

Letter to Shareholders | Financial Year 2007

**PROFIT** | With a net profit of CHF 1368 million, Swiss Life surpassed its 2008 profit target of CHF 1 billion already in 2007. Based on this strong result, the Board of Directors will propose an increase in the dividend from CHF 7 to CHF 17 per share at the General Meeting on 8 May 2008.

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

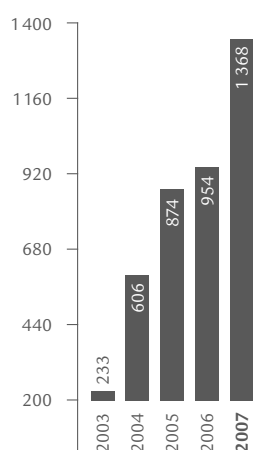
**GROWTH** | Swiss Life's growth momentum continued with premium income climbing 10% to CHF 24.2 billion.

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

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

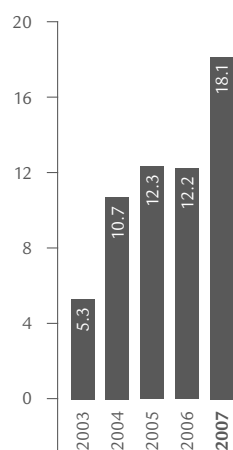
## Net profit

In CHF million



## Return on equity

in %



Year-on-year comparison Swiss Life Group			
In CHF million (if not stated otherwise)	2007	2006	+/-%
<b>Premium volume</b>			
Gross written premiums, policy fees and deposits received	24 170	22 064	9.5%
Gross written premiums, policy fees and deposits received (continuing operations)	21 213	19 421	9.2%
<b>Figures from consolidated statement of income</b>			
Net earned premiums	13 316	12 283	8.4%
Net earned policy fees	389	390	-0.3%
Financial result (for the account and risk of the Swiss Life Group)	4 885	5 307	-8.0%
<b>Total income</b>	<b>18 971</b>	<b>18 219</b>	<b>4.1%</b>
Net insurance benefits and claims	-13 268	-12 012	10.5%
Policyholder participation	-1 746	-2 143	-18.5%
Operating expenses	-2 489	-2 432	2.3%
<b>Total expenses</b>	<b>-17 958</b>	<b>-17 309</b>	<b>3.7%</b>
<b>Profit from operations</b>	<b>1 013</b>	<b>910</b>	<b>11.3%</b>
Net profit from continuing operations	726	576	26.0%
Net profit from discontinued operations	642 <sup>1</sup>	378	69.8%
<b>Net profit</b>	<b>1 368</b>	<b>954</b>	<b>43.4%</b>
<i>Net profit attributable to</i>			
Equity holders of Swiss Life Holding	1 345	933	44.2%
Minority interest	23	21	9.5%
<b>Figures from consolidated balance sheet</b>			
Equity	7 334	7 851	-6.6%
Insurance reserves	121 829	153 800	-20.8%
Balance sheet total	179 757	186 950	-3.8%
<b>Share performance</b>			
Basic earnings per share (CHF)	40.76	27.87	46.3%
Diluted earnings per share (CHF)	39.60	26.92	47.1%
Dividend paid per share (CHF)	7.00	5.00	40.0%
Total dividend payout to shareholders	245	169	45.0%
Year-end price (CHF)	283.00	305.25	-7.3%
Year-end market capitalisation	9 894	10 310	-4.0%
<b>Further key figures</b>			
Return on equity (in %)	18.1	12.2	48.4%
Assets under control	138 946	214 041	-35.1%
Year-end embedded value	12 837	10 665	20.4%
Value of new business	118	121	-2.5%
Number of employees (full-time equivalents)	8 556	8 693	-1.6%

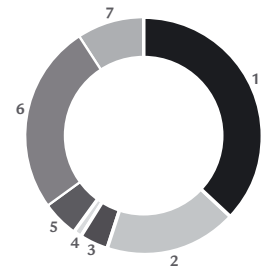
<sup>1</sup> including reserve release of CHF 304 million due to change in Dutch law.

Due to the sale of its Dutch and Belgian operations and of Banca del Gottardo announced in November 2007, Swiss Life adjusted the presentation of its Financial Statements in accordance with the relevant regulations, gearing them to the continuing operations. The units sold are fully consolidated up to the completion of the transaction concerned, but only their net contribution to the net profit is included in the Consolidated Statement of Income. The previous year's figures in the Statement of Income have been adjusted accordingly to enhance comparability. In the Balance Sheet, the assets and liabilities of the units sold are stated separately.

Key figures for Insurance			
In CHF million	2007	2006	+/-%
<b>Switzerland</b>			
Gross written premiums, policy fees and deposits received	8 413	7 611	10.5%
Segment result	650	657	-1.1%
<b>France</b>			
Gross written premiums, policy fees and deposits received	7 411	8 204	-9.7%
Segment result	324	211	53.6%
<b>Germany</b>			
Gross written premiums, policy fees and deposits received	2 158	2 116	2.0%
Segment result	65	84	-22.6%
<b>Other</b>			
Gross written premiums, policy fees and deposits received	3 294	1 506	n.a.
Segment result	8	-3	n.a.
<b>Discontinued Insurance</b>			
Gross written premiums, policy fees and deposits received	2 957	2 643	11.9%
Segment result	471	144	n.a.

## Segment results

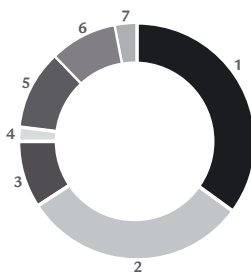
Total 100%



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

Gross written premiums, policy fees  
and deposits received by country

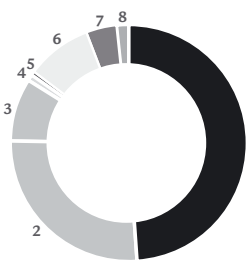
Total 100%



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

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

Total: 8556 employees



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

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

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

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

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

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

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

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

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

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



**BRUNO GEHRIG** | Chairman of the Board of Directors



Bruno Gehrig

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

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

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

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

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

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

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

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

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

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



**ROLF DÖRIG** | Group Chief Executive Officer



Rolf Dörig

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## Caution regarding forward-looking statements

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

This Letter to Shareholders is also available in German, French and Italian. The German text is definitive.

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## Important dates

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### **Interim Reporting**

6 May 2008

### **Annual General Meeting**

8 May 2008  
Hallenstadion Zürich

### **Presentation of half-year figures**

28 August 2008

### **Interim Reporting**

12 November 2008

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## Annual Report

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You can find the Annual Report of the Swiss Life Group on the internet:  
[www.swisslife.com/report](http://www.swisslife.com/report)