

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

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

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

Targets met earlier than planned

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

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

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

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

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

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

Strategic course set

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

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

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

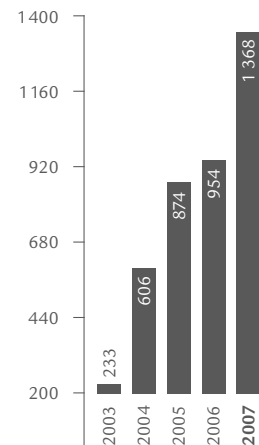
In November 2007 Swiss Life announced the sale of Banca del Gottardo and its Dutch and Belgian insurance business. Given the company's clear focus on pensions and long-term savings, management at Swiss Life and Banca del Gottardo decided that Swiss Life was no longer the ideal owner of the bank in its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

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

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

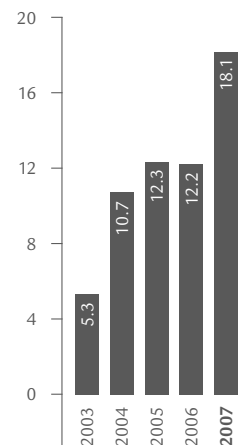
Net profit

In CHF million



Return on equity

in %

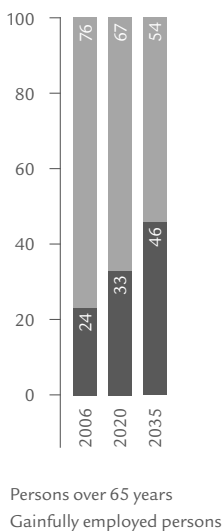


Business portfolio with excellent perspectives

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

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

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



Source: United Nations, 2006 Revision Population Database

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

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

Pensions leadership strategy

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

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

 Acceleration of profitable growth

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

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

Focus on pensions and long-term savings

Focus on growth opportunities

Focus on functional optimisation

Foster commitment

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

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

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

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

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

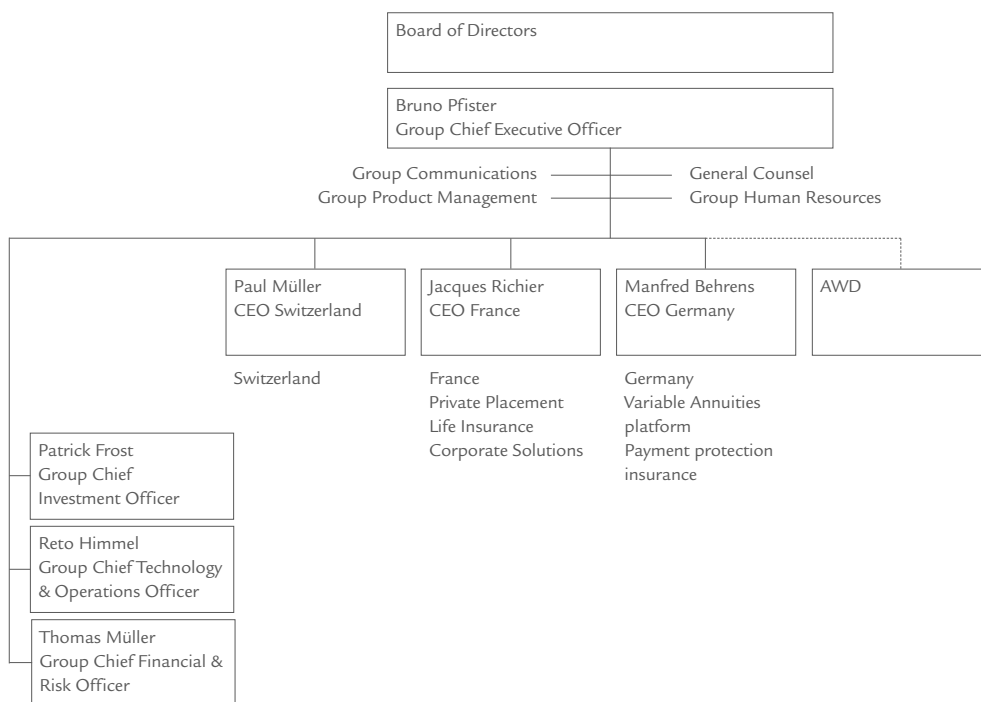
Flexible products with variable guarantees (variable annuities) represent another cross-border business segment with outstanding growth potential. Swiss Life distributes these products among various countries from a central product platform in Luxembourg. Variable annuity products offer customers an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

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

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

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

Management structure as of May 2008



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

Active capital management

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

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

Ambitious financial targets for 2012

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