

Strategy and Markets | As a specialist in life and pensions, Swiss Life is well positioned to benefit from the increasing demand for life insurance and pension solutions. However, due to the negative developments on the financial markets, the financial targets for 2008 could not be reached. Swiss Life is confident that the measures introduced will enable it to make further progress in implementing its strategy and to return to profitability in 2009.

In times of uncertainty, clients want professional advice and a partner they can trust.

Swiss Life's mission: "We are committed to helping people create a financially secure future. For life." has gained in importance with the financial market crisis and its implications for the real economy. In times of uncertainty, clients want professional advice and a partner they can trust for their life insurance and pensions. This is exactly what Swiss Life has to offer. As life expectancy rises and birth rates fall, demand for life insurance and pensions will continue to grow over the long term. Against the backdrop of the challenges facing states and their governments in trying to overcome the current economic crisis, privately funded pension solutions will gain in significance. In a recent study, the management consulting firm Oliver Wyman confirmed its 2004 forecast that the global life insurance industry is poised to generate USD 1600 billion in shareholder value by 2014. As a leading international specialist in life and pensions, Swiss Life is well positioned to benefit significantly from this development.

LEADING SPECIALIST FOR LIFE INSURANCE AND PENSIONS | Swiss Life has become a focused European life insurer in recent years. The company is one of only a few independent enterprises in Switzerland, France and Germany that concentrates on life and pensions.

In its home market Switzerland, Swiss Life, with a share of around 30%, remains the market leader for pensions, despite increasingly tough competition. Swiss Life improved its market position in 2008 thanks to a number of product innovations, particularly in the area of non-traditional products. Furthermore, the cost base has been continuously reduced over the last few years, thereby enhancing competitiveness.

In France, Swiss Life holds a leading position in the health insurance sector and in the pension business it is a preferred alternative to large national providers, especially for high net worth individuals and independent entrepreneurs. Swiss Life has steadily improved its market position in recent years, thanks to an innovative range of products and a well-diversified distribution network.

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 close cooperation with AWD, Swiss Life can now exploit its potential even more effectively.

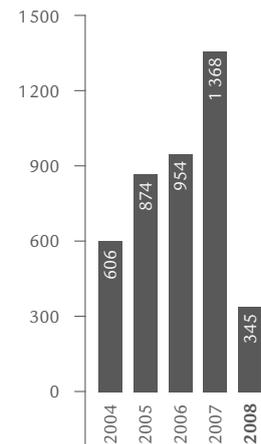
AWD plays a key role in the strategic development of Swiss Life. Life insurance and pensions is a business that will continue to involve considerable advisory services. The role played by professional financial sales companies that offer independent advice and allow clients to choose the product that suits them best will continue to grow. In addition to strengthening the distribution capabilities of the Swiss Life Group and facilitating access to new markets, AWD also improves Swiss Life's understanding of client needs when designing products and contributes to the diversification of earnings. In 2012, the AWD Group aims to achieve earnings of EUR 1 billion and EBIT of EUR 130 million.

Swiss Life is a leading player in cross-border private placement life insurance. Swiss Life targeted this business area for further expansion in 2008 with the opening of a branch office in Singapore and a sales office in Dubai. However, the growth momentum slowed temporarily in this area, especially in the second half of the year, due to the financial market crisis and the legal uncertainties that have arisen in some markets. Nevertheless, Swiss Life still sees promising market potential for this business which combines individual asset management with attractive pension planning solutions.

Swiss Life offers customised employee benefits solutions for international companies. The Swiss Life Network, the reinsurance business in Zurich and the international corporate client business of Swiss Life in Luxembourg form the basis of its global relationships. In order to more efficiently provide international companies with products and services in the area of employee benefits, the Swiss Life Group consolidated these areas in 2008 to form the Corporate Solutions business unit. The employees of this business unit serve their clients from Zurich, London, Luxembourg, Paris, Hamburg, Copenhagen and Singapore. The Swiss Life Network is made up of over 50 partners and serves in excess of 400 multinational companies in more than 70 countries around the globe.

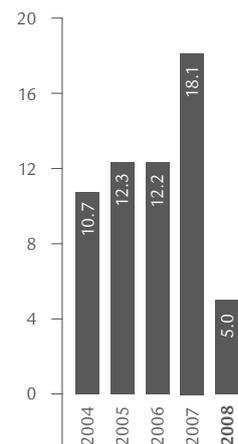
Net profit

In CHF million



Return on equity

In %



STRATEGY FURTHER DEVELOPED AND CONSISTENTLY IMPLEMENTED | At the end of 2007 Swiss Life presented its new pensions leadership strategy. Swiss Life wants clients, distribution partners, investors and employees to regard it as the first choice for life insurance and pension solutions. Whoever thinks of financial security and retirement provision 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 seizes growth opportunities in its existing markets, in international business and in attractive growth markets. To further improve efficiency, enhance international cooperation and optimise capital management, a functional management structure was established. Swiss Life pressed ahead with the implementation of its corporate strategy in 2008 by expanding its distribution capacity, strengthening its position in all markets thanks to product innovations, and enhancing competitiveness by introducing measures to improve efficiency. Furthermore, Swiss Life introduced the right measures at the right time to ensure solid core capital despite the turbulence on the financial markets. The risk management processes introduced and continuously developed over the last few years have borne fruit in the extremely challenging market environment of the past business year.

Focused life and pensions specialist

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

Ambition | We aim to become a leading international life and pensions specialist.

Focus on retirement needs

Focus on growth opportunities

Focus on functional excellence

Foster employee commitment

MULTICHANNEL DISTRIBUTION STRENGTHENED | Direct contact with clients is a key success factor in the life insurance and pensions business. With the acquisition of AWD, targeted smaller-scale takeovers in France and measures to boost sales performance through tied distribution channels, Swiss Life further strengthened its multichannel distribution structure in 2008. Including AWD advisors, Swiss Life increased the proportion of employees working in distribution from less than 25% to over 50%.

The cooperation between Swiss Life and AWD is progressing well. Swiss Life products in Germany have already been included in AWD's "best select" range in various product categories. The sales volumes of these products have risen accordingly. The improved positioning also led to an increase in sales of the corresponding products via the existing broker channel. In Switzerland, AWD introduced its first Swiss Life product in November 2008. This innovative product was developed in close cooperation between specialists from Swiss Life and AWD to meet the needs of AWD target clients. Initial experiences have been positive here too. The cooperation consistently follows AWD's "best select" model. The independent financial advisor business model is not affected.

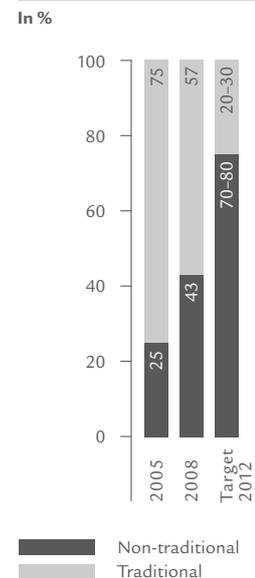
INNOVATIVE PRODUCTS SUCCESSFULLY LAUNCHED | Client needs are clearly moving towards an optimum combination of liquidity, security and return. Unit- or index-linked solutions with selectable, flexible guarantees, such as variable annuities, are in demand. Not only are such products better aligned to client needs, they also provide greater clarity as to where the added value comes from and how it is allocated. This, and the fact that these products tie up less risk capital, is advantageous for shareholders, too. Swiss Life has therefore expanded its range of non-traditional products in all markets and increased the share of this product category in new business to 40% in 2008.

An important step in the further expansion of the product mix in favour of non-traditional products was the start-up of the product factory for variable annuities according to schedule. Swiss Life successfully launched the first product in this growth segment in Germany in the third quarter. Additional product launches are set for 2009. The product factory's location in Luxembourg allows Swiss Life to market these solutions throughout the European Union.

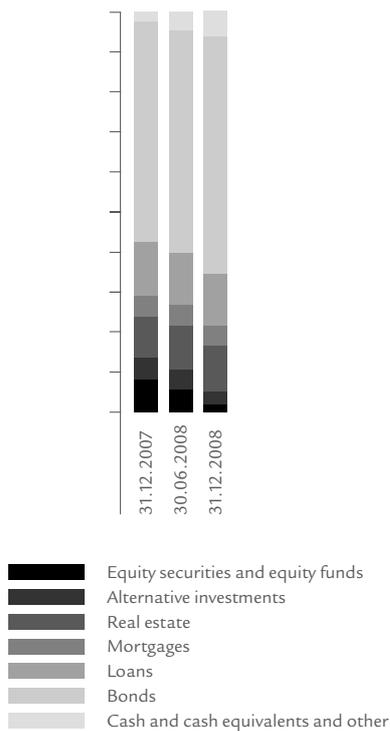
In order to strengthen product development throughout the Group, Swiss Life established the Group Product Management business area in 2008. In this way, Swiss Life wants to promote the exchange of knowledge in product development and bring innovative products that meet client needs and profitability requirements to market more rapidly.

EFFICIENCY INCREASED BY STREAMLINING CORPORATE CENTER | Following the various efficiency programmes at the business units, Swiss Life is now streamlining its Corporate Center in Zurich. The division of responsibilities between the Corporate Center and the business units is being adjusted and clearly allocated, and the number of centrally implemented IT projects reduced. The new Corporate Center will concentrate on Group functions and on delivering shared services for collective use by the business units. All other tasks will be assumed directly by the business units or will be discontinued. The aim is to increase cost transparency, delegate greater responsibility to the business units and tighten up the cost base. With these measures, Swiss Life will reduce costs by around CHF 90 million by 2012.

Shift in product mix



Investment portfolio on fair value basis



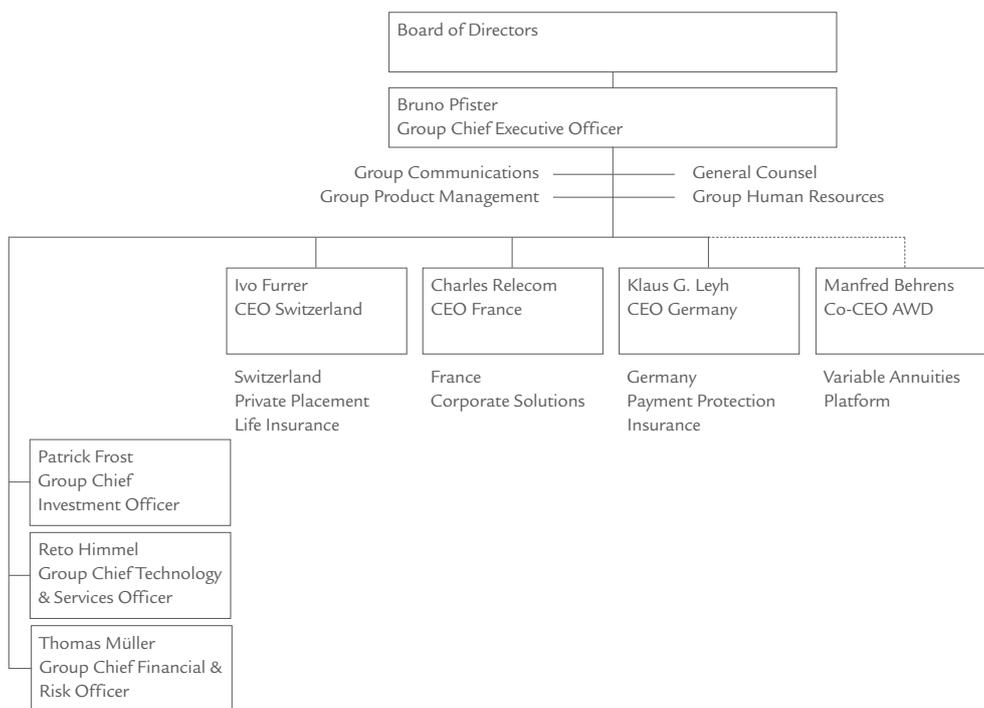
In addition, strict cost management continues to have high priority in all areas. Swiss Life consistently works on further enhancing efficiency. The Operations area, for example, implements the lean management method, which focuses on the continuous improvement of a company's processes, organisation and products. In addition to the short-term optimisation of all processes, this method strives to embed continuous improvement in the work-flows themselves. Initial projects have already begun.

SOLID CAPITAL BASE PROTECTED THANKS TO TIMELY MEASURES | Swiss Life can ground the further implementation of its strategy on a solid capital base: As part of its active capital management policy, Swiss Life introduced a number of measures, particularly from September 2008 onwards, to shield its equity from the negative repercussions of the turbulence on the financial markets. Balance sheet risks were drastically reduced, the current share buyback programme was discontinued, and the proposed distribution of profit was significantly reduced. Furthermore, Swiss Life made a timely decision to utilise the possibility created by the International Accounting Standards Board to post certain bonds at market value to the IFRS balance sheet as per 1 July 2008 under the position of loans; these bonds had previously been carried as financial assets available for sale but for which a liquid market no longer exists. This eliminates the short-term impact of the fluctuations in the market value of these securities due to the illiquid market situation. This better reflects the liabilities associated with these investments and the long-term focus of the business. In the fourth quarter of 2008, Swiss Life structured its investments to generate earnings exceeding the benefits guaranteed to clients, even though market conditions were difficult and interest rates remained low.

PERFORMANCE CULTURE FURTHER STRENGTHENED | A key prerequisite for making further progress in implementing strategy is employee commitment. Swiss Life wants to further strengthen its performance culture, with special emphasis on client orientation and innovativeness. A survey is conducted every year to measure employee commitment. Employee commitment comprises job satisfaction and identification with work. Despite the intensification of the financial market crisis in the second half of the year and the very challenging market environment, Swiss Life achieved a commitment value of 76 on a scale of 10 to 100 in the September 2008 Employee Survey. This is a very good score in comparison to other companies. The commitment value has improved steadily over the past few years and the target value of 80 was exceeded in many areas.

PRIORITIES FOR 2009: FOCUS ON INNOVATION AND EFFICIENCY | Swiss Life was unable to escape the damage inflicted by the financial market crisis in 2008. The annual result is disappointing and the financial targets have not been met due to the negative developments on the financial markets. However, Swiss Life made further progress in the implementation of its strategy. It significantly expanded distribution, strengthened its position in all markets thanks to product innovations, and created the prerequisites for further efficiency improvements.

Management structure as at 31 December 2008



In March 2009 Swiss Life announced a strategic partnership with Talanx, the third largest insurance group in Germany in terms of premium income. The two companies will cooperate in certain defined areas. With this partnership, Swiss Life aims to drive international growth and to strengthen its market position in Germany further. To reinforce this partnership, Talanx will purchase a stake of around 10% in Swiss Life. Talanx will also acquire a 8.4% participation in MLP from Swiss Life. Swiss Life intends to reduce its remaining participation in MLP from 15.9% to below 10%. Independently of each other, Swiss Life and Talanx will each seek to cooperate with MLP within the new structure.

Due to the volatile market environment, Swiss Life has decided not to redefine its long-term targets at present. In 2009, Swiss Life will concentrate on protecting its solid capital base, consistently implementing its strategy with a focus on efficiency and innovation and thus on exploiting the available potential even more effectively.

The market for life insurance and pensions will continue to grow over the long term. As a leading international life and pensions specialist, Swiss Life is well positioned to benefit significantly from this market development and to create attractive added value and open up interesting perspectives for its shareholders, clients and employees.