

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
<i>General reserves</i>	1 117	918
<i>Reserve for treasury shares</i>	618	66
Legal reserves	1 735	984
Free reserves	216	508
<i>Balance carried forward from previous year</i>	3	4
<i>Net profit</i>	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 Outperformance	Factor
≤ 1 st Quartile	0%
= Median	100%
≥ 3 rd 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

Amounts in CHF	Compensation in cash		Total compensation in cash	Compensation in shares ¹		Total compensation in cash and shares (amount)	Expenditure for occupational provisions		Aggregate total (amount) ³
	Basic compensation	Additional compensation		Number	Amount		Regular contributions ²	Extraordinary contribution	
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 Bühner	128 000	110 000	238 000	235	60 187	298 187			
Volker Breckamp	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

Amounts in CHF	Compensation in cash			Total compensation in cash	Compensation in shares ²		Total compensation in cash and shares (amount)
	Salary	Bonus	Other compensation ¹		Number	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		Aggregate total compensation in cash and in shares and occupational provisions expense (amount) ⁴
	Regular contributions ³	Extraordinary contributions	
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}		Aggregate total incl. PSUs (amount)
	Number	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 Bühler	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 Bühner

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
Auditor in charge
Zurich, 26 March 2008

Daniel Häfeli