

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
<i>of which inter-segment</i>	<i>100</i>	<i>0</i>	<i>-1</i>	<i>-5</i>
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
<i>of which inter-segment</i>	<i>-122</i>	<i>-9</i>	<i>-25</i>	<i>-8</i>
Segment result	650	324	65	8
<i>of which inter-segment</i>	<i>-22</i>	<i>-9</i>	<i>-26</i>	<i>-13</i>
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
<i>of which inter-segment</i>	<i>102</i>	<i>0</i>	<i>-2</i>	<i>-12</i>
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
<i>of which inter-segment</i>	<i>-119</i>	<i>-7</i>	<i>-2</i>	<i>5</i>
Segment result	657	211	84	-3
<i>of which inter-segment</i>	<i>-17</i>	<i>-7</i>	<i>-4</i>	<i>-7</i>
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		

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		

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
<i>The financial result for the account and risk of the Swiss Life Group's customers consists of</i>						
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

In CHF million	Earlier of contractual repricing or maturity dates				For the account and risk of the Swiss Life Group's customers	Total
	Up to 1 year	1-5 years	5-10 years	More than 10 years		
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)

In CHF million	Age analysis				Total
	Up to 3 months	3–6 months	6–12 months	More than 1 year	
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

In CHF million	Carrying amount	Cash flows				
		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

In CHF million	Carrying amount	Cash flows				
		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

In CHF million	Estimate of ultimate claim costs by accident year							Total
	2001	2002	2003	2004	2005	2006	2007	
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
<i>Sale of</i>			
financial assets held to maturity		-	-
financial assets available for sale	27	452	540
loans		2	-4
Net gains/losses from sales		454	536
<i>Impairment losses on</i>			
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	Ineffective-ness 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
<i>of which assets held under a finance lease</i>		<i>40</i>	<i>–</i>	<i>–</i>	<i>2</i>	<i>–</i>	<i>42</i>

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
<i>of which assets held under a finance lease</i>		<i>41</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>-</i>	<i>42</i>

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	2006	2007	2006	2007	2006	2007	2006
		Goodwill	Goodwill	Customer relationships	Customer relationships	Computer software and other	Computer software and other	Total	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
<i>of which for the account and risk of the Swiss Life Group's customers</i>		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
<i>Future finance charges</i>	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
<i>of which for the account and risk of the Swiss Life Group's customers</i>						
<i>Future life policyholder benefits</i>	924	1 543				
<i>Deposits under insurance contracts</i>	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
<i>The net defined benefit asset/liability consists of</i>			
gross defined benefit liabilities		-1 969	-2 535
gross defined benefit assets	19	158	153
<i>Employee benefit liabilities consist of</i>			
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
<i>Actual return on plan assets</i>		22	-33
<i>Actual return on reimbursement rights</i>		-	-

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
<i>Plan assets include</i>		
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
<i>Increase/reduction in taxes resulting from</i>		
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 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
<i>Expected future minimum sublease payments</i>	-	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
<i>of which sold or repledged</i>		
<i>With obligation to return</i>	0	1 606
<i>No obligation to return</i>	-	-

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
<i>Contingent rents recognised in income</i>	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))