/discounts on financial instruments		**56**	106
Depreciation and amortisation expense		**558**	521
Impairment of property and equipment and intangible assets		**6**	32
Interest and bonuses credited to contract holders		**650**	1 021
Equity-settled share-based payments		**12**	5
Borrowing costs		**183**	124
Share of results of associates		**–13**	–1
Profit before income tax after adjustments		**2 862**	1 416
Changes in operating assets and liabilities			
Net purchases/sales of derivatives		**–504**	–427
Net purchases/sales of financial instruments at fair value through profit or loss		**1 644**	897
Net purchases/sales of financial assets available for sale		**–12 868**	–14 277
Net origination/redemptions of loans		**2 615**	1 823
Net purchases/redemptions of financial assets held to maturity		**426**	309
Net purchases/sales of investment property		**–321**	–123
Additions of intangible insurance assets		**–508**	–538
Net increase/decrease in investment contracts		**833**	878
Net increase/decrease in deposits		**1 786**	2 397
Change in reinsurance assets		**–27**	–12
Change in insurance liabilities		**2 357**	469
Change in other operating assets and liabilities		**620**	1 346
Cash generated from operations		**–1 085**	–5 842
Income taxes paid		**–195**	–92
Total net cash flow from operating activities		**–1 280**	–5 934
Cash flow from investing activities			
Purchases of investments in associates		**–3**	–3
Sales of investments in associates		**1**	3
Dividends received from associates		**10**	5
Purchases of property and equipment		**–101**	–113
Sales of property and equipment		**14**	23
Additions of other intangible assets		**–6**	–5
Acquisitions of minority interest		**–28**	–31
Acquisitions of subsidiaries, net of cash and cash equivalents	29	**–219**	–2
Disposals of subsidiaries, net of cash and cash equivalents	29	**305**	119
Total net cash flow from investing activities		**–27**	–4
Balance carried forward to next page		**–1 307**	–5 938

Consolidated statement of cash flow for the years ended 31 December

In CHF million	2007	2006
Balance carried forward from previous page	**–1 307**	–5 938
Cash flow from financing activities		
Issuance of guaranteed subordinated perpetual loan notes	**1 140**	–
Issuance of other debt instruments	**208**	187
Redemption of other debt instruments	**–266**	–303
Reduction in par value	**–234**	–167
Premiums paid/received for options on own shares	**–6**	–6
Purchases of treasury shares	**–1 313**	–175
Sales of treasury shares	**754**	160
Capital contributions from minority interest	**24**	–
Borrowing costs paid	**–136**	–110
Dividends paid to minority interest	**–12**	–8
Total net cash flow from financing activities	**159**	–422
Total change in cash and cash equivalents	**–1 148**	–6 360
Cash and cash equivalents as at 1 January	**7 445**	13 762
Classification as assets held for sale	**–3 591**	–
Effect of exchange rate differences	**31**	43
Total change in cash and cash equivalents	**–1 148**	–6 360
Cash and cash equivalents as at 31 December	**2 737**	7 445
Cash and cash equivalents as at 1 January	**7 445**	13 762
Cash and cash equivalents for the account and risk of the Swiss Life Group's customers	**176**	408
Total cash and cash equivalents as at 1 January	**7 621**	14 170
Cash and cash equivalents as at 31 December	**2 737**	7 445
Cash and cash equivalents for the account and risk of the Swiss Life Group's customers	**1 818**	176
Total cash and cash equivalents as at 31 December	**4 555**	7 621
Components of cash and cash equivalents		
Cash on hand and demand deposits	**1 725**	6 042
Cash equivalents	**1 012**	1 403
Cash and cash equivalents for the account and risk of the Swiss Life Group's customers	**1 818**	176
Total cash and cash equivalents as at 31 December	**4 555**	7 621
Supplemental disclosures on cash flow from operating activities		
Interest received	**5 194**	4 367
Dividends received	**864**	430
Interest paid	**120**	76

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity for the year 2007

In CHF million	Notes	Share capital	Share premium	Treasury shares	Foreign currency translation differences	Gains/losses recognised directly in equity	Retained earnings	Total shareholders' equity	Minority interest	Total equity
Balance as at 1 January		**1 385**	**2 459**	**–66**	**61**	**305**	**3 435**	**7 579**	**272**	**7 851**
Changes in foreign currency translation differences		–	–	–	**64**	–	–	**64**	**0**	**64**
Changes in gains/losses recognised directly in equity		–	–	–	–	**–1 115**	–	**–1 115**	**1**	**–1 114**
Disposals of subsidiaries		–	–	–	**–2**	**1**	–	**–1**	**–251**	**–252**
Net profit		–	–	–	–	–	**1 345**	**1 345**	**23**	**1 368**
Total recognised income and expense for the period		–	–	–	**62**	**–1 114**	**1 345**	**293**	**–227**	**66**
Reduction in par value	27	**–245**	**11**	–	–	–	–	**–234**	–	**–234**
Conversion of convertible debt	27	**49**	**173**	–	–	–	–	**222**	–	**222**
Options on own shares		–	**–7**	–	–	–	–	**–7**	–	**–7**
Obligation to purchase own shares		–	**–28**	–	–	–	–	**–28**	–	**–28**
Equity-settled share-based payments		–	**9**	–	–	–	–	**9**	–	**9**
Purchases of treasury shares		–	–	**–1 313**	–	–	–	**–1 313**	–	**–1 313**
Sales of treasury shares		–	**–5**	**761**	–	–	–	**756**	–	**756**
Acquisitions of minority interest		–	–	–	–	–	–	–	**–12**	**–12**
Capital contributions from minority interest		–	–	–	–	–	–	–	**36**	**36**
Dividends		–	–	–	–	–	–	–	**–12**	**–12**
Balance as at 31 December		**1 189**	**2 612**	**–618**	**123**	**–809**	**4 780**	**7 277**	**57**	**7 334**

Consolidated statement of changes in equity for the year 2006

In CHF million	Notes	Share capital	Share premium	Treasury shares	Foreign currency trans-lation differ-ences	Gains/losses recog-nised directly in equity	Retained earnings	Total share-holders' equity	Minority interest	Total equity
Balance as at 1 January		1 554	2 467	–42	–11	1 185	2 502	7 655	298	7 953
Changes in foreign currency translation differences		–	–	–	58	–	–	58	10	68
Changes in gains/losses recognised directly in equity		–	–	–	–	–880	–	–880	–5	–885
Disposals of subsidiaries		–	–	–	14	0	–	14	1	15
Net profit		–	–	–	–	–	933	933	21	954
Total recognised income and expense for the period		–	–	–	72	–880	933	125	27	152
Reduction in par value	27	–169	2	–	–	–	–	–167	–	–167
Conversion of convertible debt	27	0	0	–	–	–	–	0	–	0
Options on own shares		–	–5	–	–	–	–	–5	–	–5
Obligation to purchase own shares		–	–15	–	–	–	–	–15	–	–15
Equity-settled share-based payments		–	5	–	–	–	–	5	–	5
Purchases of treasury shares		–	–	–175	–	–	–	–175	–	–175
Sales of treasury shares		–	5	151	–	–	–	156	–	156
Acquisitions of minority interest		–	–	–	–	–	–	–	–45	–45
Capital contributions from minority interest		–	–	–	–	–	–	–	–	–
Dividends		–	–	–	–	–	–	–	–8	–8
Balance as at 31 December		1 385	2 459	–66	61	305	3 435	7 579	272	7 851

Notes to the Consolidated Financial Statements
1 General Information

The Swiss Life Group is one of Europe's leading providers of life insurance and pension solutions. The company offers individuals and companies a broad range of products combined with comprehensive advice through its own sales force as well as brokers and banks in Switzerland, France and Germany. It provides internationally operating corporations with employee benefits solutions from a single source, and is among the global leaders in structured life and pension products for high net worth individuals. Swiss Life is the majority shareholder of the Hanover-based AWD Group, one of Europe's top financial services providers for the medium- and high-income customer segments. AWD offer its clients independent financial advisory services.

The following events had an influence on the period under review:

REDUCTION IN PAR VALUE | As approved by the shareholders at the General Meeting of Swiss Life Holding on 8 May 2007, a reduction in par value of CHF 7 per registered share was effected in 2007. The payout took place on 3 August 2007 and led to a reduction in the share capital of Swiss Life Holding of CHF 245 million.

CONVERSION OF CONVERTIBLE DEBT | In 2007, convertible bonds were converted into 1 184 170 Swiss Life Holding shares in total with a corresponding increase in share capital and share premium (2006: conversion into 191 Swiss Life Holding shares).

APPROVAL OF FINANCIAL STATEMENTS | On 26 March 2008, the Board of Directors approved the annual financial statements and the financial report and authorised them for issue. The financial report therefore only reflects events up to that date.

The General Meeting of Shareholders of Swiss Life Holding has the power to amend the financial statements after issue.

2 Summary of Significant Accounting Policies

The principal accounting policies are set out below. These policies have been applied consistently to all the periods presented unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Swiss Life have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: derivatives, financial assets and liabilities at fair value through profit or loss, financial assets classified as available for sale and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

2.2 Changes in accounting policies

STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD | In August 2005, the International Accounting Standards Board issued IFRS 7 Financial Instruments: Disclosures and a complementary amendment to IAS 1 Presentation of Financial Statements. The IFRS introduces new requirements to improve the information on financial instruments. The amendment to IAS 1 introduces requirements for disclosures about capital. IFRS 7 Financial Instruments: Disclosures and the amendment to IAS 1 Presentation of Financial Statements were adopted by the Swiss Life Group for annual periods as of 1 January 2007. The adoption of the IFRS and the amendment resulted in expanded disclosures associated with financial instruments such as a sensitivity analysis to market risk and the new capital disclosures required by IAS 1 Presentation of Financial Statements. The additional disclosures required are included in note 5 and note 28.

In January 2006, the International Accounting Standards Board issued IFRIC Interpretation 8 Scope of IFRS 2. The Interpretation clarifies that IFRS 2 Share-based Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. The Swiss Life Group has adopted the Interpretation for annual periods as of 1 January 2007. No financial impact arose from the adoption of this amendment as the Group currently does not have transactions that fall under the scope of the Interpretation.

IFRIC 9 Reassessment of Embedded Derivatives comments on the issue of whether IAS 39 requires an assessment to separate any embedded derivatives from the host contract only when the entity first becomes a party to the contract or if an assessment has to be reconsidered throughout the life of the contract. The Interpretation states that the assessment should be made when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This Interpretation was adopted by the Swiss Life Group for annual periods as of 1 January 2007. No material financial impact arose from the adoption of this Interpretation as the Group currently does not have any significant embedded derivatives that would result in significant modifications of the cash flows under the contract.

2 Summary of Significant Accounting Policies (continued)

The following new International Financial Reporting Interpretation is not relevant to the Swiss Life Group:

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. The Swiss Life Group does not have operations in hyperinflationary economies.

EARLY ADOPTION OF IFRS 8 OPERATING SEGMENTS | In November 2006, IFRS 8 Operating Segments was issued by the International Accounting Standards Board. The new Standard replaces IAS 14 Segment Reporting. IFRS 8 Operating Segments requires disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates and its major customers. IFRS 8 Operating Segments was adopted early by the Swiss Life Group for the current period in advance of the effective date. The adoption of IFRS 8 Operating Segments has no financial impact on the consolidated statement of income and the consolidated balance sheet of the Swiss Life Group. It has resulted in a re-designation of the reportable segments and disclosures required by the Standard.

2.3 Reclassifications in the consolidated statement of income and consolidated balance sheet

Reclassifications made in the consolidated statement of income and consolidated balance sheet are shown in note 37.

2.4 Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, income and expenses of Swiss Life Holding and its subsidiaries. A subsidiary is an entity in which Swiss Life Holding owns directly or indirectly more than 50% of the voting rights, or in which it otherwise has the power to exercise control over operations. Subsidiaries are consolidated from the date on which effective control is obtained. All intercompany balances, transactions and unrealised gains and losses on such transactions have been eliminated. A listing of the Group's principal subsidiaries is set out in note 39. The financial effect of acquisitions and disposals of subsidiaries is shown in note 29. Associates for which the Group has between 20% and 50% of the voting rights and/or exercises significant influence are accounted for using the equity method. The Group's share of net income for the year is recognised as a share of results of associates and the ownership interest in the investment is recorded in the balance sheet at an amount that reflects its share of the net assets. The Group's share of net income is included from the date that significant influence begins until the date that significant influence ceases. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount includes goodwill on the acquisition. A listing of the Group's principal associates, partnerships and joint ventures is shown in note 39.

2.5 Foreign currency translation and transactions

FUNCTIONAL AND PRESENTATION CURRENCY | Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group's entities operate (the "functional currency"). The consolidated financial statements are presented in millions of Swiss francs (CHF), which is the Group's presentation currency.

2 Summary of Significant Accounting Policies (continued)

FOREIGN CURRENCY EXCHANGE RATES

	31.12.2007	31.12.2006	**Average 2007**	Average 2006
1 EUR	**1.6552**	1.6078	**1.6432**	1.5731
1 GBP	**2.2561**	2.3949	**2.4016**	2.3076
1 SGD	**0.7825**	n. a.	**0.7967**	n. a.
1 USD	**1.1249**	1.2207	**1.2004**	1.2538

FOREIGN CURRENCY TRANSLATION | On consolidation, assets and liabilities of Group entities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Income and expense items are translated into Swiss francs at the annual average exchange rate. Goodwill reported before 1 January 2005 is translated at historical exchange rates. Goodwill for which the agreement date is on or after 1 January 2005 is carried in the foreign operation's functional currency and is translated into Swiss francs at year-end exchange rates. The resulting translation differences are recorded directly in equity as cumulative translation adjustments. On disposal of foreign entities, such translation differences are recognised in income as part of the gain or loss on the sale.

FOREIGN CURRENCY TRANSACTIONS | For individual Group entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end arising from foreign currency transactions are translated at year-end exchange rates for monetary items while historical rates are used for non-monetary items. Those non-monetary items in foreign currencies recorded at fair values are translated at the exchange rate on the revaluation date.

2.6 Cash and cash equivalents

Cash amounts represent cash on hand and demand deposits. Cash equivalents are primarily short-term highly liquid investments with a maturity of 90 days or less from the date of acquisition.

2.7 Derivatives

The Group enters into forward contracts, futures, forward rate agreements, currency and interest rate swaps, options and other derivative financial instruments for hedging risk exposures or for trading purposes. The notional amounts or contract volumes of derivatives, which are used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments, do, except for certain foreign exchange contracts, not represent the amounts that are effectively exchanged by the parties and, therefore, do not measure the Group's exposure to credit risk. The amounts exchanged are calculated on the basis of the notional amounts or contract volumes and other terms of the derivatives that relate to interest or exchange rates, securities prices and the volatility of these rates and prices.

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value as assets when favourable to the Group and as liabilities when unfavourable. Gains and losses arising on remeasurement to fair value are recognised immediately in the income statement, except for derivatives that are used for cash flow hedging.

Derivatives embedded in other financial instruments or in insurance contracts which are not closely related to the host contract are separated and measured at fair value, unless they represent surrender options with a fixed strike price embedded in host insurance contracts and host investment contracts with discretionary participation features. Changes in the fair value are included in income. Derivatives embedded in insurance contracts which are closely related or which are insurance contracts themselves, such as guaranteed annuity options or guaranteed interest rates, are reflected in the measurement of the insurance liabilities. Options, guarantees and other derivatives embedded in an insurance contract that do not carry any insurance risk are separately recognised as derivatives.

2 Summary of Significant Accounting Policies (continued)

Derivatives and other financial instruments are also used to hedge or modify exposures to interest rate, foreign currency and other risks if certain criteria are met. Such financial instruments are designated to offset changes in the fair value of an asset or liability and unrecognised firm commitments (fair value hedge), or changes in future cash flows of an asset, liability or a highly probable forecast transaction (cash flow hedge). In a qualifying fair value hedge, the change in fair value of a hedging derivative is recognised in income. The change in fair value of the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item and is also recognised in income.

In a qualifying cash flow hedge, the effective portion of the gain or loss on the hedging derivative is recognised directly in equity. Any ineffective portion of the gain or loss is recognised immediately in the income statement. For a hedged forecast transaction that results in the recognition of a financial asset or liability, the associated gain or loss recognised in equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in income. However, when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to income.

When a hedge relationship is no longer effective, expires or is terminated, hedge accounting is discontinued from that point on.

2.8 Financial assets

"Regular way" purchases and sales of financial assets are recorded on the trade date. The amortisation of premiums and discounts on investments is computed using the effective interest method and is recognised in income as an adjustment of yield. Dividends are recorded as revenue on the ex-dividend date. Interest income is recognised on an accrual basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or substantially all risks and rewards of ownership have been transferred or the risks and rewards have neither been transferred nor retained, but control of the asset has been transferred.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL) | Financial assets at fair value through profit or loss comprise financial assets held for trading and financial assets designated as at fair value through profit or loss. Financial assets which the Group buys with the intention to resell in the near term are classified as held for trading. Financial assets designated as at fair value through profit or loss are irrevocably designated as such when initially recognised. Financial assets are primarily designated as at fair value through profit or loss in the following instances:

- Financial assets backing insurance liabilities and liabilities arising from investment contracts for the account and risk of the Swiss Life Group's customers (contracts with unit-linked features, separate accounts, private placement life insurance) in order to avoid measurement inconsistencies with the corresponding liabilities.
- Certain equity instruments with a quoted price in an active market which are managed on a fair value basis.
- Certain financial assets with embedded derivatives which otherwise would have to be separated.
- Certain financial assets which share a risk with other financial instruments and give rise to opposite changes in fair value that tend to offset each other ("economic hedges").

Interest, dividend income and realised and unrealised gains and losses are included in net gains/losses on financial instruments at fair value through profit or loss.

2 Summary of Significant Accounting Policies (continued)

FINANCIAL ASSETS AVAILABLE FOR SALE (AFS) | Financial assets classified as available for sale are carried at fair value. Financial assets are classified as available for sale if they do not qualify as held to maturity, held for trading, loans and receivables or if they are not designated as at fair value through profit or loss. Gains and losses arising from fair value changes, being the difference between fair value and cost/amortised cost, are reported in equity. On disposal of an AFS investment, the cumulative gain or loss is transferred from equity to income for the period. Gains and losses on disposal are determined using the average cost method.

LOANS AND RECEIVABLES | Loans and receivables are non-derivative financial assets with fixed or determinable payments. Loans include loans originated by the Group and investments in debt instruments which are not quoted in an active market and for which no intention of sale in the near term exists. Loans are initially recognised at fair value, net of transaction costs or direct origination costs. Subsequent measurement is at amortised cost using the effective interest method.

FINANCIAL ASSETS HELD TO MATURITY (HTM) | Financial assets which the Group has the ability and positive intent to hold to maturity are carried at amortised cost, using the effective interest method.

FINANCIAL ASSETS PLEDGED AS COLLATERAL | Sales or purchases of financial assets under agreements to repurchase or resell and under lending agreements are accounted for as collateralised borrowings or loans. Interest paid or received is recognised in income over the life of each agreement.

Financial assets that have been sold under a repurchase agreement or lent under an agreement to return them, and where the transferee has the right to sell or repledge the securities given as collateral, are reclassified to financial assets pledged as collateral.

Measurement rules are consistent with the ones for corresponding unrestricted financial assets.

2.9 Impairment of financial assets

The Group reviews the carrying value of financial assets regularly for indications of impairment.

FINANCIAL ASSETS AT AMORTISED COST | The Group assesses at each balance sheet date if there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Held-to-maturity securities and loans and receivables are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor’s rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor’s or equivalent) or when payments of principal and/or interest are overdue by more than 90 days. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2 Summary of Significant Accounting Policies (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows from groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the asset being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by the amount that represents the difference between the carrying amount and the new amortised cost value by adjusting the allowance account. The amount of the reversal is recognised in income.

FINANCIAL ASSETS CARRIED AT FAIR VALUE (AVAILABLE FOR SALE) | At each balance sheet date and interim reporting date, an assessment is made whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of an equity instrument classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Available-for-sale investments in equity securities and investment funds are assessed for impairment when the market value as at the balance sheet date is 30% or more below cost, or the market value remained below cost for the previous 12 months or longer. Impairment losses on equity instruments recognised in the income statement are not reversed through income.

Available-for-sale debt securities are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor's rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor's or equivalent) or when payments of principal and/or interest are overdue by more than 90 days. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event after the impairment loss was recognised, the impairment loss is reversed through the income statement.

Impairment losses are recognised in income as part of net gains and losses on financial assets.

2.10 Investment property

Investment property consists of investments in residential, commercial and mixed-use properties primarily located within Switzerland. Property held for investment purposes includes both land and buildings.

Investment property is property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions could be sold separately, they are accounted for separately. If these portions could not be sold separately, the portion is investment property only if an insignificant portion is held for administrative purposes.

Investment property is carried at fair value and changes in fair values are recognised in income. Fair values are determined either on the basis of periodic independent valuations or by using discounted cash flow projections. The valuation of each investment property is reviewed by an independent recognised valuer at least every three years. Rental income is recognised on a straight-line basis over the lease term.

2 Summary of Significant Accounting Policies (continued)

Investment property being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

If an item of property and equipment becomes an investment property because its use has changed, the positive difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation surplus. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Any resulting decrease in the carrying amount of the property is recognised in net profit or loss for the period. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2.11 Insurance operations

DEFINITION OF INSURANCE CONTRACTS | Insurance contracts are contracts under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Group issues and reinsurance contracts that the Group holds. As a Group policy, Swiss Life considers those contracts to be insurance contracts that require the payment of additional benefits in excess of 10% of the benefits that would be payable if the insured event had not occurred, excluding scenarios that lack commercial substance.

The Group has assessed the significance of insurance risk on a contract-by-contract basis. Contracts that do not transfer insurance risk at inception but that transfer insurance risk at a later date are classified as insurance from inception unless the Group remains free to price the insurance premium at a later date. In this case, the contract is classified as insurance when the insurance premiums are specified. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

INVESTMENT CONTRACTS WITH AND WITHOUT DISCRETIONARY PARTICIPATION FEATURES | For investment contracts that contain discretionary participation features (see below) the same recognition and measurement principles as for insurance contracts apply. For investment contracts without discretionary participation features the recognition and measurement rules for financial instruments apply.

RECOGNITION AND MEASUREMENT PRINCIPLES | Subject to certain limitations, the Group uses its existing accounting policies for the recognition and measurement of insurance contracts and investment contracts with discretionary participation features that it issues (including related deferred acquisition costs and related intangible assets) and reinsurance contracts that it holds. The existing accounting policies for recognition and measurement have primarily been based on the requirements of the Generally Accepted Accounting Principles in the United States (US GAAP).

The accounting policies for insurance contracts and investment contracts with discretionary participation features have been modified as appropriate to be consistent with the IFRS requirements. Guidance dealing with similar and

2 Summary of Significant Accounting Policies (continued)

related issues, definitions, recognition and measurement criteria for assets, liabilities, income and expenses as set out in the IASB Framework for the Preparation and Presentation of Financial Statements has been considered.

DISCRETIONARY PARTICIPATION FEATURES (DPF) | Discretionary participation features are defined in IFRS 4 Insurance Contracts as contractual rights to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be a significant portion of the total contractual benefits and whose amount or timing is contractually at the discretion of the issuer. These DPF are contractually based on the performance of a specified pool of contracts or a specified type of contract or on the realised and unrealised investment returns on a specified pool of assets held by the issuer or on the profit or loss of the company. The unrealised investment returns comprise gains/losses recognised directly in equity.

The bonuses which are allocated to the policyholders in the participating insurance business (insurance and investment contracts) in Switzerland, France, Germany, Luxembourg and Liechtenstein generally follow the definition of DPF as set out in IFRS 4 Insurance Contracts.

IFRS 4 Insurance Contracts is silent on the measurement of the amounts identified as DPF. This topic will be solved in phase II of the project of the International Accounting Standards Board on insurance contracts.

The accounting for the amounts identified as DPF has been done as follows:

In jurisdictions where no statutory minimum distribution ratio ("legal quote") exists, the contractual right to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be a significant portion of the total contractual benefits, arises when management ratifies the allocation of policyholder bonuses. When ratified by management, a corresponding liability is set up. To the extent discretion with regard to amount and/or timing is involved, these amounts are included within policyholder participation liabilities. In that respect the policyholder bonus reserve set up in the statutory accounts for these contracts is regarded as discretionary. For these contracts the entire DPF is classified as a liability.

In other jurisdictions, a statutory minimum distribution ratio ("legal quote") exists for certain types of business. Geographical areas in which the Swiss Life Group is present and in which such a statutory minimum distribution ratio ("legal quote") exists are as follows: Switzerland (only group business subject to "legal quote"), France and Germany. For these contracts the Swiss Life Group defines DPF as the policyholder bonus reserve set up in the statutory accounts and the amount of temporary valuation differences between the IFRS basis and statutory basis on the assets and liabilities relating to the respective insurance portfolio measured using the statutory minimum distribution ratio ("legal quote"). The policy of the Swiss Life Group is to classify as a liability the entire DPF as defined.

When such temporary valuation differences disappear (e.g. management decides to realise certain unrealised gains and losses on assets), additional benefits which arise from the application of the statutory minimum distribution ratio ("legal quote") are allocated to the policyholders and become part of their guaranteed benefits. These amounts are always accounted for as liabilities.

Because there is a direct effect on the measurement of DPF-liabilities when asset gains or losses are realised, changes in these liabilities are recognised directly in equity when, and only when, the valuation differences on the assets arise from gains or losses recognised directly in equity ("shadow accounting").

As the liabilities to policyholders arising from the insurance business are fully recognised, no further liabilities relating to the rights arising from DPF have been set up.

2 Summary of Significant Accounting Policies (continued)

The statutory minimum distribution ratios ("legal quote") relating to the Swiss Life Group's operations are as follows:

SWITZERLAND | Group business subject to "legal quote": At least 90% of the calculated income on the savings, risk and cost components minus the expenses thereof must be allocated to the policyholders.

All other business: No "legal quote".

FRANCE | 85% of the investment result and 90% of any other results are allocated to the policyholders as a minimum.

GERMANY | 90% of the after-income-tax pre-refund statutory surplus is allocated to the policyholders.

LUXEMBOURG/LIECHTENSTEIN | No statutory minimum distribution ratios are in place.

NON-DISCRETIONARY PARTICIPATION FEATURES | Certain policyholder participation systems do not satisfy the criteria for discretionary participation features. These policyholder bonuses might be guaranteed elements. Some policyholder bonuses are based on benchmark interest rates which are credited to the policyholders. For certain products, policyholder bonuses are based on the development of biometric parameters such as mortality and morbidity. These policyholder bonuses are allocated based on the risk result of the contracts involved. The amount and timing of these bonuses are not subject to management discretion and are accrued to the policyholders' liabilities based on the relevant contractual terms and conditions.

For investment-type products bonuses are only accrued on deposits under policyholder accounts if the policyholders were entitled to receive those bonuses upon surrender at the balance sheet date.

INCOME AND RELATED EXPENSES FROM INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES | Premiums from traditional life insurance contracts are recognised when due from the policyholder. Insurance liabilities are established in order to recognise future benefits and expenses. Amounts collected as premiums from investment-type contracts such as universal life and unit-linked contracts are reported as deposits. Only those parts of the premiums used to cover the insured risks and associated costs are treated as premium income. These include fees for the cost of insurance, administrative charges and surrender charges. Benefits recognised under expenses include claims for benefits incurred in the period under review that exceed the related deposits under policyholder contracts and interest that is credited to the appropriate insurance policy accounts.

For traditional life insurance contracts, benefits are recognised as an expense when due whereas for investment-type contracts only benefits exceeding the related policyholder deposits are recognised as an expense.

For contracts with a short duration (e.g. most non-life contracts), premiums are recorded as written upon inception of the contract and are earned primarily on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage.

2 Summary of Significant Accounting Policies (continued)

INSURANCE LIABILITIES AND LIABILITIES FROM INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES

FUTURE LIFE POLICYHOLDER BENEFIT LIABILITIES | For participating life insurance contracts for which the contribution principle applies to the allocation of the policyholder bonus, future life policyholder benefit liabilities are determined by using the net-level-premium method based on actuarial assumptions as to mortality, persistency, expenses and interest assumptions, including a margin for adverse deviation. These assumptions are based on the figures at the time the policy is issued. In most instances a liability for terminal bonuses is accrued in the liability for future policyholder benefits, in proportion to the estimated gross margins.

If the actual results show that the carrying amount of the insurance liabilities together with anticipated future revenues (less related deferred acquisition costs (DAC) and related intangible assets) are not adequate to meet the future obligations and to recover the unamortised DAC or intangible assets, the entire deficiency is recognised in profit or loss, initially by reducing the unamortised DAC or intangible assets and subsequently by increasing the insurance liabilities. The liability adequacy test is performed at each reporting date in accordance with a loss recognition test considering current estimates of future cash flows including those resulting from embedded options and guarantees.

POLICYHOLDER DEPOSITS | For investment contracts with discretionary participation, savings premiums collected are reported as deposits (deposit accounting). The liabilities relating to these contracts are not calculated actuarially; they move in line with premiums paid by the policyholders plus interest credited less expenses and mortality charges and withdrawals.

LIABILITIES FOR CLAIMS AND CLAIM SETTLEMENT COSTS | Liabilities for unpaid claims and claim settlement costs are for future payment obligations under insurance claims for which normally either the amount of benefits to be paid or the date when payments must be made is not yet fixed. They include claims reported at the balance sheet date, claims incurred but not yet reported and claim settlement expenses. Liabilities for unpaid claims and claim settlement costs are calculated at the estimated amount considered necessary to settle future claims in full, using actuarial methods. These methods are continually reviewed and updated. Claim reserves are not discounted except for claims with determinable and fixed payment terms.

EMBEDDED OPTIONS AND GUARANTEES IN INSURANCE CONTRACTS | Insurance contracts often contain embedded derivatives. Embedded derivatives which are not closely related to their host insurance contracts are separated and measured separately at fair value. Exposure to embedded options and guarantees in insurance contracts which are closely related or which are insurance contracts themselves, such as guaranteed annuity options or guaranteed interest rates, are reflected in the measurement of the insurance liabilities.

REINSURANCE | The Group assumes and/or cedes insurance in the normal course of business. Reinsurance assets principally include receivables due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable or due under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented in the consolidated balance sheet and income statement on a gross basis unless a right and the intention to offset exist.

Reinsurance contracts that do not transfer insurance risk are accounted for as financial reinsurance and are included in financial assets or liabilities. A deposit asset or liability is recognised based on the consideration paid or received, less any explicitly identified premiums or fees retained by the reinsured. These contracts are primarily mea-

2 Summary of Significant Accounting Policies (continued)

sured at amortised cost using the effective interest method with future cash flows being estimated to calculate the effective interest rate.

If a reinsurance asset is impaired, the impairment loss is recognised in the income statement and the carrying amount is reduced accordingly.

SEPARATE ACCOUNT/UNIT-LINKED CONTRACTS/PRIVATE PLACEMENT LIFE INSURANCE | Separate account contracts represent life insurance contracts with a separated part that is invested in assets managed for the account and risk of the Swiss Life Group's customers according to their specific investment objectives. Separate account liabilities are included in insurance liabilities. Separate account liabilities include the right of the policyholder to participate in the performance of the underlying assets.

Unit-linked contracts are insurance or investment contracts where the insurance benefits are linked to the unit values of investment funds. Certain unit-linked contracts contain guaranteed minimum insurance benefits. The deposit components of unit-linked liabilities are included in financial liabilities designated as at fair value through profit or loss ("unbundling of deposit components"). The components of the unit-linked liabilities that cover insurance risk, if any, are carried under insurance liabilities.

Liabilities relating to private placement life insurance are included in financial liabilities designated as at fair value through profit or loss.

Assets associated with separate account/unit-linked contracts and private placement life insurance are included in financial assets designated as at fair value through profit or loss, investment property, derivatives and cash and cash equivalents. The related income and gains and losses are included in the income statement under the respective line items. The Group has allocated on a rational basis the proportion of acquisition costs related to the insurance and deposit components, respectively. The accounting policy for deferred acquisition costs applies to the portion of acquisition costs associated with the insurance component and the policy for deferred origination costs applies to the other portion (see 2.15 Intangible assets).

Administrative and surrender charges are included in policy fee income.

2.12 Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Land is carried at cost and not depreciated. Depreciation is principally calculated using the straight-line method to allocate their cost to their residual values over the assets' estimated useful life as follows: buildings 25 to 50 years; furniture and fixtures five to ten years; computer hardware three to five years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. Borrowing costs directly attributable to the construction or acquisition of a qualifying asset are capitalised as part of the cost of that asset. Realised gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

2 Summary of Significant Accounting Policies (continued)

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.13 Leases

OPERATING LEASE | The Group primarily enters into operating leases for the rental of equipment. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period the lease becomes onerous.

FINANCE LEASE | If the lease agreement transfers the risks and rewards of the assets, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recognised at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding finance lease obligations are recorded as liabilities.

2.14 Investment management

Revenue consists principally of investment management fees, commission revenue from distribution, sales of investment fund units and custody account fees. Such revenue is recognised when earned, i.e. when the services are rendered.

Commissions and certain operating expenses related to the sale of certain investment funds have been deferred.

These costs are charged to income in relation to revenues earned on these investment funds. Certain front-end fees charged to unit holders have been deferred and amortised in proportion to the related expenses which have also been deferred. The Group periodically reviews and updates its assumptions made in determining projected revenues, with amortisation periods being adjusted as necessary.

Incremental costs that are directly attributable to securing an investment management contract are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. Such deferred origination costs are included in intangible assets. Deferred investment management fees are included in other liabilities.

2.15 Intangible assets

GOODWILL | The Group's acquisitions of other companies are accounted for under the purchase method. Goodwill acquired prior to 1995 was charged directly to equity.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities, if applicable, at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on associates and joint ventures is included in the carrying amount of the investment.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods.

2 Summary of Significant Accounting Policies (continued)

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill is immediately recognised in profit and loss.

DEFERRED ACQUISITION COSTS (DAC) | Costs that vary with and are directly related to the acquisition of new and renewed insurance contracts and investment contracts with discretionary participation features, including commissions, underwriting costs, agency and policy issue expenses, are deferred. Deferred acquisition costs are periodically reviewed to ensure that they are recoverable from future revenues.

For participating life insurance contracts, where the contribution principle applies to the allocation of the policyholder bonus, the deferred acquisition costs are amortised over the life of the contract based on the present value of the estimated gross margin amounts which are expected to be realised. Expected gross margins include expected premiums and investment results less expected benefit claims and administrative expenses, anticipated changes to future life policyholder benefits and expected annual policyholder bonuses.

Deferred acquisition costs for other traditional life insurance contracts and annuities with life contingencies are amortised in proportion to the expected premiums.

Deferred acquisition costs for investment-type contracts such as universal life contracts are amortised over the life of the contract based on the present value of the estimated gross profits or gross margins expected to be realised. The estimated gross profits are made up of margins available from mortality charges and contract-administration costs, investment earnings spreads, surrender charges and other expected assessments and credits.

When DAC is amortised in proportion to gross profits or gross margins on the acquired contracts, realised gains/losses are taken into account as well as gains/losses recognised directly in equity (unrealised gains/losses). If these gains/losses were to be realised, the gross profits or gross margins used to amortise DAC would be affected. Therefore, an adjustment relating to these unrealised gains/losses is recognised in equity and is also reflected in the amount of DAC in the balance sheet ("shadow accounting").

Assumptions used to estimate the future value of expected gross margins and profits are evaluated regularly and adjusted if estimates change. Deviations of actual results from estimated experience are reflected in income.

For short-duration contracts acquisition costs are amortised over the period in which the related premiums written are earned, in proportion to premium revenue.

DEFERRED ORIGINATION COSTS (DOC) | Incremental costs directly attributable to securing investment management contracts are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered.

Deferred origination costs are generally amortised on a straight-line basis over the life of the contracts.

PRESENT VALUE OF FUTURE PROFITS (PVP) ARISING FROM ACQUIRED INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES | On acquisition of a portfolio of insurance contracts or a portfolio of investment contracts with discretionary participation features (DPF), either directly from another insurer or through the acquisition of a subsidiary undertaking, the Group recognises an intangible asset representing the present value of future profits (PVP) embedded in the contracts acquired. The PVP represents the difference between the fair value of the contractual rights acquired and insurance obligations

2 Summary of Significant Accounting Policies (continued)

assumed and a liability measured in accordance with the accounting policies for insurance contracts and investment contracts with DPF. The PVP is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. For acquired insurance and investment contracts with DPF, future positive cash flows generally include net valuation premiums while future negative cash flows include policyholders' benefits and certain maintenance expenses.

PVP is amortised in proportion to gross profits or gross margins over the effective life of the acquired contracts, which generally ranges from 20 to 30 years. Realised gains/losses are thereby taken into account as well as gains/losses recognised directly in equity (unrealised gains/losses). If these unrealised gains/losses were to be realised, the gross profits or gross margins used to amortise PVP would be affected. Therefore, an adjustment relating to these unrealised gains/losses is recognised in equity and is also reflected in the amount of PVP in the balance sheet ("shadow accounting").

PVP is subject to recoverability tests. The effect of changes in estimated gross profits or margins on unamortised PVP is reflected as an expense in the period in which such estimates of expected future profits or margins are revised.

CUSTOMER RELATIONSHIPS | Customer relationships consist of established relationships with customers through contracts that have been acquired in a business combination or non-contractual customer relationships that meet the requirement for separate recognition. They have a definite useful life of generally 5 to 20 years. Amortisation is calculated using the straight-line method over their useful lives.

COMPUTER SOFTWARE | Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis for the expected useful life up to three years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly associated with identifiable software products controlled by the Group, and that will probably generate future economic benefits, are capitalised. Direct costs include the software development team's employee costs.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

OTHER INTANGIBLE ASSETS | Other intangible assets primarily consist of contractual trademarks and brand names.

They have a definite useful life of generally 5 to 20 years. Amortisation is calculated using the straight-line method over their useful lives to allocate the cost of trademarks and brand names.

2.16 Impairment of non-financial assets

For non-financial assets the recoverable amount is measured as the higher of the fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. "Value in use" is the present value of the future cash flows expected to be derived from an asset or cash-generating unit from its continuing use.

Impairment losses and reversals on other assets are recognised in operating expenses.

2 Summary of Significant Accounting Policies (continued)

2.17 Income taxes

Current and deferred income taxes are recognised in income except when they relate to items recognised directly in equity. Income taxes are calculated using the tax rates enacted or substantively enacted as of the balance sheet date.

Deferred income taxes are recognised for all temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the tax bases of these assets and liabilities, using the balance sheet liability method. Current income taxes and deferred income taxes are charged or credited directly to equity, if the income taxes relate to items that are credited or charged in the same or a different period, directly to equity.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. For unused tax losses a deferred tax asset is recognised to the extent that it is probable that these losses can be offset against future taxable profits. Deferred tax liabilities represent income taxes payable in the future in respect of taxable temporary differences.

A deferred tax liability is recognised for taxable temporary differences relating to investments in subsidiaries, branches and associates and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Where the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority, the corresponding assets and liabilities are presented on a net basis.

2.18 Assets held for sale and associated liabilities

A disposal group consists of a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with these assets. Non-current assets classified as held for sale and disposal groups are measured at the lower of the carrying amount and the fair value less costs to sell. The carrying amount will be recovered through a highly probable sale transaction rather than through continuing use. Assets held for sale and the associated liabilities are presented separately in the balance sheet.

2.19 Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and represents a major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. A discontinued operation is classified as such upon disposal or when it meets the criteria for the classification as held for sale. The consolidated statement of income is re-presented for prior periods as if the operation had been discontinued from the start of the earliest period presented.

2.20 Financial liabilities

Financial liabilities are recognised in the balance sheet when the Swiss Life Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

2 Summary of Significant Accounting Policies (continued)

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | Financial liabilities at fair value are irrevocably designated as at fair value at initial recognition. Financial liabilities are designated as at fair value through profit or loss in the following instances:

- Financial liabilities for the account and risk of the Swiss Life Group's customers where the insurance benefits are linked to unit values of investment funds or relate to private placement life insurance.
- Financial liabilities backing assets in order to reduce or eliminate a measurement or recognition inconsistency.
- Financial liabilities with embedded derivatives (structured products).

BORROWINGS | Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Debt instruments with embedded conversion options to a fixed number of shares of the Group are separated into a debt and an equity component. The difference between the proceeds and fair value of the debt at issuance is recorded in equity. The fair value of the debt at issuance is determined using a market interest rate for similar instruments with no conversion rights. The Group does not recognise any change in the value of these options in subsequent reporting periods.

Borrowing costs presented in the consolidated statement of income relate to the interest expense on the financial liabilities classified as borrowings whilst interest expense presented in the consolidated statement of income relates to interest expense on bank deposits, insurance and investment contract deposits and repurchase agreements.

DEPOSITS | For deposits with fixed and guaranteed terms the amortised cost basis is used. Initial recognition is at the proceeds received, net of transaction costs incurred. Subsequently, they are stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the deposits. For deposits under repurchase agreements, initial recognition is at the amount of cash received, net of transaction costs incurred. Subsequently, the difference between the amount of cash initially received and the amount of cash exchanged upon maturity is amortised over the life of the agreement using the effective interest method.

2.21 Employee benefits

POST-EMPLOYMENT BENEFITS | The Swiss Life Group provides post-employment benefits under two types of arrangement: defined benefit plans and defined contribution plans.

The assets of these plans are generally held separately from the Group's general assets in trustee-administered funds. Defined benefit plan contributions are based upon regulatory requirements and/or plan terms. The Group's defined benefit obligations and the related service costs are determined at each balance sheet date by a qualified actuary, using the Projected Unit Credit Method.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations, reduced by the fair value of plan assets and adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. The recognition of a resulting asset is limited to the total of any cumulative unrecognised net actuarial losses and past service costs or the present value of any future refunds from the plans or reductions in future contributions to the plans, if lower.

2 Summary of Significant Accounting Policies (continued)

Unrecognised actuarial gains and losses which exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are recognised in income over the expected average remaining working lives of the employees participating in the plans.

Insurance contracts issued to a defined benefit pension plan covering own employees have generally been eliminated. These plans are typically partially funded as certain assets relating to these plans qualify as plan assets and are not required to be eliminated.

The Group recognises the contribution payable to a defined contribution plan in exchange for the services of the employees rendered during the period as an expense. The Group's contributions to the defined contribution plans are charged to income in the reporting period to which they relate.

HEALTHCARE BENEFITS | Some Group companies provide healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The expected costs of these benefits are accounted for in the same manner as for defined benefit plans.

SHARE-BASED PAYMENTS | The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the shares is recognised in income with a corresponding increase in equity. As the fair value of the services received cannot reliably be measured, the value is measured by reference to the fair value of the equity instruments granted and the price the employees are required to pay.

2.22 Provisions and contingent liabilities
Provisions are liabilities with uncertainties as to the amount or timing of payments. Provisions are recognised if there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made at the balance sheet date and be measured on a best-estimate basis. Contingent liabilities are disclosed in the Notes if there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources or the amount of the obligation cannot be measured with sufficient reliability.

2.23 Treasury shares
Treasury shares are presented in the consolidated balance sheet as a deduction from equity and are recorded at cost. The difference between the purchase price and the sales proceeds is included in share premium.

2.24 Earnings per share
Basic earnings per share are calculated by dividing net income available to shareholders by the weighted average number of shares in issue during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares. The effect of mandatorily convertible securities is included in the calculation of basic earnings per share.

For the diluted earnings per share the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential shares, such as convertible debt and share options issued. Potential or contingent share issuance is treated as dilutive when conversion to shares would decrease earnings per share.

2.25 Offsetting
Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Summary of Significant Accounting Policies (continued)

2.26 Forthcoming changes in accounting policies

In November 2006, IFRIC 12 Service Concession Arrangements was issued. The Interpretation is not relevant to the Group's operations.

In March 2007, the International Accounting Standards Board issued a revised IAS 23 Borrowing Costs which removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The revised Standard is not expected to have any impact on the Swiss Life Group as the Group's current accounting policy is to capitalise borrowing costs directly attributable to the construction or acquisition of a qualifying asset as part of the cost of that asset.

In June 2007, IFRIC 13 Customer Loyalty Programmes was issued. The Interpretation addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. The Interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when the entities have fulfilled their obligations. The Interpretation applies to annual periods beginning on or after 1 July 2008. The Interpretation is not expected to have an impact on the Swiss Life Group as no such programmes are currently in place.

In July 2007, IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction was issued. The Interpretation provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The Interpretation will be effective for annual periods beginning on or after 1 January 2008. The Swiss Life Group is currently analysing the impact of this Interpretation on its financial statements.

In September 2007, the International Accounting Standards Board issued a revised version of IAS 1 Presentation of Financial Statements. The revised Standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The revised Standard will enable readers to analyse changes in equity resulting from transactions with owners in their capacity as owners (such as dividends) separately from "non-owner" changes (such as transactions with third parties). The revisions include changes in the titles of some of the financial statements to reflect their function more clearly (for example, the balance sheet is renamed a statement of financial position). The revised Standard will come into effect for the annual periods beginning on or after 1 January 2009. The Swiss Life Group is currently analysing the impact of these changes on its financial statements.

In January 2008, the International Accounting Standards Board issued a revised version of IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements. One of the main changes is an option which is added to IFRS 3 Business Combinations to permit the acquirer in business combinations in which control is achieved without buying all of the equity of the acquiree to recognise 100% of the goodwill, not just the acquirer's portion of the goodwill ("full goodwill method"). The revised Standard requires that acquisition-related costs are expensed. Another change relates to partial disposals of an investment in a subsidiary while control is retained and to the acquisition of additional shares in a subsidiary after control was obtained. Such transactions are accounted for within equity. The amendments will be effective for annual periods beginning on or after 1 July 2009. The Swiss Life Group is currently analysing the impact of these changes on its financial statements.

2 Summary of Significant Accounting Policies (continued)

In January 2008, the International Accounting Standards Board issued an amendment to IFRS 2 Share-based Payment. The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment will be effective for annual periods beginning on or after 1 January 2009. The Swiss Life Group is currently analysing the impact of these changes on its financial statements.

In February 2008, amendments were introduced to improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. These amendments are set out in Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Instruments – Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments require entities to classify certain puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation as equity. The amendments will apply for annual periods beginning on or after 1 January 2009. The Swiss Life Group is currently analysing the impact of these changes on its financial statements.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

Certain reported amounts of assets and liabilities are subject to estimates and assumptions. Estimates and judgements by management are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The sensitivity analysis with regard to insurance risk and market risk is set out in note 5.

Fair value of financial instruments

The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is based either on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realised immediately.

The principal methods and assumptions used by the Group in estimating the fair value of the following financial instruments are as follows:

- Fair values for debt and equity securities are generally based upon quoted market prices.
- Fair values for derivative financial instruments are obtained from quoted market prices and/or option pricing models as appropriate.
- Private equity investments are classified as available for sale. Investments are normally valued at market if the market value represents the fair value. If no market value is available, fair value is estimated considering various factors such as purchase price, estimated liquidation value, restrictions on transferability, prices received in recent significant private placements of the same issuer, prices of investments relating to comparable companies engaged in similar business, and changes in the financial condition and prospects of the issuer.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

- The fair values of loans, which are carried at amortised cost, are estimated using discounted cash flows based upon the Group's current lending rates for similar loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values equal the carrying values.
- The fair value of hedge funds is based on their quoted market prices, if available. If no quoted market price is available, valuation techniques are used that take into account the market value of the underlying assets, transaction prices and other information.
- The fair value of financial reinsurance assets and liabilities, which are carried at amortised cost, is estimated using discounted cash flow calculations.
- The fair value of investment contracts and deposits, which are carried at amortised cost, is estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The fair values of demand or savings deposits are equal to the amount payable on demand or the carrying amount. The carrying amounts of variable-rate deposits approximate their fair values at the reporting date.
- The fair value of borrowings, which are carried at amortised cost, is estimated using discounted cash flow calculations based upon the Group's current borrowing rates for similar borrowings with remaining maturities consistent with the debt being valued.
- The fair value of liabilities arising from insurance and investment contracts for the account and risk of the Swiss Life Group's customers is calculated based on the valuation of the underlying assets.
- It is impracticable to determine the fair value of investment contracts with discretionary participation features due to the lack of a reliable basis to measure such supplemental discretionary returns. IFRS 4 Insurance Contracts is silent on the measurement of the amounts identified as DPF.

Fair value of non-financial instruments

The fair value of investment property is based on current prices in an active market for properties of a similar nature, condition or location – suitably adjusted. Recent prices for similar properties on less active markets, with suitable adjustments for differences, are also used for the estimation of the fair values. Furthermore, investment property is valued using discounted cash flow projections if reliable estimates and reasonable assumptions can be made, based on external evidence. Future expenditure that will improve the property is not included in the fair value. The risk-adjusted discount rates used in the cash flow projections reflect the specific nature and location of the individual properties. The cash flows used in the projections are based on actual rental income on a sustainable basis. Cost is reflected in the cash flows based on experience and budgets approved by management. The cash flows include inflation. External valuations for individual real estate assets are performed on a rotating basis, but at a minimum each property is evaluated every three years.

Impairment of held-to-maturity and available-for-sale debt instruments

As a Group policy, held-to-maturity and available-for-sale debt securities are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor's rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor's or equivalent) or when payments of principal and/or interest are overdue by more than 90 days.

Impairment of available-for-sale equity instruments

At each balance sheet date, an assessment is made whether there is objective evidence that an available-for-sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is. As a Group policy, available-for-sale investments in equity securities and investment funds are assessed for impairment when the market value as at the balance sheet date is 30% or more below cost, or the market value remained below cost for the previous 12 months or longer.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Insurance liabilities

Past experience, adjusted for the effect of current developments and probable trends, is assumed to be an appropriate basis for predicting future events. Management's estimates for incurred but not reported losses are continually reviewed and updated and adjustments resulting from this review are reflected in income.

Insurance liabilities are established by using appropriate estimates and assumptions on mortality, morbidity, surrender, exercise of policyholder options and interest rates. With regard to mortality these estimates are typically based on standard industry tables. Management makes allowance for expected improvements due to continued advances in medical science and social conditions. An increase in morbidity results in higher benefits for contracts where disability is the insured risk. The most significant factors which could increase the frequency of such claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in more claims than expected.

For insurance contracts and investment contracts with discretionary participation features with fixed and guaranteed terms, the definition of estimates occurs in two stages. At inception of the contract, estimates of future deaths, surrender, exercise of policyholder options, investment returns and administrative expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty (adverse deviation) is added to these assumptions. These assumptions are "locked-in" for the duration of the contract. Subsequently, new estimates are made each year in order to determine whether the liabilities so established are adequate in the light of these latest estimates. If the liabilities are considered adequate the assumptions are not altered. If the liabilities are not adequate, the assumptions for the calculation of the liabilities are altered ("unlocked") to reflect the latest estimates; no margin is added to the assumptions in this event. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

For insurance contracts and investment contracts with discretionary participation features without fixed and guaranteed terms, future premiums can be increased in line with experience. The assumptions used to determine the liabilities do not contain margins and are not locked-in but are updated at each reporting date to reflect the latest estimates.

MORTALITY AND LONGEVITY | The main source of uncertainty is that epidemics such as AIDS, SARS, avian flu and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which significant exposure to mortality risk exists. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where exposure to longevity risk exists.

Tables based on statistics by national insurance associations, national and standard industry tables or internal generation tables reflecting own company records are used for the life business with regard to mortality and longevity.

The mortality and annuity tables used generally reflect the experience in the market or reflect own company records. Recent historical mortality experience as well as expected future trends in mortality are reflected. For longevity, the trend of the recent decades is considered.

In Switzerland, mortality tables are usually reviewed every five years when new statistics from the Swiss Insurance Association become available. The tables are updated for significant changes.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

For the mandatory part of the group life insurance business in Switzerland (BVG, Swiss occupational plans), the legally stipulated annuity conversion rate is applied whereas in the non-mandatory part of the BVG business a reduced conversion rate calculated using actuarial assumptions is applied.

MORBIDITY AND DISABILITY | For individual and group life business in Switzerland internal tables are in place. In the individual life business, for certain contracts tariffs can be adjusted with regard to disability. The internal tables reflect the loss experience of the past. In individual life, only reactivation is considered, whereas increased mortality is also taken into account in the group life business. In the individual business the disability tables reflect the average situation of the past in the Swiss market based on Swiss Insurance Association statistics. In the individual life business disability tables are usually reviewed every five years when new statistics from the Swiss Insurance Association become available. The tables are updated for significant changes.

In the group life business, tariffs can be adjusted due to loss experience with regard to disability each year. In the group life business, the tables are based on own company records reflecting loss experience. Especially in the group life business changes in the labour market may have a significant influence on disability. The tables are updated for significant changes.

In other markets, standard industry disability tables, national statistics and own company records are applied. Standard pricing principles are typically validated against the client-specific disability experience.

Disability coverage mainly comprises annuities and waiver of premiums. Benefits are typically paid after a waiting period.

In certain countries, the benefits are paid based on medical examinations and on different levels of disability (ranging from fully disabled with no expectations of recovery to partially disabled with full recovery expected).

SURRENDER | In certain contracts the policyholder has the option to surrender the contract for a specified cash surrender value or a value which varies in response to the change in a financial variable such as an equity price or index. In certain countries and markets, surrender is not explicitly taken into account for the pricing of insurance contracts and investment contracts with discretionary participation.

In other businesses assumptions based on own company records are used. The assumptions vary by product type and policy duration.

POLICYHOLDER OPTIONS | In certain contracts, the policyholder has the option to choose a guaranteed annuity at maturity of an endowment contract. The value of the option depends on how the guaranteed mortality tables and guaranteed interest rates differ from actual mortality and interest rates. The influence on the insurance liabilities may therefore depend on the behaviour of the policyholders.

EXPENSES AND INFLATION | In Switzerland, expenses are taken into account in the pricing of the contracts using internal statistics. Such calculated amounts are allocated to the different lines of business. Inflation is reflected in these calculations.

In certain markets, expense allocation is based on an activity-based cost methodology. Recurrent costs are subdivided into the following main cost categories: acquisition costs, administration costs and asset management costs.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

INVESTMENT RETURNS | Assumptions relating to investment returns are based on the strategic asset allocation. For certain asset classes, a fixed return is used, centrally set by the Group. From this gross investment return, projected asset management fees are deducted to obtain a net investment return.

The technical interest rates in Switzerland are based on assumptions with regard to guaranteed benefits and discount rates. In certain countries, the insurance liabilities are based on the guaranteed interest rates.

Impairment of goodwill

Goodwill is tested for impairment annually (in autumn), or more frequently, if events or changes in circumstances indicate that goodwill might be impaired. The recoverable amounts of the business relating to the goodwill have been determined based on value-in-use calculations. These calculations require the use of estimates which are set out in note 18.

Defined benefit liabilities

The Swiss Life Group uses certain assumptions relating to the calculation of the defined benefit liabilities. These assumptions comprise the expected return on plan assets as well as future salary increases and future pension increases which have been derived from estimates based on past experience. The expected return on the plan assets takes into consideration the investment policy relating to the assets and their projected returns.

The assumptions are set out in note 24.

Income taxes

Deferred tax assets are recognised for unused tax-loss carryforwards and unused tax credits to the extent that realisation of the related tax benefit is probable. The assessment of the probability with regard to the realisation of the tax benefit involves assumptions based on the history of the entity and budgeted data for the future.

Provisions

The recognition of provisions involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. To the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made, a provision is recognised.

4 Segment Information

The Swiss Life Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 January 2007. Comparative information has been re-presented to conform with the requirements of IFRS 8 Operating Segments.

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the management in deciding how to allocate resources and in assessing performance. The predecessor Standard IAS 14 Segment Reporting required identification of two sets of segments – one based on related products and services, and the other on geographical areas. IAS 14 regarded one set as primary segments and the other as secondary segments. The adoption of IFRS 8 Operating Segments has resulted in a changed identification of reportable segments.

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. Inter-segmental services and transfers of assets and liabilities are treated as if the transactions were with third parties, i.e. at market prices applicable at the time of the transaction.

Corporate costs were not allocated to the individual segments as they consist of general administrative expenses and head office expenses that relate to the Swiss Life Group as a whole.

The reportable segments have been identified based on the information about the components of the entity that management uses to make decisions about operating matters. The information that is provided to management is focused on the category of product lines and services. The organisational and management structure within the insurance business is based on geography. The reportable segments have therefore been identified as follows:

- Insurance Switzerland
- Insurance France
- Insurance Germany
- Insurance Other
- Investment Management
- Other
- Insurance (Discontinued)
- Banking (Discontinued)

4 Segment Information (continued)

The insurance businesses primarily consist of life insurance operations. These operations offer a broad range of life, pension, annuity and investment-type policies to both groups and individuals, including accident, health and disability coverage. The Group's strategy focuses primarily on the life and pension business in a number of key European markets, such as Switzerland, France, Germany, Luxembourg and Liechtenstein. The insurance businesses also include a number of companies which hold investments primarily pertaining to life insurance.

Non-life operations consist of operations in France and Belgium and principally include property and casualty, liability and motor insurance. The non-life operation in Italy was sold in December 2006.

"Insurance Other" comprised the insurance operations in Liechtenstein and Luxembourg in 2007 and Liechtenstein, Luxembourg and Italy in 2006. The insurance operations in Italy were sold in December 2006.

"Investment Management" refers to the management of assets for institutional clients and the Group's insurance business, as well as the provision of expert advice for such clients.

"Other" refers principally to various finance and service companies.

The insurance operations in the Netherlands and Belgium, which are expected to be disposed of by the end of the first half of 2008, have been presented as a separate segment "Insurance (Discontinued)".

The Swiss Life Group announced the sale of Banca del Gottardo, Lugano, which was completed on 7 March 2008. For the purposes of segment reporting Banca del Gottardo, Lugano, is presented as a separate segment "Banking (Discontinued)".

The statement of income and balance sheet for the segments are given on the pages below:

4 Segment Information (continued)

Statement of income for the year ended 31 December 2007

In CHF million	Insurance Switzerland	Insurance France	Insurance Germany	Insurance Other
Income				
Premiums earned on insurance contracts	8 096	3 281	2 046	53
Premiums earned on investment contracts with discretionary participation	93	14	–	–
Premiums ceded to reinsurers	–14	–165	–75	–6
Net earned premiums	8 175	3 130	1 971	47
Policy fees earned on insurance contracts	12	59	–	–
Policy fees earned on investment and unit-linked contracts	13	212	38	56
Net earned policy fees	25	271	38	56
Asset management and other commission income	38	46	32	0
Investment income	2 981	1 099	829	32
Net gains/losses on financial assets	–205	–33	236	1
Net gains/losses on financial instruments at fair value through profit or loss	–402	222	–11	1
Net gains/losses on investment property	182	38	10	0
Other income	–24	155	4	5
Total income	10 770	4 928	3 109	142
of which inter-segment	*100*	*0*	*–1*	*–5*
Expenses				
Benefits and claims under insurance contracts	–8 658	–2 467	–2 190	–21
Benefits and claims under investment contracts with discretionary participation	–106	–18	–	–
Benefits and claims recovered from reinsurers	6	113	71	1
Net insurance benefits and claims	–8 758	–2 372	–2 119	–20
Policyholder participation	–458	–777	–502	–9
Interest expense	–133	–287	–22	–15
Commission expense	–209	–397	–128	–39
Employee benefits expense	–324	–254	–103	–27
Depreciation and amortisation expense	–58	–275	–110	–4
Impairment of property and equipment and intangible assets	–5	–	–1	–
Other expenses	–175	–242	–59	–20
Total expenses	–10 120	–4 604	–3 044	–134
of which inter-segment	*–122*	*–9*	*–25*	*–8*
Segment result	650	324	65	8
of which inter-segment	*–22*	*–9*	*–26*	*–13*
Unallocated corporate costs				
Profit from operations				
Borrowing costs	–164	–14	0	–9
Share of results of associates	1	4	1	0
Income tax expense				
Net profit				
Additions to non-current assets	432	70	83	187

Investment Management	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total	Less: discontinued operations	Continuing operations
–	–	1 956	–	–21	15 411	–1 956	13 455
–	–	–	–	–	107	–	107
–	–	–21	–	19	–262	16	–246
–	–	1 935	–	–2	15 256	–1 940	13 316
–	–	3	–	–	74	–4	70
–	–	145	–	0	464	–145	319
–	–	148	–	0	538	–149	389
271	9	31	303	–226	504	–308	196
3	62	894	412	–129	6 183	–1 305	4 878
0	–5	66	84	–	144	–149	–5
–	1	51	102	0	–36	–143	–179
–	–	–3	–	–	227	2	229
8	8	1	–9	–8	140	7	147
282	75	3 123	892	–365	22 956	–3 985	18 971
172	*69*	*–3*	*33*	*–365*			
–	–	–2 327	–	4	–15 659	2 327	–13 332
–	–	–	–	–	–124	–	–124
–	–	–20	–	–4	167	21	188
–	–	–2 347	–	0	–15 616	2 348	–13 268
–	–	221	–	–1	–1 526	–220	–1 746
0	–1	–105	–337	78	–822	367	–455
–39	–3	–66	–39	196	–724	104	–620
–99	–2	–164	–198	–3	–1 174	361	–813
–1	–	–100	–10	–	–558	110	–448
–	–	–	–	–	–6	–	–6
–50	–7	–91	–140	33	–751	222	–529
–189	–13	–2 652	–724	303	–21 177	3 292	–17 885
–49	*–6*	*–6*	*–78*	*303*			
93	62	471	168	–62	1 779	–693	1 086
123	*63*	*–9*	*–45*	*–62*			
					–73	–	–73
					1 706	–693	1 013
–	–46	–6	–6	62	–183	6	–177
–	6	0	1	–	13	–1	12
					–168	46	–122
					1 368	–642	726
1	–	76	21	–	870		

4 Segment Information (continued)

Statement of income for the year ended 31 December 2006

In CHF million	Insurance Switzerland	Insurance France	Insurance Germany	Insurance Other
Income				
Premiums earned on insurance contracts	7 301	3 055	2 022	62
Premiums earned on investment contracts with discretionary participation	65	13	–	–
Premiums ceded to reinsurers	–16	–128	–80	–7
Net earned premiums	7 350	2 940	1 942	55
Policy fees earned on insurance contracts	8	64	1	–
Policy fees earned on investment and unit-linked contracts	15	283	7	13
Net earned policy fees	23	347	8	13
Asset management and other commission income	62	31	30	0
Investment income	2 138	1 258	732	39
Net gains/losses on financial assets	642	56	185	0
Net gains/losses on financial instruments at fair value through profit or loss	–52	352	–48	0
Net gains/losses on investment property	39	53	3	–1
Other income	–26	14	16	–17
Total income	10 176	5 051	2 868	89
of which inter-segment	*102*	*0*	*–2*	*–12*
Expenses				
Benefits and claims under insurance contracts	–7 651	–2 325	–2 062	–45
Benefits and claims under investment contracts with discretionary participation	–76	–15	–	–
Benefits and claims recovered from reinsurers	8	72	74	6
Net insurance benefits and claims	–7 719	–2 268	–1 988	–39
Policyholder participation	–864	–857	–420	–3
Interest expense	–136	–547	–26	–14
Commission expense	–87	–459	–81	–7
Employee benefits expense	–353	–246	–110	–14
Depreciation and amortisation expense	–49	–287	–83	–2
Impairment of property and equipment and intangible assets	–1	–	–29	–
Other expenses	–310	–176	–47	–13
Total expenses	–9 519	–4 840	–2 784	–92
of which inter-segment	*–119*	*–7*	*–2*	*5*
Segment result	657	211	84	–3
of which inter-segment	*–17*	*–7*	*–4*	*–7*
Unallocated corporate costs				
Profit from operations				
Borrowing costs	–104	–14	0	–2
Share of results of associates	1	3	0	0
Income tax expense				
Net profit				
Additions to non-current assets	175	121	9	2

Investment Management	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total	Less: discontinued operations	Continuing operations
–	–	1 536	–	–16	13 960	–1 536	12 424
–	–	–	–	–	78	–	78
–	–	–18	–	16	–233	14	–219
–	–	1 518	–	0	13 805	–1 522	12 283
–	–	55	–	–	128	–55	73
–	–	15	–	–1	332	–15	317
–	–	70	–	–1	460	–70	390
225	6	26	291	–178	493	–295	198
2	50	780	280	–91	5 188	–1 059	4 129
0	4	179	–21	–	1 045	–160	885
–	1	37	59	2	351	–95	256
–	–	3	–	–	97	–3	94
8	1	11	98	–13	92	–108	–16
235	62	2 624	707	–281	21 531	–3 312	18 219
125	*49*	*–3*	*22*	*–281*			
–	–	–1 834	–	8	–13 909	1 832	–12 077
–	–	–	–	–	–91	–	–91
–	–	8	–	–8	160	–4	156
–	–	–1 826	–	0	–13 840	1 828	–12 012
–	–	–175	–	–1	–2 320	177	–2 143
0	0	–94	–189	45	–961	239	–722
–44	0	–54	–38	41	–729	92	–637
–82	–1	–139	–189	3	–1 131	327	–804
0	–	–89	–11	–	–521	100	–421
–	–	–2	–	–	–32	1	–31
–59	–2	–101	–165	140	–733	253	–480
–185	–3	–2 480	–592	228	–20 267	3 017	–17 250
–48	*–2*	*–8*	*–47*	*228*			
50	59	144	115	–53	1 264	–295	969
77	*47*	*–11*	*–25*	*–53*			
					–59	–	–59
					1 205	–295	910
–	–50	–4	–3	53	–124	5	–119
–	8	–	–11	–	1	10	11
					–128	–98	–226
					954	–378	576
3	–	38	4	–	352		

4 Segment Information (continued)

Balance sheet as at 31 December 2007

In CHF million	Insurance Switzerland	Insurance France
Assets		
Cash and cash equivalents	2 378	142
Insurance receivables and other receivables	2 107	1 340
Derivatives	340	5
Assets held for sale	4	–
Financial assets at fair value through profit or loss	3 557	7 372
Financial assets available for sale	49 754	11 450
Loans	8 925	241
Financial assets held to maturity	–	3 529
Financial assets pledged as collateral	–	–
Investment property	10 171	1 334
Reinsurance assets	31	367
Property and equipment	564	194
Intangible assets including intangible insurance assets	1 079	553
Other assets	445	21
Segment assets	79 355	26 548
Investments in associates		
Income tax assets		
Total assets		
Liabilities and equity		
Liabilities		
Insurance payables and other payables	2 585	516
Derivatives	214	0
Liabilities associated with assets held for sale	–	–
Financial liabilities at fair value through profit or loss	1 345	385
Investment contracts	1 027	11 450
Deposits	1 283	377
Insurance liabilities	64 069	11 087
Policyholder participation liabilities	815	1 120
Employee benefit liabilities	1 815	38
Provisions	32	38
Other liabilities	52	22
Segment liabilities	73 237	25 033
Borrowings		
Income tax liabilities		
Equity		
Total liabilities and equity		

Insurance Germany	Insurance Other	Investment Management	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total
273	1 890	118	328	–	–	–574	4 555
746	46	81	89	1	2	–260	4 152
87	53	–	2	–	–	–24	463
1	–	–	–	27 135	13 328	–	40 468
913	7 559	–	13	14	–	–29	19 399
6 387	670	31	296	–	–	–	68 588
11 873	0	9	882	30	8	–1 316	20 652
93	–	2	–	–	–	–	3 624
–	–	–	–	–	–	–	–
720	27	–	–	–	–	–	12 252
584	1	–	–	4	–	–12	975
101	1	4	–	–	–	–	864
1 329	190	0	–	–	–	–	3 151
2	1	51	7	–	303	–407	423
23 109	10 438	296	1 617	27 184	13 641	–2 622	179 566
							72
							119
							179 757
341	69	43	30	15	2	–251	3 350
2	–	–	21	–	–	–24	213
–	–	–	–	25 699	11 803	–	37 502
355	9 357	–	–	14	–	–29	11 427
–	430	–	–	–	–	–	12 907
970	1	0	–	3	604	–616	2 622
19 446	255	–	–	–	–	–365	94 492
1 442	13	–	–	–	–	–2	3 388
53	1	73	–	–	–	–	1 980
38	0	6	2	–	–	–	116
2	0	0	44	0	0	–45	75
22 649	10 126	122	97	25 731	12 409	–1 332	168 072
							3 621
							730
							7 334
							179 757

4 Segment Information (continued)

Balance sheet as at 31 December 2006

In CHF million	Insurance Switzerland	Insurance France
Assets		
Cash and cash equivalents	5 857	209
Insurance receivables and other receivables	1 938	1 556
Derivatives	386	46
Assets held for sale	3	–
Financial assets at fair value through profit or loss	6 177	13 692
Financial assets available for sale	41 625	23 966
Loans	11 558	262
Financial assets held to maturity	–	3 831
Financial assets pledged as collateral	–	–
Investment property	9 688	1 322
Reinsurance assets	33	327
Property and equipment	622	192
Intangible assets including intangible insurance assets	718	510
Other assets	392	19
Segment assets	78 997	45 932
Investments in associates		
Income tax assets		
Total assets		
Liabilities and equity		
Liabilities		
Insurance payables and other payables	2 327	720
Derivatives	498	4
Liabilities associated with assets held for sale	–	–
Financial liabilities at fair value through profit or loss	1 280	1 534
Investment contracts	1 075	27 141
Deposits	1 189	384
Insurance liabilities	63 270	11 859
Policyholder participation liabilities	1 509	2 385
Employee benefit liabilities	1 801	58
Provisions	66	31
Other liabilities	66	35
Segment liabilities	73 081	44 151
Borrowings		
Income tax liabilities		
Equity		
Total liabilities and equity		

Insurance Germany	Insurance Other	Investment Management	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total
258	132	59	678	679	1 940	–2 191	7 621
640	35	89	66	686	115	–226	4 899
126	1	–	–	60	260	–20	859
–	–	–	–	–	11	–	14
827	2 077	–	13	3 799	2 883	–31	29 437
6 125	597	31	75	19 217	1 280	–	92 916
11 188	0	13	980	207	5 851	–1 176	28 883
91	–	2	–	123	43	–	4 090
–	–	–	–	–	124	–	124
614	26	–	–	166	–	–	11 816
550	1	–	–	70	–	–12	969
102	1	4	–	99	139	–	1 159
1 276	7	0	–	585	411	–	3 507
2	0	52	5	57	303	–365	465
21 799	2 877	250	1 817	25 748	13 360	–4 021	186 759
							75
							116
							186 950
390	40	41	32	827	101	–210	4 268
15	–	–	12	1	307	–20	817
–	–	–	–	–	–	–	–
266	2 133	–	–	3 526	830	–31	9 538
–	367	–	–	1 494	–	–	30 077
937	1	0	–	6	10 370	–2 202	10 685
18 156	231	–	–	16 297	–	–357	109 456
1 448	5	–	–	1 746	–	–1	7 092
49	–	73	–	275	305	–	2 561
39	–	6	–	7	53	–	202
5	0	1	22	374	18	–25	496
21 305	2 777	121	66	24 553	11 984	–2 846	175 192
							2 810
							1 097
							7 851
							186 950

4 Segment Information (continued)

The Swiss Life Group operates in selected European countries. The Group's income and non-current assets by geographical location are detailed below.

Geographical information

In CHF million	**2007**	2006	**31.12.2007**	31.12.2006
	Income	Income	**Non-current assets**	Non-current assets
Switzerland	**11 497**	10 706	**10 739**	10 845
France	**4 960**	5 080	**1 845**	1 812
Germany	**3 111**	2 870	**831**	731
Liechtenstein	**49**	4	**180**	0
Luxembourg	**138**	123	**36**	32
Netherlands	**2 470**	2 047	**–**	347
Belgium	**623**	528	**–**	156
Other countries	**108**	173	**–**	16
Total	**22 956**	21 531	**13 631**	13 939

Non-current assets for this purpose consist of investment property, property and equipment and intangible assets (except for intangible assets arising from insurance contracts).

Information about major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.

5 Risk Management Policies and Procedures

The Group's core business is life insurance and pensions. A life insurance and pensions contract represents a long-term promise to the policyholder. To fulfil its future payment obligations to the policyholders, the insurance entities of the Group must be financially sound over an extended period of time. The ability to remain financially healthy and strong depends on a number of risk factors. The Group risk map can be broadly divided into financial, insurance, strategic and operational risks. All of these risk categories can impact the financial stability of the Group.

Risks must be identified, assessed, managed and monitored locally. On a consolidated basis, half-yearly reports covering interest rate risk, equity price risk, currency risk, credit risk and insurance risk are prepared. Additionally, market risks and financial risk limits are reported on a monthly basis for the largest operations in the insurance business. Strategic and operational risks are assessed and reported on an annual basis.

The risk appetite for the largest operations in the insurance business is defined with the help of local risk budgets which are used as a basis for the determination of the individual risk limits. These limits are used as a framework for the asset and liability management process, the objective of which is to define a strategic asset allocation and distribution scheme for all stakeholders.

Risk management functions are fulfilled at several levels by different bodies within the Swiss Life Group, such as the Investment and Risk Committee at the level of the Board of Directors of the Swiss Life Group and the Group Risk Committee at the level of the Corporate Executive Board of the Swiss Life Group. The risk management functions at the level of the individual operations of the Swiss Life Group are organised accordingly.

Group risk management produces a consolidated risk report which consolidates the main elements of the risk management of the Swiss Life Group's operations.

The information below focuses first on the risk budgeting and asset and liability management process before covering in an extensive way the principal risk categories faced by the Swiss Life Group.

5.1 Contracts for the account and risk of the Swiss Life Group's customers

Certain life insurance and investment contracts are managed for the account and risk of the Swiss Life Group's customers (separate account/unit-linked contracts, private placement life insurance). The assets relating to these contracts are segregated and managed to meet specific investment objectives of the policyholders. These assets back the insurance liabilities and the financial liabilities arising from these contracts. The fair values of the liabilities reflect the fair values of the assets. Certain contracts with unit-linking features contain guaranteed minimum insurance benefits. The liabilities relating to this part are included in the insurance liabilities.

The assets and liabilities from separate account/unit-linked contracts and private placement life insurance are generally excluded from the Swiss Life Group's financial risk management considerations to the extent that the risks are borne by the customers.

5 Risk Management Policies and Procedures (continued)

ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS

In CHF million	31.12.2007	31.12.2006
Cash and cash equivalents	**1 818**	176
Derivatives	**60**	1
Financial assets at fair value through profit or loss		
Debt instruments	**2 825**	2 800
Equity securities	**1 794**	2 912
Investment fund units	**7 028**	8 751
Other	**2 049**	498
Investment property	**–**	7
Total assets for the account and risk of the Swiss Life Group's customers	**15 574**	15 145

The financial result for the years ended 31 December for the account and risk of the Swiss Life Group and the Swiss Life Group's customers was as follows:

In CHF million	2007	2006	2007	2006	2007	2006
	For the account and risk of the Swiss Life Group	For the account and risk of the Swiss Life Group	**For the account and risk of the Swiss Life Group's customers**	For the account and risk of the Swiss Life Group's customers	**Total**	Total
Investment income	**4 878**	4 129	**–**	–	**4 878**	4 129
Net gains/losses on financial assets	**–5**	885	**–**	–	**–5**	885
Net gains/losses on financial instruments at fair value through profit or loss (FVPL)	**–229**	188	**50**	68	**–179**	256
Net gains/losses on investment property	**229**	94	**–**	–	**229**	94
Share of results of associates	**12**	11	**–**	–	**12**	11
Financial result	**4 885**	5 307	**50**	68	**4 935**	5 375
The financial result for the account and risk of the Swiss Life Group's customers consists of						
net gains/losses on financial assets at FVPL			**722**	806		
net gains/losses on financial liabilities at FVPL			**–672**	–738		

5.2 Risk budgeting and limit setting

The risk capacity and the risk appetite of the Swiss Life Group's insurance operations are primarily defined based on economic principles. Consequently, the market values or best estimates of both the assets and the liabilities are obtained by discounting the cash flows generated by these assets and liabilities with an appropriate discount rate. The risk capital available is defined as the positive difference of the economic value of the assets compared to liabilities. The available risk capital is used to cover the different risks to which the Swiss Life Group's insurance operations are exposed by the nature of their activities. The final decision on the risk appetite for each insurance operation is with the Board of Directors.

Risk and exposure limits are defined to control and limit the exposure to these risks. The limits are set in a way that the maximum exposure to risk resulting from the utilisation of the limits is always below the total available risk capital defined in the risk budgeting process.

The main focus of these limits is on overall market risk, credit risk and more specifically on interest rate risk as well as on currency risk and equity price risk.

5 Risk Management Policies and Procedures (continued)

5.3 Asset and liability management (ALM)

The main objective of the ALM process is to ensure that the Swiss Life Group's insurance operations can meet their commitments to policyholders at all times while also adequately compensating shareholders for making risk capital available. Based on the economic principles of risk management and on the risk appetite definition applied in the risk budgeting process, ALM comprises the following main activities: strategic asset allocation, distribution policy with regard to surplus generated on investments and product design.

The ALM process is centrally coordinated at Group level by means of local Asset and Liability Management Committees with representatives from local senior management and representatives from Group level. The local units are in charge of implementing the decisions. The process requires all relevant functions within the Swiss Life Group, such as investment management, finance, actuarial functions, product management and marketing, to be involved.

COMPLIANCE WITH EXTERNAL CONSTRAINTS | Aspects other than the purely economic view must also be considered in the ALM process, such as regulatory requirements including statutory minimum distribution ratios ("legal quote"), funding ratios, solvency, local accounting rules and International Financial Reporting Standards, liquidity requirements and rating targets. Some of these views may lead to results that are not aligned with the economic approach, but nevertheless need to be taken into account.

Depending on the regulatory framework in which the Swiss Life Group's insurance operations evolve, the asset portfolios might need to be split to reflect the different categories of insurance products. The asset portfolios of the insurance operations in Switzerland have been separated to distinguish between individual life and group life. As a consequence, such separation is also reflected in the ALM process.

STRATEGIC ASSET ALLOCATION | Strategic asset allocation is the first major task of the ALM process and aims at achieving an efficient risk capital allocation, i.e. optimising the returns on the asset portfolio for the available risk capital defined within the risk budgeting process, taking into account all known constraints.

The liabilities are largely predefined in terms of amount and timing of the payments and the associated assumptions are regularly reviewed. The corresponding asset portfolios mainly comprise fixed-income instruments. This way, the impact of interest rate fluctuations and the risk capital consumption are strategically optimised under a risk/return point of view, thus ensuring that the policyholders receive the benefits they were promised. Policyholders benefit from the ensuing investment returns in the form of discretionary participation, while shareholders benefit from an increase in the value of their investment in the Swiss Life Group.

The strategic asset allocation is therefore determined on the basis of the individual existing commitments and the risk capacity of the Swiss Life Group's insurance operations. The strategic asset allocation is reviewed at least once a year and adjusted if necessary.

The ALM process has successfully been applied in all relevant insurance operations of the Swiss Life Group.

DISTRIBUTION POLICY | The distribution policy seeks to harmonise the interests of the different groups of stakeholders. Policyholders favour a minimum interest rate coupled with regular and appropriate discretionary participation whereas shareholders place greater emphasis on returns commensurate with the level of risk they are exposed to. Internal guidelines have been developed which define the policies for the allocation of policyholder participation with regard to annual bonus and terminal bonus. The focus of the Swiss Life Group lies on the sustainability of the business model and should balance the policyholders' and shareholders' expectations.

5 Risk Management Policies and Procedures (continued)

External constraints must be considered in the definition of the distribution policy. Important elements which influence such policy are minimum guaranteed interest rates and the statutory minimum distribution ratio (“legal quote”), which strongly depend on the regulatory environments of the Swiss Life Group’s insurance operations.

PRODUCT DESIGN | Product design defines which guarantees and benefits are built into a specific product to respond to the demand from and expectations of customers. The actuarial bases used for this purpose should ensure that each individual product generates a sufficient contribution margin. To ensure that the Group’s principles are observed, guidelines on underwriting have been introduced to harmonise the local guidelines and to ensure that they are in line with the guidelines of the Group.

5.4 Financial risk management objectives and policies

The Group is exposed to financial risk through its financial assets, financial liabilities (primarily investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from the financial assets are not sufficient to fund the obligations arising from the insurance and investment contracts, as well as from borrowings and other liabilities. The most important components of the financial risk are interest rate risk, equity price risk, credit risk, currency risk and liquidity risk.

The risk budgeting and limit setting described above ensure that interest rate risk, equity price risk, currency risk and credit risk remain under control. The corresponding market risk capital, credit risk capital, interest rate risk capital and currency risk capital limits as well as exposure limits for currencies and net equity for each relevant Group entity have been defined and these limits are assessed and reported on a regular basis.

INSURANCE LIABILITIES WITH EMBEDDED DERIVATIVES NOT SEPARATED AND FAIR VALUED

In CHF million	**31.12.2007**	31.12.2006
Interest rate risk	**85 583**	99 409
Risk of equity price movement	**–**	73
Currency risk	**–**	–
Elimination of duplications	**–**	–
Total insurance liabilities with embedded derivatives not separated and fair valued	**85 583**	99 482
Other insurance liabilities	**7 978**	8 077
Insurance liabilities for the account and risk of the Swiss Life Group’s customers	**931**	1 897
Total insurance liabilities	**94 492**	109 456

HEDGING | The Swiss Life Group uses derivatives within the strict limits set by the applicable insurance legislation and by internal guidelines. Derivatives are primarily used to manage the exposure to equity securities, interest rates and foreign exchange rates. The main instruments include index futures and option structures in stock markets, bond futures and swaps in order to manage duration, and currency forwards in order to manage currency risk. Within certain limits, derivatives are used to enhance returns on the existing portfolio. The types of derivatives generally permitted for usage within the Swiss Life Group have been approved by the Group Chief Risk Officer and Group Chief Investment Officer.

Hedging strategies involve hedge accounting as well as “economic hedging”. “Economic hedges” comprise financial assets and financial liabilities which share a risk with derivatives and give rise to opposite changes in fair value that tend to offset each other.

5 Risk Management Policies and Procedures (continued)

INTEREST RATE RISK RELATING TO FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS | The Group's primary interest rate exposure is on contracts with guaranteed benefits and the risk that the interest rates of the financial assets purchased with the consideration received from the contract holders is insufficient to fund the guaranteed benefits and expected discretionary participation payable to them.

INTEREST-SENSITIVE INSURANCE LIABILITIES

In CHF million	**31.12.2007**	31.12.2006
Interest-sensitive insurance liabilities		
Minimum guaranteed interest rate 0 – < 2%	**2 193**	3 395
Minimum guaranteed interest rate 2 – < 3%	**38 254**	33 550
Minimum guaranteed interest rate 3 – < 4%	**33 423**	39 756
Minimum guaranteed interest rate 4 – < 5%	**11 672**	22 453
Minimum guaranteed interest rate 5 – < 6%	**31**	228
Minimum guaranteed interest rate 6 – 8%	**10**	27
Minimum guaranteed interest rate > 8%	**0**	–
Total interest-sensitive insurance liabilities	**85 583**	99 409
Non-interest-sensitive insurance liabilities	**7 978**	8 150
Insurance liabilities for the account and risk of the Swiss Life Group's customers	**931**	1 897
Total insurance liabilities	**94 492**	109 456

Most life insurance products with a savings component and investment contracts are subject to minimum guaranteed interest rates. The guaranteed rate differs according to the type of contract.

In addition to these fixed and guaranteed payments which are exposed to interest rate risk, contractual rights exist for certain contracts to receive additional benefits whose amount and/or timing is contractually at the discretion of the issuer. The determination of the discretionary participation is highly dependent on future investment returns.

The Group manages interest rate risk by managing the interest rate sensitivity of key rate exposures of its investment portfolio against the interest sensitivity of key rate exposures of liabilities issued. The key rate exposure of the liabilities is determined by projecting the expected cash flows from the contracts using best estimates of mortality, disability, expenses, surrender and exercise of policyholder options. The ALM process defines the strategic asset allocation optimising the net interest rate sensitivity of the investment and liability portfolios. To the extent that this is not practicable, swap contracts and other instruments are used to hedge interest risk. In certain markets receiver swaptions are used to hedge the risk of interest rates decreasing below guaranteed interest rates. Payer swaptions are used to hedge the risk of fair value changes of interest-sensitive financial assets. Strategically a minimum interest rate risk will remain, since a perfect interest rate hedge can either not be achieved or would not be aimed at.

5 Risk Management Policies and Procedures (continued)

EXPOSURE TO INTEREST RATE RISK

	Earlier of contractual repricing or maturity dates					
In CHF million	Up to 1 year	1–5 years	5–10 years	More than 10 years	For the account and risk of the Swiss Life Group's customers	Total
Carrying amounts as at 31 December 2007						
Financial assets						
Fixed-rate	**7 806**	**13 939**	**22 815**	**29 448**	**–**	**74 008**
Variable-rate	**4 867**	**5 838**	**–**	**–**	**–**	**10 705**
Non-interest-bearing	**8 904**	**12 154**	**60**	**28**	**–**	**21 146**
Assets for the account and risk of the Swiss Life Group's customers	**–**	**–**	**–**	**–**	**15 574**	**15 574**
Total financial assets	**21 577**	**31 931**	**22 875**	**29 476**	**15 574**	**121 433**
Financial liabilities						
Fixed-rate	**–6 120**	**–647**	**–6 291**	**–1 334**	**–**	**–14 392**
Variable-rate	**–2 311**	**–657**	**–**	**–**	**–**	**–2 968**
Non-interest-bearing	**–1 033**	**–1 060**	**–70**	**–8**	**–**	**–2 171**
Liabilities for the account and risk of the Swiss Life Group's customers	**–**	**–**	**–**	**–**	**–14 609**	**–14 609**
Total financial liabilities	**–9 464**	**–2 364**	**–6 361**	**–1 342**	**–14 609**	**–34 140**
Balance sheet interest rate sensitivity gap	**12 113**	**29 567**	**16 514**	**28 134**	**965**	**87 293**
Carrying amounts as at 31 December 2006						
Total financial assets	41 864	37 156	29 490	45 181	15 138	168 829
Total financial liabilities	–15 187	–22 105	–6 505	–799	–13 599	–58 195
Balance sheet interest rate sensitivity gap	26 677	15 051	22 985	44 382	1 539	110 634

In addition to the strategic optimisation of the net interest rate risk exposure at an economic level, the Group has designated a portion of assets to be held to maturity and matching the maturity profile of the associated liabilities to minimise the interest risk arising from these positions. The assets to be held to maturity fund the insurance and investment contracts that will not be surrendered or will not require the payment of a death benefit.

In Switzerland, the Swiss occupational pensions (BVG) segment of the group life insurance business is subject to guaranteed minimum interest and annuity conversion rates. Following the decision of the Swiss Federal Council on 10 September 2003, a reduction in the guaranteed interest rate for the mandatory BVG business from 3.25% to 2.25% took effect on 1 January 2004. The rate was subsequently raised to 2.50% with effect from 1 January 2005 and confirmed at this level for 2006 and 2007. With effect from 2008, the rate was raised to 2.75%. The guaranteed annuity conversion rate for the mandatory BVG business was originally set at the rate of 7.2%. Under an amendment to the BVG legislation, which took effect on 1 January 2005, this rate will be reduced in stages to 6.8% by 2015.

Regarding interest rate risk exposure existing on contracts with guaranteed benefits where the risk is that the interest rates earned on the assets are insufficient to fund the guaranteed payments, puttable bonds are used to counter the impact of falling interest rates. To increase the convexity of interest-rate-sensitive assets, which is generally lower than the convexity of the insurance liabilities, receiver bonds are part of the asset portfolios in certain countries.

5 Risk Management Policies and Procedures (continued)

In certain businesses, a large part of the impact of interest rate changes is for the account and risk of the policyholders based on the specific profit-sharing systems.

EQUITY PRICE RISK | A decline in the equity market may lead to a reduction of the Swiss Life Group's realised and unrealised gains/losses, which may also negatively affect the Swiss Life Group's results of operations and financial condition.

Hedges in place with respect to the Swiss Life Group's equity investments are designed to reduce the exposure to declines in equity values but would not prevent an impairment loss in the event the impairment criteria were met.

A portion of Swiss Life's investment portfolio is comprised of investments in funds which hold securities issued by non-public companies (private equity). These investments may be illiquid or may only be disposed of over time or at a loss, and they may not produce adequate returns or capital gains. If Swiss Life were required to liquidate some or all of the investments in its private equity portfolio, the proceeds of such liquidation may be significantly less than the amount paid for, or the carrying amount of, such investments.

Swiss Life's investment portfolios also include investments in hedge funds. The liquidity of such investments can vary according to market conditions, and the investment styles of such hedge funds could amplify any factors affecting the performance of any particular class of funds or investments.

The Group monitors the investment portfolio risks by establishing mandatory risk limits. The investment portfolio is adequately diversified and there was no investment exceeding 10% of shareholders' equity as at 31 December 2007 (2006: HSBC totalling CHF 0.8 billion).

CREDIT RISK | The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Counterparty risk with respect to bonds purchased
- Counterparty risk with respect to loans and mortgages granted
- Counterparty risk with respect to money market and cash positions
- Counterparty risk with respect to derivative transactions
- Reinsurance share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from insurance contract holders
- Amounts due from insurance intermediaries

To reduce the credit exposure relating to derivatives a collateral management process has been established. As soon as the market value of the derivatives per counterparty exceeds a certain threshold the Swiss Life Group calls collateral from the counterparty. The threshold increases with the rating of the counterparty. The minimum rating for a counterparty is A– (Standard & Poor's or equivalent) for the Swiss Life Group's insurance operations. If a counterparty falls below this level, outstanding positions must be fully collateralised or closed out. The collateral is called at least weekly, but in times of turbulent markets the frequency would be increased. As leverage is not allowed, certain coverage rules apply with regard to cash or long positions. A list of the counterparties for derivative transactions, over-the-counter and exchange-traded, is approved by the Group Risk Committee.

5 Risk Management Policies and Procedures (continued)

The Group is also exposed to credit risk associated with reinsurance recoverables. As a consequence, the financial strength of reinsurers is monitored. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to any contract being signed. The general policy of the Swiss Life Group is to reinsure its insurance risks only with counterparties rated A– or above (Standard & Poor's or equivalent). In exceptional cases, reinsurers with a lower rating may be considered. Additionally, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon one single reinsurer.

For fixed-income assets (including money market and cash positions) the total exposure per counterparty is aggregated and reported to the Group Risk Committee. The individual operations maintain records of the payment history for the significant contract holders with whom they conduct regular business. Ratings and single positions above a certain level with regard to fixed-income assets are reported to management on a regular basis. The exposure to individual counterparties is also managed by other mechanisms such as the right to offset where counterparties are both debtors and creditors of the Group. Information reported to management includes assessment of bad debts. Where there exists a certain exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out.

The non-rated loans primarily comprise mortgages and policy loans. In certain countries, specific additional guidelines and rules have been defined locally to monitor credit risk. Such guidelines cover investments in fixed-income securities whereby the average rating of the fixed-income portfolio (calculated by weighting in accordance with the Standard & Poor's method) must be AA– or higher (Standard & Poor's or equivalent). Minimum and maximum thresholds apply with regard to permitted investments in non-government bonds. For these investments additional exposure limits are in place. For certain businesses, credit risk is monitored and controlled with a risk limit framework whereby maximum limits are reviewed and at least approved annually. Ratings are monitored on a daily basis and a weekly rating migration report is submitted to the local risk department. The majority of the bond portfolio is invested in government bonds (including supranational and sovereigns) and in bonds issued by the financial sector (generally covered by collateral or government guarantees).

5 Risk Management Policies and Procedures (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

In CHF million	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
	For the account and risk of the Swiss Life Group	For the account and risk of the Swiss Life Group	**For the account and risk of the Swiss Life Group's customers**	For the account and risk of the Swiss Life Group's customers	**Total**	Total
Cash and cash equivalents	**2 737**	7 445	**1 818**	176	**4 555**	7 621
Insurance receivables and other receivables	**4 152**	4 899	**–**	–	**4 152**	4 899
Derivatives	**403**	858	**60**	1	**463**	859
Debt instruments at fair value through profit or loss	**1 814**	4 913	**2 825**	2 800	**4 639**	7 713
Debt instruments available for sale	**54 771**	81 738	**–**	–	**54 771**	81 738
Loans	**20 652**	28 883	**–**	–	**20 652**	28 883
Financial assets held to maturity	**3 624**	4 090	**–**	–	**3 624**	4 090
Debt instruments pledged as collateral	**–**	85	**–**	–	**–**	85
Reinsurance assets	**975**	969	**–**	–	**975**	969
Total	**89 128**	133 880	**4 703**	2 977	**93 831**	136 857
Financial guarantees	**152**	438	**–**	–	**152**	438
Loan commitments	**164**	230	**–**	–	**164**	230
Total	**316**	668	**–**	–	**316**	668
Total credit risk exposure	**89 444**	134 548	**4 703**	2 977	**94 147**	137 525

EXPOSURE TO CREDIT RISK OF DEBT INSTRUMENTS

In CHF million	**At fair value through profit or loss**	**Available for sale**	**Held to maturity**	**Pledged as collateral**	**Loans and receivables**	**Total**
Categories by counterparty as at 31 December 2007						
Governments	**156**	**22 801**	**2 081**	**–**	**5 806**	**30 844**
Sovereign/supranational	**10**	**3 946**	**133**	**–**	**–**	**4 089**
Corporates	**1 304**	**19 696**	**743**	**–**	**4 641**	**26 384**
Collateralised debt	**318**	**8 307**	**666**	**–**	**12 182**	**21 473**
Other debt	**26**	**21**	**1**	**–**	**2 175**	**2 223**
For the account and risk of the Swiss Life Group's customers	**2 825**	**–**	**–**	**–**	**–**	**2 825**
Total	**4 639**	**54 771**	**3 624**	**–**	**24 804**	**87 838**
Categories by counterparty as at 31 December 2006						
Governments	294	47 841	2 443	28	8 322	58 928
Sovereign/supranational	20	3 671	135	–	8	3 834
Corporates	2 887	23 037	840	57	5 496	32 317
Collateralised debt	1 067	6 647	654	–	16 442	24 810
Other debt	645	542	18	–	3 514	4 719
For the account and risk of the Swiss Life Group's customers	2 800	–	–	–	–	2 800
Total	7 713	81 738	4 090	85	33 782	127 408

5 Risk Management Policies and Procedures (continued)

EXPOSURE TO CREDIT RISK OF DEBT INSTRUMENTS

In CHF million	AAA	AA	A	BBB	Below BBB or not rated	Past due or impaired	Total
Credit rating by counterparty as at 31 December 2007							
Governments	**23 995**	**5 310**	**1 296**	**36**	**207**	**–**	**30 844**
Sovereign/supranational	**2 508**	**461**	**694**	**286**	**140**	**–**	**4 089**
Corporates	**3 427**	**7 625**	**7 672**	**4 060**	**3 552**	**48**	**26 384**
Collateralised debt	**12 397**	**1 855**	**233**	**173**	**6 605**	**210**	**21 473**
Other debt	**131**	**21**	**28**	**–**	**2 043**	**–**	**2 223**
Total	**42 458**	**15 272**	**9 923**	**4 555**	**12 547**	**258**	**85 013**
Credit rating by counterparty as at 31 December 2006							
Governments	48 071	7 953	2 702	136	66	–	58 928
Sovereign/supranational	3 114	416	197	107	–	–	3 834
Corporates	9 204	11 715	8 605	686	2 008	99	32 317
Collateralised debt	10 733	2 155	530	–	11 126	266	24 810
Other debt	888	287	514	3	3 021	6	4 719
Total	72 010	22 526	12 548	932	16 221	371	124 608

FINANCIAL ASSETS PAST DUE (NOT IMPAIRED)

	Age analysis				
In CHF million	Up to 3 months	3–6 months	6–12 months	More than 1 year	Total
As at 31 December 2007					
Governments	**–**	**–**	**–**	**–**	**–**
Sovereign/supranational	**–**	**–**	**–**	**–**	**–**
Corporates	**–**	**–**	**–**	**–**	**–**
Collateralised debt	**6**	**30**	**4**	**13**	**53**
Other debt	**–**	**–**	**–**	**–**	**–**
Total	**6**	**30**	**4**	**13**	**53**
Fair value of collateral and credit enhancements					**67**
Financial assets with renegotiated terms					**–**
As at 31 December 2006					
Governments	–	–	–	–	–
Sovereign/supranational	–	–	–	–	–
Corporates	–	–	–	–	–
Collateralised debt	0	20	18	18	56
Other debt	1	3	1	1	6
Total	1	23	19	19	62
Fair value of collateral and credit enhancements					80
Financial assets with renegotiated terms					6

5 Risk Management Policies and Procedures (continued)

FINANCIAL ASSETS INDIVIDUALLY DETERMINED AS IMPAIRED

In CHF million	**2007**	2006	**2007**	2006	**2007**	2006
	Gross amount	Gross amount	**Impairment losses**	Impairment losses	**Carrying amount**	Carrying amount
Governments	**–**	–	**–**	–	**–**	–
Sovereign/supranational	**–**	–	**–**	–	**–**	–
Corporates	**700**	264	**–652**	–165	**48**	99
Collateralised debt	**205**	278	**–48**	–68	**157**	210
Other debt	**–**	0	**–**	0	**–**	0
Total	**905**	542	**–700**	–233	**205**	309
Fair value of collateral and credit enhancements					**217**	160

IMPAIRMENT LOSS ALLOWANCE BY CLASS

In CHF million	**Balance as at 1 January**	**Impairment losses recognised**	**Write-offs and disposals**	**Effect of classification as assets held for sale**	**Changes from discontinued operations**	**Foreign currency translation differences**	**Balance as at 31 December**
Impairment loss allowance during the year 2007							
Governments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sovereign/supranational	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Corporates	**165**	**629**	**–20**	**–82**	**–41**	**1**	**652**
Collateralised debt	**68**	**2**	**–3**	**–23**	**4**	**0**	**48**
Other debt	**0**	**0**	**0**	**–25**	**25**	**0**	**–**
Total	**233**	**631**	**–23**	**–130**	**–12**	**1**	**700**
Equity instruments available for sale	**904**	**114**	**–196**	**–136**	**24**	**5**	**715**

EXPOSURE TO CREDIT RISK OF OTHER ASSETS

In CHF million	**AAA**	**AA**	**A**	**BBB**	**Below BBB or not rated**	**For the account and risk of the Swiss Life Group's customers**	**Total**
Credit rating as at 31 December 2007							
Cash and cash equivalents	**1 612**	**725**	**301**	**3**	**96**	**1 818**	**4 555**
Derivatives	**74**	**241**	**84**	**2**	**2**	**60**	**463**
Reinsurance assets	**29**	**916**	**–**	**–**	**30**	**–**	**975**
Total	**1 715**	**1 882**	**385**	**5**	**128**	**1 878**	**5 993**
of which collateralised					**–**		
Credit rating as at 31 December 2006							
Cash and cash equivalents	4 389	1 658	748	20	630	176	7 621
Derivatives	383	228	85	1	161	1	859
Reinsurance assets	–	694	247	0	28	–	969
Total	4 772	2 580	1 080	21	819	177	9 449
of which collateralised					155		

5 Risk Management Policies and Procedures (continued)

EXPOSURE TO CREDIT RISK OF UNRECOGNISED ITEMS

In CHF million	AAA	AA	A	BBB	Below BBB or not rated	Total
Credit rating as at 31 December 2007						
Financial guarantees	–	–	71	–	81	152
Loan commitments	–	–	–	–	164	164
Total	–	–	71	–	245	316
of which collateralised					114	

CURRENCY RISK | The Swiss Life Group operates internationally and its exposures to currency risk primarily arise with respect to the euro, US dollar and British pound. Most of the investments and liabilities are denominated in Swiss francs, euros and US dollars, the value of which is subject to exchange rate fluctuations. The Group operates with various functional currencies (predominantly Swiss francs and euros). Its financial position and earnings could be significantly affected by a weakening of said foreign currencies against the Swiss franc.

The Swiss Life Group's European insurance and investment operations (excluding Switzerland) generally invest in assets denominated in the same currency as their insurance and investment liabilities, which mitigates the currency risk for these operations. As a result, currency risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. Although the Swiss Life Group actively engages in currency management to reduce the effect of exchange rate fluctuations on its assets and liabilities, particularly by hedging against the risk of such movements in relation to part of its investments denominated in euros and in US dollars, significant movements in exchange rates could adversely affect the Swiss Life Group's earnings and financial position, including the value of its investment portfolio. Foreign exchange exposure is hedged to a large extent in line with the strategic asset allocation. The Group's hedging arrangements are directed at covering its exposure from an economic perspective. The instruments which the Swiss Life Group uses to hedge exposure may not be perfectly correlated to the related assets, so the Group will still be exposed to losses if the value of the hedge and the value of the underlying asset or liability do not correspond appropriately.

The Swiss Life Group is further required to bear expenses and costs in establishing such hedging arrangements.

5 Risk Management Policies and Procedures (continued)

EXPOSURE TO CURRENCY RISK

In CHF million	CHF	EUR	USD	GBP	Other	For the account and risk of the Swiss Life Group's customers	Total
Carrying amounts as at 31 December 2007							
Monetary assets							
Cash and cash equivalents	**1 854**	**723**	**148**	**1**	**11**	**1 818**	**4 555**
Insurance receivables and other receivables	**1 215**	**2 845**	**83**	**5**	**4**	**–**	**4 152**
Derivatives	**29**	**227**	**132**	**8**	**7**	**60**	**463**
Debt instruments at fair value through profit or loss	**268**	**1 458**	**88**	**–**	**–**	**2 825**	**4 639**
Debt instruments available for sale	**16 139**	**32 913**	**4 705**	**165**	**849**	**–**	**54 771**
Loans	**8 533**	**12 119**	**0**	**–**	**–**	**–**	**20 652**
Financial assets held to maturity	**2**	**3 622**	**–**	**–**	**–**	**–**	**3 624**
Debt instruments pledged as collateral	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reinsurance assets	**31**	**944**	**–**	**–**	**–**	**–**	**975**
Total monetary assets	**28 071**	**54 851**	**5 156**	**179**	**871**	**4 703**	**93 831**
Monetary liabilities							
Insurance payables and other payables	**–2 405**	**–939**	**–1**	**–5**	**0**	**–**	**–3 350**
Derivatives	**–19**	**–129**	**–51**	**–**	**–14**	**0**	**–213**
Debt instruments at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–11 042**	**–11 042**
Investment contracts	**–1 048**	**–8 250**	**–40**	**–2**	**–**	**–3 567**	**–12 907**
Deposits	**–1 256**	**–1 347**	**–18**	**–1**	**–**	**–**	**–2 622**
Borrowings	**–438**	**–3 183**	**–**	**–**	**–**	**–**	**–3 621**
Insurance liabilities	**–62 402**	**–30 971**	**–91**	**–97**	**0**	**–931**	**–94 492**
Policyholder participation liabilities	**–813**	**–2 575**	**0**	**0**	**–**	**–**	**–3 388**
Total monetary liabilities	**–68 381**	**–47 394**	**–201**	**–105**	**–14**	**–15 540**	**–131 635**
Balance sheet currency gap	**–40 310**	**7 457**	**4 955**	**74**	**857**	**–10 837**	**–37 804**
Carrying amounts as at 31 December 2006							
Total monetary assets	37 553	90 812	3 302	1 645	568	2 977	136 857
Total monetary liabilities	–71 609	–83 483	–1 580	–374	–474	–15 496	–173 016
Balance sheet currency gap	–34 056	7 329	1 722	1 271	94	–12 519	–36 159

Due to the limitations of the Swiss capital market with regard to liquidity, investments in Switzerland are also made in currencies other than the Swiss franc. The balance sheet currency gap is to a large extent hedged on an economic basis using foreign currency derivatives. In the other countries, the assets are normally denominated in euro, which is the same currency as the insurance liabilities.

5 Risk Management Policies and Procedures (continued)

LIQUIDITY RISK | Liquidity risk is the risk that not enough cash resources may be available to pay obligations (primarily obligations arising from the insurance business and debt) when due at a reasonable cost. The Swiss Life Group is exposed to liquidity risk which primarily arises on calls on its cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. The Swiss Life Group faces the risk not to be able to refinance its debt obligations due to unexpected long-term market disruptions.

At operational level, rolling forecasts are in place to address situational liquidity risk, which primarily arises on unexpected calls on cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. The investment portfolio of the Swiss Life Group consists to a large extent of very liquid assets, which can be sold anytime. To overcome unexpected liquidity shortfalls at times asset disposals are not desired, repurchase agreements are used to ensure short-term refinancing at minimal cost.

Liquidity risk is considered in the strategic asset allocation. At a strategic level, the Swiss Life Group holds sufficient liquidity and uses proactive debt maturity planning to ensure full financial flexibility and an efficient liquidity management.

The liquidity analysis of financial liabilities and commitments is based on undiscounted cash flows by remaining contractual maturities, whereas insurance and policyholder participation liabilities are analysed by estimated timing of net cash outflows. The analysis is made for amounts for the account and risk of the Swiss Life Group.

EXPOSURE TO LIQUIDITY RISK AS AT 31 DECEMBER 2007

		Cash flows				
In CHF million	Carrying amount	Up to 1 month	1–3 months	3–12 months	1–5 years	More than 5 years
Financial liabilities						
Insurance payables and other payables	**3 350**	**276**	**209**	**2 462**	**381**	**23**
Derivatives	**213**	**0**	**45**	**136**	**22**	**22**
Financial liabilities at fair value through profit or loss	**385**	–	–	**385**	–	–
Investment contracts	**9 340**	**133**	**56**	**411**	**3 243**	**5 497**
Deposits	**2 622**	**82**	**6**	**689**	**414**	**1 431**
Borrowings	**3 621**	**3**	**27**	**696**	**1 848**	**2 164**
Total financial liabilities	**19 531**	**494**	**343**	**4 779**	**5 908**	**9 137**
Insurance and policyholder participation liabilities						
Insurance liabilities	**93 561**	**293**	**286**	**3 701**	**8 167**	**81 114**
Policyholder participation liabilities	**3 388**	**47**	**64**	**648**	**1 295**	**1 334**
Total insurance and policyholder participation liabilities	**96 949**	**340**	**350**	**4 349**	**9 462**	**82 448**
Commitments						
Loan commitments	–	**40**	–	**114**	–	**10**
Capital commitments	–	**399**	–	**98**	**201**	**18**
Total commitments	–	**439**	–	**212**	**201**	**28**

5 Risk Management Policies and Procedures (continued)

EXPOSURE TO LIQUIDITY RISK AS AT 31 DECEMBER 2006

		Cash flows				
In CHF million	Carrying amount	Up to 1 month	1–3 months	3–12 months	1–5 years	More than 5 years
Financial liabilities						
Insurance payables and other payables	4 268	935	370	2 089	870	6
Derivatives	817	4 499	9 906	2 661	417	250
Financial liabilities at fair value through profit or loss	2 363	833	–	151	–	1 382
Investment contracts	23 653	154	140	655	4 518	18 222
Deposits	10 685	7 128	1 022	463	620	1 452
Borrowings	2 810	228	27	92	2 055	902
Total financial liabilities	44 596	13 777	11 465	6 111	8 480	22 214
Insurance and policyholder participation liabilities						
Insurance liabilities	107 559	342	340	5 225	11 335	90 317
Policyholder participation liabilities	7 092	319	45	726	3 409	2 593
Total insurance and policyholder participation liabilities	114 651	661	385	5 951	14 744	92 910
Commitments						
Loan commitments	–	52	–	164	–	14
Capital commitments	–	285	71	–	40	3
Total commitments	–	337	71	164	40	17

5 Risk Management Policies and Procedures (continued)

CURRENT AND NON-CURRENT ASSETS AND LIABILITIES | The table below shows the expected recovery or settlement of assets and liabilities. Assets are classified as current if they are expected to be realised within twelve months after balance sheet date. Liabilities are classified as current if they are due to be settled within twelve months after balance sheet date. All other assets and liabilities are classified as non-current.

In CHF million	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
	Current	Current	**Non-current**	Non-current	**Total**	Total
Assets						
Cash and cash equivalents	**4 555**	7 621	**–**	–	**4 555**	7 621
Insurance receivables and other receivables	**3 896**	4 495	**256**	404	**4 152**	4 899
Derivatives	**289**	570	**174**	289	**463**	859
Assets held for sale	**40 468**	14	**–**	–	**40 468**	14
Financial assets at fair value through profit or loss	**14 261**	9 777	**5 138**	19 660	**19 399**	29 437
Financial assets available for sale	**4 154**	18 481	**64 434**	74 435	**68 588**	92 916
Loans	**3 926**	10 267	**16 726**	18 616	**20 652**	28 883
Financial assets held to maturity	**559**	398	**3 065**	3 692	**3 624**	4 090
Financial assets pledged as collateral	**–**	96	**–**	28	**–**	124
Investment property	**–**	–	**12 252**	11 816	**12 252**	11 816
Investments in associates	**–**	–	**72**	75	**72**	75
Reinsurance assets	**852**	359	**123**	610	**975**	969
Property and equipment	**–**	–	**864**	1 159	**864**	1 159
Intangible assets including intangible insurance assets	**–**	–	**3 151**	3 507	**3 151**	3 507
Current income tax assets	**1**	22	**–**	–	**1**	22
Deferred income tax assets	**–**	–	**118**	94	**118**	94
Other assets	**265**	312	**158**	153	**423**	465
Total assets	**73 226**	52 412	**106 531**	134 538	**179 757**	186 950
Liabilities						
Insurance payables and other payables	**3 299**	3 369	**51**	899	**3 350**	4 268
Derivatives	**163**	688	**50**	129	**213**	817
Liabilities associated with assets held for sale	**37 502**	–	**–**	–	**37 502**	–
Financial liabilities at fair value through profit or loss	**7 703**	2 326	**3 724**	7 212	**11 427**	9 538
Investment contracts	**626**	3 143	**12 281**	26 934	**12 907**	30 077
Deposits	**774**	8 554	**1 848**	2 131	**2 622**	10 685
Borrowings	**537**	12	**3 084**	2 798	**3 621**	2 810
Insurance liabilities	**12 066**	5 907	**82 426**	103 549	**94 492**	109 456
Policyholder participation liabilities	**407**	1 091	**2 981**	6 001	**3 388**	7 092
Employee benefit liabilities	**–**	–	**1 980**	2 561	**1 980**	2 561
Current income tax liabilities	**245**	232	**–**	–	**245**	232
Deferred income tax liabilities	**–**	–	**485**	865	**485**	865
Provisions	**60**	130	**56**	72	**116**	202
Other liabilities	**74**	479	**1**	17	**75**	496
Total liabilities	**63 456**	25 931	**108 967**	153 168	**172 423**	179 099

5 Risk Management Policies and Procedures (continued)

5.5 Insurance risk management objectives and policies

Insurance contracts are contracts under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group's insurance entities neither generally accept nor generally deny insurance coverage to applicants, but ensure that all the insurance risks are identified and thoroughly assessed, and that the insurance premiums accurately reflect the costs for the risk taken among other things. The amount of risk taken must be in line with the Group's strategy and risk policy, and must also meet the profitability targets.

Insurance risks are regularly reported to the Group Risk Committee.

Management of investment risks related to the savings process is included in certain insurance contracts.

Swiss Life's core business is life insurance, both individual and group life, in which it has acquired key competence and expertise. The Group's insurance entities operate in a number of different countries. As a consequence, the local regulatory constraints may have an impact on the business unit organisation and product range. These constraints must always be obeyed. In addition, each insurance entity shall adhere to certain general principles with regard to product development and policyholder bonuses.

PRODUCT DEVELOPMENT | When designing a new product or reviewing an existing one, care has to be taken that the product neither includes systemic risk nor provides incentives for adverse selection. The product should meet the market's need. Swiss Life generally favours transparent and simple product design with minimised model risk and a reliable pricing basis with sufficient statistical data available.

BONUS AND PROFIT ALLOCATION | The uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts is due to systemic risk arising from the unpredictability of long-term changes in overall levels of mortality and disability. On the other hand, there are random fluctuations, such as variability in policyholder behaviour, which cause deviations from the expected outcome of a portfolio. Benefit payments can be strongly affected by such deviations. The impact of random fluctuations depends on the extent of diversification within a portfolio of contracts.

For contracts with fixed and guaranteed benefits and premiums there are no mitigating terms and conditions that reduce the insurance risk accepted. For insurance and investment contracts with discretionary participation, the participating nature of these contracts may result in a significant portion of the insurance risk being shared with the policyholders.

OPTIONS | The ability of a policyholder to pay reduced or no future premiums under a contract, to terminate the contract completely or to exercise a guaranteed annuity option means that the amount of insurance risk is also subject to policyholder behaviour to a certain extent. On the assumption that a certain part of policyholders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that policyholders whose health has deteriorated significantly will be less inclined to terminate contracts insuring disability or death benefits than those policyholders remaining in good health, thus resulting in an increasing trend in the expected mortality of policyholders, as the portfolio of insurance contracts is reduced due to surrender (adverse selection).

5 Risk Management Policies and Procedures (continued)

NATURE OF INSURANCE RISK | Insurance risk arises when biometric and demographic trends as well as administrative costs deviate adversely from expectations and the premium rates agreed with the policyholder. Insurance risk quantification starts with the pricing of products. The insurance premiums are commonly determined by applying the equivalence principle, thereby using estimated values to calculate the future benefits. The Group's insurance entities generally use the most up-to-date pricing basis when pricing new products or repricing existing ones.

Insurance risk is measured as the negative deviation of (the realisations of) the insurance risk factors from the corresponding best-estimate values. Insurance risk factors include mortality rates, disability rates and longevity, among others.

The Group's insurance entities quantify the insurance risk. A quantification of the insurance risk includes a sensitivity analysis. Insurance risk is mainly assessed by means of stochastic models. By analogy with the value-at-risk concept, insurance risk capital is defined as the value of accumulated future insurance benefits that shall not be exceeded with a certain predetermined (high) probability.

The nature of insurance risk can be summarised as follows:

MORTALITY AND LONGEVITY | Increasing mortality rates result in higher benefits for contracts where death is the insured risk. On the other hand, decreasing mortality rates lead to higher annuity payments (longevity risk). The most significant factors resulting in an increase of longevity are continued improvement in medical science and social conditions.

The BVG business (Swiss occupational plans) is a significant part of the Group's life insurance business in Switzerland. The guaranteed annuity conversion rate for the mandatory BVG business was originally set at the rate of 7.2%. Under an amendment to the BVG legislation, which took effect on 1 January 2005, this rate will be reduced in stages to 6.8% by 2015. The prevalent guaranteed annuity conversion rates for retirements beginning in 2007 are set at 7.15% (women) and 7.1% (men). The Swiss Life Group has taken the reduction into account in the pricing and structure of its life insurance products in Switzerland (including a phased reduction of the conversion rate on its supplementary BVG business to 5.835% over 4 years).

Risk concentration per product category with regard to mortality and longevity is as follows:

ANNUITIES PAYABLE PER ANNUM BY TYPE OF ANNUITY – INDIVIDUAL LIFE

In CHF million	**31.12.2007**	31.12.2006
Life annuities – in payment	**563**	696
Life annuities – deferred	**870**	902
Annuities certain – in payment	**23**	29
Annuities certain – deferred	**59**	139
Disability income and other annuities – in payment	**272**	289
Disability income and other annuities – deferred	**8 109**	8 215
Total individual life	**9 896**	10 270

5 Risk Management Policies and Procedures (continued)

ANNUITIES PAYABLE PER ANNUM BY TYPE OF ANNUITY – GROUP LIFE

In CHF million	31.12.2007	31.12.2006
Retirement annuities – in payment	**545**	790
Retirement annuities – deferred	**427**	1 577
Survivors' annuities – in payment	**114**	118
Survivors' annuities – deferred	**2 085**	3 204
Disability income and other annuities – in payment	**450**	485
Disability income and other annuities – deferred	**14 511**	13 539
Total group life	**18 132**	19 713

LIFE BENEFITS INSURED BY TYPE OF INSURANCE – INDIVIDUAL LIFE

In CHF million	31.12.2007	31.12.2006
Pure endowment	**2 172**	6 460
Mixed endowment	**53 939**	60 420
Whole life	**563**	741
Term life	**14 241**	22 798
Universal life	**12**	3 160
Unit-linked contracts	**6 401**	11 417
Lump-sum disability payment	**32**	885
Other	**9 497**	25 623
Total individual life	**86 857**	131 504

LIFE BENEFITS INSURED BY TYPE OF INSURANCE – GROUP LIFE

In CHF million	31.12.2007	31.12.2006
Endowment and related	**15 621**	26 216
Term life	**87 197**	95 127
Swiss BVG	**132 240**	124 260
Lump-sum disability payment	**740**	1 659
Other	**3 294**	1 511
Total group life	**239 092**	248 773

MORBIDITY AND DISABILITY | An increase in morbidity results in higher benefits for contracts where disability is the insured risk. The most significant factors which could increase the frequency of such claims are epidemics (such as AIDS, avian flu or SARS) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in more claims than expected. Additionally, the termination rate with regard to disability (death or reactivation) has a significant impact on the benefits paid.

Claims arising from the accident and health business (group and individual contracts) primarily cover refunds for medical treatments, daily allowances in the case of sick leave, annuities and long-term medical care.

The most significant factors that could increase the overall liabilities in health insurance are the increase of the claim frequency due to an increase in the average age of the insured persons and negative economic and social factors.

The insurance liabilities arising from accident and health insurance contracts must consider outstanding claims and claims incurred but not reported (IBNR). A large part of the insurance liabilities arising from these contracts relates to IBNR and experience shows that health insurance contracts are sensitive to late reporting of claims (both number of claims and amounts).

5 Risk Management Policies and Procedures (continued)

Non-life | The Swiss Life Group has non-life operations in France covering risks associated with accident and health (disability) as well as property and casualty.

The Group manages the risks arising from these contracts by means of its underwriting strategy and reinsurance arrangements.

DEVELOPMENT OF CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS

	Estimate of ultimate claim costs by accident year							
In CHF million	2001	2002	2003	2004	2005	2006	2007	Total
At end of accident year	535	447	454	467	427	546	501	n. a.
1 year later	586	496	472	443	481	457	–	n. a.
2 years later	565	481	446	468	440	–	–	n. a.
3 years later	550	468	476	447	–	–	–	n. a.
4 years later	548	480	563	–	–	–	–	n. a.
5 years later	581	470	–	–	–	–	–	n. a.
6 years later	530	–	–	–	–	–	–	n. a.
Current estimate of cumulative claims	530	470	563	447	440	457	501	3 408
Cumulative payments to date	–469	–396	–355	–348	–324	–297	–198	–2 387
Liabilities before discounting	61	74	208	99	116	160	303	1 021
Effect of discounting	–	–	–	–	–	–	–	–
Liabilities for the current and previous 6 years	61	74	208	99	116	160	303	1 021
Liabilities for prior years								263
Total gross claims under non-life insurance contracts								1 284

The development of claims under non-life insurance contracts comprises the non-life business in France.

The underwriting guidelines exclude certain risks from coverage. For certain businesses reinsurance limits are in place.

Acceptance rules for risks are consistent with both the Code des Assurances and the French regulation. Underwriting guidelines and tariffs are reviewed on an annual basis.

The monitoring of the risks taken is made on a monthly basis with regard to related premiums and claims. An automated claims supervision system is used for the adjustment of tariffs for risks with loss ratios above a certain level.

As far as non-life insurance is concerned, the reinsurance arrangement includes mostly non-proportional coverage on any single risk and/or event, adapted to the specifications of each contract. This includes excess, stop-loss and catastrophe coverage. Facultative reinsurance is also written for protection against specific risks.

5 Risk Management Policies and Procedures (continued)

UNDERWRITING STRATEGY | Underwriting is the process of selecting and classifying insurable risks. The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Life insurance underwriting is performed to ensure that the premiums and the general conditions of the insurance policies are consistent with the risks to be insured. The first step in the underwriting process is to determine which individual risks can be accepted. The second step is to place the accepted risks into groups of roughly equivalent levels of risk. Both processes must be conducted objectively and consistently. The Group sets limits for the acceptance of insurance risk arising from new and renewal business. Medical selection is part of the Group's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. The limits relate to sums at risk, maximum insured losses or present value of premiums at the contract or insured person level. Depending on the type of business and the limit exceeded, the new or renewed contract must be approved by a specific investment and risk committee or senior management. Contracts exceeding the set limits must be tested for profitability according to predefined procedures before approval. Certain contracts which include specific risks relating to derivatives or demographic risk factors for which no reliable data is available must be submitted for approval irrespective of the amount of coverage offered. Insurance risks exceeding set limits are subject to regular internal reporting requirements. Additionally, it must be ensured that the underwriting practices are in line with local laws.

For certain group life business, local law is relevant with regard to medical examinations required before any business is written. For certain individual life business, agreements exist with regard to medical examinations of applicants before business is written. If the risk is assessed as high, exclusion of specific risks, premium adjustments and reinsurance are considered.

In the accident and health business, the underwriting strategy comprises biometric and financial data of the persons to be insured, type of contract and experience.

REINSURANCE | Reinsurance is used to limit the Group's exposure to insurance risk. This does not, however, discharge the Group's liability as a primary insurer, and, if a reinsurer fails to pay a claim, the Group remains liable for the payments to the policyholder. A loss allowance would be recognised for any estimated unrecoverable reinsurance.

In addition, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits and are presented in the balance sheet as a component of the reinsurance assets.

Management reviews reinsurance programmes covering treaty, type, risks covered and retention on a regular basis. A process, competencies and limits are set up for the approval of reinsurance programmes and their modification. To ensure that the Group's principles are observed, guidelines on reinsurance have been introduced.

The life insurance operations limit exposure to loss on any single life. Retention limits vary by country. For the coverage of loss accumulation in the life insurance business, reinsurance contracts covering catastrophe risk are in place. This type of reinsurance cover is organised at Group level. In the non-life insurance business, reinsurance coverage of loss accumulation is organised at the level of the individual insurance operations.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon one single reinsurer.

5 Risk Management Policies and Procedures (continued)

Approximately 1.8% of insurance in force from continuing operations in terms of earned insurance premiums was ceded as at 31 December 2007 (2006: 1.8%).

For certain businesses, quota share and surplus contracts primarily covering high amounts insured and catastrophe risks are in place. In other businesses, the reinsured risks are mortality and disability. These reinsurance arrangements are all on an excess-of-loss basis.

OTHER RISK TRANSFER | Risk transfer primarily takes the form of reinsurance. Alternative forms of risk transfer (such as securitisation) require formal approval of the Group Risk Committee. No significant alternative form of risk transfer is used by the Group at present.

SENSITIVITY ANALYSIS | The Swiss Life Group uses the traditional embedded value, as one of the main management tools, for its sensitivity analysis with regard to insurance risk and market risk. From the shareholders' point of view, the embedded value serves as an indicator of the value of the existing insurance portfolios. It is composed of three components: the adjusted net asset value (ANAV) attributable to shareholders, the present value of future profits (PVFP) minus the present value of the cost of holding capital (CoHC). Future new business is not included.

The embedded value of the Swiss Life Group amounted to CHF 12.8 billion as at 31 December 2007 (2006: CHF 10.7 billion). Due to different valuation principles, changes in the embedded value are typically not reflected to the same extent in the consolidated balance sheet and consolidated statement of income of the Swiss Life Group and vice versa.

The embedded value has certain limitations mainly arising from the fact that it is calculated as a single best estimate that does not reflect the full range of possible outcomes (e.g. to address embedded options and guarantees).

For the model PVFP calculations, the best possible assumptions were made regarding a number of factors, in particular returns on investment, development of costs and claims, policyholder participation and risk discount rate. Business is also assumed to be continuing at the same level (going concern) and the current cost ratios – adjusted for inflation – are thus assumed to hold good for the future as well. Future costs for maintaining classic solvency capital funded by the shareholders and which underpins the insurance business, are charged to the PVFP. The Swiss Life Group calculates the embedded value for all its life insurance companies. All other companies are taken into account at their statutory carrying amount. As a consequence, risk factors applied to these types of business have no effect on the value.

An analysis of sensitivity indicates to what extent the embedded value is affected by variations in risk factors. The analysis is based on changes in the assumptions used in the embedded value calculation whereby a specific risk factor is changed while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. In the event of a change in a specific risk factor, the effect of different allocations to policyholder participation as a consequence is considered in the analysis. The changes in a specific risk factor are applied to the entire projection period.

5 Risk Management Policies and Procedures (continued)

The sensitivity analysis relating to continuing operations with regard to insurance risk is as follows:

Higher overall mortality would have a significant positive effect on the embedded value of life annuities (survival risk) whereas the negative effect on the embedded value of contracts with mortality risk is comparatively limited due to respective reductions in policyholder bonuses. Therefore, this sensitivity is considered not significant as a risk for the embedded value.

At 31 December 2007, if the longevity improvement parameter had increased by 10%, the embedded value would have been CHF 31 million lower in Switzerland (2006: CHF 39 million lower) and CHF 27 million lower in the other countries (2006: CHF 15 million lower).

At 31 December 2007, if the longevity improvement parameter had decreased by 10%, the embedded value would have been CHF 33 million higher in Switzerland (2006: CHF 36 million higher) and CHF 26 million higher in the other countries (2006: CHF 13 million higher).

At 31 December 2007, if morbidity had been higher by 10%, the embedded value would have been CHF 29 million lower in Switzerland (2006: CHF 53 million lower) and CHF 30 million lower in the other countries (2006: CHF 23 million lower).

At 31 December 2007, if morbidity had been lower by 10%, the embedded value would have been CHF 29 million higher in Switzerland (2006: CHF 53 million higher) and CHF 30 million higher in the other countries (2006: CHF 23 million higher).

5 Risk Management Policies and Procedures (continued)

The sensitivity analysis with regard to market risk is as follows:

The Swiss Life Group assumes in the embedded value calculation that all bonds are held to maturity. Upon maturity, the redemption amounts are reinvested in new bonds at rates applicable at that point in time ("new money rate"). At 31 December 2007, if the new money rate with regard to bonds had been higher by 100 basis points, the embedded value would have been CHF 151 million higher in Switzerland (2006: CHF 170 million higher) and CHF 255 million higher in the other countries (2006: CHF 301 million higher).

At 31 December 2007, if the new money rate with regard to bonds had been lower by 100 basis points, the embedded value would have been CHF 162 million lower in Switzerland (2006: CHF 286 million lower) and CHF 247 million lower in the other countries (2006: CHF 283 million lower).

At 31 December 2007, if the fair value of equity securities and property had been higher by 10%, the embedded value would have been CHF 307 million higher in Switzerland (2006: CHF 723 million higher) and CHF 84 million higher in the other countries (2006: CHF 60 million higher).

At 31 December 2007, if the fair value of equity securities and property had been lower by 10%, the embedded value would have been CHF 377 million lower in Switzerland (2006: CHF 759 million lower) and CHF 83 million lower in the other countries (2006: CHF 60 million lower).

At 31 December 2007, if the investment returns for equity securities and property had been higher by 100 basis points, the embedded value would have been CHF 181 million higher in Switzerland (2006: CHF 183 million higher) and CHF 119 million higher in the other countries (2006: CHF 99 million higher).

At 31 December 2007, if the investment returns for equity securities and property had been lower by 100 basis points, the embedded value would have been CHF 206 million lower in Switzerland (2006: CHF 377 million lower) and CHF 118 million lower in the other countries (2006: CHF 81 million lower).

At 31 December 2007, if the foreign currencies had strengthened by 10% against the Swiss franc, the embedded value would have been CHF 4 million lower in Switzerland (2006: CHF 18 million higher). If the foreign currencies had strengthened by 10% against the euro, the embedded value would have been CHF 2 million higher in the other countries (2006: CHF 3 million higher).

At 31 December 2007, if the foreign currencies had weakened by 10% against the Swiss franc, the embedded value would have been CHF 4 million higher in Switzerland (2006: CHF 18 million lower). If the foreign currencies had weakened by 10% against the euro, the embedded value would have been CHF 2 million lower in the other countries (2006: CHF 3 million lower).

The sensitivity of insurance liabilities is also analysed on an economic basis for internal risk management purposes and to satisfy regulatory requirements (Swiss Solvency Test).

6 Earnings per Share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares.

Diluted earnings per share include the dilutive effect of convertible bonds and share options issued. In the diluted EPS calculation, the convertible debt is assumed to have been converted into shares and the profit attributable to shareholders is adjusted for the applicable interest expense minus the related taxes. Share options are dilutive when they would result in the issuance of shares for less than the average market price during the period. Dilutive share options are assumed to have been exercised. The assumed proceeds are regarded as having been received from the issuance of shares at the average market price during the period. The difference between the number of shares issued and the number of shares that would have been issued at the average market price during the period is considered as an issuance of shares for no consideration.

In CHF million (if not noted otherwise)	**2007**	2006	**2007**	2006	**2007**	2006
	Continuing operations	Continuing operations	**Discontinued operations**	Discontinued operations	**Group**	Group
Basic earnings per share						
Net profit attributable to equity holders of Swiss Life Holding	**704**	555	**641**	378	**1 345**	933
Weighted average number of shares outstanding	**33 003 291**	33 483 512	**33 003 291**	33 483 512	**33 003 291**	33 483 512
Basic earnings per share for the net profit attributable to equity holders of Swiss Life Holding (in CHF)	**21.33**	16.59	**19.43**	11.28	**40.76**	27.87
Diluted earnings per share						
Net profit attributable to equity holders of Swiss Life Holding	**704**	555	**641**	378	**1 345**	933
Elimination of interest expense on convertible bonds	**8**	12	**–**	–	**8**	12
Profit used to determine diluted earnings per share	**712**	567	**641**	378	**1 353**	945
Weighted average number of shares outstanding	**33 003 291**	33 483 512	**33 003 291**	33 483 512	**33 003 291**	33 483 512
Adjustments (number of shares)						
Assumed conversion of convertible bonds	**986 830**	1 511 806	**986 830**	1 511 806	**986 830**	1 511 806
Equity compensation plans	**176 009**	107 389	**176 009**	107 389	**176 009**	107 389
Share options	**1 543**	1 662	**1 543**	1 662	**1 543**	1 662
Weighted average number of shares outstanding for diluted earnings per share	**34 167 673**	35 104 369	**34 167 673**	35 104 369	**34 167 673**	35 104 369
Diluted earnings per share for the net profit attributable to equity holders of Swiss Life Holding (in CHF)	**20.83**	16.16	**18.77**	10.76	**39.60**	26.92

7 Premiums, Policy Fees and Deposits Received

Written premiums

In CHF million	2007	2006
Direct	**13 271**	12 246
Assumed	**281**	247
Gross written premiums	**13 552**	12 493
Ceded	**–247**	–220
Net written premiums	**13 305**	12 273

Earned premiums

In CHF million	2007	2006
Direct	**13 281**	12 254
Assumed	**281**	248
Gross earned premiums	**13 562**	12 502
Ceded	**–246**	–219
Net earned premiums	**13 316**	12 283

Written policy fees

In CHF million	2007	2006
Direct	**392**	395
Assumed	**–**	–
Gross written policy fees	**392**	395
Ceded	**0**	–
Net written policy fees	**392**	395

Earned policy fees

In CHF million	2007	2006
Direct	**389**	390
Assumed	**–**	–
Gross earned policy fees	**389**	390
Ceded	**0**	–
Net earned policy fees	**389**	390

Under the accounting principles adopted, deposits received under insurance and investment contracts are not recognised as income:

In CHF million	2007	2006
Net earned premiums	**13 316**	12 283
Net earned policy fees	**389**	390
Deposits received under insurance and investment contracts	**7 269**	6 533
Net earned premiums, policy fees and deposits received	**20 974**	19 206
Gross written premiums, policy fees and deposits received	**21 213**	19 421

8 Details of Certain Items in the Consolidated Statement of Income

Asset management and other commission income

In CHF million	2007	2006
Fiduciary and portfolio management fees	**103**	103
Brokerage commissions	**7**	4
Fees earned on loans and deposits	**0**	–
Other commissions and fees	**86**	91
Total asset management and other commission income	**196**	198

Investment income

In CHF million	2007	2006
Interest income on financial assets held to maturity and available for sale	**2 615**	2 307
Interest income on loans	**880**	898
Other interest income	**183**	248
Dividend income on financial assets available for sale	**698**	190
Net income on investment property	**502**	486
Total investment income	**4 878**	4 129

Net gains/losses on financial assets

In CHF million	Notes	2007	2006
Sale of			
financial assets held to maturity		**–**	–
financial assets available for sale	27	**452**	540
loans		**2**	–4
Net gains/losses from sales		**454**	536
Impairment losses on			
financial assets held to maturity		**–**	–
financial assets available for sale	27	**–744**	–12
loans	13	**–1**	–6
receivables		**–7**	0
Impairment losses on financial assets		**–752**	–18
Foreign currency gains/losses		**293**	367
Total net gains/losses on financial assets		**–5**	885

Net gains/losses on financial instruments at fair value through profit or loss

In CHF million	2007	2006
Net gains/losses on financial instruments held for trading		
Interest rate instruments	**94**	282
Equity instruments	**–105**	–172
Foreign currency and other instruments	**–516**	–765
Total net gains/losses on financial instruments held for trading	**–527**	–655
Net gains/losses on financial instruments designated as at fair value through profit or loss		
Financial assets	**1 066**	1 751
Financial liabilities	**–718**	–840
Total net gains/losses on financial instruments designated as at fair value through profit or loss	**348**	911
Total net gains/losses on financial instruments at fair value through profit or loss	**–179**	256

8 Details of Certain Items in the Consolidated Statement of Income (continued)

Other income

In CHF million	2007	2006
Realised gains/losses on sales of subsidiaries and other assets	**133**	–4
Other foreign currency gains/losses	**–42**	–30
Other	**56**	18
Total other income	**147**	–16

Net insurance benefits and claims

In CHF million	2007	2006
Net benefits and claims under insurance contracts		
Life benefits and claims	**10 610**	10 562
Change in future life policyholder benefits	**2 206**	1 029
Non-life claims	**328**	330
Benefits and claims under investment contracts with discretionary participation		
Life benefits and claims	**94**	66
Change in future life policyholder benefits	**30**	25
Total net insurance benefits and claims	**13 268**	12 012

Interest expense

In CHF million	2007	2006
Interest expense on deposits	**40**	50
Interest expense on investment contracts	**200**	456
Interest expense on deposits under insurance contracts	**162**	177
Other interest expense	**53**	39
Total interest expense	**455**	722

Commission expense

In CHF million	2007	2006
Insurance agent and broker commissions	**527**	576
Asset management and banking commissions	**40**	38
Borrowing fees	**–**	–
Other commissions and fees	**53**	23
Total commission expense	**620**	637

Employee benefits expense

In CHF million	Notes	2007	2006
Wages and salaries		**536**	518
Social security		**147**	142
Defined benefit plans	24	**105**	116
Defined contribution plans		**1**	1
Other employee benefits		**81**	71
Total employee benefits expense		**870**	848

8 Details of Certain Items in the Consolidated Statement of Income (continued)

Depreciation and amortisation expense

In CHF million	Notes	2007	2006
Depreciation of property and equipment	17	**46**	42
Amortisation of present value of future profits	18	**1**	1
Amortisation of deferred acquisition costs	18	**388**	366
Amortisation of deferred origination costs	18	**2**	1
Amortisation of other intangible assets	18	**11**	11
Total depreciation and amortisation expense		**448**	421

Other expenses

In CHF million	2007	2006
Marketing and advertising	**46**	57
Information technology and systems	**85**	83
Rental, maintenance and repair expenses	**56**	56
Professional services	**163**	180
Other	**195**	119
Total other expenses	**545**	495

Net gains/losses on financial instruments at fair value through profit or loss from continuing operations include interest and dividend income of CHF 132 million for the period ended 31 December 2007 (2006: CHF 273 million). Net gains/losses on liabilities designated as at fair value through profit or loss from continuing operations include changes attributable to credit risk: nil for the period ended 31 December 2007 (2006: nil).

9 Insurance and Other Receivables and Payables

Insurance receivables and other receivables

In CHF million	Notes	31.12.2007	31.12.2006
Receivables from agents, brokers and insurers		**399**	420
Receivables from policyholders		**914**	1 017
Receivables from reinsurers		**194**	165
Accrued income		**1 823**	2 410
Other		**840**	901
Allowance for impairment losses		**–18**	–14
Total insurance receivables and other receivables	33	**4 152**	4 899

Insurance payables and other payables

In CHF million	Notes	31.12.2007	31.12.2006
Amounts due to agents, brokers and insurers		**353**	458
Amounts due to policyholders		**2 157**	2 776
Accrued expenses		**432**	439
Other		**408**	595
Total insurance payables and other payables	33	**3 350**	4 268

10 Derivatives

In CHF million	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
	Fair value assets	Fair value assets	**Fair value liabilities**	Fair value liabilities	**Contract/ notional amount**	Contract/ notional amount
Derivatives held for trading						
Currency derivatives						
Forward contracts	**159**	245	**146**	406	**30 119**	32 208
Swaps	**30**	36	**–**	20	**803**	1 310
Futures	**–**	–	**–**	–	**–**	–
Options (over-the-counter)	**–**	30	**–**	29	**–**	3 216
Options (exchange-traded)	**7**	14	**–**	–	**1 000**	1 515
Other	**–**	–	**–**	–	**–**	–
Total currency derivatives	**196**	325	**146**	455	**31 922**	38 249
Interest rate derivatives						
Forward rate agreements	**–**	–	**–**	–	**–**	–
Swaps	**24**	45	**48**	160	**3 836**	8 381
Futures	**–**	–	**–**	–	**–**	1 662
Options (over-the-counter)	**–**	34	**–**	3	**–**	4 530
Options (exchange-traded)	**–**	0	**–**	0	**–**	710
Other	**0**	3	**–**	–	**605**	989
Total interest rate derivatives	**24**	82	**48**	163	**4 441**	16 272
Equity/index derivatives						
Forward contracts	**16**	12	**4**	4	**1 898**	607
Futures	**–**	1	**–**	8	**–**	2 278
Options (over-the-counter)	**–**	20	**–**	21	**–**	811
Options (exchange-traded)	**15**	107	**0**	69	**2 974**	6 086
Other	**–**	33	**–**	–	**–**	3 163
Total equity/index derivatives	**31**	173	**4**	102	**4 872**	12 945
Precious metal derivatives						
Forward contracts	**–**	8	**–**	10	**–**	341
Futures	**–**	–	**–**	–	**–**	–
Options (over-the-counter)	**–**	15	**–**	16	**–**	1 032
Options (exchange-traded)	**–**	–	**–**	–	**–**	–
Other	**–**	–	**–**	–	**–**	–
Total precious metal derivatives	**–**	23	**–**	26	**–**	1 373
Other derivatives						
Derivatives embedded in insurance contracts	**–**	–	**1**	1	**10**	18
Derivatives embedded in investment contracts	**–**	–	**–**	–	**–**	–
Derivatives for the account and risk of the Swiss Life Group's customers	**60**	1	**0**	0	**192**	18
Other	**103**	144	**2**	6	**650**	1 231
Total other derivatives	**163**	145	**3**	7	**852**	1 267
Total derivatives held for trading	**414**	748	**201**	753	**42 087**	70 106

10 Derivatives (continued)

In CHF million	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
	Fair value assets	Fair value assets	**Fair value liabilities**	Fair value liabilities	**Contract/ notional amount**	Contract/ notional amount
Derivatives designated and accounted for as hedging instruments						
Derivatives designated as fair value hedges	**49**	107	**12**	56	**6 493**	5 719
Derivatives designated as cash flow hedges	**–**	4	**–**	8	**–**	762
Total derivatives designated and accounted for as hedging instruments	**49**	111	**12**	64	**6 493**	6 481
Total derivatives	**463**	859	**213**	817	**48 580**	76 587

Derivatives held for trading

Derivatives held for trading primarily comprise derivatives that share a risk with other financial instruments and give rise to opposite changes in fair value that tend to offset each other ("economic hedges").

To manage the risks associated with derivative trading, the Group establishes risk levels and monitors these exposures. Exposure to price risk on both derivatives and their underlyings is managed in accordance with risk limits set by management for buying or selling instruments or closing out positions. The risks arise from open positions in interest rates, currencies and equity instruments, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

Derivatives designated and accounted for as hedging instruments

Derivatives designated and accounted for as hedging instruments primarily comprise derivatives associated with fair value hedges and cash flow hedges that qualify for hedge accounting.

DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES

In CHF million	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
	Fair value assets	Fair value assets	**Fair value liabilities**	Fair value liabilities	**Gains/ losses on hedging instruments**	Gains/ losses on hedging instruments	**Gains/ losses on hedged items**	Gains/ losses on hedged items	**Contract/ notional amount**	Contract/ notional amount
Interest rate swaps	**34**	71	**–**	43	**–245**	–155	**245**	155	**1 628**	2 840
Currency forward contracts	**15**	36	**12**	13	**21**	–205	**–21**	205	**4 865**	2 879
Total derivatives designated as fair value hedges	**49**	107	**12**	56	**–224**	–360	**224**	360	**6 493**	5 719

In 2007 and 2006 the Group entered into interest rate swaps to hedge the available-for-sale fixed-rate bond portfolios in USD and EUR against changes in the fair value attributable to interest rate risk. The fair value of the bond portfolios as at 31 December 2007 was CHF 1.6 billion in total (2006: available-for-sale fixed-rate bond portfolios in USD and EUR and loans in EUR totalling CHF 2.9 billion).

Forward contracts are used as hedging instruments to protect investments in hedge funds against adverse movements in the EUR and USD exchange rates (2006: USD exchange rate).

10 Derivatives (continued)

DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

In CHF million	Fair value assets	Fair value liabilities	Amounts recognised in equity	Ineffectiveness recognised in profit or loss	Amounts transferred to the income statement	Contract/ notional amount	Cash flows expected to occur	Cash flows expected to affect profit or loss
31 December 2007								
Interest rate swaps	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total derivatives designated as cash flow hedges	–	–	–	–	–	–	**n. a.**	**n. a.**
31 December 2006								
Interest rate swaps	4	8	4	0	5	762	2007–16	2007–16
Other	–	–	–	–	–	–	–	–
Total derivatives designated as cash flow hedges	4	8	4	0	5	762	n. a.	n. a.

The effective portion of the fair value changes on the interest rate swaps designated as hedging instruments is recognised directly in equity and reclassified to the income statement when the hedged cash flows affect profit or loss. The ineffective portion of the fair value changes is recognised immediately in the income statement.

All amounts transferred to the income statement are included in the net profit from discontinued operations.

11 Financial Assets and Liabilities at Fair Value through Profit or Loss

In CHF million	Notes	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
		Held for trading	Held for trading	**Designated as at fair value through profit or loss**	Designated as at fair value through profit or loss	**Total**	Total
Financial assets at fair value through profit or loss							
Debt securities		–	1 491	**1 814**	3 422	**1 814**	4 913
Equity securities		–	1 359	**874**	4 582	**874**	5 941
Investment fund units – debt		–	–	**1 665**	1 134	**1 665**	1 134
Investment fund units – equity		–	–	**1 051**	1 035	**1 051**	1 035
Investment fund units – mixed		–	23	**30**	1 158	**30**	1 181
Hedge funds		–	–	**267**	263	**267**	263
Assets for the account and risk of the Swiss Life Group's customers	5	–	–	**13 696**	14 961	**13 696**	14 961
Other		–	4	**2**	5	**2**	9
Total financial assets at fair value through profit or loss		–	2 877	**19 399**	26 560	**19 399**	29 437
Securities pledged as collateral (reclassified)		–	86	–	–	–	86
Financial liabilities at fair value through profit or loss							
Debt instruments		–	574	–	62	–	636
Equity instruments		–	194	–	–	–	194
Liabilities for the account and risk of the Swiss Life Group's customers		–	–	**11 042**	7 175	**11 042**	7 175
Other		–	–	**385**	1 533	**385**	1 533
Total financial liabilities at fair value through profit or loss		–	768	**11 427**	8 770	**11 427**	9 538

Financial assets at fair value through profit or loss that have been sold under a repurchase agreement or lent under an agreement to return them, and where the transferee has the right to sell or repledge the financial assets given as collateral, were reclassified to financial assets pledged as collateral.

The financial liabilities at fair value through profit or loss in the line item "other" mainly comprise liabilities relating to certain investment funds.

The carrying amounts and the contractual redemption amounts at maturity of financial liabilities designated as at fair value through profit or loss are as follows:

In CHF million	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
	Carrying amount	Carrying amount	**Redemption amount**	Redemption amount
Debentures	–	62	–	65
Other	**385**	1 533	**385**	1 533
Total financial liabilities designated as at fair value through profit or loss	**385**	1 595	**385**	1 598

12 Financial Assets Available for Sale

In CHF million	Notes	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
		Cost/ amortised cost	Cost/ amortised cost	**Net unrealised gains/losses**	Net unrealised gains/losses	**Fair value (carrying amount)**	Fair value (carrying amount)
Debt securities		**57 326**	80 649	**–2 576**	984	**54 750**	81 633
Money market instruments and loans		**21**	105	**–**	0	**21**	105
Equity securities		**6 123**	4 612	**93**	876	**6 216**	5 488
Investment fund units – debt		**157**	67	**3**	3	**160**	70
Investment fund units – equity		**1 418**	384	**21**	25	**1 439**	409
Investment fund units – mixed		**234**	301	**16**	7	**250**	308
Private equity		**93**	93	**20**	36	**113**	129
Hedge funds		**5 310**	4 401	**328**	312	**5 638**	4 713
Other		**1**	61	**0**	0	**1**	61
Total financial assets available for sale	27	**70 683**	90 673	**–2 095**	2 243	**68 588**	92 916
Securities pledged as collateral (reclassified)		**–**	38	**–**	0	**–**	38

Based on detailed assessments with regard to indications of impairment, impairment losses from continuing operations totalling CHF 744 million were recognised in the period under review (2006: CHF 12 million). The impairment losses in 2007 primarily related to debt and equity securities (2006: primarily equity securities).

No held-to-maturity securities were transferred to the available-for-sale category and no available-for-sale securities were transferred to the held-to-maturity category in the period under review.

Financial assets available for sale that have been sold under a repurchase agreement or lent under an agreement to return them, and where the transferee has the right to sell or repledge the financial assets given as collateral, were reclassified to financial assets pledged as collateral.

13 Loans

In CHF million	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
	Gross amount	Gross amount	**Allowance for impairment losses**	Allowance for impairment losses	**Carrying amount**	Carrying amount	**Fair value**	Fair value
Mortgages	**5 974**	8 409	**–47**	–67	**5 927**	8 342	**5 784**	8 315
Policy loans	**671**	784	**–**	–	**671**	784	**679**	798
Other originated loans	**3 511**	9 133	**–7**	–150	**3 504**	8 983	**3 483**	9 080
Purchased loans	**10 550**	9 852	**–**	–	**10 550**	9 852	**10 462**	10 264
Repurchase agreements	**0**	922	**–**	–	**0**	922	**0**	922
Total loans	**20 706**	29 100	**–54**	–217	**20 652**	28 883	**20 408**	29 379

Allowance for impairment losses

In CHF million	Notes	**2007**	2006	**2007**	2006	**2007**	2006
		Individual evaluation of impairment	Individual evaluation of impairment	**Collective evaluation of impairment**	Collective evaluation of impairment	**Total**	Total
Balance as at 1 January		**194**	164	**23**	22	**217**	186
Impairment losses	8	**1**	6	**–**	–	**1**	6
Write-offs		**–3**	–2	**–**	–	**–3**	–2
Recoveries		**–**	–	**–**	–	**–**	–
Effect of classification as assets held for sale		**–96**	–	**–23**	–	**–119**	–
Changes from discontinued operations		**–42**	26	**0**	1	**–42**	27
Foreign currency translation differences		**0**	0	**–**	–	**0**	0
Balance as at 31 December		**54**	194	**–**	23	**54**	217

An allowance is recognised for the difference between the carrying value and the estimated recoverable amount, if lower.

Interest income accrued on impaired loans from continuing operations was CHF 5 million as at 31 December 2007 (2006: CHF 4 million). The Group's loan portfolio is monitored closely through the review of information such as debt service, annual reports and assessments. This information is evaluated in light of current economic conditions and other factors such as diversification of the property portfolio. This evaluation is part of the regular review to determine whether the allowance for potential loan losses is warranted. Management believes that the allowance for loan losses is sufficient. However, management cannot predict with assurance the impact of future economic circumstances or how the mortgage and real estate portfolios would be affected by various economic circumstances.

14 Financial Assets Held to Maturity

In CHF million	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
	Cost/ amortised cost (carrying amount)	Cost/ amortised cost (carrying amount)	**Net unrecognised gains/losses**	Net unrecognised gains/losses	**Fair value**	Fair value
Debt securities	**3 624**	4 072	**–49**	103	**3 575**	4 175
Money market instruments	**–**	18	**–**	–	**–**	18
Other	**–**	–	**–**	–	**–**	–
Total financial assets held to maturity	**3 624**	4 090	**–49**	103	**3 575**	4 193
Securities pledged as collateral (reclassified)	**–**	–	**–**	–	**–**	–

15 Investment Property

In CHF million	Notes	2007	2006
Balance as at 1 January		**11 816**	11 439
Additions		**326**	92
Additions from business combinations	29	**34**	–
Capitalised subsequent expenditure		**135**	102
Classification as assets held for sale and other disposals		**–462**	–153
Gains/losses from fair value adjustments		**229**	94
Transfers from/to property and equipment	17	**95**	181
Changes from discontinued operations		**19**	–3
Foreign currency translation differences		**60**	64
Balance as at 31 December		**12 252**	11 816

Investment property consists of investments in residential, commercial and mixed-use properties primarily located within Switzerland. Property held for investment purposes comprises land and buildings owned by the Group to earn rentals and/or for capital appreciation. Property that is used by the Group itself or leased to, and occupied by, another entity of the Group is classified as owner-occupied property under property and equipment. Property acquired with a view to its subsequent disposal in the near future is carried under assets held for sale.

Rental income from investment property from continuing operations was CHF 670 million for the period ended 31 December 2007 (2006: CHF 640 million). Operating expenses arising from investment property from continuing operations that generated rental income stood at CHF 168 million for the period ended 31 December 2007 (2006: CHF 140 million). Operating expenses arising from investment property from continuing operations that did not generate rental income during the period stood at CHF 0.1 million for the period ended 31 December 2007 (2006: CHF 14 million).

16 Investments in Associates

In CHF million	2007	2006
Balance as at 1 January	**75**	76
Additions	**3**	1
Classification as assets held for sale and other disposals	**–9**	–1
Share of results	**12**	11
Share of amounts recognised directly in equity	**0**	0
Dividends paid	**–10**	–5
Changes from discontinued operations	**0**	–8
Foreign currency translation differences	**1**	1
Balance as at 31 December	**72**	75
Share of contingent liabilities	**–**	–

Goodwill relating to investments in associates is included in the carrying amount of investments in associates in accordance with IAS 28 (revised) Investment in Associates.

Investments in associates: summarised financial information

Amounts in CHF million	Assets	Liabilities	Net assets	Share of net assets	Revenues	Results	Share of results	Direct share
2007								
Crédit et services financiers (CRESERFI), Paris	**243**	**105**	**138**	**46**	**70**	**12**	**4**	**33.4%**
Technopark Immobilien, Zürich	**102**	**56**	**46**	**15**	**14**	**2**	**1**	**33.3%**
LGT Swiss Life Non Traditional Advisers, Vaduz	**18**	**3**	**15**	**7**	**16**	**15**	**7**	**43.7%**
Parking de Bellefontaine, Lausanne	**6**	**5**	**1**	**0**	**1**	**0**	**0**	**38.3%**
Other	**20**	**9**	**11**	**4**	**9**	**2**	**0**	**n. a.**
Total	**389**	**178**	**211**	**72**	**110**	**31**	**12**	**n. a.**
2006								
Crédit et services financiers (CRESERFI), Paris	233	108	125	42	62	9	3	33.4%
B-Source, Lugano	58	45	13	5	161	–30	–[1]	37.0%
Technopark Immobilien, Zürich	101	55	46	15	15	1	0	33.3%
LGT Swiss Life Non Traditional Advisers, Vaduz	21	3	18	8	19	17	7	43.4%
AIA Pool, Sint-Jans-Molenbeek	5	4	1	0	0	0	–[1]	13.0%
Parking de Bellefontaine, Lausanne	6	5	1	0	1	0	0	38.3%
Other	82	64	18	5	30	4	1	n. a.
Total	506	284	222	75	288	1	11	n. a.

[1] included in the net profit from discontinued operations

No investments in associates had published price quotations as at 31 December 2007 and 2006. As at 31 December 2007 and 2006, no contingent liabilities arose from the Group's investments in associates.

17 Property and Equipment

Property and equipment for the year 2007

In CHF million	Notes	Land and buildings	Buildings under construction	Furniture and fixtures	Hardware	Other equipment	Total
Cost							
Balance as at 1 January		1 187	116	130	143	24	1 600
Additions		6	52	10	12	14	94
Additions from business combinations		–	–	0	0	0	0
Classification as assets held for sale and other disposals		–271	–	–56	–86	–21	–434
Transfers from/to investment property	15	–50	–61	–	–	–	–111
Revaluation in respect of transfers to investment property		2	–	–	–	–	2
Changes from discontinued operations		3	–	6	2	1	12
Foreign currency translation differences		10	–	1	1	0	12
Balance as at 31 December		887	107	91	72	18	1 175
Accumulated depreciation and impairment							
Balance as at 1 January		–220	–2	–92	–111	–16	–441
Depreciation	8	–20	–	–10	–14	–2	–46
Impairment losses		–	–	–1	–4	0	–5
Reversal of impairment losses		–	–	–	–	–	–
Classification as assets held for sale and other disposals		45	–	45	82	7	179
Transfers to investment property	15	16	–	–	–	–	16
Changes from discontinued operations		–5	–	–2	–2	–1	–10
Foreign currency translation differences		–1	–	–1	–1	–1	–4
Balance as at 31 December		–185	–2	–61	–50	–13	–311
Total property and equipment as at 31 December		702	105	30	22	5	864
of which assets held under a finance lease		*40*	–	–	*2*	–	*42*

17 Property and Equipment (continued)

Property and equipment for the year 2006

In CHF million	Notes	Land and buildings	Buildings under construction	Furniture and fixtures	Hardware	Other equipment	Total
Cost							
Balance as at 1 January		1 183	194	158	155	27	1 717
Additions		8	79	7	8	7	109
Additions from business combinations		–	–	0	0	0	0
Classification as assets held for sale and other disposals		–1	–	–20	–20	–5	–46
Transfers from/to investment property	15	–26	–157	–	–	–	–183
Revaluation in respect of transfers to investment property		4	–	–	–	–	4
Changes from discontinued operations		8	–	–17	–1	–5	–15
Foreign currency translation differences		11	–	2	1	0	14
Balance as at 31 December		1 187	116	130	143	24	1 600
Accumulated depreciation and impairment							
Balance as at 1 January		–202	–2	–120	–111	–19	–454
Depreciation	8	–15	–	–8	–18	–1	–42
Impairment losses		–1	–	–	–	–	–1
Reversal of impairment losses		–	–	–	–	–	–
Classification as assets held for sale and other disposals		1	–	20	18	1	40
Transfers to investment property	15	2	–	–	–	–	2
Changes from discontinued operations		–4	–	17	1	5	19
Foreign currency translation differences		–1	–	–1	–1	–2	–5
Balance as at 31 December		–220	–2	–92	–111	–16	–441
Total property and equipment as at 31 December		967	114	38	32	8	1 159
of which assets held under a finance lease		*41*	–	–	*1*	–	*42*

No borrowing costs were capitalised in property and equipment in 2007 and 2006.

18 Intangible Assets

In CHF million	31.12.2007	31.12.2006
Intangible insurance assets	**2 644**	2 789
Other intangible assets	**507**	718
Total intangible assets	**3 151**	3 507

Intangible insurance assets

In CHF million	Notes	2007	2006	2007	2006	2007	2006	2007	2006
		Present value of future profits from acquired insurance portfolios (PVP)	Present value of future profits from acquired insurance portfolios (PVP)	**Deferred acquisition costs (DAC)**	Deferred acquisition costs (DAC)	**Deferred origination costs (DOC)**	Deferred origination costs (DOC)	**Total**	Total
Balance as at 1 January		**17**	17	**2 526**	2 077	**246**	223	**2 789**	2 317
Additions		**–**	–	**452**	473	**5**	2	**457**	475
Additions from business combinations	29	**8**	–	**–**	–	**–**	–	**8**	–
Amortisation	8	**–1**	–1	**–388**	–366	**–2**	–1	**–391**	–368
Impairment due to liability adequacy test		**–**	0	**–1**	–	**–**	–	**–1**	0
Effect of gains/losses recognised directly in equity	27	**0**	0	**326**	284	**–**	–	**326**	284
Changes from discontinued operations		**–**	–	**27**	8	**–11**	22	**16**	30
Classification as assets held for sale and other disposals		**–**	–	**–372**	–	**–231**	–	**–603**	–
Foreign currency translation differences		**0**	1	**42**	50	**1**	0	**43**	51
Balance as at 31 December		**24**	17	**2 612**	2 526	**8**	246	**2 644**	2 789

PRESENT VALUE OF FUTURE PROFITS (PVP) | The present value of future profits relates to portfolios of insurance contracts and investment contracts with discretionary participation acquired in a business combination or transfer of portfolios. These amounts, representing the present value of future profits amortised in proportion to gross profits over the effective life of the acquired insurance and investment contracts, primarily relate to contracts acquired in Germany and France.

On the acquisition of Meeschaert Assurances, Paris, in November 2007, present value of future profits amounting to CHF 8 million was recognised.

Annual amortisation charges on the present value of future profits relating to acquired insurance portfolios totalling CHF 24 million as at 31 December 2007 are estimated as ranging from CHF 1 million to CHF 3 million for the years 2008 to 2010.

DEFERRED ACQUISITION COSTS (DAC) | Certain acquisition costs relating to new and renewed insurance contracts and investment contracts with discretionary participation features are deferred.

DEFERRED ORIGINATION COSTS (DOC) | These costs are recoverable and are directly attributable to securing investment management contracts. They primarily relate to contracts in Luxembourg.

Intangible insurance assets of CHF 600 million relating to the insurance operations in the Netherlands and Belgium were reclassified to assets held for sale.

18 Intangible Assets (continued)

Other intangible assets

In CHF million	Notes	2007 Goodwill	2006 Goodwill	2007 Customer relation-ships	2006 Customer relation-ships	2007 Computer software and other	2006 Computer software and other	2007 Total	2006 Total
Cost									
Balance as at 1 January		**1 430**	1 431	**18**	15	**175**	184	**1 623**	1 630
Additions		**–**	–	**–**	–	**3**	3	**3**	3
Additions from business combinations	29	**165**	–	**60**	2	**0**	0	**225**	2
Additions from internal development		**–**	–	**–**	–	**0**	0	**0**	0
Classification as assets held for sale and other disposals		**–996**	–1	**–19**	–	**–52**	–18	**–1 067**	–19
Changes from discontinued operations		**–**	–	**0**	–	**3**	2	**3**	2
Foreign currency translation differences		**–**	–	**1**	1	**5**	4	**6**	5
Balance as at 31 December		**599**	1 430	**60**	18	**134**	175	**793**	1 623
Accumulated amortisation and impairment									
Balance as at 1 January		**–738**	–739	**–11**	–5	**–156**	–128	**–905**	–872
Amortisation recognised in income	8	**–**	–	**–4**	–	**–7**	–11	**–11**	–11
Impairment losses		**–**	–	**–**	–	**–**	–30	**–**	–30
Reversal of impairment losses		**–**	–	**–**	–	**–**	–	**–**	–
Classification as assets held for sale and other disposals		**575**	1	**16**	–	**48**	17	**639**	18
Changes from discontinued operations		**–**	–	**–3**	–6	**–2**	–2	**–5**	–8
Foreign currency translation differences		**–**	–	**0**	–	**–4**	–2	**–4**	–2
Balance as at 31 December		**–163**	–738	**–2**	–11	**–121**	–156	**–286**	–905
Total other intangible assets as at 31 December		**436**	692	**58**	7	**13**	19	**507**	718

GOODWILL | Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities, if applicable, at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on associates is included in the carrying amount of the investment.

Goodwill totalling CHF 149 million on the acquisition of CapitalLeben Versicherung AG, Schaan, was recognised in the period under review. The cost that led to the recognition of goodwill relates to the anticipated future business of the Liechtenstein operation. Goodwill on the acquisition of CapitalLeben Versicherung AG, Schaan, has been allocated to the "Insurance" segment "Other", which in 2007 comprised the insurance business in Liechtenstein and Luxembourg.

In 2007, goodwill amounting to CHF 16 million was recognised on the purchase of additional shares of Banca del Gottardo Italia, Bergamo. The proportion of ownership interest increased by 19% to 90%.

Goodwill relating to Lloyd Continental has been allocated to the "Insurance" segment in France.

The calculations relating to the recoverable amounts which have been determined on a value-in-use basis use cash flow projections based on financial budgets approved by management. The projection covers a four-year period for Lloyd Continental. Due to the duration of the insurance and investment contracts a 13-year period was used for CapitalLeben Versicherung AG, Schaan. The calculations for Lloyd Continental and CapitalLeben Versicherung AG,

18 Intangible Assets (continued)

Schaan, are based on present values that traditionally use a single set of estimated cash flows and a single discount rate.

The key assumptions used for the impairment testing on the carrying amount of goodwill totalling CHF 436 million were as follows:

Amounts in CHF million	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
	Banca del Gottardo	Banca del Gottardo	**Lloyd Continental**	Lloyd Continental	**CapitalLeben**	CapitalLeben
Net carrying amount of goodwill	–	405	**287**	287	**149**	–
Impairment losses	–	–	–	–	–	–
Key assumptions used for impairment tests						
Growth rate	–	1.0%	**1.0%**[1]	1.0%[1]	**1.5%**	–
Discount rate	–	9.9%	**8.0%**	8.0%	**10.1%**	–

[1] 1% in 2011 and 2010 respectively, reduced by 0.25% in each subsequent year

These key assumptions have been derived from analysis in the specific markets. Investment returns reflect projected returns based on the specific investment portfolios and the investment strategy. The discount rates used are pre-tax rates and reflect specific risks relating to the business concerned. The growth rate was used for cash flow projections beyond the budgeted periods.

Goodwill amounting to CHF 421 million relating to Banca del Gottardo has been reclassified to assets held for sale.

CUSTOMER RELATIONSHIPS | On the acquisition of CapitalLeben Versicherung AG, Schaan, a customer relationship asset of CHF 33 million was recognised in the period under review. In August 2007, the Swiss Life Group acquired the banking activities of Fideuram Wargny, France, which led to the recognition of a customer relationship asset of CHF 12 million. In November 2007, Meeschaert Assurances, Paris, was acquired and a customer relationship asset amounting to CHF 15 million was recognised.

Customer relationships totalling CHF 3 million have been reclassified to assets held for sale.

COMPUTER SOFTWARE AND OTHER | Consist of computer software, trademarks and brand names.

19 Other Assets and Liabilities

Other assets

In CHF million	Notes	31.12.2007	31.12.2006
Deferred charges and prepaid expenses		**125**	200
Employee benefit assets	24	**158**	153
Sundry assets		**140**	112
Total other assets		**423**	465

Other liabilities

In CHF million	31.12.2007	31.12.2006
Deferred income	**14**	398
Sundry liabilities	**61**	98
Total other liabilities	**75**	496

20 Investment Contracts

In CHF million	Notes	31.12.2007	31.12.2006
Investment contracts with discretionary participation with deposit accounting		**11 414**	28 626
Investment contracts with discretionary participation with actuarial valuation		**743**	710
Investment contracts without discretionary participation at amortised cost	33	**440**	586
Investment contracts without discretionary participation at fair value through profit or loss		**310**	155
Total investment contracts		**12 907**	30 077
of which for the account and risk of the Swiss Life Group's customers		***3 567***	*6 424*

Investment contracts with discretionary participation with deposit accounting

In CHF million	Notes	2007	2006
Balance as at 1 January		**28 626**	23 574
Additions from business combinations	29	**870**	–
Deposits received		**3 769**	4 744
Interest credited		**180**	427
Participating bonuses		**215**	321
Policy fees		**–209**	–144
Deposits released		**–1 772**	–2 108
Other movements		**19**	680
Reclassifications and other disposals		**–21 109**	–
Changes from discontinued operations		**145**	289
Foreign currency translation differences		**680**	843
Balance as at 31 December		**11 414**	28 626

20 Investment Contracts (continued)

Investment contracts with discretionary participation with actuarial valuation

In CHF million	2007	2006
Balance as at 1 January	**710**	681
Additions from business combinations	**–**	–
Savings premiums	**106**	76
Accretion of interest	**19**	18
Liabilities released for payments on death, surrender and other terminations during the year	**–94**	–61
Effect of changes in actuarial assumptions and other movements	**1**	–8
Reclassifications and other disposals	**–**	–
Foreign currency translation differences	**1**	4
Balance as at 31 December	**743**	710

For contracts that do not have significant insurance risk but contain discretionary participation features, the Swiss Life Group primarily bases its accounting policies on the requirements of the Generally Accepted Accounting Principles in the United States (US GAAP).

For investment-type contracts, savings premiums collected are reported as deposits (deposit accounting). These amounts primarily relate to contracts issued in France and Luxembourg. For traditional contracts in the life insurance business, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of actuarial assumptions as to mortality, persistency, expenses and investment return, including a margin for adverse deviation. For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest rate assumptions.

These amounts primarily relate to contracts issued in Switzerland and France.

Investment contracts without discretionary participation at amortised cost

In CHF million	Notes	2007	2006
Balance as at 1 January		**586**	888
Additions from business combinations	29	**1**	–
Deposits received		**2**	4
Interest credited		**20**	29
Policy fees		**0**	–
Deposits released		**–92**	–317
Other movements		**1**	–
Reclassifications and other disposals		**–30**	–
Changes from discontinued operations		**–50**	–19
Foreign currency translation differences		**2**	1
Balance as at 31 December		**440**	586

20 Investment Contracts (continued)

Investment contracts without discretionary participation at fair value through profit or loss

In CHF million	Notes	2007	2006
Balance as at 1 January		**155**	89
Additions from business combinations	29	**8**	–
Deposits received		**243**	59
Fair value changes		**8**	16
Policy fees		**–**	–
Deposits released		**–18**	–14
Other movements		**–**	0
Reclassifications and other disposals		**–93**	–
Foreign currency translation differences		**7**	5
Balance as at 31 December		**310**	155

Certain contracts that do not contain significant insurance risk and do not have discretionary participation features are carried at amortised cost or fair value through profit or loss.

21 Deposits

In CHF million	Notes	31.12.2007	31.12.2006
Policyholder deposits		**1 597**	1 491
Reinsurance deposits		**676**	658
Demand deposits		**205**	2 811
Savings deposits		**–**	426
Time deposits		**–**	1 970
Due to banks		**144**	1 484
Repurchase agreements		**–**	1 845
Total deposits	33	**2 622**	10 685

22 Borrowings

In CHF million	Notes	31.12.2007	31.12.2006
Money market instruments		**37**	66
Hybrid debt	28	**2 936**	1 739
Convertible debt		**63**	279
Subordinated debt		**–**	131
Other debentures		**494**	490
Bank loans		**86**	95
Finance lease obligations		**5**	10
Total borrowings	33	**3 621**	2 810

Hybrid debt

On 12 April 2007, ELM B.V., a Dutch repackaging vehicle, issued EUR 700 million in fixed/floating rate subordinated perpetual notes at a price of par to finance loan notes granted to Swiss Life/Rentenanstalt, which are guaranteed by Swiss Life Holding. Swiss Life/Rentenanstalt may repay the loan notes in full on 12 April 2017 or on any

22 Borrowings (continued)

interest payment date thereafter, upon notice and subject to the consent of the Federal Office of Private Insurance. The notes bear interest from 12 April 2007 to 12 April 2017 at a rate of 5.849% p.a. If the notes are not redeemed on 17 April 2017, the interest will be the aggregate of 2.5% and Euribor 3-month deposits.

On 16 November 2005, J.P. Morgan Bank Luxembourg S.A. issued on a fiduciary basis EUR 350 million fixed/floating rate subordinated perpetual notes at a price of 99.423% to fund a loan made by it to Swiss Life/Rentenanstalt. Swiss Life/Rentenanstalt may repay the loan in full on 16 November 2015 or on any interest payment date thereafter, upon notice and subject to the consent of the Federal Office of Private Insurance. The notes bear interest from 16 November 2005 to 16 November 2015 at a rate of 5% p.a. If the notes are not redeemed on 16 November 2015, the interest rate will be the aggregate of 2.43% and Euribor for 3-month deposits.

Also in November 2005, a nominal EUR 200 million of the EUR 215 million fixed-rate loan, issued in March 1999, was repurchased in the market.

On 1 July 2005, Swiss Life/Rentenanstalt entered into a forward agreement providing for the refinancing as of 2009 of a portion of the hybrid debt facility issued in 1999 in the amount of CHF 150 million on a 20-year/10-year non call subordinated step-up loan basis.

In 2001, Swiss Life/Rentenanstalt issued a subordinated step-up loan of EUR 100 million with a time to maturity of 20 years that can be repaid after 10 years. The interest rate equals Euribor plus a margin of 1.75% for the first ten years and 2.75% thereafter.

In March 1999, Swiss Life/Rentenanstalt privately placed a subordinated perpetual step-up loan comprising three simultaneous advances of EUR 443 million (at a rate of interest of Euribor plus a margin of 1.05%, increasing by 100 basis points as from April 2009), CHF 290 million (at a rate of interest of Libor plus a margin of 1.05%, increasing by 100 basis points as from April 2009) and EUR 215 million (at a rate of interest of 5.3655%, as from October 2009 the rate of interest will be an aggregate of Euribor plus a margin of 2.05%). Swiss Life/Rentenanstalt can call the EUR 443 million floating rate loan at the earliest on 6 April 2009, the CHF 290 million floating rate loan at the earliest on 7 April 2009 and the EUR 215 million fixed-rate loan at the earliest on 6 October 2009 or at five-year intervals thereafter, upon notice and subject to the consent of the Federal Office of Private Insurance.

Amounts in CHF million (if not noted otherwise)					**31.12.07**	31.12.06
Issuer	Nominal value	Interest rate	Year of issue	Optional redemption	**Carrying amount**	Carrying amount
Swiss Life/Rentenanstalt [1]	EUR 700	5.8490%	2007	2017	**1 152**	–
Swiss Life/Rentenanstalt [2]	EUR 350	5.0000%	2005	2015	**573**	556
Swiss Life/Rentenanstalt	EUR 100	Euribor +1.7500%	2001	2011	**165**	160
Swiss Life/Rentenanstalt	EUR 443	Euribor +1.0500%	1999	2009	**733**	712
Swiss Life/Rentenanstalt	CHF 290	Libor +1.0500%	1999	2009	**290**	290
Swiss Life/Rentenanstalt	EUR 15	5.3655%	1999	2009	**23**	21
Total					**2 936**	1 739

[1] Hybrid loan notes granted by ELM B.V.
[2] Hybrid bank loan originally granted by J.P. Morgan Bank Luxembourg S.A.

22 Borrowings (continued)

Convertible debt

On 10 June 2004, Swiss Life Holding issued CHF 317 million in 0.625% convertible bonds due in 2010. The bonds may be converted into registered shares of Swiss Life Holding at any time at the option of the holder. Bondholders exercising their conversion right are entitled to receive the number of shares equal to the principal amount of CHF 1000 divided by the conversion price of CHF 209.15 (subject to adjustments).

Swiss Life Holding has the option to redeem all outstanding bonds at their principal amount (together with unpaid accrued interest) at any time on or after 25 June 2007, provided that the closing price of the Swiss Life Holding share was at least 130% of the conversion price for 20 consecutive trading days. The early redemption at the option of Swiss Life Holding is subject to a period of 30 days' notice to the bondholders.

The proceeds received from the issue of the convertible bonds have been split between a liability component and an equity component. The fair value of the liability component at issue date amounted to CHF 260 million and was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount of CHF 57 million represents the value of the option to convert the instrument into Swiss Life Holding shares (SLH shares) and is included in share premium. Transaction costs of CHF 6 million were deducted from the liability and costs of CHF 1 million were recognised in share premium.

In 2007, convertible bonds were converted into 1 184 170 SLH shares (2006: 191 SLH shares) with a corresponding increase in share capital totalling CHF 49 million (2006: CHF 8726) and an increase in share premium totalling CHF 173 million (2006: CHF 24 605).

Subordinated debt

Amounts in CHF million					**31.12.07**	31.12.06
Issuer	Currency	Interest rate	Year of issue	Maturity	**Carrying amount**	Carrying amount
Banca del Gottardo	CHF	4.00%	2001	2008	–	52
Banca del Gottardo	EUR	5.50%	2001	2008	–	24
Banca del Gottardo	USD	5.75%	2001	2008	–	5
ERISA	EUR	Euribor +0.80%	1998	2008	–	18
ERISA	EUR	Euribor +1.00%	2001	2011	–	32
Total					–	131

Other debentures

On 30 June 2004, Swiss Life Insurance Finance Ltd., Cayman Islands, issued EUR 300 million in 4.375% bonds at a price of 99.856%. The bonds mature on 30 June 2008 and are subject to redemption in whole, at their principal amount, at the option of the issuer at any time in the event of certain changes affecting taxes of the Cayman Islands or Switzerland. The payments of all amounts under the bonds are unconditionally and irrevocably guaranteed by Swiss Life/Rentenanstalt.

Amounts in CHF million					**31.12.07**	31.12.06
Issuer/instrument	Currency	Interest rate	Year of issue	Maturity	**Carrying amount**	Carrying amount
Banca del Gottardo – medium-term notes	CHF	2.000%	n. a.	n. a.	–	10
Swiss Life Insurance Finance Ltd. – guaranteed bonds	EUR	4.375%	2004	2008	**494**	480
Total					**494**	490

22 Borrowings (continued)

Bank loans

Amounts in CHF million				**31.12.07**	31.12.06
Type	Currency	Interest rate	Maturity	**Carrying amount**	Carrying amount
Deposits from banks	CHF	4.43%	2007	**–**	1
Deposits from banks	EUR	5.01%	2007	**–**	6
Mortgage loan	CHF	3.21%	2009	**46**	47
Mortgage loan	CHF	3.25%	2010	**40**	41
Total				**86**	95

Finance lease obligations

In CHF million	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
	Minimum lease payments	Minimum lease payments	**Present value of minimum lease payments**	Present value of minimum lease payments
Not later than 1 year	**3**	6	**3**	6
Later than 1 year and not later than 5 years	**2**	5	**2**	4
Later than 5 years	**–**	–	**–**	–
Total	**5**	11	**5**	10
Future finance charges	***0***	*1*		

23 Insurance Liabilities and Reinsurance Assets

In CHF million	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
	Gross	Gross	Reinsurance assets	Reinsurance assets	Net	Net
Claims under non-life insurance contracts	1 284	1 440	230	243	1 054	1 197
Claims under life insurance contracts	7 155	7 773	119	122	7 036	7 651
Unearned premiums	169	193	2	4	167	189
Future life policyholder benefits	80 846	93 342	624	600	80 222	92 742
Deposits under insurance contracts	5 038	6 708	–	–	5 038	6 708
Total insurance liabilities and reinsurance assets	94 492	109 456	975	969	93 517	108 487
of which for the account and risk of the Swiss Life Group's customers						
Future life policyholder benefits	*924*	*1 543*				
Deposits under insurance contracts	*7*	*354*				

Claims under non-life insurance contracts

In CHF million	2007	2006
As at 1 January		
Gross claims under non-life insurance contracts	1 440	1 386
Less: reinsurance recoverable	–243	–239
Net claims under non-life insurance contracts	1 197	1 147
Additions from business combinations	–	–
Claims and claim settlement costs incurred		
Reporting period	395	419
Prior reporting periods	–35	–55
Total claims and claim settlement costs incurred	360	364
Claims and claim settlement costs paid		
Reporting period	–198	–158
Prior reporting periods	–158	–191
Total claims and claim settlement costs paid	–356	–349
Changes from discontinued operations	0	2
Reclassifications and other disposals	–179	0
Foreign currency translation differences	32	33
As at 31 December		
Net claims under non-life insurance contracts	1 054	1 197
Plus: reinsurance recoverable	230	243
Total gross claims under non-life insurance contracts	1 284	1 440

Claims under non-life insurance contracts represent the liability needed to provide for the estimated ultimate cost of settling claims relating to insured events that have occurred on or before the financial reporting date. The estimated liability includes the amount that will be required for future payments on both claims that have been reported to the insurer and claims relating to insured events that have occurred but have not been reported to the insurer as at the date the liability is estimated. Loss development tables are generally used to make these estimates.

23 Insurance Liabilities and Reinsurance Assets (continued)

Claims under life insurance contracts

In CHF million	2007	2006	2007	2006	2007	2006
	Gross	Gross	**Reinsurance assets**	Reinsurance assets	**Net**	Net
Balance as at 1 January	**7 773**	7 887	**122**	133	**7 651**	7 754
Additions from business combinations	**–**	–	**–**	–	**–**	–
Accretion of interest	**121**	132	**2**	2	**119**	130
Claims incurred, benefits paid and surrenders	**–49**	–61	**–3**	–13	**–46**	–48
Effect of changes in actuarial assumptions and other movements	**–156**	–294	**–3**	–3	**–153**	–291
Reclassifications and other disposals	**–570**	–3	**–3**	–1	**–567**	–2
Changes from discontinued operations	**–28**	41	**0**	0	**–28**	41
Foreign currency translation differences	**64**	71	**4**	4	**60**	67
Balance as at 31 December	**7 155**	7 773	**119**	122	**7 036**	7 651

Represents the liability for all claim payments in individual and group life business which were due in the current or previous reporting periods that are still left unpaid at the reporting date. Measurement at the reporting date is the sum of all payments for claims still left unsettled but which were due in the current or any previous reporting period.

Unearned premiums

Represents the portion of the premiums written relating to the unexpired terms of coverage.

Future life policyholder benefits

In CHF million	2007	2006	2007	2006	2007	2006
	Gross	Gross	**Reinsurance assets**	Reinsurance assets	**Net**	Net
Balance as at 1 January	**93 342**	90 866	**600**	547	**92 742**	90 319
Additions from business combinations	**23**	–	**–**	–	**23**	–
Savings premiums	**8 715**	7 921	**67**	60	**8 648**	7 861
Accretion of interest	**2 236**	2 160	**18**	17	**2 218**	2 143
Claims incurred, benefits paid and surrenders	**–8 806**	–8 908	**–45**	–58	**–8 761**	–8 850
Effect of changes in actuarial assumptions and other movements	**–123**	–418	**–4**	34	**–119**	–452
Reclassifications and other disposals	**–16 588**	–226	**–5**	–18	**–16 583**	–208
Changes from discontinued operations	**1 387**	1 219	**–24**	0	**1 411**	1 219
Foreign currency translation differences	**660**	728	**17**	18	**643**	710
Balance as at 31 December	**80 846**	93 342	**624**	600	**80 222**	92 742

For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest rate assumptions.

The valuation of other long-duration contracts is also based on the net-level-premium method with actuarial assumptions as to mortality, persistency, expenses and investment returns including provisions for adverse deviation.

23 Insurance Liabilities and Reinsurance Assets (continued)

Deposits under insurance contracts

In CHF million	2007	2006
Balance as at 1 January	**6 708**	6 340
Additions from business combinations	**6**	–
Deposits received	**453**	650
Interest credited	**162**	177
Participating bonuses	**51**	64
Policy fees and insurance charges	**–75**	–76
Deposits released for payments on death, surrender and other terminations during the year	**–787**	–718
Other movements	**609**	–75
Reclassifications and other disposals	**–2 396**	–
Changes from discontinued operations	**187**	201
Foreign currency translation differences	**120**	145
Balance as at 31 December	**5 038**	6 708

For investment-type contracts with significant insurance risk, savings premiums collected are reported as deposits (deposit accounting).

Insurance liabilities with and without discretionary participation

In CHF million	31.12.2007	31.12.2006
Insurance liabilities with discretionary participation	**82 891**	98 044
Insurance liabilities without discretionary participation	**10 670**	9 515
Insurance liabilities for the account and risk of the Swiss Life Group's customers	**931**	1 897
Total insurance liabilities	**94 492**	109 456

Non-discretionary policyholder bonuses and other liabilities

Policyholder liabilities are recognised in accordance with legal or contractual requirements and ratified by management.

24 Employee Benefits

Defined benefit plans

Employees are covered under various funded and unfunded pension plans. When a third party will reimburse some or all of the expenditure for employee benefits and the rights to reimbursement do not qualify as plan assets, they are treated as a separate asset rather than as a deduction from the obligation. In all other respects the treatment is the same as for plan assets. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. Benefits are based on the employee's credited years of service and average compensation in the years preceding retirement. Annual funding requirements are determined based on actuarial methods or local requirements.

Due to the requirements of IFRS 4 Insurance Contracts in combination with IAS 19 Employee Benefits, insurance contracts issued to defined benefit plans covering own employees are eliminated. Consequently, amounts totalling CHF 2.3 billion as at 31 December 2007 (2006: CHF 2.1 billion) relating to these insurance contracts are not included in the plan assets. Insurance contracts issued to defined benefit plans covering own employees have been issued in Switzerland and France. These defined benefit plans are typically partially funded as certain plan assets relating to these plans are not required to be eliminated. To the extent these plans are not funded by amounts included in the plan assets, the defined benefit liabilities are backed by the investments relating to the eliminated insurance contracts. These investments are part of the investments presented in the consolidated balance sheet of the Swiss Life Group.

The net asset/liability position does not incorporate any reimbursement rights.

The major part of the defined benefit liability arises from plans covering employees in Switzerland. The primary benefit of those plans is an old-age pension paid out after reaching retirement age. The amount of the pension is defined in relation to final salary and depends on completion of years of service (including years of service purchased by the employee with transferred funds from plans of former employers). There are options for early retirement (with reduction of the pension amount determined with actuarial methods) and for choosing to receive a lump-sum payment instead of a pension. Other benefits comprise widows'/orphans' pensions in case of death as well as disability pensions (if disabled before retirement age). The plans are funded by the employer through ordinary contributions determined with actuarial methods where, under Swiss law, a part (generally less than 50% of the total contribution) is deducted from the employee's gross salary. Further funding comprises mandatory transfers of funds made by new employees from plans of former employers, discretionary contributions by employees (within plan restrictions) and the earnings on the plan assets.

The contributions relating to the continuing operations expected to be paid for the year ending 31 December 2008 are CHF 82 million. These contributions include amounts paid to insurance contracts issued to defined benefit plans covering own employees.

24 Employee Benefits (continued)

AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

In CHF million	Notes	31.12.2007	31.12.2006
Present value of wholly and partly funded obligations		**–2 242**	–2 625
Fair value of plan assets		**371**	496
Present value of unfunded obligations		**–78**	–440
Unrecognised actuarial gains (–)/losses (+)		**138**	194
Unrecognised past service cost		**–**	–7
Net defined benefit asset (+)/liability (–)		**–1 811**	–2 382
The net defined benefit asset/liability consists of			
gross defined benefit liabilities		**–1 969**	–2 535
gross defined benefit assets	19	**158**	153
Employee benefit liabilities consist of			
gross defined benefit liabilities		**–1 969**	–2 535
other employee benefit liabilities		**–11**	–26
Total employee benefit liabilities		**–1 980**	–2 561

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME

In CHF million	Notes	2007	2006
Current service cost		**79**	77
Interest cost		**76**	76
Expected return on plan assets		**–25**	–13
Net actuarial gains (–)/losses (+)		**0**	1
Past service cost		**–**	0
Employee contributions		**–25**	–25
Total defined benefit expense	8	**105**	116
Actual return on plan assets		***22***	*–33*
Actual return on reimbursement rights		**–**	–

24 Employee Benefits (continued)

DEFINED BENEFIT PLANS

In CHF million	2007	2006
Changes in the present value of the defined benefit obligation		
Balance as at 1 January	**–3 065**	–2 937
Current service cost	**–79**	–77
Interest cost	**–76**	–76
Contributions by plan participants	**–49**	–99
Actuarial gains (+)/losses (–)	**33**	–23
Benefits paid	**171**	206
Past service cost	**–**	0
Business combinations	**–2**	–
Changes from discontinued operations	**–45**	–53
Curtailments and settlements	**4**	–1
Effect of reclassifications and other disposals	**793**	1
Foreign currency translation differences	**–5**	–6
Balance as at 31 December	**–2 320**	–3 065
Changes in the fair value of plan assets		
Balance as at 1 January	**496**	302
Expected return on plan assets	**25**	13
Actuarial gains (+)/losses (–)	**–47**	20
Contributions by the employer	**2**	120
Contributions by plan participants	**0**	5
Benefits paid	**–5**	–8
Business combinations	**2**	–
Changes from discontinued operations	**–2**	43
Curtailments and settlements	**–4**	–
Effect of reclassifications and other disposals	**–98**	–
Foreign currency translation differences	**2**	1
Balance as at 31 December	**371**	496
Categories of plan assets		
Equity instruments	**156**	203
Debt instruments	**117**	166
Property	**–**	–
Other assets	**98**	127
Total plan assets	**371**	496
Plan assets include		
own equity instruments	**120**	129
own debt instruments	**–**	–
property occupied by the Group	**–**	–
other assets used by the Group	**–**	–

24 Employee Benefits (continued)

DEFINED BENEFIT PLANS

In CHF million	2007	2006	2005
Historical information			
Present value of defined benefit obligation	**–2 320**	–3 065	–2 937
Fair value of plan assets	**371**	496	302
Difference	**–1 949**	–2 569	–2 635
Experience adjustments on plan liabilities	**18**	–57	–67
Experience adjustments on plan assets	**–47**	43	49

PRINCIPAL ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGES)

	31.12.2007	31.12.2006
Discount rate	**3.4%**	3.4%
Expected rate of return on plan assets	**4.1%**	4.1%
Expected rate of return on reimbursement rights	**n. a.**	n. a.
Future salary increases	**1.6%**	1.8%
Future pension increases	**0.9%**	1.0%

Number of employees

The Group had 8556 full-time equivalents as at 31 December 2007 (2006: 8693).

Defined contribution plans

Certain subsidiaries sponsor various defined contribution plans. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. The plans stipulate contributions by both employers and employees. The expenses under these plans from continuing operations amounted to CHF 1 million in 2007 (2006: CHF 1 million).

Other long-term employee benefits

The liability for long-term employee benefits amounted to CHF 11 million as at 31 December 2007 (2006: CHF 12 million). It relates to part-time employment contracts prior to retirement and to profit-sharing arrangements for certain employees.

Termination benefits

The termination benefit liability totalling CHF 0.04 million for the year ending 31 December 2007 (2006: CHF 14 million) arose as a result of early retirements and voluntary redundancies.

Equity compensation plans

In 2005, a share-based payment programme was established which gives the members of the Corporate Executive Board and senior employees the right to receive a certain number of Swiss Life Holding shares (performance share units, PSUs) after three years of service, if certain conditions are fulfilled. The number of the shares allocated depends on two criteria. One criterion is the performance of the share price of the Swiss Life Holding share during the vesting period of three years. The other criterion is the performance of the share price of the Swiss Life Holding share during the vesting period of three years compared to the performance of the Dow Jones STOXX 600 Insurance Index. For the PSUs issued in 2005 and 2006, 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 criteria develop. For the PSUs issued in 2007, the maximum possible factor of 1.5 was maintained whereas the minimum possible factor of 0.5 was rescinded.

24 Employee Benefits (continued)

In 2005, the number of PSUs granted under this programme amounted to 67 412 (balance after reduction in par value). Due to the reduction in par value of the Swiss Life Holding shares in 2005, the number of PSUs granted was adjusted using the Eurex R factor of 0.978284. The fair value at the measurement date amounted to CHF 159.66. The date of grant was 1 April 2005.

In 2006, the number of PSUs granted under this programme amounted to 46 651 (balance after reduction in par value). Due to the reduction in par value of the Swiss Life Holding shares in 2006, the number of PSUs granted was adjusted using the Eurex R factor of 0.9965. The fair value at the measurement date amounted to CHF 252.56. The date of grant was 1 April 2006.

In 2007, the number of PSUs granted under this programme amounted to 56 222. The fair value at the measurement date amounted to CHF 189.22. The date of grant was 1 April 2007.

In 2007, no adjustment to the number of PSUs was made due to the reduction in par value of the Swiss Life Holding shares because of changed Eurex rules.

The Group determines the fair value of the PSUs granted for each programme at the grant date. The fair value was determined using the Black-Scholes formula and Monte Carlo simulations. The associated expense during the vesting period is recognised under employee benefits expense with a corresponding increase in share premium.

The expense recognised for share-based payment amounted to CHF 12 million in 2007 (2006: CHF 5 million).

SHARE-BASED PAYMENT PROGRAMMES (PERFORMANCE SHARE UNITS)

Number of performance share units	Balance as at 1 January	Issued	Reduction in par value	Balance after reduction in par value	Employee departures	Vested	Balance as at 31 December
2007							
Granted in 2005	**56 386**	**–**	**–**	**56 386**	**–1 286**	**–**	**55 100**
Granted in 2006	**45 458**	**–**	**–**	**45 458**	**–994**	**–**	**44 464**
Granted in 2007	**–**	**56 222**	**–**	**56 222**	**–1 081**	**–**	**55 141**
2006							
Granted in 2005	66 131	–	220	66 351	–9 965	–	56 386
Granted in 2006	–	46 470	181	46 651	–1 193	–	45 458
2005							
Granted in 2005	–	65 938	1 474	67 412	–1 281	–	66 131

24 Employee Benefits (continued)

Share options

The Group offered share options to directors and managers in Switzerland and abroad. No new share options have been allocated since 2003 and no share options were outstanding as at 31 December 2007.

NUMBER OF SHARES UNDER OPTION

Amounts in CHF	2007	2006	2007	2006	2007	2006	2007	2006
	Number of shares	Number of shares[1]	**Exercise date**	Exercise date	**Expiry date**	Expiry date	**Weighted average exercise price**	Weighted average exercise price[2]
As at 1 January	**88 055**	277 079					**224**	468
Granted/issued	**–**	–	**–**	–	**–**	–	**–**	–
Exercised	**–88 055**	–42 791	**–**	–	**–**	–	**224**	224
Lapsed	**–**	–146 233	**–**	–	**30.06.07**	31.05.06	**–**	687
As at 31 December	**–**	88 055					**–**	224

[1] Number of shares adjusted due to reduction in par value of Swiss Life Holding shares in accordance with Eurex rules
[2] Exercise price adjusted due to reduction in par value of Swiss Life Holding shares in accordance with Eurex rules

Other benefits

The Swiss Life Group maintains incentive programmes for certain management and other employees. Related expenses in 2007 were CHF 14 million (2006: CHF 12 million).

25 Income Taxes

Income tax expense

In CHF million	2007	2006
Current tax expense		
Current tax of the current period	**204**	142
Adjustments for current tax of prior periods	**0**	26
Total current tax expense	**204**	168
Deferred tax expense		
Origination and reversal of temporary differences	**–31**	63
Changes in tax rates	**–51**	–5
Total deferred tax expense	**–82**	58
Total income tax expense	**122**	226

The effect of changes in tax rates amounted to CHF 51 million in 2007 (2006: CHF 5 million) and primarily related to Switzerland and Germany.

25 Income Taxes (continued)

The expected weighted-average tax rate for the continuing operations of the Group was 30.9% in 2007 (2006: 29.1%). This rate was derived by obtaining a weighted average of the expected income tax rates in the various jurisdictions in which the Group operates. The increase of the weighted-average tax rate is due to the geographical allocation of the profits and the different tax rates in these jurisdictions. The actual income tax expenses differ from the expected amounts as follows:

Actual and expected income tax

In CHF million	**2007**	2006
Expected income tax expense	**262**	234
Increase/reduction in taxes resulting from		
tax-exempt interest	**0**	0
tax-exempt dividends	**–16**	0
other non-taxable income	**–65**	–74
non-deductible expenses	**6**	51
other income taxes (incl. withholding taxes)	**6**	0
unrecognised tax losses/credits	**1**	4
use of previously unrecognised tax losses/credits	**–**	0
changes in tax rates	**–51**	–5
other	**–21**	16
Actual income tax expense	**122**	226

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Deferred income tax assets and liabilities

In CHF million	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
	Deferred tax assets	Deferred tax assets	**Deferred tax liabilities**	Deferred tax liabilities
Financial assets	**461**	92	**192**	365
Investment property	**2**	4	**415**	412
Intangible assets	**12**	40	**257**	263
Property and equipment	**34**	33	**0**	0
Financial liabilities	**9**	44	**3**	9
Insurance liabilities	**74**	74	**81**	110
Employee benefits	**32**	29	**55**	48
Deferred income	**–**	79	**0**	1
Other	**20**	15	**17**	26
Tax losses and tax credits	**9**	69		
Deferred income tax assets/liabilities	**653**	479	**1 020**	1 234
Valuation allowance	**–**	–16		
Offset	**–535**	–369	**–535**	–369
Total deferred income tax assets/liabilities	**118**	94	**485**	865

25 Income Taxes (continued)

The movements in net deferred income tax assets/liabilities during the period were as follows:

Net deferred income tax assets and liabilities

In CHF million	Balance as at 1 January	Recognised in income	Recognised in equity	Changes from discontinued operations	Disposals and foreign currency translation differences	Balance as at 31 December
Movements by type of temporary difference during the year 2007						
Financial assets	**–273**	**117**	**390**	**40**	**–5**	**269**
Investment property	**–408**	**–4**	**–1**	**4**	**–4**	**–413**
Intangible assets	**–223**	**4**	**–69**	**45**	**–2**	**–245**
Property and equipment	**33**	**1**	**–**	**–**	**0**	**34**
Financial liabilities	**35**	**–31**	**–**	**2**	**0**	**6**
Insurance liabilities	**–36**	**10**	**2**	**17**	**0**	**–7**
Employee benefits	**–19**	**–2**	**–**	**–2**	**0**	**–23**
Deferred income	**78**	**–3**	**0**	**–75**	**0**	**0**
Other	**–11**	**6**	**–**	**8**	**0**	**3**
Tax losses and tax credits	**69**	**–16**	**–**	**–44**	**0**	**9**
Valuation allowance	**–16**	**–**	**–**	**16**	**–**	**–**
Net deferred income tax assets/liabilities	**–771**	**82**	**322**	**11**	**–11**	**–367**
Movements by type of temporary difference during the year 2006						
Financial assets	–692	8	317	97	–3	–273
Investment property	–416	9	0	0	–1	–408
Intangible assets	–119	–16	–60	–27	–1	–223
Property and equipment	32	1	–	0	0	33
Financial liabilities	38	0	–	–3	0	35
Insurance liabilities	19	–50	–1	–4	0	–36
Employee benefits	–6	–13	–	0	0	–19
Deferred income	76	3	1	–2	0	78
Other	–30	13	–	6	0	–11
Tax losses and tax credits	77	–13	–	5	0	69
Valuation allowance	–36	–	–	20	0	–16
Net deferred income tax assets/liabilities	–1 057	–58	257	92	–5	–771

Deferred tax liabilities have not been recognised on the aggregate amount of temporary differences with consolidated investments in subsidiaries to the extent the Group considers such undistributed earnings as being indefinitely reinvested and does not expect to repatriate these earnings in the foreseeable future. The amount of such temporary differences was approximately CHF 3.1 billion as at 31 December 2007. If such earnings are ever repatriated, no material tax liabilities would be incurred due to participation exemption rules and applicable double tax treaties.

Deferred tax assets are recognised for tax-loss carryforwards and unused tax credits only to the extent that realisation of the related tax benefit is probable. Swiss tax assets are calculated in accordance with cantonal and communal tax legislation. The uncertainty of the recoverability of tax losses and tax credits is taken into account in establishing the valuation allowance. For the following tax-loss carryforwards and tax credits, which will expire as follows, no deferred tax asset has been recognised:

25 Income Taxes (continued)

Unrecognised tax losses and tax credits

Amounts in CHF million	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
	Tax losses	Tax losses	**Tax rate**	Tax rate
2008	**2**	0	**8.1%**	35.0%
2009	**7**	1	**9.0%**	21.1%
2010	**10**	–	**7.8%**	–
Thereafter	**57**	78	**14.5%**	30.8%
Total	**76**	79	**n. a.**	n. a.

26 Provisions

In CHF million			**2007**	2006
	Restructuring	**Other**	**Total**	Total
Balance as at 1 January	**86**	**116**	**202**	212
Additions from business combinations	**–**	**2**	**2**	–
Additional provisions made during the reporting period	**15**	**22**	**37**	21
Amounts used during the reporting period	**–32**	**–14**	**–46**	–45
Unused amounts reversed during the reporting period	**–**	**–20**	**–20**	–4
Changes from discontinued operations	**–9**	**–6**	**–15**	19
Reclassifications and other disposals	**–4**	**–43**	**–47**	–3
Foreign currency translation differences	**2**	**1**	**3**	2
Balance as at 31 December	**58**	**58**	**116**	202

Restructuring costs

In 2007, provisions for restructuring programmes were primarily set up in Germany (2006: Banca del Gottardo and Germany). Amounts used during the period relate to Switzerland and Germany.

In 2005, a provision totalling CHF 72 million relating to the restructuring programme of «La Suisse» in Switzerland was set up. As at 31 December 2007 the remaining provision amounted to CHF 16 million (2006: CHF 23 million) and CHF 7 million was used during the period (2006: CHF 12 million). The provision primarily relates to redundancy programmes and onerous contracts. The outflow of the remaining amounts is expected within the following one to two years.

Other provisions primarily relate to litigation.

27 Equity

Share capital

As approved by the shareholders at the General Meeting of Swiss Life Holding (SLH) on 8 May 2007, a reduction in par value of CHF 7 per registered SLH share was effected in 2007 (2006: CHF 5 per registered share). The payout took place at the beginning of August 2007 and led to a reduction in the share capital of SLH of CHF 245 million (2006: CHF 169 million).

In 2007, convertible bonds were converted into 1 184 170 SLH shares (2006: 191 SLH shares) with a corresponding increase in share capital totalling CHF 49 million (2006: CHF 8726).

As at 31 December 2007, the share capital of SLH consisted of 34 960 439 fully-paid shares with a par value of CHF 34 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of own shares or shares they represent. As at 31 December 2006, SLH had 33 776 269 registered shares with a par value of CHF 41 per share. Conditional share capital was CHF 84 439 034 as at 31 December 2007 (2006: CHF 150 374 511).

Share premium

Share premium comprises additional paid-in capital in excess of the par value (net of transaction costs), gains/losses on own equity instruments, equity compensation benefits and equity elements of convertible debt.

Due to the reduction in par value of CHF 7 per registered SLH share in 2007 (2006: CHF 5 per registered SLH share), an amount of CHF 11 million was credited to share premium in respect of treasury shares (2006: CHF 2 million).

In 2007, convertible bonds were converted into 1 184 170 SLH shares (2006: 191 SLH shares) with a corresponding increase in share premium totalling CHF 173 million (2006: CHF 24 605).

Number of shares

The following table shows the development of SLH shares issued and treasury shares held by the Swiss Life Group during the period:

Number of shares	**2007**	2006
Shares issued		
Balance as at 1 January	**33 776 269**	33 776 078
Conversion of convertible debt	**1 184 170**	191
Balance as at 31 December	**34 960 439**	33 776 269
Treasury shares		
Balance as at 1 January	**335 517**	261 713
Purchases of treasury shares	**4 233 778**	644 170
Sales of treasury shares	**–2 415 493**	–570 366
Balance as at 31 December	**2 153 802**	335 517

27 Equity (continued)

Gains/losses recognised directly in equity

Gains/losses recognised directly in equity comprise fair value changes of available-for-sale investments, revaluation surpluses on the transfer of owner-occupied property to investment property and the effective portion of the gain or loss on hedging derivatives in qualifying cash flow hedges. These amounts are net of certain policyholder bonuses and other policyholder liabilities and deferred acquisition costs, deferred income taxes and minority interests.

GAINS/LOSSES RECOGNISED DIRECTLY IN EQUITY FOR THE YEAR 2007

In CHF million	Notes	Financial assets available for sale	Cash flow hedges	Other	Total
Gross gains and losses					
Balance as at 1 January		**2 243**	**–4**	**146**	**2 385**
Gains/losses on financial instruments		**–3 894**	**–**	**–**	**–3 894**
Revaluation surplus on owner-occupied property transferred to investment property		**–**	**–**	**4**	**4**
Share of gains/losses of associates		**–**	**–**	**0**	**0**
Gains/losses on assets held for sale		**–**	**–**	**–**	**–**
Revaluation surplus on step acquisitions		**–**	**–**	**–**	**–**
Gains/losses transferred to the income statement	8	**–452**	**–**	**–**	**–452**
Impairment losses transferred to the income statement	8	**744**	**–**	**–**	**744**
Changes from discontinued operations		**–1 078**	**6**	**–1**	**–1 073**
Reclassification in respect of assets held for sale		**318**	**–2**	**–316**	**–**
Disposals of subsidiaries		**–**	**–**	**159**	**159**
Foreign currency translation differences		**24**	**–**	**3**	**27**
Balance as at 31 December	12	**–2 095**	**–**	**–5**	**–2 100**
Adjustments for income tax and other items					
Balance as at 1 January					**–2 080**
Income tax	25				**322**
Deferred acquisition costs and present value of future profits	18				**326**
Policyholder bonuses and other policyholder liabilities					**1 986**
Changes from discontinued operations					**916**
Disposals of subsidiaries					**–157**
Foreign currency translation differences					**–23**
Minority interest					**1**
Balance as at 31 December					**1 291**
Total gains/losses recognised directly in equity as at 31 December					**–809**

27 Equity (continued)

GAINS/LOSSES RECOGNISED DIRECTLY IN EQUITY FOR THE YEAR 2006

In CHF million	Notes	Financial assets available for sale	Cash flow hedges	Other	Total
Gross gains and losses					
Balance as at 1 January		5 878	–13	138	6 003
Gains/losses on financial instruments		–2 135	–	–	–2 135
Revaluation surplus on owner-occupied property transferred to investment property	17	–	–	4	4
Share of gains/losses of associates		–	–	0	0
Gains/losses on assets held for sale		–	–	–	–
Revaluation surplus on step acquisitions		–	–	–	–
Gains/losses transferred to the income statement	8	–540	–	–	–540
Impairment losses transferred to the income statement	8	12	–	–	12
Changes from discontinued operations		–1 020	9	–	–1 011
Reclassification in respect of assets held for sale		–	–	–	–
Disposals of subsidiaries		–	–	1	1
Foreign currency translation differences		48	–	3	51
Balance as at 31 December	12	2 243	–4	146	2 385
Adjustments for income tax and other items					
Balance as at 1 January					–4 818
Income tax	25				257
Deferred acquisition costs and present value of future profits	18				284
Policyholder bonuses and other policyholder liabilities					1 369
Changes from discontinued operations					868
Disposals of subsidiaries					0
Foreign currency translation differences					–48
Minority interest					8
Balance as at 31 December					–2 080
Total gains/losses recognised directly in equity as at 31 December					305

Foreign currency translation differences

Foreign currency translation differences comprise the resulting differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.

Retained earnings

Retained earnings comprise accumulated retained earnings of the Group entities which have not been distributed to the shareholders. The distribution of profit is subject to restrictions in the various jurisdictions where the Group entities are located.

The Group’s insurance subsidiaries are subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to the Group. Certain foreign jurisdictions have restrictions that allow the payment of dividends but may cause a delay in their remittance. Dividends payable are not accrued until they have been ratified at the General Meeting.

28 Capital Management

The group's objectives when managing capital are: to comply with the regulatory insurance capital requirements, to define and manage economic capital and to fulfill the company's target on rating capital. The company also actively manages the composition and quality of the capital to optimise continuously its capital structure and interest cover ratio.

Regulatory requirements

In accordance with the federal law on the supervision of insurance companies the Group reports as a financial conglomerate to the Federal Office of Private Insurance (FOPI). The reporting covers risk management as outlined in note 5, Group solvency, legal structure, management organisation and intra-group transactions. The reporting is submitted on an ad-hoc, quarterly, half-yearly or yearly basis depending on the topic and is reviewed on a yearly basis by the Group auditor. At 31 December 2007, the Group was compliant with the legal requirements.

The Group's risk and value management decisions are primarily based on the embedded value and economic risk capital. This capital is determined on a bottom-up basis per country and business and takes into account market risk, credit risk, insurance risk, operational risk and strategic risk. The first three risk categories are calculated using a value-at-risk approach with a 99.5 percentile and holding period of one year, whereas operational and strategic risks are charged on a size basis similar to Basel II. Following the Swiss Solvency Test (SST) approach, non-correlation is assumed between market and insurance risks while all other risk capital is cumulated. Elements of the bottom-up risk capitals per country and business are used to estimate the SST margin of the parent company on a monthly basis. The calibration is done based on the full valuation of the SST margin as at the beginning of the year.

In addition to the economic risk capital, Solvency I and other statutory constraints at local level are considered to address the specific situation of each country and business.

Economic and statutory capital constraints are the main elements determining the risk budgets. Based on these risk budgets the Board of Directors (Investment and Risk Committee) defines the risk limits for each country and business and the parent company. The limits are monitored monthly.

Standard & Poor's rating capital

Swiss Life has defined a target capitalisation rating. In the Standard & Poor's risk-based capital model the total adjusted capital (TAC) is the measure used for capital available to meet a company's capital requirements. TAC is thereby a narrower capital measure reflecting a nearer term view on the realisation of assets. In addition to assessing the capital adequacy, Standard & Poor's also measures the quality of capital on its various dimensions such as debt, hybrid and reinsurance leverage. In line with its active capital management, the Swiss Life Group uses hybrid instruments to optimise its capital structure.

Core capital

The Group's capital performs several important functions, such as funding future growth and providing a protective cushion for shareholders and policyholders, as well as hedging future risks. The defined Group core capital includes equity, certain liabilities with equity characteristics (hybrid capital instruments) and deferred Group-related funds (theoretical policyholder participation in surplus under consideration of additional DAC amortisation and deferred taxes).

In CHF million	Notes	**31.12.2007**	31.12.2006
Equity		**7 334**	7 851
Hybrid capital instruments	22	**2 936**	1 739
Deferred Group-related funds		**1 324**	5 171
Total core capital		**11 594**	14 761

29 Acquisitions and Disposals of Subsidiaries

Assets and liabilities from acquisitions

In CHF million	2007	2007	2006	2006
	Fair value	Carrying amount in accordance with IFRS before combination	Fair value	Carrying amount in accordance with IFRS before combination
Cash and cash equivalents	65	65	1	1
Insurance receivables and other receivables	178	178	0	0
Financial assets at fair value through profit or loss	5 084	5 084	–	–
Financial assets available for sale	113	113	–	–
Loans	3	3	1	1
Investment property	34	34	–	–
Property and equipment	0	0	0	0
Present value of profits from acquired insurance portfolios	8	–	–	–
Customer relationships and other intangible assets	60	–	2	–
Other assets	47	47	1	1
Insurance payables and other payables	–153	–153	–1	–1
Financial liabilities at fair value through profit or loss	–4 332	–4 332	–	–
Investment contracts	–879	–879	–	–
Borrowings	–19	–19	–1	–1
Insurance liabilities	–29	–29	–	–
Policyholder participation liabilities	–10	–10	–	–
Provisions	–2	–2	–	–
Deferred income tax liabilities	–5	0	–	–
Other liabilities	–10	–10	0	0
Net identifiable assets acquired	153	90	3	1
Cash used for acquisitions	284		3	
Direct costs relating to the acquisitions	0		–	
Non-cash consideration	18		–	
Total purchase consideration	302		3	
Net identifiable assets acquired	–153		–3	
Minority interest	–		–	
Goodwill	149		–	
Consideration paid in cash	–284		–3	
Cash and cash equivalents acquired	65		1	
Net cash outflow from acquisitions	–219		–2	

In November 2007, the Swiss Life Group acquired Meeschaert Assurances, Paris. The acquisition cost amounted to CHF 40 million.

In August 2007, the Swiss Life Group acquired the banking activities of Fideuram Wargny, France. The total purchase consideration amounted to CHF 29 million.

In July 2007, two real estate companies were acquired in Belgium for a total purchase consideration of CHF 13 million.

On 27 March 2007, the Swiss Life Group acquired CapitalLeben Versicherung AG, Schaan, a company headquartered in Liechtenstein, which specialises in structured life insurance solutions. Regulatory approval was obtained on the same date. CapitalLeben Versicherung AG, Schaan, contributed total income of CHF 38 million and a net profit of

29 Acquisitions and Disposals of Subsidiaries (continued)

CHF 5 million to the Group for the period from 27 March 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the contribution to total income would have been CHF 49 million and the net profit CHF 8 million for the period under review.

The Swiss Life Group acquired an insurance broker in Belgium in December 2006. The acquisition cost amounted to CHF 3 million.

Assets and liabilities from disposals

In CHF million	2007	2006
Cash and cash equivalents	**67**	143
Derivatives (assets)	**93**	19
Financial assets at fair value through profit or loss	**11 034**	0
Financial assets available for sale	**13 338**	478
Loans and receivables	**425**	1 815
Financial assets held to maturity	**–**	0
Investment property	**85**	79
Investments in associates	**–**	0
Property and equipment	**1**	7
Goodwill	**–**	47
Customer relationships and other intangible assets	**3**	0
Other assets	**20**	24
Derivatives (liabilities)	**–**	–8
Investment contracts and other financial liabilities	**–21 898**	–1 495
Borrowings	**–39**	–548
Insurance liabilities	**–1 985**	–236
Provisions	**0**	–21
Other liabilities	**–663**	–76
Net assets disposed of	**481**	228
Cash received from disposals	**372**	262
Deferred consideration	**–**	25
Total disposal consideration	**372**	287
Net assets disposed of	**–481**	–228
Foreign currency translation differences	**2**	–14
Gains/losses recognised directly in equity	**–1**	0
Minority interest	**251**	–1
Gain (+)/loss (–) on disposals	**143**	44
Cash received from disposals	**372**	262
Cash and cash equivalents disposed of	**–67**	–143
Net cash inflow (+)/outflow (–) from disposals	**305**	119

In July 2007, the Swiss Life Group sold its majority stakes in ERISA, Paris and ERISA IARD, Paris. The sales price amounted to CHF 372 million and the gain realised on the sale was CHF 143 million.

The Italian insurance operations were sold in December 2006. The sales price amounted to CHF 25 million and the loss realised on the sale totalled CHF 11 million.

In February 2006, the Swiss Life Group sold Banca del Gottardo (Monaco). The sales price amounted to CHF 146 million and the gain realised on the sale was CHF 23 million.

29 Acquisitions and Disposals of Subsidiaries (continued)

In January 2006, Dreieck Industrie Leasing was sold. The sales price amounted to CHF 97 million and the gain realised on the sale was CHF 27 million.

Additionally, a real estate company in Belgium and a service company in Switzerland were sold in January 2006. The sales prices of these transactions amounted to CHF 19 million in total. The gain realised on the sales amounted to CHF 5 million.

30 Assets Held for Sale and Discontinued Operations

In November 2007, the Swiss Life Group entered into a sale agreement to dispose of Banca del Gottardo, Lugano, for a total consideration of CHF 1875 million (subject to adjustment). The transaction was completed on 7 March 2008. Banca del Gottardo, Lugano, is presented as a separate segment "Banking (Discontinued)" in the segment reporting.

Also in November 2007, the Swiss Life Group announced the sale of its Dutch and Belgian businesses for an initial disposal consideration of EUR 1445 million and a price adjustment of up to EUR 90 million based on the increase of the local net asset values of the Dutch and Belgian businesses during 2007. The transaction is expected to be completed by the end of the first half of 2008. For the purposes of segment reporting the Dutch and Belgian businesses are presented as a separate segment "Insurance (Discontinued)".

The consolidated statement of income has been re-presented to include Banca del Gottardo, Lugano, as well as the insurance operations in the Netherlands and in Belgium as discontinued operations.

The calculation for the impairment testing of the goodwill relating to Banca del Gottardo, Lugano, was based on the fair value less costs to sell. The fair value less costs to sell was determined based on the sale agreement to dispose of Banca del Gottardo, Lugano. No impairment loss was recognised in 2007.

Results from discontinued operations

In CHF million	**2007**	2006	**2007**	2006	**2007**	2006
	Insurance (Discontinued)	Insurance (Discontinued)	**Banking (Discontinued)**	Banking (Discontinued)	**Total**	Total
Income	**3 129**	2 627	**857**	675	**3 986**	3 302
Expenses	**–2 648**	–2 472	**–650**	–550	**–3 298**	–3 022
Gain/loss on remeasurement to fair value less costs to sell	**–**	–	**–**	–	**–**	–
Gain/loss on disposal of operations	**–**	–	**–**	–	**–**	–
Profit before income tax	**481**	155	**207**	125	**688**	280
Income tax expense on profit from ordinary activities from discontinued operations	**–11**	125	**–35**	–27	**–46**	98
Income tax expense on the gain/loss loss on remeasurement to fair value less costs to sell/disposal of operations	**–**	–	**–**	–	**–**	–
Net profit from discontinued operations	**470**	280	**172**	98	**642**	378

Based on a ruling by the Dutch tax administration, the Swiss Life Group was able to reduce its tax liability by CHF 94 million in 2007 (2006: CHF 159 million).

30 Assets Held for Sale and Discontinued Operations (continued)

Assets held for sale and associated liabilities

In CHF million	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06	31.12.07	31.12.06
	Disposal group Insurance	Disposal group Insurance	**Disposal group Banking**	Disposal group Banking	**Non-current assets**	Non-current assets	**Total**	Total
Derivatives	**88**	–	**546**	–	**–**	–	**634**	–
Financial assets at fair value through profit or loss	**4 030**	–	**2 551**	–	**–**	–	**6 581**	–
Financial assets available for sale	**19 844**	–	**672**	–	**–**	–	**20 516**	–
Loans and receivables	**819**	–	**5 950**	–	**–**	–	**6 769**	–
Financial assets held to maturity	**119**	–	**41**	–	**–**	–	**160**	–
Investment property	**219**	–	**–**	–	**–**	–	**219**	–
Investments in associates	**0**	–	**9**	–	**–**	–	**9**	–
Property and equipment	**104**	–	**138**	–	**–**	–	**242**	–
Foreclosed property	**–**	–	**12**	–	**4**	14	**16**	14
Intangible assets including intangible insurance assets	**606**	–	**424**	–	**–**	–	**1 030**	–
Other assets	**1 307**	–	**2 985**	–	**–**	–	**4 292**	–
Total assets held for sale	**27 136**	–	**13 328**	–	**4**	14	**40 468**	14
Derivatives	**–**	–	**655**	–	**–**	–	**655**	–
Investment contracts and other financial liabilities	**6 370**	–	**10 770**	–	**–**	–	**17 140**	–
Insurance liabilities	**18 015**	–	**–**	–	**–**	–	**18 015**	–
Other liabilities	**1 313**	–	**379**	–	**–**	–	**1 692**	–
Total liabilities associated with assets held for sale	**25 698**	–	**11 804**	–	**–**	–	**37 502**	–
Gain (+)/loss (–) recognised directly in equity relating to assets held for sale	**–31**	–	**–9**	–	**–**	–	**–40**	–

Banca del Gottardo, Lugano, and the insurance operations in the Netherlands and in Belgium have been presented separately under assets held for sale and associated liabilities (disposal groups) in the consolidated balance sheet as at 31 December 2007.

Net cash flows from discontinued operations

In CHF million	2007	2006	2007	2006	2007	2006
	Insurance (Discontinued)	Insurance (Discontinued)	**Banking (Discontinued)**	Banking (Discontinued)	**Total**	Total
Net cash flows from operating activities	**–92**	199	**895**	–902	**803**	–703
Net cash flows from investing activities	**–16**	13	**–32**	108	**–48**	121
Net cash flows from financing activities	**69**	75	**163**	–120	**232**	–45
Net cash flows from discontinued operations	**–39**	287	**1 026**	–914	**987**	–627

31 Related Party Transactions

Consolidated statement of income

In CHF million				2007	2006
	Associates	Key management personnel	Other	Total	Total
Investment income	1	–	1	2	6
Net gains/losses on financial instruments at fair value through profit or loss	–	–	–17	–17	19
Interest expense	–	–	0	0	0
Employee benefits expense	–	–19	–	–19	–14
Other expenses	–1	–	–1	–2	–

Consolidated balance sheet

Amounts in CHF million				31.12.07	31.12.06
	Associates	Key management personnel	Other	Total	Total
Financial assets	0	–	285	285	289
Loans	19	–	–	19	30
Deposits	–	–	–	–	8
Insurance liabilities	–	–	0	0	–
SLH shares issued to key management under equity compensation plans (number)	–	7 617	–	7 617	8 432

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement is made in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2007, no provisions have been made for doubtful debts in respect of the amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Financial assets associated with other related parties primarily comprise strategic investments in a German bank conglomerate.

Key management compensation

In CHF million	31.12.2007	31.12.2006
Short-term employee benefits	11	10
Post-employment benefits	2	1
Other long-term benefits	–	–
Termination benefits	–	–
Equity-settled share-based payments	6	3
Total	19	14

Key management comprises the members of the Board of Directors of Swiss Life Holding and the members of the Corporate Executive Board of Swiss Life Holding. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Swiss Life Group, directly or indirectly.

The details regarding key management compensation in accordance with the Swiss Code of Obligations, article 663b^{bis} and article 663c, are set out in the Swiss Life Holding financial statements.

32 Assets under Management

In CHF million	31.12.2007	31.12.2006
On-balance-sheet assets		
Cash and cash equivalents	**4 555**	7 621
Derivatives	**463**	859
Financial assets at fair value through profit or loss	**19 399**	29 437
Debt securities available for sale	**54 750**	81 633
Money market instruments and loans available for sale	**21**	105
Equity securities available for sale	**6 216**	5 488
Investment funds available for sale	**1 849**	787
Private equity available for sale	**113**	129
Hedge funds available for sale	**5 638**	4 713
Other financial assets available for sale	**1**	61
Loans	**20 652**	28 883
Financial assets held to maturity	**3 624**	4 090
Financial assets pledged as collateral	**–**	124
Investment property	**12 252**	11 816
Investments in associates	**72**	75
Total on-balance-sheet assets	**129 605**	175 821
Fair value adjustments of assets reported at amortised cost		
Financial assets held to maturity	**–49**	103
Loans	**–244**	496
Third-party off-balance-sheet assets	**9 634**	37 621
Total assets under control	**138 946**	214 041
Minus externally managed on-balance-sheet assets		
Assets under unit-linked/private placement life insurance business	**–9 991**	–2 625
Externally managed alternative investments	**–6 107**	–5 190
Externally managed other assets	**–1 681**	–736
Total assets under management	**121 167**	205 490

Assets under control are taken to comprise:

- assets stated as investments in the balance sheet and cash and cash equivalents
- assets included in the balance sheet for the account and risk of the Swiss Life Group's customers (separate account/unit-linked investments, private placement life insurance)
- assets managed for third parties by the Group

For the purposes of determining assets under management, assets managed by third parties and alternative investments managed by third parties have been deducted from assets under control.

33 Fair Value of Financial Instruments Not at Fair Value in the Balance Sheet

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the Group's balance sheet at fair value:

In CHF million	Notes	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
		Carrying amount	Carrying amount	**Fair value**	Fair value
Assets					
Insurance receivables and other receivables	9	**4 152**	4 899	**4 152**	4 899
Loans	13	**20 652**	28 883	**20 408**	29 379
Financial assets held to maturity	14	**3 624**	4 090	**3 575**	4 193
Liabilities					
Insurance payables and other payables	9	**3 350**	4 268	**3 350**	4 268
Deposits	21	**2 622**	10 685	**2 622**	10 685
Investment contracts without discretionary participation	20	**440**	586	**440**	586
Borrowings	22	**3 621**	2 810	**3 616**	2 851
Financial guarantees		**–**	1	**–**	1

34 Guarantees and Commitments

In CHF million	**31.12.2007**	31.12.2006
Financial guarantees	**152**	438
Transaction-related guarantees	**–**	17
Loan commitments	**164**	230
Capital commitments	**568**	658
Private equity commitments	**303**	59
Operating lease commitments	**13**	123
Other contingent liabilities and commitments	**19**	61
Total	**1 219**	1 586

Future minimum lease payments under non-cancellable operating leases – lessee

In CHF million	**31.12.2007**	31.12.2006
Not later than 1 year	**0**	53
Later than 1 year and not later than 5 years	**13**	57
Later than 5 years	**–**	13
Total	**13**	123
Expected future minimum sublease payments	***–***	*9*

Guarantees

The Group has issued financial guarantees and transaction-related guarantees and similar instruments. Financial guarantees provide for specified payments to be made to reimburse the holder for a loss incurred in the event that a client fails to make payment when due. Transaction-related guarantees such as performance bonds and bid bonds protect the holder against loss in the event of non-performance of a contract.

34 Guarantees and Commitments (continued)

With the sale of the life business in the UK in 2004, representations and warranties have been agreed with the buyer which limit the exposure for the Swiss Life Group in respect of time and amount with regard to arising claims and taxes. In relation to mis-selling, it has been agreed that in case of specified events with a material financial impact on the OB Fund of the former Swiss Life UK life business, the financial consequences will be shared between the Swiss Life Group and the buyer according to a clear set of rules which limit the impact on the Swiss Life Group with regard to time (five years) and amount (GBP 31.5 million).

Loan commitments

The Group has also entered into irrevocable commitments to extend credit in the form of loans and other instruments. They represent undrawn credit lines which are available to clients to secure their liquidity needs. With respect to credit risk, these commitments are contingent upon clients maintaining certain credit standards, and the Group monitors its exposure on a regular basis.

The total amount of credit commitments includes commitments to lend at fixed rates which expose the Group to interest rate risk. These commitments are entered into for restricted periods of time. As at 31 December 2007, committed principal amounts stood at EUR 24 million and CHF 89 million (2006: EUR 33 million and CHF 114 million). The range of committed interest rates is 3.3% to 5.8% for commitments in EUR and 2.3% to 4.6% for commitments in CHF.

Capital commitments

The Group had commitments to purchase investments of CHF 413 million (excluding private equity) as at 31 December 2007 (2006: CHF 340 million). Contractual obligations to purchase or construct investment property amounted to CHF 155 million as at 31 December 2007 (2006: CHF 318 million). Commitments for the acquisition of property and equipment amounted to nil as at 31 December 2007 (2006: CHF 0.1 million).

Private equity commitments

Private equity commitments represent unfunded commitments to make investments in direct private equity or private equity funds. Such commitments do not involve credit or market risk, as the Group purchases investments at market value at the time the commitments are invoked.

Operating lease commitments

The Group has entered into various operating leases as a lessee. Rental expenses relating to continuing operations recognised in income for these items totalled CHF 25 million for the year ending 31 December 2007 (2006: CHF 26 million). Minimum lease payments totalled CHF 25 million in 2007 (2006: CHF 26 million).

Other contingencies and commitments

Contractual obligations for repairs and maintenance of investment property amounted to CHF 16 million as at 31 December 2007, which are included in this line item (2006: CHF 57 million).

Legal proceedings

The Group is involved in various legal proceedings, claims and litigation generally relating to its insurance operations. The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of the management these matters are adequately provided for as at the balance sheet date.

35 Collateral

Carrying amount of assets pledged as collateral

In CHF million	**31.12.2007**	31.12.2006
Securities under repurchase and securities lending transactions [1]	**–**	4 167
Securities under other transactions	**283**	472
Other financial assets	**–**	–
Investment property	**102**	102
Property and equipment	**–**	–
Other	**–**	–
Financial assets pledged as collateral for contingent liabilities	**–**	–
Total	**385**	4 741

[1] of which can be sold or repledged by transferee: nil as at 31.12.2007 (2006: CHF 124 million)

Fair value of collateral held which can be sold or repledged

In CHF million	**31.12.2007**	31.12.2006
Securities under repurchase agreements, securities borrowing and lending arrangements	**0**	4 495
Securities under derivative and other transactions	**–**	25
Total	**0**	4 520
of which sold or repledged		
With obligation to return	***0***	*1 606*
No obligation to return	***–***	*–*

36 Future Minimum Lease Payments under Non-Cancellable Operating Leases – Lessor

In CHF million	**31.12.2007**	31.12.2006
Not later than 1 year	**144**	141
Later than 1 year and not later than 5 years	**526**	416
Later than 5 years	**556**	634
Total	**1 226**	1 191
Contingent rents recognised in income	***1***	*4*

Leased assets where the Group is a lessor primarily relate to investment property leased to third parties under operating leases.

37 Reclassifications in the Consolidated Statement of Income and Consolidated Balance Sheet

Reclassifications in the statement of income for the year ended 31 December 2006

In CHF million	As disclosed	Reclas-sification	Reclassified	Less: discontinued operations	Continuing operations
Interest expense	–908	–53			
Interest expense			–961	239	–722
Acquisition and origination costs deferred	538	–538			
Acquisition and origination costs deferred			–	–	–
Commission expense	–1 172	443			
Commission expense			–729	92	–637
Employee benefits expense	–1 215	40			
Employee benefits expense			–1 175	327	–848
Other expenses	–803	55			
Other expenses			–748	253	–495
Borrowing costs	–177	53			
Borrowing costs			–124	5	–119

Borrowing costs of CHF 53 million relating to repurchase agreements and bank loans were reclassified to interest expense.

In order to improve the presentation of expenses by their nature, acquisition and origination costs deferred totalling CHF 538 million were reclassified to commission expense, employee benefits expense and other expenses.

37 Reclassifications in the Consolidated Statement of Income and Consolidated Balance Sheet (continued)

Reclassifications in the balance sheet as at 31 December 2006

In CHF million	As disclosed	Reclassification	Reclassified
Derivatives (liabilities)	2 262	–1 445	
Derivatives (liabilities)			817
Investment contracts	28 853	1 224	
Investment contracts			30 077
Deposits	7 356	3 329	
Deposits			10 685
Borrowings	6 139	–3 329	
Borrowings			2 810
Insurance liabilities	109 235	221	
Insurance liabilities			109 456

Derivatives embedded in investment contracts amounting to CHF 1224 million and derivatives embedded in insurance contracts of CHF 221 million are now included within investment contracts and insurance liabilities, respectively.

Borrowings totalling CHF 3329 million relating to repurchase agreements and bank loans were reclassified to deposits.

These reclassifications were also reflected in the consolidated statement of cash flow for the year ended 31 December 2006.

38 Events after the Balance Sheet Date

The transaction to dispose of Banca del Gottardo, Lugano, for a total consideration of CHF 1875 million (subject to adjustment) was completed on 7 March 2008.

In December 2007, the Swiss Life Group announced that it will make a voluntary public takeover bid at EUR 30 per share to the shareholders of AWD Holding AG, Hanover, in January 2008. On 19 March 2008, the Swiss Life Group held 96.7% of the AWD Holding shares (including 10.5% shares under option).

The assets and liabilities from the acquisition, provisionally determined, are as follows:

In CHF million	Fair value	Carrying amount in accordance with IFRS before combination
Cash and cash equivalents	270	270
Receivables	199	199
Other financial assets	50	50
Investment property	11	11
Property and equipment	69	69
Customer relationships and other intangible assets	463	39
Other assets	12	12
Payables	–265	–265
Employee benefit liabilities	–2	–2
Provisions	–189	–189
Deferred income tax liabilities	–121	–4
Net identifiable assets acquired before goodwill	**497**	**190**
Purchase consideration	1 738	
Direct costs relating to the acquisition	22	
Total purchase consideration	**1 760**	
Net identifiable assets acquired	497	
Minority interest	–17	
Goodwill	**1 280**	

39 Significant Subsidiaries and Associates

	Segment [1]	Consolidation period		Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Switzerland								
Adamant, Basel	–	until	29.03.2006	–	–	equity		
Adroit Investment, Zürich	Ins. CH	until	01.01.2007	–	–	full		
Adroit Private Equity, Zürich	Ins. CH			100.0%	100.0%	full	CHF	5 000
Banca del Gottardo, Lugano	Bank. Dis.			100.0%	100.0%	full	CHF	70 000
B-Source, Lugano	–			37.0%	37.0%	equity	CHF	2 400
City-Markt Aarau AG, Aarau	–			24.0%	24.0%	equity	CHF	500
Dreieck Equipment Leasing, Zürich	Bank. Dis.	until	27.01.2006	–	–	full		
Dreieck Fiduciaria, Lugano	Bank. Dis.			100.0%	100.0%	full	CHF	500
Dreieck Industrie Leasing, Lausanne	Bank. Dis.	until	27.01.2006	–	–	full		
Eaux-Vives 2000, Zürich	Ins. CH			100.0%	100.0%	full	CHF	1 000
Eaux-Vives Office, Zürich	Ins. CH			100.0%	100.0%	full	CHF	100
Gottardo Investments SA, Lugano	Bank. Dis.	until	11.12.2006	–	–	full		
Kuhn & Seal, Nyon	Ins. CH	until	23.01.2006	–	–	full		
Livit, Zürich	IM			100.0%	100.0%	full	CHF	3 000
Livolsi e Associati Private, Lugano	–			40.0%	40.0%	equity	CHF	1 000
Long Term Strategy in liquidation, Zug	Other			100.0%	100.0%	full	CHF	2 000
Neue Warenhaus AG, Zürich	Ins. CH			100.0%	100.0%	full	CHF	5 000
Oscar Weber AG, Zürich	Ins. CH			100.0%	100.0%	full	CHF	5 000
Parking de Bellefontaine, Lausanne	–			38.3%	38.3%	equity	CHF	800
Pendia Associates, Zürich	Ins. CH	until	23.01.2006	–	–	full		
Rentenanstalt Holding, Zürich	Other			100.0%	100.0%	full	CHF	25 000
Swiss Life Asset Management, Zürich	IM			100.0%	100.0%	full	CHF	250
Swiss Life Capital Holding, Zürich	Other			100.0%	100.0%	full	CHF	5 514
Swiss Life Funds AG, Lugano	IM			100.0%	100.0%	full	CHF	20 000
Swiss Life Funds Business, Zürich	IM			100.0%	100.0%	full	CHF	250
Swiss Life General Partners, Zürich	Other	until	20.08.2007	–	–	full		
Swiss Life Holding, Zürich	Other			–	–	full	CHF	1 188 655
Swiss Life Institutional Funds – SLIF 14, Lugano	Ins. CH	until	24.05.2006	–	–	full		
Swiss Life Intellectual Property Management AG, Zürich	Other			100.0%	100.0%	full	CHF	250
Swiss Life International Holding AG, Zürich	Other	from	12.06.2006	100.0%	100.0%	full	CHF	1 000
Swiss Life Investment Management Holding, Zürich	IM			100.0%	100.0%	full	CHF	50 000
Swiss Life (Liechtenstein) Services, Vaduz, Branch Zürich	Ins. Other			–	–	full	–	–
Swiss Life Pension Services, Zürich	Ins. CH			100.0%	100.0%	full	CHF	250
Swiss Life Private Equity Partners, Zürich	IM			100.0%	100.0%	full	CHF	250
Swiss Life Property Management, Zürich	IM			100.0%	100.0%	full	CHF	250
Swiss Life/Rentenanstalt, Zürich	Ins. CH			100.0%	100.0%	full	CHF	587 350
Swiss Life Selection, Zürich	Ins. CH			100.0%	100.0%	full	CHF	250
Swissville Centers, Zürich	Ins. CH			100.0%	100.0%	full	CHF	2 500
Swissville Centers Holding, Zürich	Ins. CH			100.0%	100.0%	full	CHF	7 100
Swissville Commerce, Zürich	Ins. CH			100.0%	100.0%	full	CHF	150 900
Swissville Commerce Holding, Zürich	Ins. CH			100.0%	100.0%	full	CHF	147 100
Swissville Europe Holding, Zürich	Ins. CH	until	01.01.2007	–	–	full		
Swissville Private, Zürich	Ins. CH	until	30.06.2006	–	–	full		
Swissville Private Holding, Zürich	Ins. CH	until	30.06.2006	–	–	full		
Technopark Immobilien, Zürich	–			33.3%	33.3%	equity	CHF	40 000

[1] Segment (Ins. CH = Insurance Switzerland, Bank. Dis. = Banking (Discontinued), IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany, Ins. Dis. = Insurance (Discontinued))

39 Significant Subsidiaries and Associates (continued)

	Segment [1]	Consolidation period	Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Liechtenstein							
CapitalLeben Versicherung AG, Schaan	Ins. Other	27.03. – 01.07.2007	–	–		full	
LGT Swiss Life Non Traditional Advisers, Vaduz	–		43.7%	43.7%	equity	CHF	1 000
Swiss Life (Liechtenstein), Vaduz	Ins. Other		100.0%	100.0%	full	CHF	5 000
Swiss Life (Liechtenstein) Services, Vaduz	Ins. Other		100.0%	100.0%	full	CHF	100
France							
AGAMI, Lille	Ins. FR		100.0%	100.0%	full	EUR	500
Cabinet Wilhelm SA, Lons	–	from 01.02.2007	49.8%	49.8%	equity	EUR	300
Carte Blanche Partenaires, Paris	Ins. FR		94.6%	95.1%	full	EUR	2 300
Carte Blanche TP, Paris	–		43.6%	44.0%	equity	EUR	40
CEAT, Paris	Ins. FR		100.0%	100.0%	full	EUR	2 400
CEGEMA, Villeneuve-Loubet	Ins. FR		50.6%	50.6%	full	EUR	300
Crédit et services financiers (CRESERFI), Paris	–		33.4%	33.4%	equity	EUR	56 407
ERISA, Paris	Ins. FR	until 02.07.2007	–	–	full		
ERISA IARD, Paris	Ins. FR	until 02.07.2007	–	–	full		
Garantie Assistance, Paris	Ins. FR		99.5%	100.0%	full	EUR	1 850
GSD Gestion, Paris	–	until 15.03.2007	–	–	equity		
Meeschaert Assurances, Paris	Ins. FR	from 09.11.2007	100.0%	100.0%	full	EUR	5 640
Oudart, Paris	Bank. Dis.		100.0%	100.0%	full	EUR	5 500
Oudart Gestion, Paris	Bank. Dis.		100.0%	100.0%	full	EUR	1 000
Oudart Patrimoine, Paris	Bank. Dis.		100.0%	100.0%	full	EUR	38
Premium Consulting SAS, Paris	–		20.0%	20.0%	equity	EUR	40
SCI DYNAPIERRE, Paris	Ins. FR		99.7%	100.0%	full	EUR	7 317
SCI ERISA IMMO 1, Paris	Ins. FR	until 02.07.2007	–	–	full		
Seeds Finance SA, Paris	–	from 21.12.2007	34.7%	36.0%	equity	EUR	85
Société suisse de participations d'assurance, Paris	Ins. FR		100.0%	100.0%	full	EUR	678 353
Société suisse vie, Paris (branch Swiss Life/Rentenanstalt)	Ins. FR		–	–	full	–	–
Swiss Life Asset Management (France), Paris	IM		100.0%	100.0%	full	EUR	3 000
Swiss Life Assurance et Patrimoine, Paris	Ins. FR		99.7%	100.0%	full	EUR	113 250
Swiss Life Assurances de Biens, Paris	Ins. FR		100.0%	100.0%	full	EUR	80 000
Swiss Life Banque, Paris	Ins. FR		60.0%	60.0%	full	EUR	29 913
Swiss Life Gestion Privée, Paris	Ins. FR	from 31.08.2007	60.0%	100.0%	full	EUR	205
Swiss Life Prévoyance et Santé, Paris	Ins. FR		99.2%	99.2%	full	EUR	150 000

[1] Segment (Ins. CH = Insurance Switzerland, Bank. Dis. = Banking (Discontinued), IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany, Ins. Dis. = Insurance (Discontinued))

39 Significant Subsidiaries and Associates (continued)

	Segment [1]	Consolidation period	Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Germany							
Aareal Holding Verwaltungsgesellschaft mbH, Düsseldorf	–		20.4%	100.0%	equity	EUR	25
DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf	–		20.4%	20.4%	equity	EUR	539
Financial Solutions, München	Ins. DE		100.0%	100.0%	full	EUR	200
Münchner Tor, München	Ins. DE		100.0%	100.0%	full	EUR	59 435
Schweizerische Rentenanstalt, München (branch Swiss Life/Rentenanstalt)	Ins. DE		–	–	full	–	–
Schweizer Leben Pensions Management, München	Ins. DE		100.0%	100.0%	full	EUR	150
Seko, München	Ins. DE		90.0%	90.0%	full	EUR	30
Sepis, München	Ins. DE		100.0%	100.0%	full	EUR	30
Swiss Life Asset Management, Unterföhring	IM		100.0%	100.0%	full	EUR	5 250
Swiss Life Asset Management GmbH, München	IM	from 14.12.2006	100.0%	100.0%	full	EUR	1 000
Swiss Life Beteiligungs GmbH, München	Ins. DE		100.0%	100.0%	full	EUR	25
Swiss Life Beteiligungs GmbH, München	Other	from 04.12.2007	100.0%	100.0%	full	EUR	25
Swiss Life Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, München	Ins. DE		100.0%	100.0%	full	EUR	50
Swiss Life Beteiligungs-GmbH & Co. Immobilien I KG, München	Ins. DE	from 22.10.2007	100.0%	100.0%	full	EUR	10
Swiss Life Beteiligungs-GmbH & Co. Immobilien Ost KG, München	Ins. DE	from 22.10.2007	100.0%	100.0%	full	EUR	50
Swiss Life Cooperations, München	Ins. DE		100.0%	100.0%	full	EUR	100
Swiss Life Grundstücksmanagement, München	Ins. DE		100.0%	100.0%	full	EUR	26
Swiss Life Insurance Solutions AG, München	Ins. DE	from 04.10.2006	100.0%	100.0%	full	EUR	7 500
Swiss Life Partner AG, München	Ins. DE		100.0%	100.0%	full	EUR	7 000
Swiss Life Partner Service und Finanzvermittlung, München	Ins. DE		100.0%	100.0%	full	EUR	300
Swiss Life Partner Vertriebs GmbH, Hamburg	–		50.0%	50.0%	equity	EUR	77
Swiss Life Pensionsfonds, München	Ins. DE		100.0%	100.0%	full	EUR	3 000
Swiss Life Pensionskasse, München	Ins. DE		100.0%	100.0%	full	EUR	3 000
Swiss Life Vermittlungs GmbH, München	Ins. DE	from 29.10.2007	100.0%	100.0%	full	EUR	50
Verwaltung Swiss Life Partner Vertriebs GmbH, Hamburg	–		50.0%	50.0%	equity	EUR	26
Netherlands							
Swiss Life Asset Management (Nederland), Amstelveen	Ins. Dis.		100.0%	100.0%	full	EUR	250
Zwitserleven, Amstelveen (branch Swiss Life/Rentenanstalt)	Ins. Dis.		–	–	full	–	–
Zwitserleven Vermogensbeheer, Amstelveen	Ins. Dis.		100.0%	100.0%	full	EUR	2 269

[1] Segment (Ins. CH = Insurance Switzerland, Bank. Dis. = Banking (Discontinued), IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany, Ins. Dis. = Insurance (Discontinued))

39 Significant Subsidiaries and Associates (continued)

	Segment [1]	Consolidation period		Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Belgium								
AIA Pool, Sint-Jans-Molenbeek	–			13.0%	13.0%	equity	EUR	19
Bureau Maron, Verviers	Ins. Dis.	from	21.12.2006	100.0%	100.0%	full	EUR	20
Demoisy & Cie, Montigny le Tilleul	–			25.0%	25.0%	equity	EUR	31
European District Properties Three, Sint Stevens Woluwe	–			50.0%	50.0%	equity	EUR	62
Freeberg, Bruxelles	Ins. Dis.	from	05.07.2007	100.0%	100.0%	full	EUR	685
Leaseberg, Bruxelles	Ins. Dis.	from	05.07.2007	100.0%	100.0%	full	EUR	1 880
Swiss Life Asset Management (Belgium), Bruxelles	IM			100.0%	100.0%	full	EUR	500
Swiss Life Belgium SA, Bruxelles	Ins. Dis.			100.0%	100.0%	full	EUR	88 074
Swiss Life Immo-Cross Roads, Bruxelles	Ins. Dis.			100.0%	100.0%	full	EUR	64
Swiss Life Immo-Midi (Belgium), Bruxelles	Ins. Dis.			100.0%	100.0%	full	EUR	2 200
Swiss Life Immo-Residential (formerly Swiss Life Information Systems), Sint-Gillis	Ins. Dis.			100.0%	100.0%	full	EUR	62
Swiss Life Immo-Techno Center I, Bruxelles	Ins. Dis.			100.0%	100.0%	full	EUR	868
Swiss Life Invest (Belgium), Bruxelles	Ins. Dis.			100.0%	100.0%	full	EUR	646
Swissville Europe (Belgium), Bruxelles	Ins. CH	until	25.01.2006	–	–	full		
ZELIA, Bruxelles	Ins. Dis.	until	01.01.2006	–	–	full		
Luxembourg								
Banque du Gothard (Luxembourg), Luxembourg	Bank. Dis.			100.0%	100.0%	full	CHF	14 000
Esofac, Luxembourg	–			30.0%	30.0%	equity	EUR	125
Gotam Fund Management Company, Luxembourg	Bank. Dis.			100.0%	100.0%	full	EUR	125
Gotam Umbrella Fund (Lux) Advisory Company, Luxembourg	Bank. Dis.			100.0%	100.0%	full	CHF	200
Gottardo Equity Fund (Lux) Management, Luxembourg	Bank. Dis.			100.0%	100.0%	full	CHF	250
Gottardo Strategy Fund Management, Luxembourg	Bank. Dis.			100.0%	100.0%	full	CHF	250
Heralux, Luxembourg	Ins. FR			99.2%	100.0%	full	EUR	1 250
Pulse SA, Luxembourg	Ins. Other	from	07.08.2007	100.0%	100.0%	full	EUR	31
SB-Gotthard I Fund Management, Luxembourg	Bank. Dis.	until	29.11.2006	–	–	full		
SLGB Management, Luxembourg	Ins. Dis.			100.0%	100.0%	full	EUR	125
Swiss Life (Luxembourg), Strassen	Ins. Other			100.0%	100.0%	full	EUR	15 000
Swiss Life Asset Management Holding, Strassen	IM			100.0%	100.0%	full	CHF	8 380
Swiss Life Funds (Lux) Management, Luxembourg	IM			100.0%	100.0%	full	CHF	400
Swiss Life Immo-Arlon, Strassen	Ins. Other			100.0%	100.0%	full	EUR	1 000
Swiss Life Invest Luxembourg, Strassen	Ins. Other	from	04.12.2006	100.0%	100.0%	full	EUR	35 000
Swiss Life Participations Luxembourg, Strassen	Ins. Other	from	21.12.2006	100.0%	100.0%	full	EUR	70 000

[1] Segment (Ins. CH = Insurance Switzerland, Bank. Dis. = Banking (Discontinued), IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany, Ins. Dis. = Insurance (Discontinued))

39 Significant Subsidiaries and Associates (continued)

	Segment [1]	Consolidation period		Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
United Kingdom								
Alpine Holdings, St. Peter Port, Guernsey	Bank. Dis.	until	15.08.2006	–	–	full		
Integer Investment PCC Limited Cell 7, St. Peter Port, Guernsey	Bank. Dis.	until	28.02.2006	–	–	full		
Spain								
Gottardo Gestión, SGIIC, Madrid	Bank. Dis.			100.0%	100.0%	full	EUR	1 091
Gottardo Inversiones Financieras, Madrid	Bank. Dis.			100.0%	100.0%	full	EUR	1 969
Gottardo Patrimonios, Madrid	Bank. Dis.			100.0%	100.0%	full	EUR	670
Italy								
Banca del Gottardo Italia, Bergamo	Bank. Dis.			90.0%	90.0%	full	EUR	50 000
Fafid, Milano	Bank. Dis.			100.0%	100.0%	full	EUR	150
Gottardo Asset Management SGR, Milano	Bank. Dis.			100.0%	100.0%	full	EUR	2 050
Swiss Life (Italia), Milano	Ins. Other	until	31.12.2006	–	–	full		
Swiss Life (Italia) Infortuni e Malattie, Milano	Ins. Other	until	31.12.2006	–	–	full		
Bahamas								
Alpine Services Ltd., Nassau	Bank. Dis.	from	01.01.2006	100.0%	100.0%	full	USD	10
Gottardo Trust Company, Nassau	Bank. Dis.			100.0%	100.0%	full	USD	3 000
Cayman Islands								
Adroit Investment (Offshore), Grand Cayman	Ins. CH			100.0%	100.0%	full	CHF	0
Adroit Private Equity (Offshore), Grand Cayman	Ins. CH	until	15.06.2007	–	–	full		
Swiss Life Cayman Finance, Grand Cayman	Other	until	06.09.2006	–	–	full		
Swiss Life Financial Services, Grand Cayman	Other			100.0%	100.0%	full	CHF	50
Swiss Life Insurance Finance, Grand Cayman	Other			100.0%	100.0%	full	EUR	5
Swiss Life Private Equity Partners (Cayman), Grand Cayman	IM	until	31.03.2006	–	–	full		
Greece								
Second Pillar, Athens	–			25.0%	25.0%	equity	EUR	60
Monaco								
Banque du Gothard (Monaco), Monaco	Bank. Dis.	until	28.02.2006	–	–	full		
Gothard Gestion Monaco, Monaco	Bank. Dis.	until	28.02.2006	–	–	full		
Gottim Sam, Monaco	Bank. Dis.	until	28.02.2006	–	–	full		
Podium Sam, Monaco	–			30.0%	30.0%	equity	EUR	150
Netherlands Antilles								
N.V. Pensioen ESC, Willemstad	Ins. Dis.			100.0%	100.0%	full	ANG	1 000

[1] Segment (Ins. CH = Insurance Switzerland, Bank. Dis. = Banking (Discontinued), IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany, Ins. Dis. = Insurance (Discontinued))

Report of the Group Auditors

Report of the Group Auditors
to the General Meeting of
Swiss Life Holding
Zurich

As auditors of the Group, we have audited the consolidated financial statements (consolidated statement of income, consolidated balance sheet, consolidated statement of cash flow, consolidated statement of changes in equity and notes to the consolidated financial statements; pages 75 to 197) of Swiss Life Group for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi Daniel Häfeli
Auditor in charge
Zurich, 26 March 2008

Review of Operations | Swiss Life Holding generated a profit of CHF 335 million in the 2007 financial year, up on the previous year's figure of CHF 249 million.

Total income at Swiss Life Holding rose from CHF 261 million to CHF 350 million. This growth reflected the increase from CHF 231 million to CHF 331 million in dividends received on participating interests. More than one third of the dividend income was generated abroad. In addition, dividend income was broadly diversified between the segments.

The interest received on loans made to Group companies was up slightly due to a new loan to the amount of CHF 100 million to Swiss Life (Liechtenstein) AG. This represented part of the funding for the takeover of CapitalLeben. The company resulting from the merger between Swiss Life (Liechtenstein) AG and CapitalLeben was incorporated into Swiss Life International Holding AG, in which Swiss Life groups together its foreign insurance companies. With this step, Swiss Life continued to streamline the Group structure during the reporting period.

In addition, the company founded two new subsidiaries in the period under review: Swiss Life Beteiligungs GmbH, Munich, and Pulse SA, Luxembourg, the latter of which was renamed Swiss Life Products (Luxembourg) SA in February 2008. Swiss Life Beteiligungs GmbH is the acquiring company for the stake in AWD Holding AG. Pulse SA is creating a central platform for the development and management of innovative products which will be available for sale internationally from mid 2008

Swiss Life Holding's liquid assets (liquid funds plus time deposits and comparable instruments) fell from CHF 649 million to CHF 159 million. Swiss Life Holding used excess liquid funds to expand its position in its own shares.

Swiss Life Holding's profit distribution to shareholders in the reporting period came to CHF 245 million, or CHF 7 per share. It took the form of a repayment of par value. The par value of the Swiss Life Holding share was thereby reduced from CHF 41 to CHF 34 and the share capital decreased from CHF 1385 million to CHF 1189 million. Conversion of outstanding convertible bonds into shares led to an increase in the share capital of CHF 49 million. The nominal value of the CHF 317 million's worth of convertible bonds issued in 2004 was thereby reduced to CHF 68 million. The convertible bond expires in June 2010. The conversion price at the time of writing is CHF 209.15. Apart from the convertible bond issue, Swiss Life Holding is financed entirely by equity.

The total expenses of Swiss Life Holding, including tax expenses, rose by CHF 3 million vis-à-vis the previous year to stand at CHF 15 million. The increase was mainly due to higher commission expense in connection with the considerable rise in conversions of the convertible bond issue.

Statement of Income

Statement of Income for the years ended 31 December

In CHF million	2007	2006
Investment income	343	257
Foreign currency gains/losses	–	–
Net investment income	343	257
Operating expense	–8	–5
Other income	7	4
Financial expense	–6	–4
Income tax expense	–1	–3
Net profit	335	249

Balance Sheet

Balance Sheet

In CHF million	**31.12.2007**	31.12.2006
Assets		
Liquid funds	**9**	6
Liquid funds Group companies	**–**	2
Time deposits and similar investments	**150**	218
Time deposits and similar investments Group companies	**–**	423
Short-term investments at fair value	**2**	–
Receivables from Group companies	**4**	95
Receivables from third parties	**3**	3
Prepayments and accrued income	**4**	2
Current assets	**172**	749
Equity securities	**519**	32
Debt securities	**5**	75
Participations	**2 665**	2 494
Loans to Group companies	**218**	116
Non-current assets	**3 407**	2 717
Total assets	**3 579**	3 466
Liabilities and equity		
Liabilities		
Payables to Group companies	**–**	–
Liabilities towards third parties	**33**	23
Total short-term liabilities	**33**	23
Convertible securities	**68**	313
Total long-term liabilities	**68**	313
Total liabilities	**101**	336
Equity		
Share capital	**1 189**	1 385
General reserves	***1 117***	*918*
Reserve for treasury shares	***618***	*66*
Legal reserves	**1 735**	984
Free reserves	**216**	508
Balance carried forward from previous year	***3***	*4*
Net profit	***335***	*249*
Profit shown in the balance sheet	**338**	253
Total equity	**3 478**	3 130
Total liabilities and equity	**3 579**	3 466

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 (OR).

Explanations on the Balance Sheet and Statement of Income

PARTICIPATIONS

	31.12.2007			31.12.2006		
	Currency	**Authorised share capital in 1000**	**Direct share**	Currency	Authorised share capital in 1000	Direct share
Banca del Gottardo, Lugano	**CHF**	**70 000**	**100.0%**	CHF	70 000	100.0%
Pulse SA, Luxembourg	**EUR**	**31**	**100.0%**	–	–	–
Swiss Life Beteiligungs GmbH, München	**EUR**	**25**	**100.0%**	–	–	–
Swiss Life Intellectual Property Management AG, Zürich	**CHF**	**250**	**100.0%**	CHF	250	100.0%
Swiss Life International Holding AG, Zürich	**CHF**	**1 000**	**100.0%**	CHF	1 000	100.0%
Swiss Life Investment Management Holding, Zürich	**CHF**	**50 000**	**100.0%**	CHF	50 000	100.0%
Swiss Life (Liechtenstein), Vaduz	–	–	–	CHF	5 000	100.0%
Swiss Life/Rentenanstalt, Zürich	**CHF**	**587 350**	**100.0%**	CHF	587 350	100.0%

LOANS TO GROUP COMPANIES | CHF 182 million of the loans to Group companies is classified as subordinated.

MAJOR SHAREHOLDERS | At the time of writing there are no individual shareholders or groups of shareholders who own more than 5% of Swiss Life Holding's share capital and who are known to us.

SHARE CAPITAL | As at 31 December 2007, the share capital of Swiss Life Holding (SLH) consisted of 34 960 439 fully-paid shares with a par value of CHF 34 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of their own shares and those they represent. As at 31 December 2006, SLH had 33 776 269 registered shares with a par value of CHF 41 per share. Conditional share capital was CHF 84 439 034 as at 31 December 2007 (2006: CHF 150 374 511).

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

FREE RESERVES AND RETAINED EARNINGS | Free reserves and retained earnings contain accumulated retained earnings which have not been distributed to the shareholders, or which have been allocated to the reserve for own shares.

Explanations on the Balance Sheet and Statement of Income (continued)

ISSUANCE OF CONVERTIBLE DEBT IN 2004 | On 10 June 2004, SLH issued CHF 317 million in 0.625% convertible bonds (2004–2010) convertible into SLH registered shares. The conversion price was set at CHF 209.625.

In 2007, convertible bonds of CHF 248 235 000 were converted into 1 184 170 SLH shares with a corresponding increase of share capital and share premium.

OWN SHARES | In the year under review the companies in the Swiss Life Group purchased a total of 4 233 778 Swiss Life Holding shares at an average price of CHF 309.88. In the same period, they sold 2 415 493 shares at an average price of CHF 312.36. As at 31 December 2007, the Swiss Life Group held 2 153 802 own shares.

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

CONTINGENCIES | Swiss Life Holding acts as warrantor for all Swiss Life/Rentenanstalt liabilities with regard to the various tranches of the subordinated perpetual step-up loan (hybrid debt), which amounted to an equivalent value of CHF 2532 million at the balance sheet date.

In 2006, SLH further gave a capital guarantee for a maximum net asset value of CHF 300 million to Swiss Life Funds.

Explanations on the Balance Sheet and Statement of Income (continued)

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

In CHF million	2007	2006
Share capital		
Balance as at 1 January	**1 385**	1 554
Reduction in par value	**–245**	–169
Converted Swiss Life Holding shares	**49**	0
Total share capital	**1 189**	1 385
Legal reserves		
General reserves		
Balance as at 1 January	**918**	918
Converted Swiss Life Holding shares	**199**	0
Total general reserves	**1 117**	918
Reserve for treasury shares		
Balance as at 1 January	**66**	42
Reserve for treasury shares	**552**	24
Total reserve for treasury shares	**618**	66
Total legal reserves	**1 735**	984
Free reserves		
Balance as at 1 January	**508**	361
Allocation to free reserves	**250**	170
Reserve for treasury shares (incl. reduction in par value)	**–542**	–23
Total free reserves	**216**	508
Profit shown in the balance sheet		
Balance as at 1 January	**253**	174
Allocation to free reserves	**–250**	–170
Net profit	**335**	249
Total profit shown in the balance sheet	**338**	253
Total equity	**3 478**	3 130

EVENTS AFTER THE BALANCE SHEET DATE | The transaction to dispose of Banca del Gottardo, Lugano, for a total consideration of CHF 1875 million (subject to adjustment) was completed on 7 March 2008.

In December 2007, the Swiss Life Group announced that it will make a voluntary public takeover bid at EUR 30 per share to the shareholders of AWD Holding AG, Hanover, in January 2008. On 19 March 2008, the Swiss Life Group held 96.7% of the AWD Holding shares (including 10.5% shares under option).

Explanations on the Balance Sheet and Statement of Income (continued)

Disclosure of compensation to the Board of Directors and the Corporate Executive Board in accordance with the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c

COMPENSATION IN 2007 | The specifications below take into consideration the new transparency regulations on compensation set out in the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c. Further information on compensation and benefit expenditure can be found in Swiss Life Group's Annual Report 2007 (Corporate Governance and Notes 24 and 31 to the Financial Statements).

COMPENSATION POLICY PRINCIPLES | Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for establishing the guidelines on the Group's compensation policy (incl. bonuses, equity compensation plans and share option plans) and with regard to 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 to be competitive and in line with the market environment. The overall compensation takes into account the employees' professional skills, commitment and personal performance. Individual compensation is made up of a basic salary and variable short-, medium- and long-term salary components as well as contributions to occupational provisions and risk insurance. The basic salary is determined according to the employee's function and skill-set, and is annually reassessed and adjusted if appropriate. The variable salary components are linked to the strategic objectives of the Group and the individual divisions and the associated financial and HR-related targets. Personal performance and target achievement are assessed annually in the employee appraisal procedure implemented throughout the Group (Group Performance System) and taken into consideration when applying the defined compensation policy.

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 Chairman's Committee, in its capacity as a Compensation Committee, is responsible for putting forward corresponding proposals. The Board of Directors also establishes the guidelines for the company's compensation policy. In doing so, it takes into consideration the compensation policies of other organisations of comparable size and in comparable industries, drawing its findings from publicly available information and, as necessary, studies by external experts. Based on these guidelines, the Chairman's Committee determines the compensation for the individual members of the Corporate Executive Board and informs the entire Board of Directors accordingly.

COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS | Compensation remitted to members of the Board of Directors in the year under review comprised the basic compensation, additional compensation in cash and a variable compensation component in shares. The basic compensation covers membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life/Rentenanstalt 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 Swiss Life Group's business operations have proved successful, a further, variable compensation component is remitted in the form of Swiss Life Holding shares, decided upon by the Board of Directors taking into consideration the business result. The shares are allocated at economic value, which is equal to the tax value, taking a vesting period of three years into account.

As Chairman of the Board, Bruno Gehrig 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; no contributions have been made on their behalf.

Explanations on the Balance Sheet and Statement of Income (continued)

COMPENSATION TO MEMBERS OF THE CORPORATE EXECUTIVE BOARD | In the year under review, the compensation remitted to members of the Corporate Executive Board comprised the salary, a variable bonus in cash, other compensation (child allowances, allowance for years of service, company cars, premium contributions to 3rd-pillar pension plans) and variable compensation in the form of shares. The salary is determined annually by the Chairman's Committee, in its capacity as Compensation Committee, taking into account the individual member's function-related responsibility and workload. If Swiss Life Group's business operations have proved successful, a variable cash bonus and variable compensation in the form of shares is added, decided upon by the Chairman's Committee under consideration of the business results and the personal target achievement of the members of the Corporate Executive Board. In the year under review, the shares were allocated at economic value, which is equal to the tax value, taking a vesting period of one year into account.

As part of the compensation policy, a long-term equity compensation plan was introduced in 2004 for members of the Corporate Executive Board and other senior management members of the Swiss Life Group. Under this programme, participants have been granted future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs) since 2005. These subscription rights entitle them to receive Swiss Life Holding shares free of charge after a period of three years insofar as the relevant conditions have been satisfied.

Pursuant to the regulations of the 2007 equity compensation plan, two objective performance criteria have been defined, each weighted at 50%. Depending on the fulfilment of the two performance criteria within the three-year period, the number of PSUs can increase by no more than a factor of 1.5 or drop to zero. 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 share allocation 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 listed 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.

50% of PSU x Factor	
TSR Swiss Life Holding	**Factor**
≤ 20%	0%
= 30%	100%
≥ 40%	150%

50% of PSU x Factor	
TSR Outperformace	**Factor**
≤ 1st Quartile	0%
= Median	100%
≥ 3rd Quartile	150%

Explanations on the Balance Sheet and Statement of Income (continued)

The number of PSUs entitling the participant to receive shares after the three-year term is determined in accordance with the table above as follows: One half of the PSUs allocated is multiplied by the factor resulting from the TSR Swiss Life Holding target achievement, and the other half by the factor resulting from the TSR Outperformance target achievement. The factor equals 1, i.e. 100%, if a performance of 30% is attained for the first performance criterion, the TSR Swiss Life Holding. Interim values are determined by linear interpolation. In the case of TSR Outperformance, the second performance criterion, the factor is 1, i.e. 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 multiplied 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.

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.

COMPENSATION TO THE BOARD OF DIRECTORS IN 2007

	Compensation in cash			Compensation in shares [1]			Expenditure for occupational provisions		
Amounts in CHF	Basic compensation	Additional compensation	**Total compensation in cash**	Number	Amount	**Total compensation in cash and shares (amount)**	Regular contributions[2]	Extraordinary contribution	**Aggregate total (amount)[3]**
Bruno Gehrig, Chairman of Board of Directors	555 000	100 000	**655 000**	312	79 898	**734 898**	197 992	652 961	**1 585 851**
Gerold Bührer	128 000	110 000	**238 000**	235	60 187	**298 187**			
Volker Bremkamp	96 000	30 000	**126 000**	152	38 937	**164 937**			
Paul Embrechts	72 000	10 000	**82 000**	108	27 653	**109 653**			
Rudolf Kellenberger	104 000	10 000	**114 000**	153	39 199	**153 199**			
Henry Peter	72 000	10 000	**82 000**	108	27 653	**109 653**			
Peter Quadri	72 000	10 000	**82 000**	108	27 653	**109 653**			
Pierfranco Riva	72 000	10 000	**82 000**	108	27 653	**109 653**			
Franziska Tschudi	72 000	10 000	**82 000**	108	27 653	**109 653**			
Total Board of Directors	1 243 000	300 000	**1 543 000**	1 392	356 486	**1 899 486**	197 992	652 961	**2 750 439**

1 The allocation of shares was effected on 30.03.2007, 25.06.2007 and 17.12.2007 at economic value, which is equal to the tax value (CHF 256.0841, CHF 270.5675 and CHF 243.2798 respectively), taking into account a vesting period of three years. The share prices (closing prices) on the days of allocation were CHF 305.00, CHF 322.25 and CHF 289.75 respectively.

2 Regular annual employer contribution of CHF 99 492 and subsequent contribution of CHF 98 500. Pursuant to the regulations, occupational provisions are financed by the employer and employee at a ratio of 2/3 to 1/3.

3 All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV amounted to a total of CHF 170 134 in the year under review.

COMPENSATION TO THE CORPORATE EXECUTIVE BOARD IN 2007

	Compensation in cash				Compensation in shares [2]		
Amounts in CHF	Salary	Bonus	Other compensation[1]	**Total compensation in cash**	Number	Amount	**Total compensation in cash and shares (amount)**
Rolf Dörig, CEO	1 980 000	1 450 000	80 001	**3 510 001**	1 554	447 143	**3 957 144**
Other members of Corporate Executive Board	2 588 400	3 350 000	123 842	**6 062 242**	4 671	1 344 020	**7 406 262**
Total Corporate Executive Board	4 568 400	4 800 000	203 843	**9 572 243**	6 225	1 791 163	**11 363 406**

1 Child allowances (CHF 12 840), allowances for years of service (CHF 10 938), company cars (CHF 50 056), premium contributions to 3rd-pillar pension plans (CHF 130 009), each in total.

2 The allocation of the shares was effected as at 30.03.2007 at economic value, which is equal to the tax value (CHF 287.7370), taking into account a vesting period of one year. The share price (closing price) on the day of allocation was CHF 305.00.

Explanations on the Balance Sheet and Statement of Income (continued)

Amounts in CHF	Expenditure for occupational provisions: Regular contributions[3]	Expenditure for occupational provisions: Extraordinary contributions	**Aggregate total compensation in cash and in shares and occupational provisions expense (amount)[4]**
Rolf Dörig, CEO	238 856		**4 196 000**
Other members of Corporate Executive Board	587 089		**7 993 351**
Total Corporate Executive Board	825 945		**12 189 351**

[3] Regular annual employer contribution and subsequent contribution. Pursuant to the regulations, occupational provisions are financed by the employer and employee at a ratio of 2/3 to 1/3.

[4] All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV amounted to a total of CHF 579 310 in the year under review.

Amounts in CHF	Performance Share Units (PSU)[5, 6]: Number	Performance Share Units (PSU)[5, 6]: Amount	**Aggregate total incl. PSUs (amount)**
Rolf Dörig, CEO	6 717	1 270 991	**5 466 991**
Other members of Corporate Executive Board	17 727	3 354 303	**11 347 654**
Total Corporate Executive Board	24 444	4 625 294	**16 814 645**

[5] 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.

[6] The allocation of PSUs as at 01.04.2007 was effected at a fair value of CHF 189.22 calculated by an independent consultancy firm.

SHARE OWNERSHIP/PARTICIPATION RIGHTS AS AT 31 DECEMBER 2007 | As at the balance sheet date, current members of the Board of Directors and Corporate Executive Board (including closely-linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs).

BOARD OF DIRECTORS

Number	**31.12.2007**
	SLHN shares
Bruno Gehrig, Chairman of Board of Directors	**1 636**
Gerold Bührer	**1 725**
Volker Bremkamp	**742**
Paul Embrechts	**558**
Rudolf Kellenberger	**710**
Henry Peter	**1 638**
Peter Quadri	**1 338**
Pierfranco Riva	**2 963**
Franziska Tschudi	**558**
Total Board of Directors	**11 868**

Explanations on the Balance Sheet and Statement of Income (continued)

CORPORATE EXECUTIVE BOARD

Number	31.12.2007
	SLHN shares
Rolf Dörig, CEO	**12 245**
Bruno Pfister	**6 723**
Paul Müller	**6 290**
Reto Himmel	**903**
Thomas Müller	**557**
Patrick Frost	**557**
Total Corporate Executive Board	**27 275**

Number	31.12.2007
	Performance Share Units (PSUs) as future subscription rights to Swiss Life Holding shares[1]
Rolf Dörig, CEO	**23 508**
Bruno Pfister	**19 913**
Paul Müller	**12 847**
Reto Himmel	**11 808**
Thomas Müller	**3 594**
Patrick Frost	**2 661**
Total Corporate Executive Board	**74 331**

[1] Number of PSUs allocated in the years 2005, 2006 and 2007 in connection with the relevant equity compensation plan. 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 met.

Appropriation of Profit

Profit and Appropriation of Profit

The net profit for the year amounts to CHF 334 644 400. The Board of Directors proposes to the General Meeting of Shareholders to appropriate the profit in accordance with the table below. If the Board of Directors' proposal is adopted, a distribution in the form of a reduction of CHF 17 in the par value per share will be paid.

Profit shown in the Balance Sheet

In CHF	2007	2006
Balance carried forward from previous year	**3 403 418**	4 252 874
Net profit	**334 644 400**	249 150 544
Total profit shown in the balance sheet	**338 047 818**	253 403 418

Appropriation of profit

In CHF	2007	2006
Dividend	–	–
Allocation to legal reserves	–	–
Allocation to free reserves	**335 000 000**	250 000 000
Balance carried forward to new account	**3 047 818**	3 403 418
Total profit shown in the balance sheet	**338 047 818**	253 403 418

Zurich, 26 March 2008

For the Swiss Life Holding Board of Directors

Bruno Gehrig Gerold Bührer

Report of the Statutory Auditors

Report of the Statutory Auditors
to the General Meeting of
Swiss Life Holding
Zurich

As statutory auditors, we have audited the accounting records and the financial statements (statement of income, balance sheet and notes to the financial statements; pages 201 to 210) of Swiss Life Holding for the year ended 31 December 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of profit comply with Swiss law and the company's Articles of Association.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi Daniel Häfeli
Auditor in charge
Zurich, 26 March 2008

Information on Share Performance | Shareholders at Swiss Life Holding's Annual General Meeting on 8 May 2007 approved a distribution in the form of a reduction in par value by CHF 7 per registered share. Swiss Life's shareholders should also participate in the good business results and the extraordinary income for the 2007 financial year with a distribution of profit per share amounting to CHF 17.

In 2007, the price of the Swiss Life share reflected the negative stock market developments. The share was incorporated in the MSCI World Index for the first time, and in the newly established Swiss Leaders Index (SLI).

Swiss Life share details

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

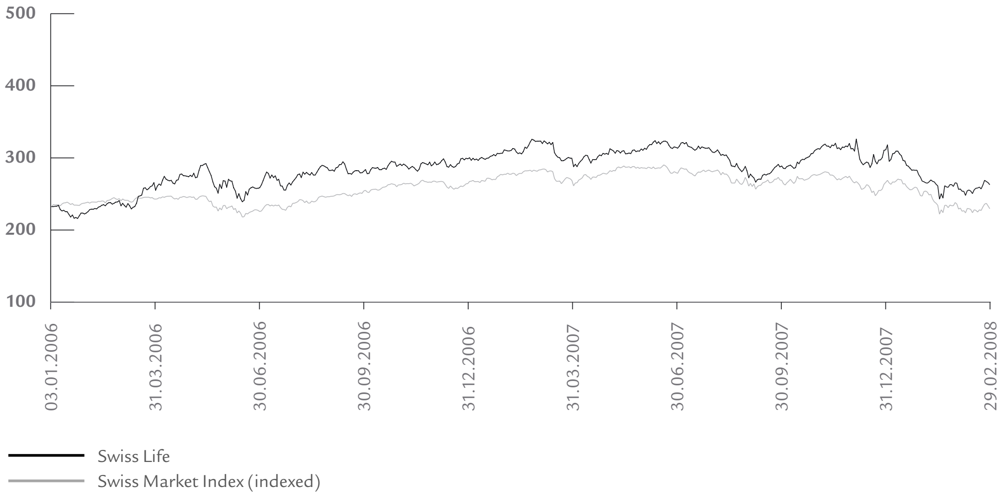
Share performance

Amounts in CHF	as at	**2007**	as at	2006
Number of shares	31.12.2007	**34 960 439**	31.12.2006	33 776 269
Annual high	06.11.2007	**326.00**	27.12.2006	300.66
Annual low	16.08.2007	**266.50**	24.01.2006	215.97
Year-end price	28.12.2007	**283.00**	29.12.2006	297.98
Performance Swiss Life (in %)		**–5**		30
Swiss Market Index (SMI)	28.12.2007	**8 484**	29.12.2006	8 786
Performance Swiss Market Index (SMI) (in %)		**–3**		16
Dow Jones STOXX 600 Insurance Index (in EUR)	28.12.2007	**252**	29.12.2006	286
Performance of Dow Jones STOXX 600 Insurance Index (in %)		**–12**		17
Average trading volume		**327 843**		244 761
Market capitalisation	28.12.2007	**9 893 804 237**	29.12.2006	10 310 206 112
Diluted earnings per share	31.12.2007	**39.60**	31.12.2006	26.92
Dividend paid per share	03.08.2007	**7.00**	03.08.2006	5.00
Dividend yield on year-end price (in %)	28.12.2007	**2.47**	29.12.2006	1.64

Source: Bloomberg

Swiss Life share price chart 03.01.2006 – 29.02.2008

Angaben in %



Breakdown of registered shares with voting rights Balance as at 31.12.2007

Number of shares	Number of shareholders	In % of registered shareholders
1 – 25	162 838	85.3
26 – 100	20 134	10.5
101 – 1 000	7 235	3.8
> 1 000	750	0.4
Total	**190 957**	**100.0**

Standard & Poor's counterparty credit ratings

As at 31.12.2007	Classification	Outlook
Swiss Life/Rentenanstalt, Switzerland	A–	negative
Swiss Life Holding	BBB	negative

Standard & Poor's financial strength ratings

As at 31.12.2007	Classification	Outlook
Swiss Life/Rentenanstalt, Switzerland	A–	negative
Swiss Life, France	A–	negative
Swiss Life, Germany	A–	negative

Bonds

As at 31.12.2007	Convertible bond	EUR bond	EUR Perpetual nc10 Fiduciary Certificates[1]	EUR Perpetual nc10 Notes[2]
Issuer	Swiss Life Holding, Zürich	Swiss Life Insurance Finance Ltd., Cayman Islands	J.P. Morgan Bank, Luxemburg	ELM B.V. (independent repackaging vehicle)
S&P Rating	BBB	BBB+	BBB	BBB
Ranking	Senior	Senior	Subordinated	Subordinated
Nominal value	CHF 68 664 000	EUR 300 000 000	EUR 350 000 000	EUR 700 000 000
Interest rate	0.625%, payable annually	4.375%, payable annually	5%, payable annually	5.849%, payable annually
Life	June 2004 – June 2010	June 2004 – June 2008	November 2005 (issued), perpetual	April 2007 (issued), perpetual
ISIN	CH0018461092	XS0195603096	XS0235535035	XS0295383524
Listing	SWX	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Irish Stock Exchange

[1] The notes are issued by the fiduciary to fund a step-up subordinated perpetual loan to Swiss Life/Rentenanstalt.
[2] The notes are issued by ELM to fund step-up subordinated perpetual loan notes to Swiss Life/Rentenanstalt which are guaranteed by Swiss Life Holding.

Swiss Life Group historical comparison

In CHF million (if not stated otherwise)	2007	2006	2005	2004	2003 [1]
Premium volume					
Gross written premiums, policy fees and deposits received	**24 170**	22 064	20 211	20 180	18 760
Gross written premiums, policy fees and deposits received (continuing operations)	**21 213**	19 421	n.a.	n.a.	n.a.
Figures from consolidated statement of income					
Net earned premiums	**13 316**	12 283	13 512	14 657	14 822
Net earned policy fees	**389**	390	394	167	n.a.
Financial result (for the account and risk of the Swiss Life Group)	**4 885**	5 307	6 966	6 844	5 836
Total income	**18 971**	18 219	21 542	22 328	21 088
Net insurance benefits and claims	**–13 268**	–12 012	–14 040	–15 375	–15 726
Policyholder participation	**–1 746**	–2 143	–2 227	–1 553	– 871
Operating expenses	**–2 489**	–2 432	–3 390	–3 341	–2 960
Total expenses	**–17 958**	–17 309	–20 519	–21 180	–20 611
Profit from operations	**1 013**	910	1 023	1 148	557
Net profit from continuing operations	**726**	576	n.a.	n.a.	n.a.
Net profit from discontinued operations	**642** [2]	378	n.a.	n.a.	n.a.
Net profit	**1 368**	954	874	606	233
Net profit attributable to					
Equity holders of Swiss Life Holding	**1 345**	933	860	579	n.a.
Minority interest	**23**	21	14	27	n.a.
Figures from consolidated balance sheet					
Equity	**7 334**	7 851	7 953	6 490	4 964
Insurance reserves	**121 829**	153 800	139 252	131 415	136 214
Balance sheet total	**179 757**	186 950	177 597	164 736	162 478
Share performance					
Basic earnings per share (CHF)	**40.76**	27.87	25.67	18.57	9.68
Diluted earnings per share (CHF)	**39.60**	26.92	24.82	18.27	8.83
Dividend paid per share (CHF)	**7.00**	5.00	4.00	–	–
Total dividend payout to shareholders	**245**	169	135	–	–
Year-end price (CHF)	**283.00**	305.25	237.70	165.50	227.00
Year-end market capitalisation	**9 894**	10 310	8 029	5 590	5 323
Further key figures					
Return on equity (in %)	**18.1**	12.2	12.3	10.7	5.3
Assets under control	**138 946**	214 041	215 094	197 749	193 806
Year-end embedded value	**12 837**	10 665	8 887	7 936	6 911
Value of new business	**118**	121	48	41	63
Number of employees (full-time equivalents)	**8 556**	8 693	8 979	9 419	10 015

1 2003 figures not adjusted to the financial reporting requirements as of 1 January 2005.
2 Including reserve release of CHF 304 million due to change in Dutch law.

Due to the sale of its Dutch and Belgian operations and of Banca del Gottardo announced in November 2007, Swiss Life adjusted the presentation of its Financial Statements in accordance with the relevant regulations, gearing them to the continuing operations. The units sold are fully consolidated up to the completion of the transaction concerned, but only their net contribution to the net profit is included in the Consolidated Statement of Income. The previous year's figures have been adjusted accordingly to enhance comparability. In the Balance Sheet, the assets and liabilities of the units sold are stated separately. The segment reports, on the other hand, contain the full 2007 results of the units sold as well.

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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 statements 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 Annual Report was compiled.

This Annual Report is also available in German. The English text is definitive for the Financial Statements.

As a reader-friendly, condensed version of this Annual Report, Swiss Life has published a 72-page Business Review in colour, wich is available in German, English and French. It contains a presentation of business operations, an extract from the Financial Statements and a summary of the Corporate Governance section.

Publisher | Swiss Life Holding, Zurich
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1A On 28 September, the company's founding day, Swiss Life celebrates its official 150th anniversary with 500 guests in Zurich.

1B Spectators are enthralled by the music and dance performances of the young Swiss artists.

1E The national junior chef champions surprise the guests with creative culinary delights at the welcome cocktails.

1F Event speakers: Federal Councillor Hans-Rudolf Merz, Chair of the Zurich Cantonal Government Rita Fuhrer, and host Bruno Gehrig.

1I The 116-page magazine features stories, historical events, anecdotes and pictures spanning one and a half centuries.

1J The first of ten regional client events takes place in Altnau, the birthplace of the company's founder, Conrad Widmer.

2B Rolf Dörig, Group CEO, at the launch of the series of events. The leitmotif is the anniversary theme "Perspectives for People".

2D Thomas Rechsteiner, Head of the Eastern Switzerland Region, welcomes 300 customers to the anniversary event at Lake Constance.

2E Author Alex Capus, who paid a tribute to the company's founder Conrad Widmer at events in Altnau and Baden, with Bruno Gehrig.

2F Panel discussion in Baden on the subject: What distinguishes the patriarchs of the old days from the executive managers of today?

3A The board game "C'est la vie!" heightens awareness of pension issues in a playful fashion. Fun for the whole family!

3E Oncologist Madeleine Gay talks in Lausanne about her mission to give the grape varieties in Valais a new lease of life.

4H Climatologist Heinz Wanner who was awarded the international prize for geography "Vautrin Lud", gives a talk in Berne on 10 May.

4G Customers in Western Switzerland celebrate in Geneva on 31 May. Guest of honour is the top chef George Wenger.

4J At the invitation of the Zurich region, 200 guests visit FIFA's recently opened new headquarters on 7 June.

5C Lutz Jäncke, Professor for neuropsychology, explains how the brain can be kept agile even in old age.

6A Regional head Stefan Furrer invites customers from Central Switzerland to a series of events staged in Lucerne on 14 June.

6D Guest of honour in Lucerne: Professor Hans Küng, theologian, philosopher and holder of various awards and honorary doctorates.

7C Bellinzona, 5 July: Thomas Müller, Group CFO, at a client event in Biblioteca Cantonale at Palazzo Franscini.

7E Ticino-based speaker, Piernando Binaghi, head of the local TV weather reporting department, spoke about weather trends.

7I Customer event in Landquart: Guest speaker Hans Rickli, a cardiologist, explains how medical mishaps can be avoided.

8D Annual kick-off event in Zurich: On 8 January, 1500 employees get into the swing of the anniversary year.

8G Swiss Life sponsors the competition "Young people design living space" run by the University of Applied Sciences in Rapperswil.

8H National Councillor Pascale Bruderer, former National Councillor Marty Kälin, and Group CEO Rolf Dörig applaud the winners.

9D The third class of Scuola Media Castione scoop up the prize thanks to their creative ideas on shaping the world around them.

9G The Kids Festival, a tournament for up and coming football stars, was held in 40 locations throughout Switzerland.

9J Over 14 000 boys and girls between six and ten years of age take part in the Kids Festival events.

10E In September approximately 600 retirees accept Bruno Gehrig's invitation and enjoy a varied programme of events.

11D Among the former employees is Verena Tanner, who worked for Swiss Life for 50 years.

11I On 18 September a forum for distribution partners is held on the Rütli. The day begins with a boat trip.

11J Bruno Gehrig and Paul Müller welcome around 200 distribution partners from all regions in Switzerland.

12B The guests listen to the history of the Rütli told by Josef Wiget, former state archivist of the Canton of Schwyz.

12D Guest of honour Emil Steinberger and Bruno Gehrig discuss changing perspectives "from apprenticeship to retirement".

12J 14 September: Approximately 2800 employees from the whole of Switzerland travel to Lucerne to enjoy the best work day of the year.

14C The schedule of events for the afternoon features all types of leisure time pursuits. There is something for everyon.

14H An evening programme with culinary delights, performances and music. Highlight: the performance of the Swiss Life Choir.

15A The Swiss Life Network celebrates with its network partners: 120 people from 26 countries take part.

15B The Swiss Life Network event, presided over by CEO International, Bruno Pfister, is held in Lucerne on 26 September.

15C In October, staff from Luxembourg celebrate the company's anniversary at an evening spent in a Swiss chalet.

15D Georg Fahrenschon, State Secretary for the Bavarian Ministry of Finance, offering congratulations in Munich.

15E The final event is staged in Basel, where 300 customers accept the invitation of the regional head Beat Müller.

15G Guests of honour in Basel: Barbara Buser, architect, and Peter Achten, journalist and longstanding Asia correspondent.

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Important Dates

Interim Reporting
6 May 2008

Annual General Meeting
8 May 2008
Hallenstadion Zurich

Presentation of Half-Year Figures
28 August 2008

Interim Reporting
12 November 2008

Annual Report

You can find the Annual Report of the Swiss Life Group on the internet: www.swisslife.com/report

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