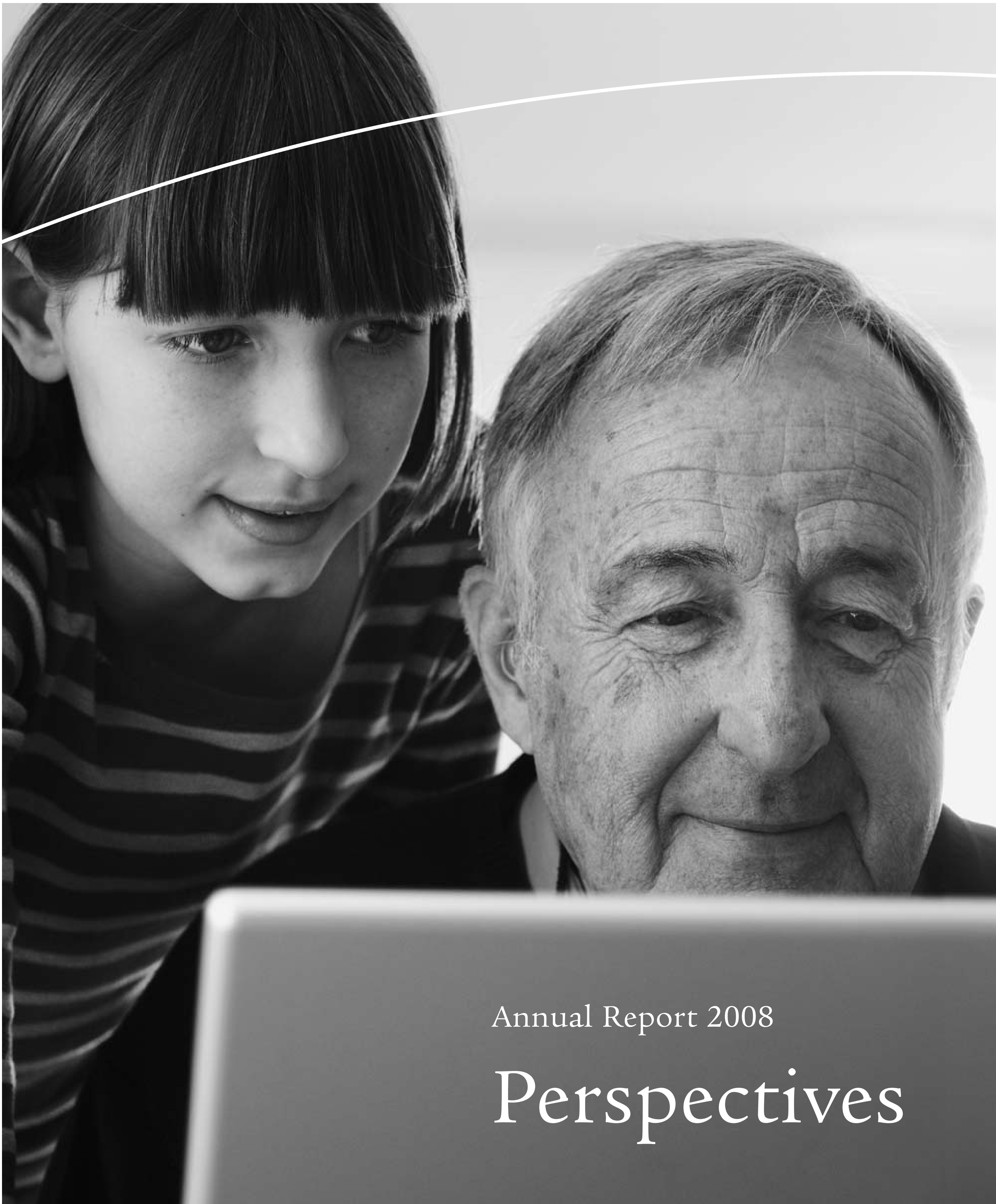
SwissLife

Swiss Life Group | Annual Report 2008

Perspectives



Annual Report 2008

Perspectives

In 2008 the Swiss Life Group made further progress in the implementation of its strategy.

Focus on retirement needs | Swiss Life significantly strengthened distribution in 2008 and improved its competitive position in all markets thanks to innovative products.

Focus on growth opportunities | The acquisition of the AWD Group is central to the future success of Swiss Life. The product factory for variable annuities and the expansion of reach in the business with high net worth individuals have laid the foundations for future growth.

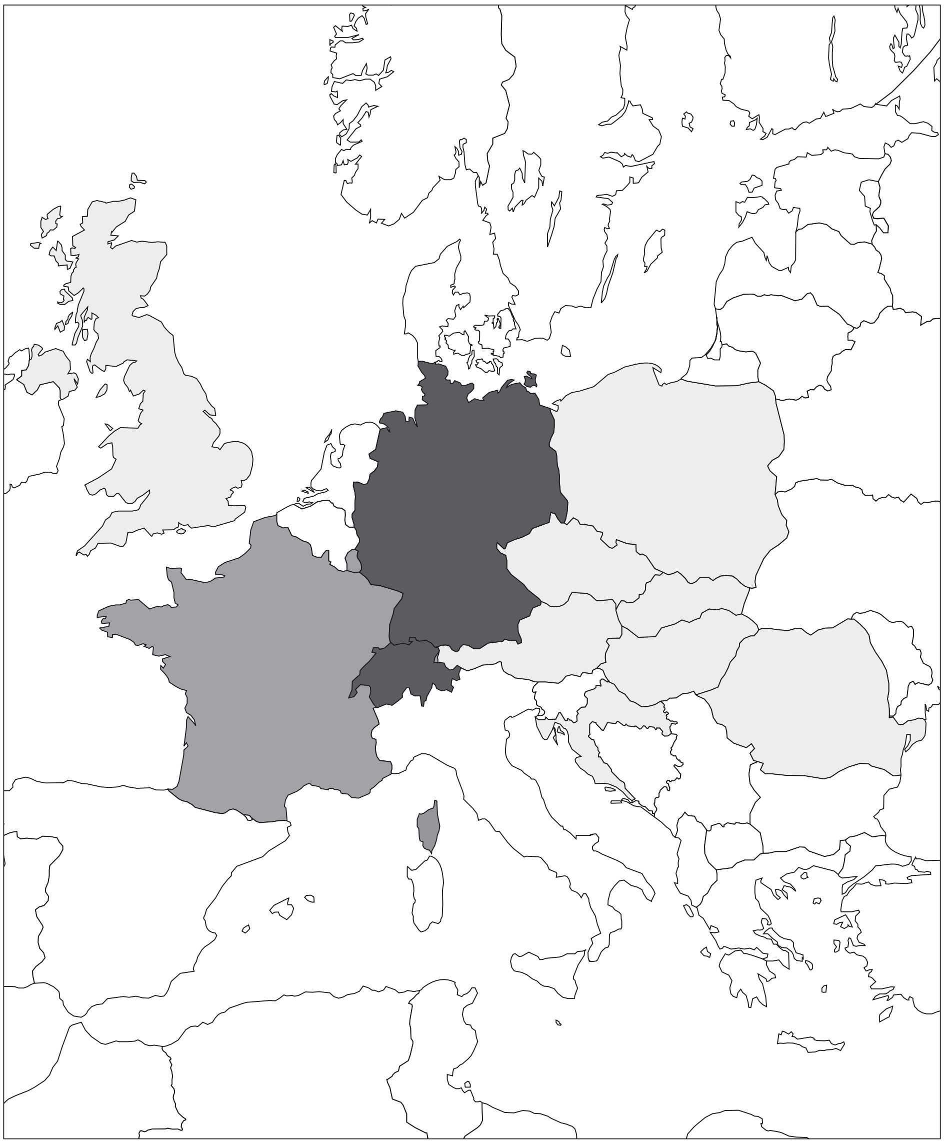
Focus on functional excellence | Swiss Life wants to bring innovative and profitable products to market more rapidly. The new Group Product Management business area and strict cost management are key success factors. Active capital and risk management has proven its worth.

Foster commitment | Employee commitment remained high in 2008. Swiss Life promotes a performance culture and is intensifying client-orientation and innovativeness.

Swiss Life at a Glance | The Swiss Life Group is one of Europe's leading providers of life insurance and pension solutions. In Switzerland, France and Germany, the Group offers individuals and corporations comprehensive advice and a broad range of products through its own sales force as well as brokers and banks. Swiss Life provides international corporations with employee benefits solutions from a single source, and is one of the global leaders in structured life and pension products for international high net worth individuals.

The AWD Group has been part of the Swiss Life Group since 2008. AWD is one of the leading European financial services providers in the medium and high-income client segments and offers its clients independent financial advisory services. It employs over 6000 financial consultants and active intermediaries in ten European countries.

Swiss Life Holding Ltd, registered in Zurich, was founded in 1857 as Schweizerische Rentenanstalt. The shares of Swiss Life Holding Ltd are listed on the SIX Swiss Exchange (SLHN). The Swiss Life Group employs a staff of around 9000.



Swiss Life/AWD | Swiss Life | AWD

Insurance Switzerland

In its home market, Swiss Life remained the leading provider of life insurance and pension solutions in 2008.

Page 23–24

Insurance France

Swiss Life has consistently improved its market position in France.

Page 25

Insurance Germany

Its expertise and quality of service make Swiss Life in Germany a preferred partner among insurance brokers.

Page 26

Insurance Other

Swiss Life serves high net worth individuals and international companies from its subsidiaries in Liechtenstein and Luxembourg.

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Investment Management

Swiss Life's Investment Management achieved a result at the previous year's level, despite a difficult market environment.

Page 28

AWD

AWD has consolidated its market position in Germany and Switzerland.

Page 29–30

Swiss Life employs a workforce of around 9000 worldwide. Despite the diversity of cultures, locations and activities, they all have the same goal: To provide clients with secure, forward-looking and attractive life and pension solutions.

Swiss Life is committed to helping people create a financially secure future. This guiding principle has been communicated externally as our mission and core competence of our company, and is also lived within the enterprise. A company with vision does not have to redefine itself over and over again. It is reassuring to know that all those involved with Swiss Life are provided with long-term perspectives.

Bruno Gehrig

We took the right measures at the right time to protect our core capital, which remains solid.

Dear Shareholders

The world economy experienced a wave of dramatic changes in 2008. Your company, the Swiss Life Group, was also unable to escape the damage inflicted by this crisis. Our financial result and the performance of our share price in no way reflect our expectations. However we introduced the right measures at the right time to protect our solid core capital. We have made further progress in the implementation of our strategy. Swiss Life can therefore face the current challenges with confidence.

However, due to the negative developments on the financial markets, we were unable to achieve our targets in 2008. The crisis on the US real estate market, by which Swiss Life was in no way directly affected, negatively impacted almost all asset classes. The necessary impairments on investments and the realisation of losses to reduce risks resulted in a reduction in the financial result from CHF 4.9 billion to only CHF 0.5 billion. Thanks to gains realised on the sales of the Dutch and Belgian business as well as of Banca del Gottardo amounting to CHF 1.5 billion, the Swiss Life Group was still able to post a profit for 2008. Net profit for the year amounted to CHF 345 million. On the basis of this result and taking the current market environment into consideration, the Board of Directors proposes that the General Meeting of Shareholders approve a distribution of profit of CHF 5 per share, following payment of CHF 17 per share last year. As in previous years, the distribution of profit to shareholders will take the form of a reduction in par value.

An important step in the implementation of our strategy was the acquisition in 2008 of the AWD Group, the largest European provider of independent financial advisory services. This substantial strengthening of distribution is key to the future success of Swiss Life. Providers of independent financial advisory services will continue to gain in significance. Thanks to the partnership with AWD, Swiss Life is also able to diversify its income, receive additional market information, and gain efficient access to growth markets in Central and Eastern Europe, where Swiss Life is not currently active. The cooperation between Swiss Life and AWD has got off to a good start in both Germany and Switzerland. AWD itself achieved a good result for 2008 in Germany and Switzerland in the given circumstances. Growth in Central and Eastern Europe is still strong. Work on the refocussing of business activities in the United Kingdom is on track and the issues in Austria are being addressed with high priority. The downturn vis-à-vis the previous year in sales revenues and in the profits of the AWD Group can be attributed to clients' liquidity-oriented approach to investments in times of crisis, but also in particular to the changes in the United Kingdom and Austria. The AWD Group intends to grow sales revenues from about EUR 630 million to EUR 1 billion and achieve operating income before interest and tax of EUR 130 million by 2012.

In connection with the increasing significance of independent financial advisory services in the area of retirement provision, we also acquired a stake in the German financial services provider MLP last year. Although the benefits of a closer cooperation between Swiss Life, AWD and MLP are obvious given the current crisis and the consolidation among financial services providers in Germany, we were not able to achieve our targets in this regard. The strategic partnership with Talanx, announced in March 2009, is a good solution for this situation. Talanx and Swiss Life will cooperate in distribution through AWD, in the international business with life insurance solutions, in life reinsurance, in operations involving selected products in certain defined areas, and in the reciprocal use of public investment funds. To reinforce this partnership, Talanx will purchase a stake of up to 9.9% 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. Both companies will fully respect MLP's current business model as an independent financial services and asset management provider.

Swiss Life is synonymous with expertise in life and pensions, security and reliability in all markets. This profile has proven its worth in the crisis. In Switzerland, Swiss Life has maintained its position as market leader. New products, further increases in efficiency and an organisation that is geared even more closely to client needs will continue to improve our competitive position in our home market. In France, we have consistently outperformed the market in recent years, thanks to a well-diversified distribution network, an attractive range of products, and our excellent position in the health insurance business. In Germany, Swiss Life has been a preferred provider in the broker distribution channel for many years. The cooperation with AWD and the launch of the first product in the promising variable annuity family have significantly strengthened our competitive position going forward.

Rolf Dörig

The cooperation between Swiss Life and AWD has got off to a good start and is progressing to plan.

Our concept of asset and liability management worked well, even in the difficult conditions of the past financial year. The risks we assumed were within the bounds of our business model and our risk capacity at all times. Given the distortions on the financial markets in the second half of the year, we greatly reduced the risks carried on the balance sheet to protect core capital from any further negative impacts arising from the financial market crisis. In response to continued market volatility, we adjusted the asset allocation and discontinued the share buyback programme. These measures proved effective in recent months. Our capital base is solid and our investments are structured to generate earnings exceeding the benefits guaranteed to our clients, even under persistently difficult market conditions and at today's low interest levels.

In addition to the strategic management of the company and taking steps to overcome the financial market crisis, one of the most important tasks of the Board of Directors in 2008 was to ensure the best possible composition of the Board of Directors and the Corporate Executive Board. Ivo Furrer, CEO Switzerland, Charles Relecom, CEO France, and Klaus Leyh, CEO Germany, joined the Corporate Executive Board in the course of the year. Manfred Behrens, CEO Germany since 2004 and Member of the Corporate Executive Board since May 2008, assumed the function of Co-CEO of AWD on 1 September 2008. In this capacity he also remains a Member of the Corporate Executive Board. Paul Müller, CEO Switzerland, stepped down after an impressive career spanning over thirty years, the last six of which he spent at Swiss Life. Jacques Richier, CEO France, who joined Swiss Life in 2000, decided to take up a new position outside the Swiss Life Group. The Board of Directors extends its sincere thanks to Paul Müller and Jacques Richier for their major contribution to the company's successful development.

We were able to inform you well in advance of the planned change in the position of Chairman of the Board of Directors. Bruno Gehrig will not be standing for re-election at the next General Meeting of Shareholders in May 2009. Rolf Dörig, who was elected to the Board of

Directors by the General Meeting of Shareholders in May 2008, will succeed him as Chairman. After serving on the Board of Directors for six years, Pierfranco Riva will not be standing for re-election as he has reached the statutory age limit. We wish to thank Pierfranco Riva warmly for his valuable contribution to the work of the Board of Directors over the past years. We are delighted that both Frank Schnewlin, former CEO of the Bâloise Group, and before that, a Member of the Group Executive Committee of the Zurich Financial Services Group, and Carsten Maschmeyer, founder of AWD, have accepted nominations to the Board of Directors. Frank Schnewlin, a proven authority on the international insurance market, will be an asset to the Board of Directors. Likewise, Carsten Maschmeyer, with his profound knowledge of the market and outstanding expertise in distribution, will be a welcome addition.

Dear Shareholders, we are facing great challenges. The global economy is in recession and the financial markets are extremely volatile. There is no sign of a speedy recovery. We are confident that we at Swiss Life have created the necessary environment to successfully weather this difficult period. Firstly, we are in a business with long-term growth prospects. The demand for privately-financed life insurance and pensions solutions will continue to grow due to demographics and the intensifying pressure on state budgets. Secondly, the crisis has greatly increased clients' appreciation of professional advisory services and products that offer security and protection. This improves the competitive position of specialised life insurance and pension providers such as Swiss Life. Thirdly, thanks to strengthening its distribution and innovative capacity, measures to increase efficiency, active capital and risk management, a solid capital basis, and its clear positioning as a leading life and pensions specialist, Swiss Life has created the necessary conditions to grow and to increase profitability, even in today's difficult market environment.

Success in our business is built on long-term performance and trust. We would like to thank all our dedicated employees who work towards this success every day, and all those who have placed their trust in us.

Bruno Gehrig
Chairman of the Board of Directors

Rolf Dörig
Delegate of the Board of Directors

On Bruno Gehrig's resignation

Dear Shareholders

After serving on the Board of Directors for six years, Bruno Gehrig will not be standing for re-election at the next General Meeting of Shareholders in May 2009. As with all his decisions, Bruno Gehrig planned this step carefully, held discussions with the parties involved and finally decided to do what he believes is in the best interests of the company. Bruno Gehrig was an ideal choice for the Swiss Life Group in every respect. His experience in the financial industry, his outstanding leadership qualities, his knowledge of the financial markets, his tight-knit network among the business community, political circles, national banks and universities and, last but not least, his pleasant nature, made him a key player in the successful turnaround of 2003 and 2004. He soon gained the confidence of employees, clients and shareholders. With great consistency and persistency he established corporate governance practices that meet today's requirements and ensured the optimum conditions for the smooth functioning of the Board of Directors and its committees. These executive bodies have been put to the test in the extremely challenging market environment of the past year. In addition to the business successes, the 150-year anniversary of Swiss Life in 2007 was a highlight of his tenure at Swiss Life, and clearly showed the strength of his ties with the company and its employees. His close involvement in the anniversary year was not a foregone conclusion, however. Bruno Gehrig suffered a stroke in November 2005. Happily, his recovery was a speedy one and he could return to work in March 2006. He was determined to settle the matter of his successor as early as possible. He originally intended to step down at the General Meeting of Shareholders in 2010. However, after being elected to the Board of Directors of UBS in October 2008, Bruno Gehrig changed his plans. His reason for accepting this function is also typical of Bruno Gehrig: He felt obliged to UBS, his former employer, and to the Swiss economy as a whole, the well-being of which hangs to a great extent on the performance of the financial centre. We would like to thank Bruno Gehrig warmly for his sterling contribution to Swiss Life and wish him every success and the best of health for the future.

Gerold Bührer
Vice Chairman of the Board of Directors

Rolf Dörig
Delegate of the Board of Directors

"In times of crisis, security is valued more highly."

Bruno Pfister has served as Swiss Life's Group Chief Executive Officer since May 2008. In this interview he explains how the financial market crisis has impacted corporate strategy and results, and why the prevailing market environment also offers opportunities for a focused pension provider such as Swiss Life.

"We are convinced, that the life and pensions business will grow over the long term."

Mr Pfister, three years ago you were travelling parts of the Silk Road. Which do you think was more difficult: Steering Swiss Life through the financial crisis or making it along the Silk Road from Europe to China 500 years ago?
It's hard to say. Communication channels at the end of the Middle Ages were far inferior to those available today. It was impossible to reliably assess the risks involved in journeying from Europe to China. Nobody knew what could happen on the Silk Road.

But the journey through the 2008 financial year was also anything but smooth.
That's true. The capital markets took a major beating in 2008, and Swiss Life did not escape unscathed. In contrast to the crisis six years ago, practically all asset classes have been affected. It wasn't possible to predict the full extent and the consequences of this development.

Several banks and insurance companies were not able to survive this crisis without help. What did Swiss Life do differently?
Those insurance companies that concentrated on their core business also had risks under control in 2008. We kept within our available risk capacity at all times. As the situation intensified in the second half of the year, our disciplined approach to risk management enabled us to take measures and protect our capital rapidly, thus ensuring the company's survival.

The subject of risk leads us to targeted returns. Were return expectations too high in recent years?
On the basis of our business model and taking market expectations into account, we set ourselves a target of 12% return on equity. This is not at all excessive. The crisis is now forcing everyone to rethink their return expectations, however.

Results are disappointing due to the huge decline on the financial side. In what areas has the Swiss Life Group nevertheless made progress in 2008?
Most certainly in product management. In Germany we launched our first flexible product with variable guarantees – also known as variable annuities – and have built up a product platform in Luxembourg. In the individual markets we have made progress with new products, and have also improved the product development process. We now focus much more closely on real client requirements, instead of being swayed by technical considerations as we were so often in the past.

What about distribution?
The cooperation with AWD is beginning to bear fruit. By realigning two products to the needs of AWD target clients in the German market we have achieved pleasing results. Admittedly this is a small segment, but the experiences gained will help us with the further development of cooperation. We have also developed a new product in Switzerland and successfully introduced it at AWD. These first steps show how the cooperation with AWD can improve our products, making them easier to sell, not just by AWD, but also by other distribution channels.

"In the current environment, solutions that offer security and limit risks are valued more highly."

By acquiring the AWD Group Swiss Life significantly increased its distribution capacity overnight.
This has radically changed our organisation. A few years ago only one in five employees worked in distribution. Today, including the independent advisors that work for AWD, every other employee is part of distribution. The majority of our employees now have direct client contact.

You have suffered a setback in the international insurance business for high net worth individuals, your private placement life insurance business. Was this due exclusively to the financial market crisis?
The collapse of the markets, particularly in October 2008, greatly unsettled wealthy clients. This is understandable; this client segment lost a great deal of money. But another reason is the legal uncertainties in Germany – an important market for us. We have since realigned our products to the new conditions, however.

How do you assess the potential for this area of business?
Wealth management for international private clients will undergo significant changes in the coming years. I therefore see great opportunities for our range of products and services. I believe that this business will return to growth. We have therefore increased our global reach with a branch office in Singapore and a sales location in Dubai. The first few weeks of 2009 make me optimistic.

Premium volume of the Swiss Life Group fell a total of 13% to CHF 18.5 billion. Why was that?
When making comparisons with the previous year you must bear in mind that the first half of 2007 also includes premium volume of about CHF 1.9 billion from the French ERISA companies that we sold. Without the ERISA component, the fall in premiums is only 4%. The welcome premium growth in France could not quite offset negative premium trends in the other markets, although we were able to defend our leading position in Switzerland. In Germany the single premium business declined significantly in 2008 due to the market environment, but we were very successful with policies carrying periodic premiums and concluded over 50 000 policies for the first time in our history.

"By acquiring AWD we plan to diversify our income stream and to expand our distribution capacity."

What impact will the disappointing financial results have on strategy? Should we expect adjustments?
Swiss Life's strategy is based on our conviction that the life and pensions business will grow over the long term, and to a greater extent than the rest of the economy. There are two main reasons for this: demographic developments and the increasing pressure on public-sector finances in many countries. As a result, the state-financed part of retirement provision will become relatively less significant, while the privately-financed part will need to be strengthened if the standard of living is to be more or less maintained after retirement. The current market environment does not fundamentally change this state of affairs.

And what does this mean for the strategy of Swiss Life?
We expect pension gaps to widen in the coming years, thereby increasing demand for pension provision. With this in mind, our strategy is the right one and there is no reason to change anything. The financial crisis restricts our financial flexibility, however. As a result, our growth targets have faded into the background and capital protection has become the highest priority in this phase.

Swiss Life's distribution strategy and the acquisition of AWD is still criticised in public. How do you respond?
I can understand the criticism insofar as we must now produce numbers and facts over the next few years to prove that the acquisition was the right move. By acquiring AWD we plan to diversify our income stream and to expand our distribution capacity in Germany in particular in order to exploit the potential of Swiss Life more effectively. In Switzerland, AWD enables us to take a large step towards our vision of multichannel distribution. AWD also gives us access to markets in which we are currently not represented, such as those of Central and Eastern Europe. And thanks to AWD we now have access to additional market intelligence with regard to client requirements and product trends. AWD also benefits, as Swiss Life helps AWD to make its own business more efficient and to increase revenue. The experiences of the past few months have shown that the perspectives for adding value with this partnership are still intact.

You mentioned the rapid expansion of distribution, but the biggest and best distribution network can only function if it has competitive products to sell. Where do you stand in this regard?
Innovativeness improved significantly in 2008 in particular. Product management is now much more closely aligned to client needs. The expertise provided by AWD helped here, as the success stories in Germany and also in Switzerland demonstrate. The potential of the cooperation between Swiss Life and AWD will not be realised overnight, however. It will take time, because we must take care not to undermine AWD's successful business model of independent financial advice, but rather to strengthen it. This requires a cautious and carefully thought out approach.

Your principal markets are quite saturated. Does this impose limitations?
The various analyses we have performed show that Europe is the world region where the life insurance business is still growing most in absolute terms. Growth may be lower here in percentage terms than in other regions, but because the base is so much larger the European life insurance market is still attractive, even in terms of growth. And as I already mentioned, demand for pensions and privately-financed pension solutions will grow significantly.

So you could say that bad news is good news for insurance companies?
I'm quite sure that financial crises in particular heighten clients' understanding of risks. In the current environment, solutions that offer security and limit risks are valued more highly.

And finally the most difficult question: Have you ever tried to explain your job to your son?
No, not yet. I think it would be difficult to explain the concept of life insurance to a five-year-old. It would be too much for both him and me. He knows where I work, however, and visits me every now and then.

And if he were to ask you?
Then I would tell him that we make people's lives and the future more secure. And with the protection that we guarantee for him, his friends and their parents and relatives, we give a lot of people a bit of security and hope.

"We give a lot of people a bit of security and hope."

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.

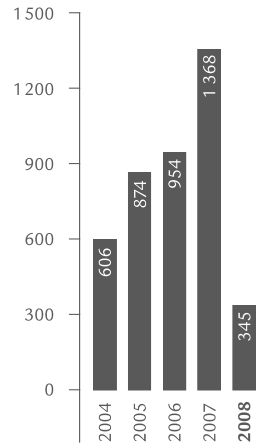
AWD plays a key role in the strategic development of Swiss Life. Life insurance and pensions is a business that will continue to involve considerable advisory services. The role played by professional financial sales companies that offer independent advice and allow clients to choose the product that 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.

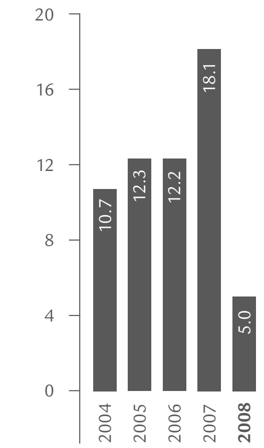
Net profit

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

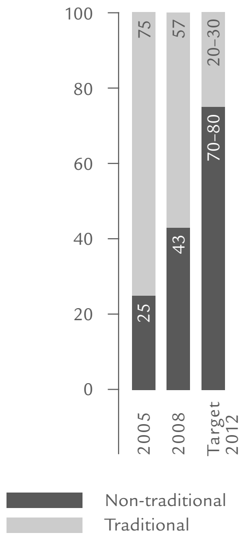
Foster employee commitment

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.

Shift in product mix

In %



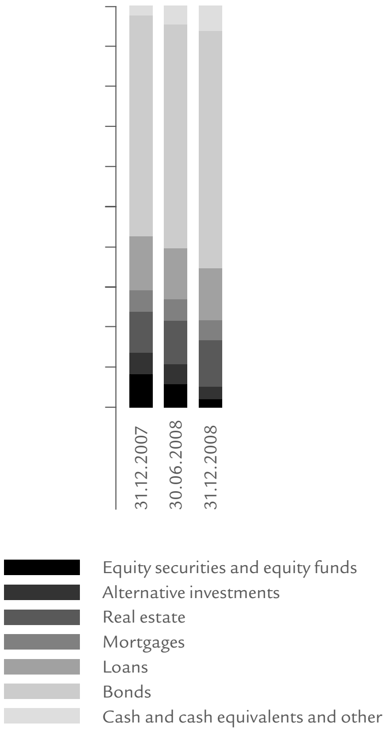
INNOVATIVE PRODUCTS SUCCESSFULLY LAUNCHED | Client needs are clearly moving towards an optimum combination of liquidity, security and return. Unit- or index-linked solutions with selectable, flexible guarantees, such as variable annuities, are in demand. Not only are such products better aligned to client 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.

Investment portfolio on fair value basis



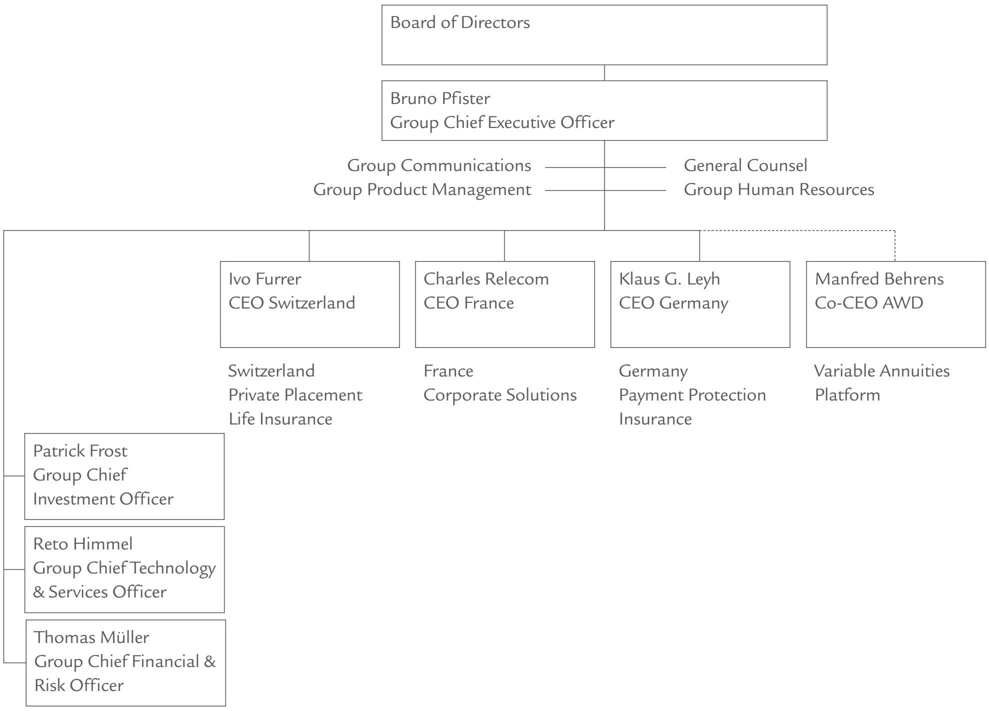
In addition, strict cost management continues to have high priority in all areas. Swiss Life consistently works on further enhancing efficiency. The Operations area, for example, implements the lean management method, which focuses on the continuous improvement of a company's processes, organisation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



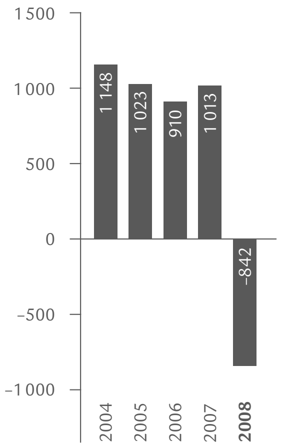
In March 2009 Swiss Life announced a strategic partnership with Talanx, the third largest insurance group in Germany in terms of premium income. The two companies will cooperate in certain defined areas. With this partnership, Swiss Life aims to drive international growth and to strengthen its market 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.

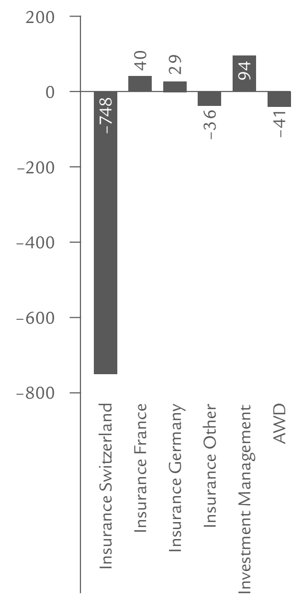
Profit from operations

In CHF million



Segment result

In CHF million



Summary of Group Results | The Swiss Life Group made further progress in 2008 in the implementation of its strategy. However, the financial market crisis cut into the financial result. The net profit, which includes extraordinary gains on disposals, came to CHF 345 million. Continuing operations recorded a loss of CHF 1.1 billion. The capital base remains solid with equity at a level of CHF 6.6 billion.

CONSOLIDATED RESULT | The Swiss Life Group posted a net profit of CHF 345 million for 2008. After allowing for minority interests, the profit attributable to shareholders came to CHF 350 million. This translates into (diluted) earnings per share of CHF 10.88 and a return on equity of 5.0%. The stated profit includes extraordinary gains after taxes on the sales of the Dutch and Belgian business as well as of Banca del Gottardo amounting to CHF 1488 million. Continuing operations resulted in a loss of CHF 1143 million, compared with a profit of CHF 726 million in the previous year. This disappointing outcome is attributable to the negative trend in the financial markets and its impact on the financial result. This declined steeply from the previous year's CHF 4.9 billion and stood at CHF 0.5 billion, due to the impairments which became necessary on investments and the losses realised in the course of minimising risks. The profit also includes an impairment of CHF 159 million (EUR 100 million) on the stake in MLP.

RESULT FROM OPERATIONS HIT BY DEVELOPMENTS ON THE FINANCIAL MARKETS | Continuing operations produced a segment loss of CHF 842 million. The insurance business in Switzerland was hit the hardest by the distortions on the financial markets. Swiss Life recorded a loss of CHF 748 million for this segment. The previous year still saw a profit of CHF 650 million for this figure. The operating results from the insurance business in France and Germany also recorded a significant decline against the previous year due to the impact of the financial market crisis on the financial result. A segment profit of CHF 40 million was generated in France and of CHF 29 million in Germany. The loss of CHF 36 million in the Insurance Other business segment, which comprises the companies in Luxembourg and Liechtenstein, is mainly attributable to the investments in building up the new product platform in Luxembourg and the geographical expansion of business with high net worth individuals. At CHF 94 million, the Investment Management segment achieved a result in line with the previous year's figure, despite the adverse market environment.

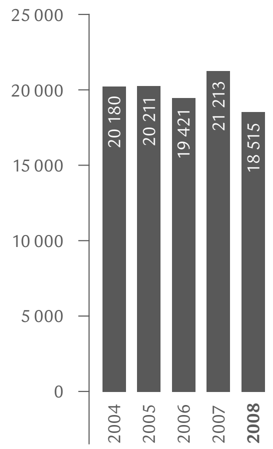
The AWD Group has been consolidated in the figures reported by the Swiss Life Group since the end of March 2008 and is published as a segment. This segment turned in a loss of CHF 41 million. AWD's operating results were down significantly due to developments in the United Kingdom and Austria caused by the financial market crisis. The segment result also includes restructuring costs amounting to CHF 40 million for the refocusing of business in the United Kingdom and amortisation expenditure of CHF 21 million for client relationship assets taken on in the acquisition. The result for the Other segment, which mainly comprises financing and holding companies, dropped from CHF 62 million to CHF 9 million due to currency effects. Unallocated corporate costs increased from CHF 73 million in the previous year to CHF 116 million. The rise was primarily caused by one-off expenses for projects relating to the implementation of the strategy.

GROWTH MOMENTUM SLOWED | The Swiss Life Group posted gross premiums, policy fees and deposits received under insurance and investment contracts totalling CHF 18.5 billion in 2008. When making comparisons with the previous year, it must be noted that the figures for the first half of 2007 contain the French ERISA companies' premium volume, which came to some CHF 1.9 billion. These companies have since been sold. Without ERISA's contribution the decline in premiums came to 4%. Above all, the downturn is due to the lower income from deposits under insurance and investment contracts. At CHF 13.3 billion, net earned premiums were held at the previous year's level. In Switzerland, Swiss Life registered gross premiums of CHF 8.2 billion, which represents 44% of total premium volume. In France, Swiss Life grew premium income on a comparable basis by 4% to CHF 5.8 billion, with French operations contributing 31% to total volume for 2008. In Germany, premium income receded by 8% to CHF 2.0 billion owing primarily to the market-driven collapse of the single premiums business. German insurance operations made up 11% of total premium volume. The companies in Liechtenstein and Luxembourg, which mainly conduct cross-border business, posted gross premiums amounting to CHF 2.6 billion in 2008. This represents a 20% decline on the prior-year figure and primarily reflects the focus of high net worth individuals on liquidity as a result of the financial market crisis. This segment contributed 14% to total premium volume.

Fee income from asset management and other commission income increased due to the first-time consolidation of AWD from CHF 196 million to CHF 950 million.

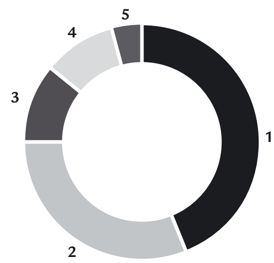
Gross written premiums, policy fees and deposits received

In CHF million



Gross written premiums, policy fees and deposits received by country

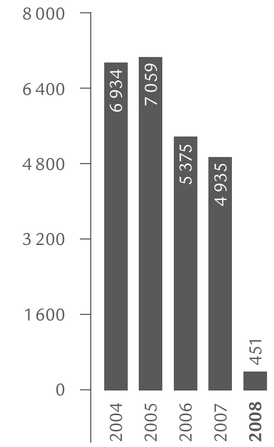
Total 100%



1 Switzerland 44%
2 France 31%
3 Germany 11%
4 Liechtenstein 10%
5 Luxembourg 4%

Financial result

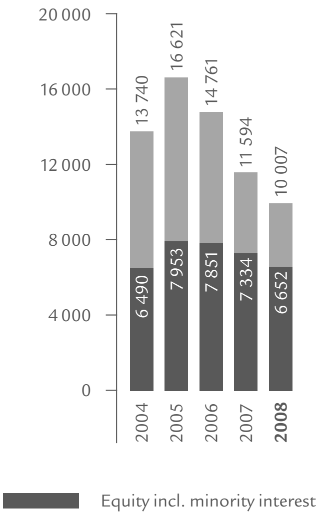
In CHF million



Key figures for the Swiss Life Group			
In CHF million	**2008**	2007	+/–
Gross written premiums, policy fees and deposits received	**18 515**	21 213	–12.7%
Net earned premiums and policy fees	**13 514**	13 705	–1.4%
Asset management and other commission income	**950**	196	n.a.
Financial result	**451**	4 935	–90.9%
Other income	**292**	147	98.6%
Total income	**15 207**	18 983	–19.9%
Net insurance benefits and claims	**–12 915**	–13 268	–2.7%
Policyholder participation	**429**	–1 746	n.a.
Interest expense	**–393**	–455	–13.6%
Operating expense	**–3 319**	–2 489	33.3%
Total expense	**–16 198**	–17 958	–9.8%
Profit from operations	**– 991**	1 025	n.a.
Net profit	**345**	1 368	–74.8%
Equity	**6 652**	7 334	–9.3%
Insurance reserves	**113 308**	121 829	–7.0%
Assets under management	**120 364**	121 167	–0.7%
Assets under control	**134 326**	138 946	–3.3%
Return on equity (in %)	**5.0**	18.1	n.a.
Number of employees (full-time equivalents)	**8 184**	8 556	–4.3%

Core capital

In CHF million



FINANCIAL RESULT IMPACTED BY HIGH IMPAIRMENTS | The crisis on the US real estate market, by which Swiss Life was in no way directly affected, negatively impacted almost all asset classes in 2008. The necessary impairments on investments and the realisation of losses to reduce balance sheet risks resulted in a huge reduction in the financial result from investments held at own risk in insurance business for this extraordinary year from CHF 4.2 billion to CHF 0.3 billion. Direct investment income matched the previous year's level, however, and a direct return on investment of 4.1% was achieved. Taking into account asset changes relevant to the income statement, losses realised in connection with the reduction of balance sheet risks, and asset management costs, the net investment return came to 0.3% (2007: 3.8%). The total investment return of 0.5% (2007: 1.0%) also includes the asset changes directly reflected in equity. When the fair value of investments not reported at market value on the balance sheet is factored in, the overall performance was –0.7%. Swiss Life significantly reduced the risks carried on the balance sheet in the wake of the dramatic developments on the financial markets in the second half of 2008. The adjusted asset allocation is geared to generate earnings exceeding the benefits guaranteed to clients, even under persistently difficult market conditions and at today's low interest levels. These measures proved effective in recent months.

FURTHER EFFICIENCY GAINS TARGETED | Insurance benefits and the change in the mathematical reserve showed a net reduction of 3% to CHF 12.9 billion. The significantly lower financial result and the special situation in several countries due to valuation differences between local valuation guidelines and IFRS guidelines resulted in policyholder participation income of CHF 429 million for Swiss Life. Operating costs climbed 8% on a comparable basis as a result of investments in new business areas and growth initiatives. In Switzerland, on the other hand, operating costs were reduced by a further 3% on a comparable basis.

Strict cost management continues to be a high priority for Swiss Life. In this connection Swiss Life announced plans in November 2008 to streamline its Corporate Center in Zurich, leading to further cost savings of CHF 90 million. Primarily as a result of the first-time consolidation of the AWD Group, operating expenses increased from CHF 2.5 billion to CHF 3.3 billion overall. Because of the dissolution of tax provisions no longer required and current losses which could only be partially deferred, the company posted a tax income of CHF 29 million. Tax expenses totalled CHF 122 million in 2007.

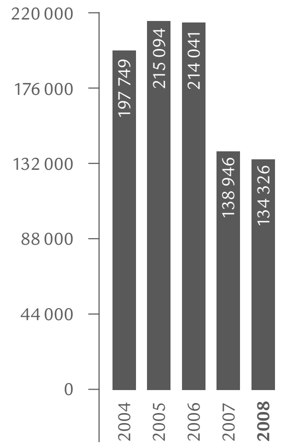
SOLID CAPITAL BASE | Liabilities from insurance operations declined by 7% to CHF 113.3 billion. More than half of this reduction is due to currency effects. Contract terminations in Switzerland and the negative developments of assets in the business with high net worth individuals also contributed to the decline. Despite the severity of the financial market crisis in the second half of 2008, the capital base is still solid. Swiss Life significantly reduced its balance sheet risks at the right time in the second half of 2008 to shield its equity from further negative repercussions of the financial market crisis. Shareholders' equity for the Swiss Life Group stood at CHF 6.6 billion on 31 December 2008, representing a decline of less than 10% on the prior-year figure. The Group solvency ratio on an IFRS basis came to 159% at the end of the year. The core capital declined from CHF 11.6 billion to CHF 10.0 billion. Assets controlled by the Swiss Life Group totalled CHF 120.4 billion (–1%).

Asset allocation on fair value basis as at 31 December (insurance portfolio)

In CHF million	2008		2007	
Equity securities and equity funds	**2 335**	**2.2%**	8 967	8.0%
Alternative investments	**3 272**	**3.1%**	6 025	5.3%
Real estate	**12 662**	**11.9%**	12 252	10.9%
Mortgages	**5 644**	**5.3%**	5 784	5.1%
Loans	**13 355**	**12.6%**	14 518	12.9%
Bonds	**62 350**	**58.6%**	61 849	54.9%
Cash and cash equivalents and other	**6 709**	**6.3%**	3 263	2.9%
Total	**106 327**		112 658	
Net equity exposure		***0.8%***		*7.5%*
Duration of bonds		***9.2 years***		*8.7 years*

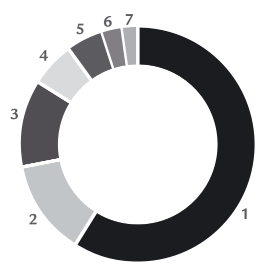
Assets under control

In CHF million



Asset allocation as at 31.12.2008 (insurance portfolio)

Total 100%



1 Bonds 59%
2 Loans 13%
3 Real estate 12%
4 Cash and cash equivalents and other 6%
5 Mortgages 5%
6 Alternative investments 3%
7 Equity securities and equity funds 2%

EMBEDDED VALUE | The embedded value serves as an indicator of the value of the existing insurance portfolio. It is made up of three components: the present value of future profits (PVFP) minus the present value of the cost of holding capital (CoHC) plus the adjusted net asset value (ANAV). Future new business is not included.

For the model PVFP calculations, the best possible assumptions are made regarding a number of factors, in particular returns on investment, the development of costs and claims, policyholder participation and the 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. The opportunity costs of the capital to be provided by shareholders to cover the solvency margin arising from the existing insurance contracts for their current maturities is charged to the PVFP.

The extent to which the embedded value is dependent on the assumptions made can be seen in the “Economic sensitivities” table on the next page.

DEVELOPMENT IN 2008 | Embedded value for the Swiss Life Group came to CHF 8457 million as at 31 December 2008. This corresponds to a decline of CHF 4380 million compared with the previous year and an embedded value per share of CHF 241. The changes in embedded value are shown in the “Analysis of change” table on the following page. Extraordinary impacts arose in 2008 from the unfavourable development of the capital market (impact of CHF 3568 million after taxes for 2008) and from the expectation of lower future returns (impact of CHF 1017 million after taxes). Operational improvements and demographic trends had a positive effect of CHF 408 million on the embedded value. Due to the higher volatility of investments in the second half of 2008, the solvency margin used as the basis for the valuation was increased from 100% to 150% of the statutory minimum. This led to additional solvency costs of CHF 484 million.

Embedded Value of the Swiss Life Group as at 31 December

In CHF million	**2008**	2007	+/–
Switzerland	**2 311**	4 847	**–52.3%**
Europe without Switzerland	**2 577**	4 996	**–48.4%**
ANAV Swiss Life Holding [1,2]	**3 569**	2 994	**+19.2%**
Swiss Life Group	**8 457**	12 837	**–34.1%**
thereof ANAV [1]	**6 088**	8 705	
thereof PVFP [3]	**3 502**	4 880	
thereof cost of holding capital	**–1 133**	–748	

1 Adjusted Net Asset Value
2 Equity of Swiss Life Holding including revenue from disposals, less book value of Swiss Life/Rentenanstalt
3 Present Value of Future Profits

Assumptions for embedded value calculations

	Switzerland		Europe without Switzerland	
	current	in 5 years	current	in 5 years
Risk discount rate	**7.0%**	7.0%	**8.0%**	8.0%
Total weighted return on new money	**2.7%**	3.5%	**3.9%**	4.8%
Return assumptions per asset class				
Return on bonds	**2.4%**	3.3%	**3.5%**	4.7%
Real estate return	**4.8%**	4.7%	**5.1%**	5.4%
Equities return	**6.5%**	6.5%	**7.5%**	7.5%
Return on alternative investments	**6.5%**	6.5%	**7.5%**	7.5%

Analysis of change

In CHF million	
Embedded value of the Swiss Life Group as at end of 2007	**12 837**
Dividend payments	**–596**
Unwind 2008	**+782**
2008 investment return: variance from assumptions made at the end of 2007	**–3 568**
Future investment return: variance from assumptions made at the end of 2007	**–1 017**
Effects of the increase of the solvency margin to 150%	**–484**
Effects of changes in demographic and operational assumptions	**+408**
Fiscal effects: variance from assumptions made as at the end of 2007	**+240**
Change in currency exchange rate	**–238**
Value of new business 2008	**+78**
Various	**+15**
Embedded value of the Swiss Life Group as at the end of 2008	**8 457**

Economic sensitivities

In CHF million	Switzerland	Europe without Switzerland	ANAV Swiss Life Holding	Total
Embedded value of the Swiss Life Group as at the end of 2008	**2 311**	**2 577**	**3 569**	**8 457**
Impact of 100 bps increase in investment return	**+421**	**+313**		**+734**
Impact of 100 bps decrease in investment return	**–618**	**–303**		**–921**
Impact of 100 bps decrease in risk discount rate	**+272**	**+199**		**+471**
Impact of 100 bps increase in return on new bond investments	**+41**	**+207**		**+248**

New business sensitivities

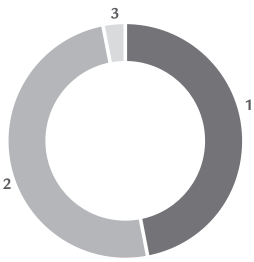
In CHF million	
Value of new business 2008	**78**
Impact of 100 bps increase in investment return	**+49**
Impact of 100 bps decrease in risk discount rate	**+34**
Impact of 100 bps increase in return on new bond investments	**+29**

Attestation regarding embedded value information as at 31 December 2008
"PricewaterhouseCoopers has reported to the Board of Directors that, based on the procedures performed, in their opinion:
- The methodology set out in the EV-Guidelines, in all material respects and with due regard to the nature of the business, is appropriate and consistent for the purpose of the (traditional) embedded value;
- The local implementation of the methodology is, in all material respects and with due regard to the nature of the business, consistent with the prescriptions of Swiss Life and in line with general market practice;
- The assumptions determined by the Swiss Life Group are reasonable to derive the embedded value information;
- The embedded value information has been properly compiled on the basis of the chosen assumptions and methodology.

The assurance report issued by PricewaterhouseCoopers to the Board of Directors, where the assumptions made, the work performed and the results are outlined, can be seen on www.swisslife.com."

Direct written premiums by type of insurance

Total 100%



1 Group 47%
2 Individual 50%
3 Other 3%

Segment Reporting | Swiss Life reports its insurance business results by country. Further segments are Investment Management and AWD. The areas sold in insurance and banking in 2008 are disclosed separately. The negative developments on the financial markets led to an overall segment loss for continuing operations of CHF 726 million.

Following the disposals of the Dutch and Belgian insurance business and of Banca del Gottardo, which were announced in November 2007, Swiss Life adapted its reporting last year to reflect the new situation. Continuing insurance operations have been broken down by country into Insurance Switzerland, Insurance France, Insurance Germany and Insurance Other. Insurance Other comprises the results of the companies in Liechtenstein and Luxembourg. Two further segments are Investment Management and Other, the latter containing the financing and holding companies. Following acquisition of a majority stake in the AWD Group, AWD operations have been fully consolidated and reported as a new segment since the end of March 2008. The Segment Reporting section of the Financial Statements discloses the results for the areas sold separately. The units were fully consolidated until the respective transactions were finalised: on 29 April 2008 for operations in the Netherlands and Belgium, and on 7 March 2008 for Banca del Gottardo.

As a result of the high impairments on investments resulting from the financial market crisis, continuing operations posted a segment loss of CHF 726 million for 2008. The Investment Management segment, with a result of CHF 94 million, matched the previous year's performance, but all other segments declined. Insurance Switzerland was affected the most by the distortions on the financial markets, recording a segment loss of CHF 748 million, despite the progress made in implementing the strategy. The AWD segment also posted a loss. In addition to the decline in profit from operations in connection with the crisis as well as investments in the future positioning of the company, this was primarily due to restructuring costs of CHF 40 million for the refocussing of activities in the United Kingdom.

Gross written premiums for continuing operations amounted to CHF 18.5 billion. Without including premium income from the ERISA companies which were sold in 2007, premium volume in France declined 4% in 2008 vis-à-vis the previous year.

Discontinued operations generated a result of CHF 1099 million for the Insurance segment and CHF 595 million for the Banking segment as a result of gains made on disposals.

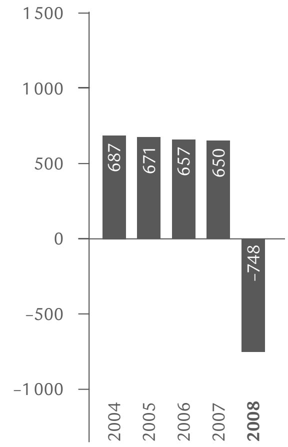
INSURANCE SWITZERLAND | Swiss Life maintained its leading market position in Switzerland in 2008 and made further progress in the implementation of its strategy. Operating costs were reduced by an additional 3%, a number of product innovations were successfully brought to market, the effectiveness of the sales force was enhanced, and the cooperation with AWD got underway. However, the distortions on the financial markets led to high impairments on investments, particularly in the fourth quarter, resulting in a loss of CHF 25 million for the financial result. A positive result of CHF 2556 million was achieved in the previous year. A segment loss of CHF 748 million was posted, vis-à-vis a segment profit of CHF 650 million for the previous year.

According to estimates by the Swiss Insurance Association (SIA), premiums in the Swiss Life insurance market increased 2.7% to CHF 28.5 billion in 2008. The increase in premiums amounted to 3.2% for group insurance and 1.4% for individual insurance. Following strong growth of 11% the previous year and the company's reserved approach with regard to the promotions offered by many competitors, Swiss Life posted a slight drop in premiums of 3% to CHF 8172 million for the 2008 financial year. Around 80% of premium volume was derived from occupational benefits insurance. Premium volume, at CHF 6476 million, was down 3% in this area. Swiss Life's share of the market stood at 32% (2007: 34%). Premium income for individual insurance declined by 1% to CHF 1696 million, and the market share also receded slightly to 19%. With an overall market share of 28%, Swiss Life maintained its leading position in its home market in 2008.

Insurance benefits, including changes in insurance reserves, fell by 8% to CHF 8059 million. This reduction is primarily due to a reduced need for provisions for future risks and lower savings premiums. The favourable claims experience also had a positive impact. The collapse of the financial result translated into reduced policyholder participation. This position declined from CHF 458 million in 2007 to CHF 112 million.

Segment result Insurance Switzerland

In CHF million

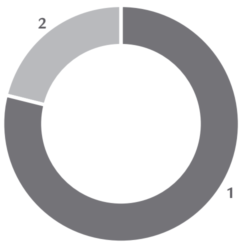


Key figures for Insurance Switzerland

In CHF million	**2008**	2007	+/–
Gross written premiums, policy fees and deposits received	**8 172**	8 413	–2.9%
Net earned premiums and policy fees	**7 963**	8 200	–2.9%
Asset management and other commission income	**49**	38	28.9%
Financial result (without share of results of associates)	**–25**	2 556	n.a.
Other income	**292**	–24	n.a.
Total income	**8 279**	10 770	–23.1%
Net insurance benefits and claims	**–8 059**	–8 758	–8.0%
Policyholder participation	**–112**	–458	–75.5%
Interest expense	**–141**	–133	6.0%
Operating expense	**–715**	– 771	–7.3%
Total expense	**–9 027**	–10 120	–10.8%
Segment result	**–748**	650	n.a.
Assets under control	**70 365**	74 996	–6.2%
Insurance reserves	**64 462**	67 256	–4.2%
Number of employees (full-time equivalents)	**2 743**	2 792	–1.8%

Premiums for Switzerland, by type of insurance

Total 100%



1 Group 79%
2 Individual 21%

On the expenses side, Swiss Life was able to continue the positive trend of the last few years. Adjusted operating expenses were reduced by a further 3%, thanks to efficiency gains from the finalised integration of «La Suisse», the optimisation of processes, and the successful completion of projects. Total operating expenses declined by 7% to CHF 715 million.

In 2008 Swiss Life introduced a number of product innovations that are geared exclusively to client requirements. Back in the first quarter of 2008 the company launched "Swiss Life VitalityPlus", a unit-linked product financed by periodic premiums which offers policyholders the option to waive death coverage in order to receive higher savings premiums. In the second quarter, the innovative group insurance product "Swiss Life ReturnPlus" was brought to market, enabling clients with supplementary BVG insurance to waive minimum guaranteed interest in favour of a higher expected return. The "Swiss Life Calmo Fund", a unit-linked annuity product financed with single premiums, was introduced in the fourth quarter. The first product to be distributed via AWD is called "Swiss Life Champion Duo". This is a unit-linked savings and risk insurance contract financed by periodic premiums. AWD made a significant contribution to the development of the product, and thus the launch via this distribution channel was also very successful. In addition to enhanced product development and increases in efficiency, the expansion of multichannel distribution, the focus on attractive client segments, and better realisation of the potential of the existing client base were further areas of emphasis for Swiss Life in the 2008 financial year.

On 1 September 2008, Ivo Furrer, formerly CEO Life Switzerland and Member of the Global Life Executive Committee of the Zurich Financial Services Group, joined Swiss Life as the new CEO Switzerland. He replaced Paul Müller, who withdrew from business operations after six successful years with Swiss Life and was appointed to the Board of Directors of the Swiss Financial Market Supervisory Authority in December 2008.

To further intensify client orientation and thus to expand its position as the number one life and pensions specialist, Swiss Life realigned its organisation in Switzerland at the beginning of 2009 and added further functions to the Corporate Executive Board. This creates the necessary conditions for focussing the expansion of multichannel distribution on attractive client segments, promoting innovation and further increasing both quality and efficiency.

INSURANCE FRANCE | Swiss Life posted a segment result of CHF 40 million in France. The sale of ERISA and ERISA IARD in July 2007 renders a year-on-year comparison difficult. On a comparable basis, the segment result for 2007 amounted to CHF 187 million. The decline was largely caused by the lower financial result – down 93% at CHF 57 million in 2008.

Premium income in the French life insurance market slid 11%. In health insurance, premium volume rose by 5%. Overall, Swiss Life generated premium income of CHF 5763 million. On a comparable basis, Swiss Life grew premium income by 4% (8% in local currency), whereby life insurance was up 7% (11% in local currency) and health insurance gained 2% (5% in local currency). Premium volume at Swiss Life outperformed the market due to the strength of its multichannel distribution and the attractive range of products.

Insurance benefits were up 20% at CHF 2804 million on the back of the higher premium volume. Policyholder participation generated income as a result of large differences between the local, statutory valuation guidelines and IFRS valuation guidelines. Although personnel expenses were down, operating costs rose 12% on a comparable basis. This increase is due in particular to higher expenses for commissions as a result of the growth and costs associated with the expansion of distribution. In addition to acquiring the internet broker Placement Direct, the company intensified relationships with independent financial consultants in particular, and bought a stake in Financière du Capitole, an independent asset management company.

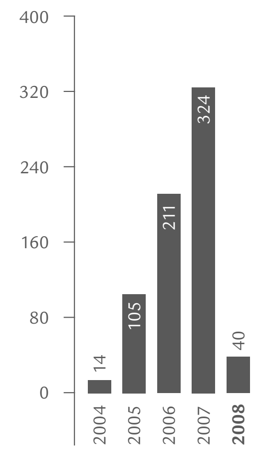
On 1 July 2008, Charles Relecom, formerly CEO of Swiss Life in Belgium, took over as CEO France from Jacques Richier, who has assumed a new challenge outside the Swiss Life Group.

Key figures for Insurance France

In CHF million	2008	2007	+/–
Gross written premiums, policy fees and deposits received	**5 763**	7 411	–22.2%
Net earned premiums and policy fees	**3 618**	3 401	6.4%
Asset management and other commission income	**66**	46	43.5%
Financial result (without share of results of associates)	**57**	1 326	–95.7%
Other income	**16**	155	–89.7%
Total income	**3 757**	4 928	–23.8%
Net insurance benefits and claims	**–2 804**	–2 372	18.2%
Policyholder participation	**472**	–777	n.a.
Interest expense	**–219**	–287	–23.7%
Operating expense	**–1 166**	–1 168	–0.2%
Total expense	**–3 717**	–4 604	–19.3%
Segment result	**40**	324	–87.7%
Assets under control	**25 399**	24 071	5.5%
Insurance reserves	**20 716**	23 657	–12.4%
Number of employees (full-time equivalents)	**2 134**	2 191	–2.6%

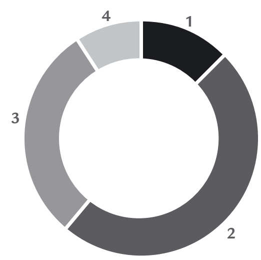
Segment result Insurance France

In CHF million



Premiums for France, by type of insurance

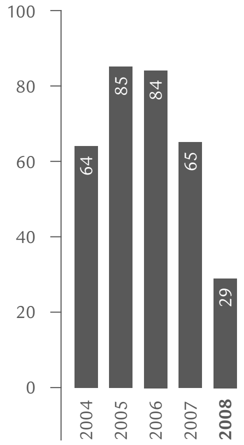
Total 100%



1 Group 16%
2 Individual 41%
3 Health insurance 33%
4 Property 10%

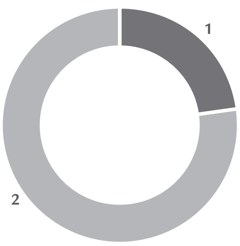
Segment result Insurance Germany

In CHF million



Premiums for Germany, by type of insurance

Total 100%



1 Group 23%
2 Individual 77%

INSURANCE GERMANY | Swiss Life posted a segment result of CHF 29 million in Germany. The year-on-year decline of CHF 36 million is a result of the negative performance of the financial result – down to CHF 552 million from CHF 1064 million.

As in the previous year, the German life insurance market advanced only a marginal 0.8% in 2008. Swiss Life saw its premium volume decline by 8% (–5% in local currency) to CHF 1977 million. Although Swiss Life was able to keep periodic premiums stable, income from single premiums was down 25%. In the second half Swiss Life launched new products and realigned existing ones resulting in positive premium income growth. Along with the intensification of the cooperation with AWD, the traditional broker distribution channel also contributed to an upswing in new business.

At CHF 1961 million, insurance benefits and policyholder participation were down 25% on the 2007 figure due to the lower premium income and the significantly reduced financial result. The increase in operating expenses by 1% (5% in local currency) to CHF 406 million is mainly due to one-off expenses in connection with the revised law on insurance contracts, the launch of new products and salary increases due to contractual tariff considerations. Successful product innovations in 2008 include "Swiss Life Cash Growth", a capitalisation product for the reinvestment of final benefits with an attractive return, and "Swiss Life Champion", a flexible, unit-linked product with guaranteed pension benefits. Swiss Life also received a number of top ratings in 2008, including a "very good" quality rating from the Assekurata rating agency. Assekurata assesses the quality requirements of German primary insurers from the policyholder's perspective.

Klaus G. Leyh held the position of CEO Germany since 1 October 2008. Previously in charge of distribution, he took over from Manfred Behrens, who is now serving on AWD's Board of Management as Co-CEO.

Key figures for Insurance Germany

In CHF million	**2008**	2007	+/–
Gross written premiums, policy fees and deposits received	**1 977**	2 158	–8.4%
Net earned premiums and policy fees	**1 819**	2 009	–9.5%
Asset management and other commission income	**27**	32	–15.6%
Financial result (without share of results of associates)	**552**	1 064	–48.1%
Other income	**17**	4	n.a.
Total income	**2 415**	3 109	–22.3%
Net insurance benefits and claims	**–2 030**	–2 119	–4.2%
Policyholder participation	**69**	–502	n.a.
Interest expense	**–19**	–22	–13.6%
Operating expense	**–406**	–401	1.2%
Total expense	**–2 386**	–3 044	–21.6%
Segment result	**29**	65	–55.4%
Assets under control	**18 873**	20 249	–6.8%
Insurance reserves	**19 098**	21 243	–10.1%
Number of employees (full-time equivalents)	**750**	732	2.5%

INSURANCE OTHER | The segment Insurance Other comprises the companies in Liechtenstein and Luxembourg. Swiss Life operates private placement life insurance in both countries, a business area that specialises in structured pension solutions for high net worth individuals. In Luxembourg, Swiss Life also provides group insurance solutions for international and local corporate clients. Furthermore, Swiss Life operates a platform for variable annuities products in Luxembourg. Expenses generated by the build-up of this platform and the further expansion of the Private Placement Life Insurance business area, together with the lower financial results, resulted in a segment loss of CHF 36 million.

Gross premium income went down 20% to CHF 2639 million due to the negative impact of the financial market crisis on business with high net worth individuals. Premium growth for the Liechtenstein company was also impacted by the legal uncertainties in Germany. In Luxembourg, premiums increased significantly and a positive result was achieved.

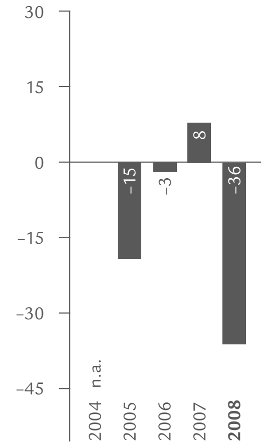
Swiss Life still sees a great deal of market potential for private placement life insurance. Swiss Life is one of the leading players in this area and has improved access to markets in Asia and the Gulf region with new locations in Singapore and Dubai, thus creating a solid foundation for further growth. Business with international corporate clients, which is domiciled in Luxembourg, forms part of the Corporate Solutions business unit which also has locations in Zurich, London, Paris, Hamburg, Copenhagen and Singapore. With the Swiss Life Network and its reinsurance business based in Zurich, Swiss Life can offer multinational companies and their employees comprehensive employee benefits solutions. Swiss Life Products (Luxembourg) S.A. launched its variable annuities platform in 2008. The first product, “Swiss Life Champion”, was brought to market in Germany mid year.

Key figures for Insurance Other

In CHF million	**2008**	2007	+/–
Gross written premiums, policy fees and deposits received	**2 639**	3 294	–19.9%
Net earned premiums and policy fees	**116**	103	12.6%
Asset management and other commission income	**1**	0	n.a.
Financial result (without share of results of associates)	**22**	34	–35.3%
Other income	**–4**	5	n.a.
Total income	**135**	142	–4.9%
Net insurance benefits and claims	**–20**	–20	n.a.
Policyholder participation	**–1**	–9	–88.9%
Interest expense	**–17**	–15	13.3%
Operating expense	**–133**	–90	47.8%
Total expense	**–171**	–134	27.6%
Segment result	**–36**	8	n.a.
Assets under control	**9 297**	10 200	–8.9%
Insurance reserves	**9 101**	10 055	–9.5%
Number of employees (full-time equivalents)	**192**	122	57.4%

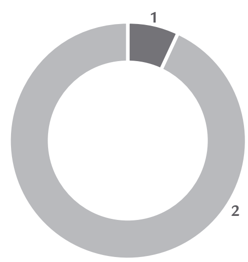
Segment result Insurance Other

In CHF million



Premiums Other, by type of insurance

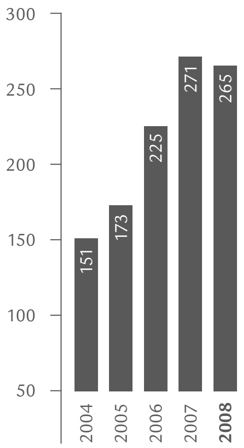
Total 100%



1 Group 7%
2 Individual 93%

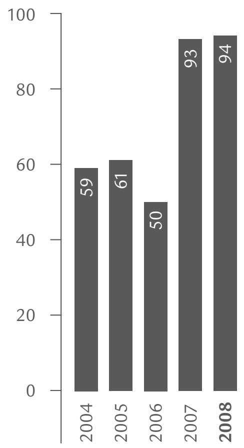
Asset management and other commission income, Investment Management

In CHF million



Segment result Investment Management

In CHF million



INVESTMENT MANAGEMENT | The Investment Management segment comprises Group-wide institutional asset management activities. Despite the very challenging market environment, the result for this segment was 1% up on the previous year at CHF 94 million. A CHF 9 million drop in income was more than offset by strict cost management and a reduction in expenses of CHF 10 million. Assets under management fell CHF 8 billion to CHF 112 billion due to outflows from the insurance business and losses in value as a result of the financial crisis. Assets under management comprised CHF 102 billion in insurance assets, around CHF 7 billion in investment funds and CHF 3 billion in third-party mandates.

The optimisation of the organisation introduced at the beginning of 2008 was a high priority for Swiss Life in the period under review. The improvements in cross-border cooperation resulted in increased efficiency. Organisational structures were redefined and streamlined. Swiss Life reintegrated mortgage administration into its own organisation following the sale of Banca del Gottardo. This measure laid the groundwork for a sustainable mortgage administration solution. Governance and risk management continue to gain significance in the current environment. Swiss Life made additional refinements to existing processes and methods, giving due consideration to the revised investment guidelines based on supervisory legislation.

In 2009, the focus will be on the further improvement of Group-wide cooperation and the realignment of third-party asset management. The project launched in 2008 to establish an appropriate, modern infrastructure tailored to contemporary asset management requirements will also be continued.

Key figures for Investment Management

In CHF million	2008	2007	+/–
Asset management and other commission income	**265**	271	–2.2%
Financial result (without share of results of associates)	**4**	3	33.3%
Other income	**4**	8	–50.0%
Total income	**273**	282	–3.2%
Interest expense	**0**	0	n.a.
Operating expense	**–179**	–189	–5.3%
Segment result	**94**	93	1.1%
Assets under management [1]	**111 519**	119 928	–7.0%
Number of employees (full-time equivalents)	**613**	574	6.8%

[1] incl. intragroup assets

AWD | The AWD Group achieved sales revenues for continuing operations of EUR 633 million for the 2008 financial year, which corresponds to a decline of 12% vis-à-vis the record result of the previous year. The corresponding result before interest and tax amounted to EUR 20 million. The year-on-year decline of EUR 63 million is primarily attributable to developments in Austria and the United Kingdom. Expenses accrued by the recruitment drive and further advisor retention measures also impacted the operating result.

In its home market of Germany, AWD was able to maintain sales revenues at EUR 386 million, the same as the previous year, despite the adverse market environment. AWD also outperformed the market in Switzerland, with sales revenues dipping by only 2% to EUR 69 million. Sales revenues in Austria and Central and Eastern Europe fell by around 31% to EUR 115 million in the period under review. The decline in sales is mainly due to the situation in Austria, where developments in previous years was based on equity and real estate products. The necessary corrective measures have been taken. The markets in Central and Eastern Europe still have strong growth momentum, even if this slowed somewhat in the second half of 2008 in the wake of the economic downswing. In the United Kingdom, AWD recorded a 33% decline in sales revenue to EUR 63 million in 2008. In future, AWD will concentrate in the United Kingdom on the core business with wealth management for private clients and corporate pensions consulting. The cost base was reduced significantly and sales management improved at the same time. The remortgaging business (AWD Home Finance) and other smaller business areas have been sold or discontinued. With this sharply focused business and the attractive existing client base in the high net worth individuals segment, AWD aims to turn in a positive profit contribution in the United Kingdom once again in 2009. Expenses totalling EUR 26 million were booked to the AWD Group for the 2008 financial year to cover the entire restructuring project in the United Kingdom. The AWD Group has been consolidated in the accounts of the Swiss Life Group since the end of March 2008. The AWD segment posted a loss of CHF 41 million for 2008. In addition to the above-mentioned expenses for the reorganisation of operations in the United Kingdom, this loss also contains expenditure for the amortisation of the customer relationship assets taken on in the acquisition.

Key figures for AWD

In CHF million	2008	2007	+/–
Asset management and other commission income	**750**	–	n.a.
Financial result (without share of results of associates)	**2**	–	n.a.
Other income	**15**	–	n.a.
Total income	**767**	–	n.a.
Interest expense	**0**	–	n.a.
Operating expense	**–808**	–	n.a.
Segment result	**–41**	–	n.a.
Number of employees (full-time equivalents)	**1 749**	–	n.a.
Financial advisors	**6 009**	–	n.a.
Advised clients	**429 100**	–	n.a.

In the reporting year about 430 000 clients turned to AWD advisors for support in optimising their finances. Around 248 000 of them were core clients and 182 000 new clients. The number of advisors decreased by 5% in 2008 to 6009. This decline was primarily due to higher rates of fluctuation in Austria, Germany and the United Kingdom. AWD Group was also exposed to the intensified competition for qualified advisors. In Germany in particular, increased qualification requirements meant that less-highly-qualified advisors left the market. The number of advisors developed well in the fourth quarter, especially in Germany.

The cooperation between Swiss Life and AWD is developing well. Swiss Life products in Germany have already advanced to AWD's "best select" range in various product categories. Sales volumes for these products have risen accordingly. In Switzerland, AWD successfully introduced its first Swiss Life product in November 2008. The partnership will not affect AWD's "best select" approach and the independent advice business model.

The Board of Management of AWD was extended to include additional members as of 1 September 2008. The underlying reasons for this move are to lay solid foundations for further growth, to combine market proximity with best practice transfer and to fully exploit the potential for efficiency improvements. Carsten Maschmeyer was joined by Manfred Behrens, formerly Swiss Life's CEO Germany, as Co-CEO of AWD. The national CEOs Rolf Wiswesser (Germany) and Marco Baur (Switzerland) have also been promoted to the Board. The Deputy Chairman of the Board, Nils Frowein, has assumed the newly created role of Chief Operating Officer. Martin Jünke, formerly Director of Group Finance, has been appointed the new CFO. Wilhelm Zsifkovits will remain in charge of distribution as Chief Sales Officer.

Despite widespread uncertainty regarding the financial markets and clients' liquidity-oriented approach to investments, the AWD Group expects a significantly improved performance for 2009 vis-à-vis the previous year. The restructuring measures introduced in the United Kingdom, the consolidation of the Proventus Group and the planned expansion of distribution capabilities will all play a role here. AWD intends to grow sales revenues to around EUR 1 billion and achieve operating income before taxes (EBIT) of EUR 130 million by 2012.

Risk Management | Swiss Life pursues an integrated, value-oriented risk management approach geared to the protection and best-possible investment of risk capital. This approach proved its worth despite the extraordinary challenges posed in the 2008 financial year.

Further information on risks

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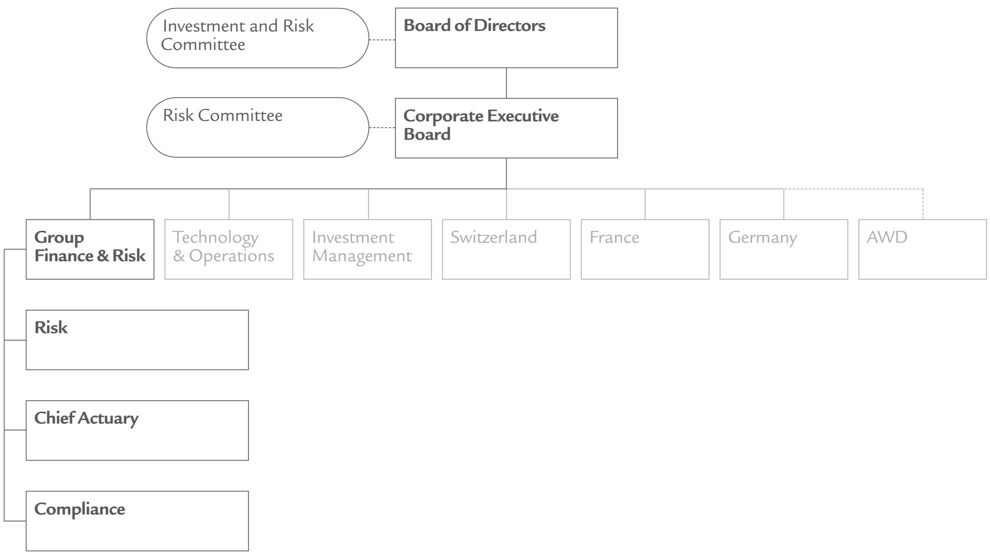
Interest rate risk	133
Equity price risk	135
Credit risk	135
Currency risk	140
Liquidity risk	142

Risk management is a key component of the Swiss Life Group's financial management process. Overall responsibility is borne by the Group Chief Financial & Risk Officer. The Board of Directors' Investment and Risk Committee monitors the process, takes decisions with regard to risk budgeting and keeps the Board of Directors in its entirety informed on the company's risk situation. Further risk management functions are performed by the Corporate Executive Board's Group Risk Committee and the Asset and Liability Management Committees at country level.

STRATEGIC RISK MANAGEMENT | Comprehensive management of all risks is vital, given the very demanding economic environment at present. Swiss Life uses various analytical methods and a "Balanced Scorecard" approach to ensure that risks are dealt with adequately, especially the strategic risks. In its strategic risk management process, Swiss Life incorporates all the information on risks and the risk/return characteristics in its strategic decisions. An understanding of the interplay of individual risks is essential in order to take due account of the factors influencing the risk while the strategy is still in the development stage, so that these factors can be steered appropriately. The key risk management processes and risks are presented and discussed below.

Organisational and governance structure of the risk management functions



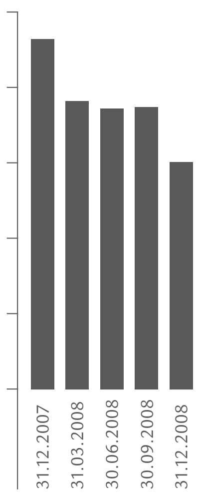
RISK BUDGETING | The risk budgeting process determines the risk capacity for each insurance unit in the Swiss Life Group, to be used as a basis for establishing the risk appetite. This in turn is closely related to the planning of future earnings on the insurance and investment business. Based on the risk appetite, the risk capital limits are determined at the individual units for the market and credit risks assumed. The market risks are broken down further into equity, interest and currency positions. The various units monitor observance of these limits on a monthly basis under a uniform Group-wide system, so that Swiss Life can assess its consolidated risk exposure at all times.

In addition to being steered and controlled in the individual business units, the risks are consolidated and centrally assessed at Group level. The external requirements of supervisory authorities and rating agencies also play a central role in the assessment of risks. These requirements can give rise to constraints on the investment policy in the individual units.

In the third and fourth quarters of 2008, Swiss Life stepped up its monitoring and steering of the risks in view of the highly volatile financial markets. The value of the investments was calculated daily or (where nothing else was practicable) estimated. The risk appetite was scaled back, leading to a corresponding reduction in the risk capital limits. As a result, the risks on the investment side, which had already been trimmed down earlier, were reduced further – especially in the case of shares, hedge funds and currencies.

MARKET RISKS | The market risk arises from fluctuations on the financial markets which influence the value of investments and liabilities. The types of risk significant for Swiss Life primarily include the risk of changes in interest rates, volatile stock markets and fluctuations in foreign exchange rates against the Swiss franc.

Consolidated market risks



Due to the highly volatile financial markets, especially in the fourth quarter of 2008, Swiss Life reduced the consolidated market risk substantially (see chart) in order to minimise potential losses in the current market environment.

The interest rate risk arises from interest rate fluctuations, especially in Swiss francs and euros, that simultaneously affect the value of investments and liabilities (future insurance benefits). The interest rate risk is assessed and steered in the context of asset and liability management. By investing in the appropriate interest-rate-sensitive instruments, and in particular bonds, companies can reduce their interest rate risk. The process also involves the harmonisation of the maturity structures and cash flow patterns of investments and liabilities. In the year under review, Swiss Life kept the sensitivity of economic net worth to interest rate movements low. The duration gap, which measures the different trends in the value of investments and liabilities due to interest rate changes, came to 1.1% on 31 December 2008 (see chart on page 36). This means that with an interest rate increase of 100 basis points the economic net worth would rise by 1.1% of the present value of the liabilities.

Another component of interest rate risk is the change in the spread between corporate borrowing rates against the rates on government bonds. This credit spread widened massively in the third and fourth quarters of 2008, producing a loss in value for corporate bonds. The Investment Management division is tracking these issues closely and closing out positions or hedging them against default where necessary.

The risk on equities arises from fluctuations in international equity markets and price trends for investments similar to equity such as "private equity" holdings and hedge funds. The individual business units steer this risk by setting investment limits governed by the risk capital limits from the risk budgeting process. The Swiss Life Group's net equity exposure after hedging was sharply reduced in the course of the year under review and stood at 0.8% at the end of 2008 (fair value basis). The risk on the hedge fund portfolio was also significantly lowered by redemptions and hedging operations.

The currency risk comprises fluctuations in foreign currencies against the Swiss franc and is restricted by exchange rate hedges. Foreign currency outstandings on investment positions were strongly reduced in the course of 2008, falling to 0.8% by 31 December 2008 (fair value basis).

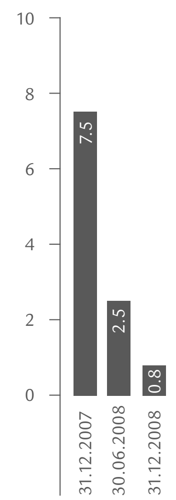
CREDIT RISKS | Creditors face the risk that counterparties might not meet their obligations. For instance, this could involve a failure to make outstanding interest payments on bonds, loans or mortgages. Credit risks arise in connection with investments and, to a lesser degree, in reinsurance. By issuing Group-wide guidelines on borrowers creditworthiness and requesting guarantees, Swiss Life endeavours to prevent defaults and to adequately offset risks taken.

Outstanding positions on derivative transactions with financial institutions are regularly evaluated by Swiss Life. The counterparties provide deficiency payments, which limit the net credit risk per counterparty. For individual bonds, the default risk is reduced by purchasing a hedge. The risks on short-term investments are spread between government bonds, central bank bills and multiple banks. The latter category is mainly protected by the deposit of securities by banks.

Swiss Life places around 60% of its investments into bonds (fair value basis), of which almost 60% represent AAA-rated paper (see chart on page 34). The remaining portion of the bond portfolio is broadly diversified, with strict limits for lower-rated bonds (BBB or below).

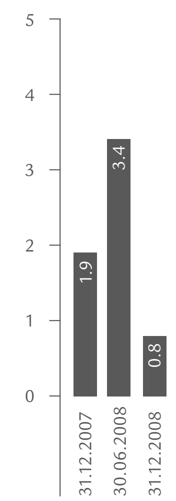
Net equity exposure on fair value basis

In %



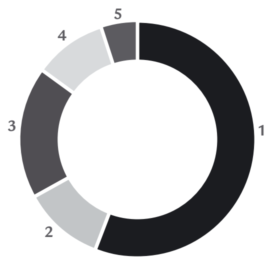
Net currency risk on fair value basis

In %



Rating structure of bond portfolio on fair value basis as at 31.12.2008

Total 100%



1 AAA 56%
2 AA 11%
3 A 18%
4 BBB 10%
5 Below BBB 5%

UNDERWRITING RISKS | Dealing with underwriting risks entails factoring in the biometric risks (mortality, longevity and disability) while allowing for the unpredictability of client behaviour (surrender rates and commutation rights).

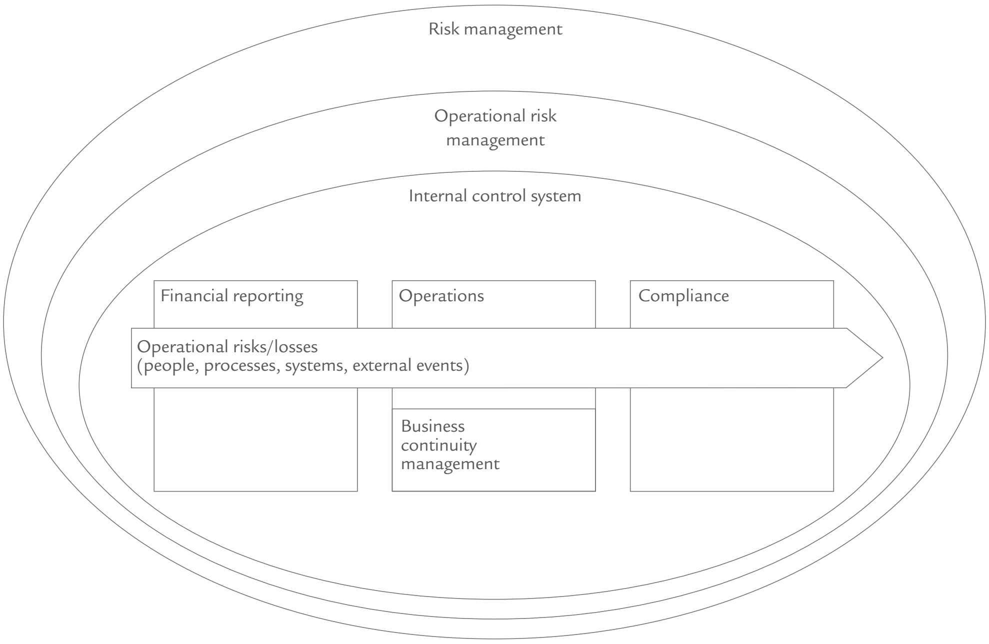
The underwriting parameters such as mortality, disability and cancellation rates are determined on the basis of in-house historical data and also partly on external statistics. These parameters form the basis for the setting of premium rates and the evaluation of insurance portfolios. There is currently an emphasis on the future development of life expectancy, which poses a great challenge in the area of pension products and, in particular, the occupational pensions business in Switzerland. The fact that the parameters for the evaluation of future business build on historical data gives rise to a parameter risk. In order to assess this risk, various sensitivity analyses deliberately deviate from the best-possible estimates for biometric parameters, to take into account the impact of additional factors on the evaluations. In addition, extreme scenarios and their impact on business activities are simulated. A pandemic, for instance, is not only modelled by adjusting the relevant underwriting parameters, but also by taking into account their possible influence on the capital markets. Considering these factors makes it possible to determine the funding necessary to cover the underwriting risk.

OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM | Operational risk management (ORM) at Swiss Life includes the methods and processes used for the identification, assessment and steering or avoidance of operational risks. ORM defines operational risk as the danger that losses may result from inadequate or failed internal processes, people and systems, or from external events.

Swiss Life's internal control system (ICS) consists of the totality of procedures, methods and measures prescribed by the Board of Directors and the Corporate Executive Board to ensure the orderly conduct of business. The focus is on the reliability of financial reporting, the effectiveness of business processes and compliance with laws and regulations issued to protect the company's assets.

In 2008, Swiss Life further developed its ICS and ORM in line with the legal and regulatory requirements, and implemented the resultant integrated methodology at its core companies. Special consideration was also given to the areas of compliance and business continuity management (BCM).

Comprehensive risk management



ASSET AND LIABILITY MANAGEMENT | Asset and liability management (ALM), with its long-term approach, uses the findings from the risk assessments and the risk appetite determined in risk budgeting as a basis for the investment strategy. The aim is to be in a position to pay benefits whenever they fall due and always to have sufficient equity to absorb fluctuations in the value of assets and liabilities. Clearly defined criteria on security, yield and liquidity are taken into account when policyholder assets, the company's free reserves and shareholders' equity are invested.

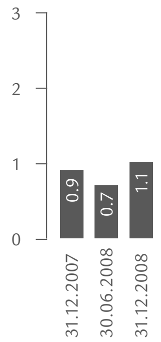
An additional scenario-based ALM process was conducted in the fourth quarter of 2008 so that the latest data could be used to set the risk capacity and risk appetite. This provided the basis for adjusting the investment strategy (strategic asset allocation) and the bonus allocation to policyholders to reflect the prevailing situation.

The results, including the expected return on investment, are incorporated into the long-term planning, which is then reviewed and approved by the Corporate Executive Board and the Board of Directors.

ASSET ALLOCATION | The investment strategy's goal is the efficient employment of risk capital in line with the risk appetite, i.e. to optimise the return on investment with due consideration of the available risk capital. The present value and the timing of liabilities under the life insurance contracts provide the foundation. The future disbursements are largely known, as they are determined by the guaranteed contractual benefits, and are therefore covered on the investment side by fixed-rate loans, primarily bonds. The lender's credit rating is a decisive factor, together with management of the difference between time to maturity of the investments, on the one hand, and the liabilities, on the other (duration gap).

Duration gap (weighted)

In %



Other liabilities, such as the unguaranteed portion (bonus) of a life insurance policy, fluctuate over time because the amounts to be distributed are governed by law or depend directly on the performance of the financial markets. The corresponding investments take account of the nature of these fluctuations, the long-term focus and any required liquidity. This item relates to cases where the policyholder makes use of the option to withdraw from the contract.

In addition to economic considerations, further factors have to be taken into account for asset allocation, such as regulatory requirements and international accounting standards. The level of equity (solvency), the need for liquidity and the requirements of rating agencies also place restrictions on investment activities.

DISTRIBUTION POLICY | With its bonus distribution determined annually within the framework of the defined distribution policy, Swiss Life seeks to harmonise the interests of policyholders and shareholders. For policyholders, the accent is firmly on the need for security: They favour a guaranteed minimum interest rate coupled with regular and appropriate bonuses. Shareholders, in contrast, place greater emphasis on the risk/return trade off and look for adequate compensation in the form of dividends and capital gains for the funds they provide.

PROCESS MANAGEMENT | Swiss Life manages the ALM process centrally. The Group Chief Financial & Risk Officer holds the overall responsibility for the ALM process and sets its direction. The divisions responsible for risk and investment management determine the ALM process, together with Actuarial Services. The Investment and Risk Committee of the Board of Directors monitors the ALM process.

The input for the ALM Committee's decisions is prepared locally in every business unit by the team which also implements the decisions taken. The local teams also monitor and steer the tactical deviations in asset allocation within the limits set in the ALM process.

PRODUCT DESIGN | Product design at Swiss Life is driven by the clients' requirements. Innovative pension solutions are developed in cooperation with distribution partners, based on market research.

The business model used by Swiss Life for new products incorporates reduced capital market risks and lower capital requirements. By 2012, Swiss Life plans to write 70–80% of its new business in products which offer transparent benefits and do not include a traditional bonus system. These will feature an individual fund investment and offer guarantee commitments to clients. Swiss Life is also targeting an increase in the profit contributions from pure risk products within the same time frame, thereby reducing the degree to which profitability depends on the performance of the capital markets.

New business is evaluated from an economic view and reviewed on a regular basis. This enables the company to adapt the prices, commissions and other market terms for individual products to a constantly changing environment.

There must always be sufficient reserves to meet the contractual and regulatory requirements arising from the existing business portfolio. Consequently, not only must the regulatory constraints be observed, but internal assessments concerning specific types of risk must also be taken into consideration.

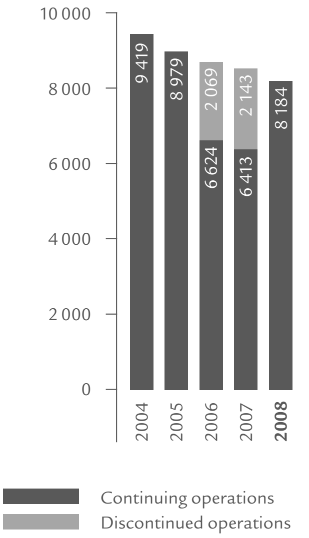
REGULATORY REQUIREMENTS | After years of preparation, the new Swiss Financial Market Supervisory Authority (FINMA) commenced operations on 1 January 2009. FINMA brings together the Federal Office of Private Insurance (FOPI), the Swiss Federal Banking Commission (SFBC) and the Anti-Money Laundering Control Authority (AMLCA).

FINMA is responsible for integrated insurance supervision to protect insured persons from the consequences of insolvency or abusive practices. The core element of this approach is the Swiss Solvency Test, serving to determine economic risk exposure and risk capacity. Following a five-year transitional period, solvency in accordance with the SST will become binding for all Swiss insurance companies on 1 January 2011. The quantitative approach is complemented by the Swiss Quality Assessment (SQA) tool, which focuses on qualitative aspects. This process involves assessing companies with regard to corporate governance, risk management and internal controls. Traditional supervisory instruments such as the Solvency I requirements and requirements for tied assets continue to be applied.

Swiss Life took appropriate measures during the financial year to strengthen risk-based solvency in accordance with the SST. These included the reduction in equity exposure and hedge fund investments, but also the introduction of various additional hedges. Moreover, the suspension of the share buyback programme had a stabilising effect on Solvency I at Group level. Similarly, a lower dividend than originally projected also helps to strengthen Group solvency.

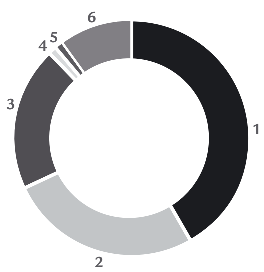
The European Union is also aiming to set up a risk-based solvency supervision mechanism with its Solvency II project. The European Commission published an initial draft directive on 10 July 2007. An amended version followed on 26 February 2008. As things currently stand, however, Solvency II is unlikely to be in operation before 2013, at the earliest. As Swiss Life is domiciled in a non-member state, the EU's rules and regulations with regard to third-party states are extremely important. The EU's framework directive is also aimed at streamlining the group supervision, based on the principle of equivalence. The Swiss insurance industry is working to ensure that this principle is applied to all insurance companies, regardless of where their head office is domiciled, to create equal competitive conditions for all.

Employees (full-time equivalents)



Employees (full-time equivalents) by country as at 31.12.2008

Total 8184 employees



1 Switzerland 3426
2 France 2159
3 Germany 1613
4 Luxembourg 86
5 Liechtenstein 93
6 Other 807

Human Capital | A qualified and committed workforce is one of Swiss Life's strategic success factors. To enhance the commitment and expertise of its employees and management, the company consistently invests in training and development. In 2008 Swiss Life continued to pursue a performance culture and to demonstrate its commitment as a responsible employer.

Swiss Life's success depends on a qualified workforce with an above-average level of commitment. Human capital management measures are thus aimed at finding and retaining the right employees and enabling them to systematically develop their skills. In doing so, Swiss Life consistently applies the corporate strategy and corporate values.

PERFORMANCE CULTURE | Swiss Life recognises the value of a performance-oriented corporate culture. The company introduced various measures in 2008 to strengthen this culture.

For instance, management and employees took part in a Group-wide project with the aim of aligning the competency model to the new strategic priorities. The competency model describes the strategy and value-driven behaviour of management and employees. Now, more emphasis is being placed on the competencies of innovativeness, client focus and coping with change. The updated competency model forms part of the employee appraisal system, which is a central element of the performance culture. It will be applied for the first time in the objectives-setting process for 2009.

COMMITMENT | One of Swiss Life's key indicators is the commitment value. This reveals to what extent employees identify with the company and their job. In 2008, the average commitment value for staff in the Swiss Life Group was 76 out of a possible 100 index points, thereby remaining stable vis-à-vis the previous year. Some business areas exceeded the target value of 80 index points in the year under review.

Commitment is greatly impacted by the way in which managers behave towards their staff. Taking the competency model as a basis, the Private Placement Life Insurance unit – with locations in Liechtenstein, Switzerland, Luxembourg, Singapore and Dubai – held various events to promote a mutual understanding of leadership, for example.

TALENT DEVELOPMENT | One of Swiss Life's priorities is to offer opportunities for further development to employees and management on an ongoing basis, and to motivate them to remain with the company. Swiss Life therefore offers employees who demonstrate a high level of performance and the relevant potential the opportunity to complete a development programme while continuing to work.

Since 2005, eighteen management talents at senior management level have successfully completed an internal development programme of several years' duration. In a series of five modules, the participants worked on strategically relevant subjects such as self-management, client orientation, financial management, strategy and cross-border cooperation. They have thus been thoroughly prepared for future management duties. All participants are still employed at the company. 80% have already assumed a new, more responsible, position within the Group.

Swiss Life's companies and units in the various countries also set great store on offering staff development perspectives. In the process of implementing a new organisational structure, the Corporate Solutions business unit was also able to offer development opportunities to managers. Thus, in 2008, five managerial vacancies were filled by internal candidates.

In Germany, too, Swiss Life has stepped up its investment in the promotion of talent. In 2008, around one third of the vacant managerial positions in Internal Services, the sales force and executive management were filled by existing staff.

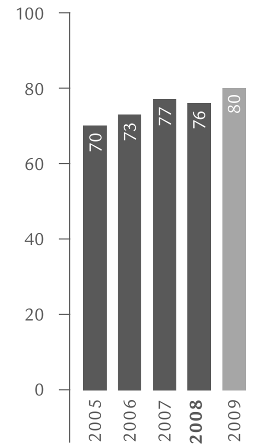
DEVELOPMENT PERSPECTIVES | However, Swiss Life does not just focus on providing staff with opportunities for development, training is also important to the company. Expenses for staff training and development in 2008 amounted to approximately CHF 22.5 million – around CHF 3100 per employee. Expressed as a ratio of the entire personnel expenses, the costs for training and development came to 3.1%, as in the previous year.

In Germany, for instance, Swiss Life has implemented a training module in which participants can study business administration and, at the same time, train to become an insurance and financial advisor. In April 2008 the first three Swiss Life employees graduated from the course. One of them came top of the year, getting the best marks of all 200 students. All graduates have assumed new challenges within Swiss Life involving specialist tasks.

SOCIAL PARTNERSHIP | Following new legal requirements issued by the European Union, Swiss Life's Corporate Executive Board set up the "Europa Forum" committee organisation (European works council) in 1996. Its aim is to foster and improve dialogue between the Corporate Executive Board and employee representatives. The council is comprised of representatives from all Swiss Life units and all the countries in which Swiss Life operates. The agreement on the Europa Forum was renewed two years ago. It is one of the most extensive, voluntary agreements in the European umbrella organisation and serves as a model for other European companies. In 2008 the Europa Forum's main focus was the consequences of the sale of the Dutch and Belgian businesses and the acquisition of the majority participation in AWD.

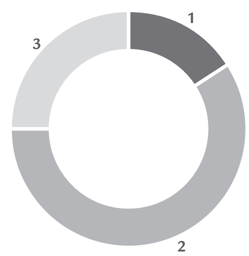
Employee commitment

(In index points)



Investments in training and development

Total 100%



1 Apprentices and trainees 16%
2 Specialist training, social and methodological skills 59%
3 Management and talent development 25%

Responsible Corporate Conduct | "Swiss Life is committed to helping people create a financially secure future. For life." Swiss Life's mission makes it clear that the life and pensions business requires a long-term view and puts the focus on the individual. It is therefore of paramount importance to the company to fulfill those obligations which go beyond its business activities as such. One of the ways in which Swiss Life accomplishes this task is via its social and political commitment.

Clients, partners and employees alike place their trust in Swiss Life. Responsible corporate conduct is part and parcel of the Swiss Life culture and is based on the corporate values of expertise, proximity, openness, clarity and commitment. These are backed up by specific rules of behaviour laid down in the Code of Compliance. Adherence to these rules is a prerequisite for legally and ethically correct business conduct and for economic profitability.

SOCIETY | On the occasion of its 150th anniversary in 2007, Swiss Life founded the Perspectives foundation with the remit of promoting non-profit initiatives in the fields of health, science, education, culture and sports. Support contributions of around CHF 1 million per annum are expected to flow into the foundation over the next few years. One of the institutions that received support in 2008 was pro juventute. Thanks to this aid, it can now counsel children and young people in crisis situations not only over the phone, but also via text message. To mark its 100th anniversary back in 1957, Swiss Life set up the Swiss Life Anniversary Foundation for Public Health and Medical Research, which provides annual contributions to a number of research projects.

pro juventute helps children and young people via text messaging.

Swiss Life is also committed to fulfilling its social responsibility obligation outside Switzerland. At the end of 2008, Swiss Life in France founded the Fondation d'entreprise Swiss Life, which embraces various projects and commitments in connection with healthcare, promotes young talented musicians as well as charitable projects supported by Swiss Life staff. In addition, Swiss Life in France has for many years aided the Institut Curie, a hospital and research facility devoted to the fight against cancer. Since 2007, Swiss Life in Germany has supported the Nicolaidis Foundation, a non-profit organisation that helps families that have lost one parent cope with bereavement.

POLITICS | For retirement provisions to function effectively, account must be taken of current demographic and economic challenges. To this end, Swiss Life is involved at various levels of the political debate, where it aims to highlight the necessity and conditions required for the adoption of sustainable concepts. In Germany, for example, in its Salon Palais Leopold series of events in Munich, Swiss Life engages in regular dialogue on key social and political issues with decision makers from the worlds of business, politics and media.

To provide a platform for debate for all those who work intensively in the occupational pensions field, Swiss Life initiated its Munich Specialist Forum series of events in 2007. The second German Swiss Life Pension Day held in October 2008 reached a large audience and featured guests from the world of politics and business leaders, who discussed the issue of increased security through occupational pensions.

ENVIRONMENT | As far back as 1998, Swiss Life became a member of Energy Model Zurich, which involved a pledge to increase energy efficiency at its Zurich location by at least 1.5% per year. Swiss Life has taken energy aspects into consideration in the refurbishment of its office buildings and uses environmentally friendly power in Zurich from wholly renewable energy sources. Thanks to the company's well-established waste disposal system, two thirds of all reusable waste is recycled. Gas, heating oil, power, paper and water consumption figures were analysed Group-wide for the first time in 2007. Swiss Life was able to use this data as the basis for developing additional ways of making even more efficient use of resources, which will be adopted over the course of the coming years.

In July 2008, Swiss Life and ten other Swiss companies set up the Swiss Climate Foundation with the mandate of promoting the importance of environmental protection in society as well as within their own organisations. This non-profit foundation supports energy efficiency enhancement and climate protection measures and focuses mainly on small and medium-sized companies in Switzerland.

SUSTAINABILITY | Acting sustainably is of prime importance to Swiss Life. The company underscores this in a number of areas. In October 2008, for example, Swiss Life received an award for sustainable real estate investment. Its Seewürfel Zürich project featuring residential and commercial buildings that are built in accordance with the MINERGIE certification standard for low-energy buildings was presented with the Prime Property Award. The award is conferred on European real estate projects that are built according to particularly ecologically friendly criteria and visibly enhance the quality of their surroundings.

Award for sustainable investment: "Seewürfel Zürich" (Lakeside Cubes) real estate property complex.

Sustainability is also gaining in importance in the investment area, something that Swiss Life recognised at an early stage. Swiss Life Asset Management, a Swiss Life subsidiary, working in collaboration with an independent asset management company for sustainable investments, SAM, was the first provider of sustainability balanced mandates back in 2005. This investment concept uses mixed mandates of both equities and bonds that are selected according to the criteria of economic, ecological and social added value.

In fact, sustainability already starts where people need support with their business processes. For this reason, Swiss Life has been stepping up its efforts to promote the prevention of sickness and accidents at the workplace since 2005. By means of its "Take care" initiative, Swiss Life aims to work in conjunction with corporate clients to reduce disability cases over the long term, prevent claims and improve reintegration following illness and accidents.

Brand Management | The brand underscores Swiss Life's image as a specialist in life insurance and pension solutions and as a trustworthy partner for private individuals and companies. Since 2004 Swiss Life has presented a uniform corporate identity across the Group, which has now become firmly entrenched in the public's mind. By revising the brand strategy, the brand is made even more attractive and thereby contributes to the company's attainment of its growth target.

In spring 2004 Swiss Life introduced a simplified brand structure and a uniform corporate identity across the Group. The operation of all Swiss Life companies under the same umbrella brand strengthens the employees' identification with the Group and the potential for international positioning. Under the Swiss Life brand, the companies in the individual countries set their own priorities in advertising campaigns, employing strategies based on their specific market position, sales policy and competitive situation. In Switzerland, Swiss Life uses the brand promise "Prepared for the future" in its campaigns. As market leader, the company has positioned itself in its domestic market with a slogan that bears witness to its confidence: "Provide for the future with the number one."

BRAND POSITIONING | The brand builds mainly on the characteristics of trustworthiness, competence and a focus on the future. Appreciation and recognition values of the Swiss Life brand have been steadily on the rise over the past few years, with the brand's appeal boosted by a consistent image, by advertising and by sponsorship. Swiss Life's sponsorship activities in the domestic market focus predominately on football and running, on the one hand, and on classical music and film, on the other. In 2008 Swiss Life accompanied the Swiss national football team to Euro 08 and for, the first time, acted as the main sponsor of the Solothurn Film Festival.

Outside Switzerland, the brand's chief strengths are the associated qualities of Swissness, trust and security. In its marketing campaigns in Germany, Swiss Life lays emphasis on the company's long-standing tradition and reliability. The idea of trustworthiness that is associated with the brand is the strongest image component.

BRAND STRATEGY | In December 2007 Swiss Life reformulated its strategic priorities and financial goals, thereby giving rise to the current alignment of the brand strategy with the new business strategy. The aim is to improve brand management, coordinating the brand's use more rigorously across the Group and raising its appeal.

Employees play a major role in this regard: Under the catchphrase of behavioural branding, the brand will be given a sharper image in their daily work and dealings with clients. The measures for achieving this goal will be drawn up during the course of 2009 and are intended to be of a long-term nature. Their aim is to reinforce the corporate identity and thus contribute towards the company's targeted growth.

VALUES | The "brand personality" embraces five corporate values which together are an important element of corporate culture and serve as guidance for employees' actions.

EXPERTISE | We offer first-class life insurance and pension solutions. This expertise is based on our proven professional competence and many years of experience.

PROXIMITY | We foster close relationships with our clients and partners and endeavour to understand their needs. This proximity enables us to provide optimum solutions tailored to their requirements.

OPENNESS | We nurture open and direct dialogue both within and outside of our organisation. This approach builds trust in the work we do.

CLARITY | We communicate clearly and offer products and services that are comprehensible. This clarity gives our clients and partners a sense of security.

COMMITMENT | We work with commitment and enthusiasm to help our clients, staff and shareholders achieve their goals. This commitment forms the basis of long-term partnerships, and enables us to meet our social responsibilities.

SwissLife

The Swiss Life logo combines the company's tradition with its objectives. The red colour and the Swiss cross stand for the roots and origin of the 150-year-old company. The three lines of the logo symbolise the most prominent lines on the palm of the hand.

Corporate Governance | The Swiss Life Group is committed to applying national and international standards of responsible corporate conduct. The implementation and ongoing optimisation of the recognised corporate governance principles ensures risk-based and transparent corporate conduct.

In the interests of its shareholders, policyholders and staff, Swiss Life attaches great importance to corporate governance and the requirements it entails in terms of the management and organisation of the Swiss Life Group. The corporate governance of Swiss Life Holding Ltd (Swiss Life Holding) is based on the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange and the circular of the Swiss Financial Market Supervisory Authority FINMA on corporate governance, risk management and internal control systems for insurance companies. It is also modelled on leading national and international corporate governance standards, in particular the Swiss Code of Best Practice for Corporate Governance issued by the Swiss Business Federation, economiesuisse, as well as the Organization for Economic Cooperation and Development's (OECD) principles on corporate governance.

In the years following the listing of Swiss Life Holding's shares on the SIX Swiss Exchange at the end of 2002, the corporate governance principles were further adjusted to meet the latest requirements by revising the Organisational Regulations and introducing a Code of Compliance applicable throughout the Group. During the last two years, the focus was on examining and improving the effectiveness of the existing corporate governance in practice.

The measures and mechanisms introduced by Swiss Life to ensure good corporate governance work well in practice; however, specific adjustments are regularly examined in order to optimise the organisational structure. It was discussed whether the Chairman's Committee, which assumes the functions of a corporate governance, a nomination and a compensation committee, should be split into several committees. In view of the clear allocation of functions, it was decided not to form further committees.

This report describes the essential features of corporate governance within the Swiss Life Group. The structure below largely follows the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange, which came into force on 1 July 2002 and 1 January 2007, and also takes into consideration the new regulations on transparency stipulated in the Swiss Code of Obligations with regard to the compensation of members of the Board of Directors and the Corporate Executive Board. Further information on the Code of Compliance and the values of the Swiss Life Group can be found in the passage "Responsible Corporate Conduct" (pages 40 and 41).

Group structure and shareholders

GROUP STRUCTURE | The public limited company Swiss Life Holding was established in 2002 and is incorporated under Swiss law. Its registered office is located in Zurich and it has been listed on the SIX Swiss Exchange since 19 November 2002. Swiss Life Holding brings together all the Swiss Life Group companies and activities under a single holding company. The holding company structure makes it easier to effect investments, enter into partnerships or cooperation agreements and execute capital market transactions. Transparency is also improved by separating the interests of shareholders from those of policyholders.

The most important companies falling within the Group's scope of consolidation are presented in the Financial Statements (note 39). Information on the listing on the SIX Swiss Exchange and market capitalisation can be found on page 232. The organisational structure of the Group mirrors the company's main areas of business. The resulting operational responsibilities are reflected in the division of responsibilities among the Corporate Executive Board. With regard to the insurance business, each country has one person with market responsibility who is also responsible for the results.

The management structure as at 31 December 2008 is illustrated in the Strategy & Markets section on page 15.

SHAREHOLDERS | Banque Cantonale Vaudoise, Place St-François 14, 1003 Lausanne, Switzerland, informed on 4 January 2008 that it held in its trading book 324 113 sales positions on Swiss Life Holding shares (619 387 short calls and 704 726 long puts), which corresponded to 3.92% of the voting rights of Swiss Life Holding. On this date Banque Cantonale Vaudoise also held a total of 787 443 purchase positions (281 280 registered shares of Swiss Life Holding and 127 318 long calls and 378 845 short puts on Swiss Life Holding shares), which was the equivalent of 2.33% of the voting rights of Swiss Life Holding. In the publication of 9 October 2008, Banque Cantonale Vaudoise informed that its sales positions had fallen below the reportable threshold of 3%.

Barclays Plc, 1 Churchill Place, London, E14 5HP, England, informed in its publication of 12 February 2008, that it held, either directly or indirectly, 1 474 185 purchase positions (all registered shares of Swiss Life Holding), which corresponded to 4.22% of the voting rights of Swiss Life Holding. These shares were held by the following subsidiaries of Barclays Plc: Barclays Global Fund Advisors, 45 Fremont Street, San Francisco, California 94105-2204; Barclays Global Investors Ltd, 1 Churchill Place, London E14 5HP; Barclays Bank Plc, 1 Churchill Place, London E14 5HP; Barclays Global Investors NA, 45 Fremont Street, San Francisco, California 94105-2204; Barclays Global Investors Japan Ltd, Ebisu Prime Square Tower, 1-1-39 Hiroo, Shibuya-KU, Tokyo 150 8402; Barclays Global Investors (Deutschland) AG, Apianstrasse 6, 85774 Unterföhring; Barclays Global Investors Canada Ltd, BCE Place, 161 Bay Street, Suite 2500, Box 614, Toronto, Ontario M5J 2S1; Barclays Bank (Schweiz) AG, Rue d'Italie 8-10, 1211 Geneva; Barclays Life Assurance Co Ltd, 1 Churchill Place, London E14 5HP.

FIL Limited (formerly Fidelity International Limited), with its main address at Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, and its direct and indirect subsidiaries, reported on 15 February 2008 that it held, directly or indirectly through various managed accounts, 2.96% (1 035 899 registered shares) of the voting rights of Swiss Life Holding.

FMR LLC, with its main address at 82 Devonshire Street, Boston, MA 02109, USA, and its direct and indirect subsidiaries, reported on 4 March 2008 that it held, directly and indirectly through managed accounts, 2.99% of the voting rights of Swiss Life Holding (1 048 424 registered shares). FMR LLC is the parent company of Fidelity Management & Research Company and Fidelity Management Trust Company.

Dodge & Cox, 555 California Street, 40th Floor, San Francisco, CA 94104, USA, informed in its publication of 6 March 2008, that it held, through the Dodge & Cox International Stock Fund, 1 645 000 registered shares or 4.71% of the voting rights of Swiss Life Holding.

Swiss Life Holding Ltd, General-Guisan-Quai 40, 8002 Zurich, Switzerland, reported in a publication of 12 September 2008 that it held a total of 3 527 640 registered shares of Swiss Life Holding (own shares), of which 1 761 000 originated from an ongoing share buy-back programme. This corresponded to 10.09% of the voting rights of Swiss Life Holding. The shares were held by: Swiss Life Holding, General-Guisan-Quai 40, 8002 Zurich; Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich; Welfare Foundation for the Swiss Life Insurance and Pension Company's Internal Services, c/o Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich; Welfare Foundation for the Swiss Life Insurance and Pension Company's External Sales staff in Switzerland, c/o Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich; and Welfare Foundation for Internal Services and External Sales staff in Switzerland, c/o Swiss Life Insurance and Pension Company, General-Guisan-Quai 40, 8002 Zurich. In connection with a long-term equity compensation programme for staff, Swiss Life Holding also held a total of 144 820 sales positions on Swiss Life Holding shares, corresponding to 0.44% of the voting rights.

Carsten Maschmeyer, Hanebuthwinkel 17, 30655 Hanover, Germany, reported in the publication of 23 October 2008, that he and his two sons, Marcel Jo Maschmeyer and Maurice Jean Maschmeyer, held a total of 1 216 211.60 purchase positions of Swiss Life Holding, which was equivalent to 3.48% of the voting rights: 1 051 045 registered shares of Swiss Life Holding (3.01% of the voting rights) as well as 36 000 short puts (corresponding to 0.10% of the voting rights), and 129 166.60 discount certificates (corresponding to 0.37%) on the shares of Swiss Life Holding. The same group disclosed in a publication of 24 November 2008 that it had since accumulated a total of 1 833 547 purchase positions, corresponding to a 5.24% share in the voting rights: 1 603 547 registered shares of Swiss Life Holding (4.59% of the voting rights) in addition to 80 000 short puts (corresponding to 0.23% of the voting rights) and 150 000 discount certificates (corresponding to 0.43%) on the shares of Swiss Life Holding. In the publication of 17 December 2008 the group disclosed that it held 2 114 616 purchase positions, corresponding to 6.05 % of the voting rights: 1 884 616 registered shares of Swiss Life Holding (5.39% of the voting rights), in addition to 80 000 short puts (corresponding to 0.23% of the voting rights) and 150 000 discount certificates (corresponding to 0.43%) on the shares of Swiss Life Holding. In a publication released on

23 December 2008, Carsten Maschmeyer disclosed that the group had been extended to include the asset management firms CM Vermögensverwaltung GmbH & Co. KG and CM Vermögensverwaltungs-Geschäftsführungs GmbH. At that time the extended group held 2 174 616 purchase positions, corresponding to a 6.22% share of the voting rights: 1 944 616 registered shares of Swiss Life Holding (5.56% of the voting rights), in addition to 80 000 short puts (corresponding to 0.23% of the voting rights) and 150 000 discount certificates (corresponding to 0.43%) on the shares of Swiss Life Holding.

Deutsche Bank AG, Theodor-Heuss-Allee 70, 60486 Frankfurt, Germany, informed in a publication dated 25 November 2008 that a group consisting of Deutsche Investment Management Americas Inc., 345 Park Avenue, New York; Deutsche Bank Trust Company Americas, 60 Wall Street, New York; Deutsche Asset Management (Japan) Limited, 2-11-1 Sanno Park Tower, Nagata-cho, Chiyoda-ku, Tokyo; Deutsche Asset Management Investmentgesellschaft mbH, Mainzer Landstr. 178-190, 60327 Frankfurt; Deutsche Bank AG Frankfurt, Theodor-Heuss-Allee 70, 60486 Frankfurt, and DWS Investment S. A. Luxemburg, 2 Boulevard Konrad Adenauer, 1115 Luxembourg, held a total of 1 908 573 purchase positions, equivalent to 5.44% of the voting rights (42 475 registered shares of Swiss Life Holding, corresponding to 0.12% of the voting rights, 1 392 024 purchase rights, corresponding to 4.25% of the voting rights and 375 523 granted (written) sales rights, corresponding to 1.07% of the voting rights). This group also held 1 478 252 sales positions; corresponding to 4.21% of the voting rights of Swiss Life Holding. In its publication of 11 December 2008 Deutsche Bank disclosed a change in the group's composition. The group now consists of Deutsche Asset Management (Japan) Limited, 2-11-1 Sanno Park Tower, Nagata-cho, Chiyoda-ku, Tokyo; Deutsche Bank AG Frankfurt, Theodor-Heuss-Allee 70, 60486 Frankfurt; Deutsche Asset Management Investmentgesellschaft mbH, Mainzer Landstr. 178-190, 60327 Frankfurt; Deutsche Investment Management Americas Inc., 345 Park Avenue, New York, and Deutsche Bank Trust Company Americas, 60 Wall Street, New York. Together the group held a total of 1 864 129 purchase positions, corresponding to 5.33% of the voting rights (86 265 registered shares of Swiss Life Holding, corresponding to 0.25% of the voting rights, 1 392 024 share acquisition rights, equivalent to 4.26% of the voting rights and 287 289 of the granted (written) sales rights, corresponding to 0.82% of the voting rights). This group also held 1 596 577 sales positions on shares of Swiss Life Holding, equivalent to 4.62% of the voting rights. With the publication of 30 December 2008, the group disclosed that the holding had fallen below the reportable threshold of 3%.

Swiss Life Holding is not aware of any other shareholders whose stake on the balance sheet date (31 December 2008) either directly or indirectly exceeded the reportable threshold of 3% of the registered shares issued.

No cross participations exceeding the 3% threshold exist between Swiss Life Holding or its subsidiaries and other listed companies.

The detailed notifications of significant shareholders pursuant to Art. 20 of the Stock Exchange Act can be found on the website of the SIX Swiss Exchange's disclosure office at www.six-swiss-exchange.com, "Admission / Issuers" area, "Being Public" section, "Disclosure of Shareholdings" subsection (www.six-swiss-exchange.com/admission/being_public/disclosure/major_shareholders_en.html). Since the end of 2008 the notifications are made using the SIX Swiss Exchange's web-based electronic publication platform. It is thus no longer necessary to publish disclosure notifications in the Swiss Official Gazette of Commerce (SOGC) and in the electronic media. In addition, the notifications are already available on the SIX Swiss Exchange's electronic publication platform on the same day as they are entered, and not, as was previously the case, only following publication in SOGC.

SHAREHOLDER STRUCTURE | On the balance sheet date a total of 194 538 shareholders and nominees were listed in the Swiss Life share register, of which about 5000 were institutional shareholders. Taken together, the shareholders entered in the share register held around 55% of the shares issued. More than half of these shares were owned by shareholders domiciled in Switzerland; around one third of the registered shares were in private hands.

A table showing the shareholder structure is provided in the section "Information on Share Performance" on page 233.

Capital structure

CAPITAL AND CHANGES IN CAPITAL | The capital structure of Swiss Life Holding was as follows on the balance sheet date:

– Ordinary share capital: CHF 596 437 418, divided into 35 084 554 fully paid registered shares with a par value of CHF 17 each
– Conditional share capital: CHF 40 109 562, divided into 2 359 386 registered shares with a par value of CHF 17 each
– Authorised share capital: none

The conditional share capital is at the disposal of the holders of conversion or option rights granted by the company or by companies belonging to the Group in connection with existing and new loan debentures or similar bonds issued by Swiss Life Holding or companies belonging to the Group. The shareholders are excluded from subscription rights, but their preemptive subscription rights remain safeguarded. The Board of Directors sets the terms of conversion and option conditions.

Since the establishment of Swiss Life Holding on 17 September 2002, a number of capital market transactions have been conducted. A detailed description of the transactions carried out up to and including the end of 2005 can be found in the Corporate Governance section of the annual reports for the relevant years. The annual reports can be accessed at www.swisslife.com, “Shareholders & Analysts” area, “Archive Reports” section (www.swisslife.com/en/annualreports).

On 9 May 2006 the Swiss Life Holding Annual General Meeting resolved to pay a dividend of CHF 5 per registered share in the form of a repayment of par value. As a result of the corresponding reduction in capital, the share capital decreased from CHF 1 553 699 588, divided into 33 776 078 registered shares with a par value of CHF 46 each, to CHF 1 384 819 198, divided into 33 776 078 registered shares with a par value of CHF 41 each. Conditional capital was reduced accordingly to CHF 150 382 342, divided into 3 667 862 registered shares with a par value of CHF 41 each. As a result of the partial conversion of the 0.625% convertible bond issue (2004–2010) (cf. section on “Convertible bonds and options” on page 51), a total of 191 registered shares were created from conditional capital in 2006. On 31 December 2006 the ordinary share capital thereby rose to CHF 1 384 827 029, divided into 33 776 269 fully paid registered shares with a par value of CHF 41 each, and the conditional capital fell by CHF 11 960 to stand at CHF 150 374 511, divided into 3 667 671 registered shares with a par value of CHF 41 each.

At Swiss Life Holding’s Annual General Meeting on 8 May 2007, the shareholders approved a motion to reduce the par value by CHF 7 per registered share. Consequently, the ordinary share capital fell to CHF 1 148 393 146, divided into 33 776 269 registered shares with a par value of CHF 34 each, and the conditional capital decreased to CHF 124 700 814, divided into 3 667 671 registered shares with a par value of CHF 34 each. In 2007 the 0.625% convertible bond issue (2004–2010) was again partially converted, creating 1 184 170 new registered shares. This meant that the ordinary share capital increased to CHF 1 188 654 926, divided into 34 960 439 registered shares with a par value of CHF 34 each, and the conditional capital decreased to CHF 84 439 034, divided into 2 483 501 registered shares with a par value of CHF 34 each.

At the Annual General Meeting of 8 May 2008 it was decided to reduce the par value by CHF 17, i.e. from CHF 34 to CHF 17 per registered share, thereby decreasing the share capital to CHF 594 327 463, divided into 34 960 439 registered shares. As a result of the par value reduction, the conditional capital fell to CHF 42 219 517, divided into 2 483 501 registered shares with a par value of CHF 17 each. The 0.625% convertible bond issue (2004–2010) was again partially converted in the period under review, creating 124 115 new registered shares. As at 31 December 2008 the ordinary share capital thus increased to CHF 596 437 418 , divided into 35 084 554 registered shares with a par value of CHF 17 each, and the conditional capital decreased to CHF 40 109 562, divided into 2 359 386 registered shares with a par value of CHF 17 each.

SHARES | 35 084 554 fully paid Swiss Life Holding registered shares with a par value of CHF 17 each were outstanding on the balance sheet date. Subject to the 10% limit on voting rights set out in the Articles of Association (cf. the section on “Shareholders’ participation rights” on page 80, each share grants the right to one vote at the General Meeting of Shareholders.

There are no outstanding shares with either increased or limited voting rights, privileged or restricted voting rights, privileged dividend entitlements or other preferential rights.

There are no other equity securities besides the registered shares mentioned above, nor do any participation certificates or dividend right certificates exist.

Regulations are in place to govern transactions in Swiss Life Holding shares carried out by Swiss Life Group employees. Pursuant to the Code of Compliance and the Swiss Life Group’s Directive on Insider Information, all purchases and sales of Swiss Life Holding securities made by members of senior management or employees who are privy to confidential information are subject to approval. In addition, blackout periods are imposed annually from 1 January until 24 hours after the year-end results have been presented and from 1 July until 24 hours after the half-year results have been presented.

Additional information on the Swiss Life share is available in the section “Information on Share Performance” on page 232.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS | Swiss Life Holding shares are not subject to any limitations on transferability. According to the Articles of Association, resolutions for the introduction, amendment or repeal of limitations on transferability must be put before the General Meeting of Shareholders and must be approved by two-thirds of the voting shares represented and by an absolute majority of the share par value represented.

The Board of Directors may refuse to recognise an acquirer as a shareholder with voting rights, if, upon request, the acquirer does not expressly declare that he has acquired the registered shares in his own name and for his own account.

Swiss and foreign banks, securities brokers and companies acting on their behalf may be entered in the share register as nominees if they are holding shares of Swiss Life Holding in their custody for the account of the beneficial owners. Professional asset managers may also be registered as nominees if, in a fiduciary capacity, they have deposited Swiss Life Holding shares for the account of third parties with Swiss or foreign banks or securities brokers in their own name. Nominees are required to be subject to banking or financial market supervision. A request must be filed to register as a nominee. The voting right representation is restricted to 10% of the share capital overall, whereby nominees who are connected with regard to capital or voting rights under uniform management or contractual agreement will be counted as a single shareholder. The Board of Directors may approve exceptions to these restrictions on registration, observing the principle of responsible judgement. No such exceptions were granted during the period under review.

CONVERTIBLE BONDS AND OPTIONS | One convertible bond issue was outstanding on the balance sheet date, the Swiss Life Holding 0.625% issue (2004–2010) amounting to CHF 317 000 000. The specific conditions attached to these convertible securities and further information on them can be found in the Financial Statements (note 22) as well as in the issue prospectus of 8 June 2004.

On the balance sheet date neither Swiss Life Holding nor the Group companies had granted options on rights to participate in Swiss Life Holding.

Board of Directors

FUNCTION | The Board of Directors is responsible for all matters that are not reserved for the consideration of the General Meeting of Shareholders (formally the supreme decision-making body of a public limited company) under the terms of the law (Art. 698 of the Swiss Code of Obligations (OR)) or by the company's Articles of Association. In line with its non-transferable duties prescribed by law the Board of Directors is responsible, in particular, for the ultimate direction of the Group, as well as the supervision of the Corporate Executive Board.

ELECTIONS AND TERMS OF OFFICE | Pursuant to the Articles of Association, the Board of Directors shall consist of no fewer than five and no more than fourteen members. The members of the Board are elected by the General Meeting of Shareholders for a maximum term of three years, and on an individual basis. The Organisational Regulations stipulate that a member of the Board of Directors shall automatically resign from the Board at the General Meeting of Shareholders in the year in which the member reaches the age of 70.

STAGGERED TERMS OF OFFICE | Due to the staggered terms of office, it is ensured that, in so far as possible, an equal number of members will come up for re-election every year. If a member resigns during his or her term of office, the successor will serve only for the rest of that term. Thus, with respect to the annual re-elections, an important prerequisite has been established for ensuring continuity on the Board of Directors.

COMPOSITION | In the year under review the Board of Directors of Swiss Life Holding, with the exception of one member, consisted of non-executive directors, who have no duties relating to operational management within the Swiss Life Group, and who had not exercised any such duties during the past three financial years. In this respect, Rolf Dörig is the only member of the Board of Directors to be defined as an executive director, since he held the position of Chairman of the Corporate Executive Board of the Swiss Life Group until his election to the Board of Directors in May 2008.

No member of the Board has any significant business relationship with Swiss Life Holding or any other Group companies. The members of the Board of Directors of Swiss Life Holding also make up the Board of Directors of Swiss Life/Rentenanstalt.

There are no mutual cross-directorships with boards of directors of listed companies. Acceptance of appointments to the boards of directors of other companies by members of the Swiss Life Holding Board of Directors requires the permission of the Board of Directors. Information on additional board mandates held by individual members of the Board of Directors is presented in the following pages.

MEMBERS OF THE BOARD OF DIRECTORS | As of the balance sheet date, the Board of Directors was composed of the following members:

Name	Functions	Year appointed/ re-elected	Elected until
Bruno Gehrig	Chairman	2003/2006	2009
	Chairman's Committee, Chairman		
Rolf Dörig	Delegate	2008	2011
	Chairman's Committee Investment and Risk Committee		
Gerold Bührer	Vice Chairman	2002/2003/2005/2008[1]	2011
	Chairman's Committee Investment and Risk Committee, Chairman		
Volker Bremkamp	Member	2003/2004/2007	2010
	Audit Committee, Chairman		
Paul Embrechts	Member	2003/2005/2008	2011
	Investment and Risk Committee		
Rudolf Kellenberger	Member	2003/2004/2007	2010
	Chairman's Committee Investment and Risk Committee		
Henry Peter	Member	2006	2009
	Audit Committee		
Peter Quadri	Member	2003/2004/2007	2010
	Audit Committee		
Pierfranco Riva	Member	2003/2006	2009
	Investment and Risk Committee		
Franziska Tschudi	Member	2003/2005/2008	2011
	Audit Committee		

[1] Member of the Board of Directors of Swiss Life/Rentenanstalt since 2000

BRUNO GEHRIG | Born 1946, Swiss national

Chairman of the Board of Directors

Bruno Gehrig received his doctorate in economics (Dr. rer. pol.) in 1975 from the University of Berne where, following studies at the University of Rochester, New York, he also qualified as a lecturer in 1978 with a study on monetary policy. From 1971 to 1980 Mr Gehrig was an assistant and lecturer at the University of Berne, becoming Assistant Professor in 1978. In 2006 he received an honorary doctorate from the University of Rochester and became a Doctor of Laws.

From 1981 to 1984 Bruno Gehrig was the Head of the Economics Section at the Union Bank of Switzerland. In 1985 he spent a year studying international banking. In 1988 he was promoted to Head of the Stock Markets and Securities Sales Division of the UBS Group. Between 1989 and 1991 Mr Gehrig was Chairman of the Executive Board of Bank Cantrade. From 1992 to 1996 he held the chair as Professor of Business Administration at the University of St. Gallen and was Head of its Swiss Institute of Banking and Finance. In 1996 Mr Gehrig was appointed Member of the Governing Board of the Swiss National Bank as Head of Department III, and served as the Board's Vice Chairman from 2001 to 2003. His political activities include serving as Chairman of the economic policy study group of the Swiss Christian Democratic Party (CVP) from 1984 to 1991. He was a Member of the Swiss Federal Banking Commission between 1992 and 1996.

Due to his election to the Board of Directors of UBS AG in October 2008, Bruno Gehrig will resign from his position as Chairman of the Board of Directors of Swiss Life Holding one year earlier than planned at the General Meeting of 7 May 2009.

Other appointments:
- UBS AG, Member of the Board of Directors
- Roche Holding AG, Basel, Vice Chairman of the Board of Directors
- Swiss Air Transport Foundation, Chairman of the Board of Trustees

ROLF DÖRIG | Born 1957, Swiss national

Delegate of the Board of Directors

Rolf Dörig laid the groundwork for his professional career by obtaining a doctorate in law (Dr. iur.) from the University of Zurich before being called to the bar in Zurich. Joining Credit Suisse in 1986, he assumed a number of executive responsibilities in various areas of banking and in different geographical markets. As a Member of the Executive Board, he was assigned responsibility for Swiss Corporate and Retail Banking from 2000 onwards. In 2002 he assumed the role of Chairman Switzerland. From November 2002 to May 2008 Rolf Dörig held the position of Chairman of the Corporate Executive Board of the Swiss Life Group before he was elected to the role of Delegate of the Board of Directors in May 2008 with responsibility for strategy development and overseeing strategy implementation.

It is envisaged that Rolf Dörig will succeed Bruno Gehrig as Chairman of the Board of Directors of Swiss Life, following the General Meeting of Shareholders in May 2009.

Other appointments:
- Adecco S.A.,Chairman of the Board of Directors (from 1.1.2009)
- Kaba Holding Ltd, Rümlang, Vice Chairman of the Board of Directors
- economiesuisse, Zurich, Member of the Board Committee
- Danzer AG, Baar, Chairman of the Board of Directors

GEROLD BÜHRER | Born 1948, Swiss national

Vice Chairman of the Board of Directors

Gerold Bührer graduated in economics (lic. oec. publ.) from the University of Zurich in 1972. Following 17 years with the Union Bank of Switzerland as a member of senior management in its financial sector and a Member of the Executive Board of its fund investment company, he joined Georg Fischer AG in 1991, where he served as a Member of its Executive Board (Finances) from 1991 until 2000. Gerold Bührer was a Member of the Grand Council of the Canton of Schaffhausen from 1982 to 1991 and, from 1991 to 2007, a Member of the Swiss Parliament (National Councillor). He now holds the position of Chairman of economiesuisse and also works as an independent economic consultant.

Other appointments:
- economiesuisse, Zurich, Chairman
- Bank Sal. Oppenheim jr. & Cie. (Schweiz) Ltd, Zurich, Member of the Board of Directors
- Cellere AG, St. Gallen, Member of the Board of Directors
- Georg Fischer Ltd, Schaffhausen, Member of the Board of Directors
- Swiss National Bank, Berne, Member of the Bank Council
- Züblin Real Estate Holding Ltd., Zurich, Member of the Board of Directors

VOLKER BREMKAMP | Born 1944, German national

Member of the Board of Directors

Volker Bremkamp joined Albingia Versicherungs AG in Hamburg (a subsidiary of Guardian Royal Exchange plc, London) in 1963, receiving his qualifications as an insurance expert in 1965. Between 1969 and 1971 he was employed by various insurance companies and brokers in London and Paris. He returned to Albingia Versicherungs AG, Hamburg, in 1971, serving as an Executive Director from 1978 to 1989 and as Chief Executive Officer of Albingia Lebensversicherungs AG and of Albingia Versicherungs AG from 1989 to 2000. Volker Bremkamp was an Executive Director and, at the same time, Group Executive Director, Continental Europe, of Guardian Royal Exchange plc, London, from 1995 to 1999, which was taken over by the AXA Group in 1999. From 1999 to 2000 he held the position of Executive Director of AXA Colonia Konzern AG, Cologne, which is the holding company of AXA Germany. He has been Managing Director of BMB Bremkamp Management- und Beteiligungs-GmbH since 2000 and Managing Director at Xenios Invest GmbH since 2007.

Other appointments:
- AON International Insurance Broker, Hamburg, Chairman of the Supervisory Board
- Everpublic AG, Hamburg, Chairman of the Supervisory Board
- WAVE Management AG, Hamburg, Chairman of the Supervisory Board
- UKE University Clinic Hamburg, Member of the Supervisory Board

PAUL EMBRECHTS | Born 1953, Belgian national

Member of the Board of Directors

Paul Embrechts received his master's degree in mathematics from the University of Antwerp (Belgium) in 1975 and his doctorate (Dr. sc. [Math.]) from the Catholic University of Leuven (Belgium) in 1979. Between 1975 and 1983 he held a post as Research Assistant at the Catholic University of Leuven. From 1983 to 1985 he was a Lecturer in Statistics at the Imperial College, University of London, before taking up a position as Lecturer at the University of Limburg (Belgium), which he held from 1985 to 1989. In 1989 he was appointed Professor of Mathematics at the Swiss Federal Institute of Technology (ETH) in Zurich.

RUDOLF KELLENBERGER | Born 1945, Swiss national

Member of the Board of Directors

Rudolf Kellenberger received his degree in civil engineering from the Swiss Federal Institute of Technology (ETH), Zurich, in 1970. Between 1970 and 1978 he was employed as a project planning engineer in the bridge construction industry, including three years in the United Kingdom. He joined Swiss Re in 1978, where he served as Head of the Engineering Department from 1990 to 1992. In 1993 he was appointed Member of the Executive Board with responsibility for Europe. From 2000 to the end of December 2004 Mr Kellenberger served as Deputy Chief Executive Officer of Swiss Re. He has been appointed to various boards of directors in the area of insurance since retiring in March 2005.

Other appointments:
- Swiss Pool for Aviation Insurance, Chairman
- Captive Mutual (Schweiz) AG, Baar, Chairman of the Board of Directors
- OCAD AG, Baar, Chairman of the Board of Directors
- Infrassure Ltd., Zurich, Member of the Board of Directors

HENRY PETER | Born 1957, Swiss and French national

Member of the Board of Directors

Henry Peter completed his studies in law at the University of Geneva in 1979, and in 1981 he was called to the Geneva bar. Following a pupillage in Geneva, a period of study as a visiting scholar at the University of California in Berkeley and legal work in Lugano, he obtained his PhD at the University of Geneva in 1988. Since 1988 he has been a partner in a law firm in Lugano, currently Peter & Partners. In addition, he has been Professor of Business Law at the University of Geneva since 1997. He became a Member of the Swiss Takeover Board in 2004 and a Member of the Sanction Commission of the SIX Swiss Exchange in 2007.

Henry Peter will be put forward for re-election at the Annual General Meeting of Swiss Life Holding on 7 May 2009.

Other appointments:
- Sigurd Rück AG, Zurich, Chairman of the Board of Directors
- Cassa Pensioni della Città di Lugano, Member of the Board of Directors
- Casino de Montreux SA, Montreux, Vice Chairman of the Board of Directors
- Otis, Fribourg, Member of the Board of Directors
- Autogrill Switzerland LTD, Olten, Member of the Board of Directors
- Swiss Olympic Association, Berne, Vice Chairman of the disciplinary chamber in charge of doping cases

PETER QUADRI | Born 1945, Swiss national

Member of the Board of Directors

Peter Quadri received his master's degree in economics and business administration (lic. oec. publ.) in 1969 from the University of Zurich. In 1970 he joined IBM as a systems engineer and software/operating systems specialist. Following various periods spent in the USA, Denmark and Switzerland, he held the position of CEO of IBM Switzerland from 1998 to April 2006. He now works as a management and technology consultant.

Other appointments:
- Vontobel Holding AG, Zurich, Member of the Board of Directors
- Bühler AG, Uzwil, Member of the Board of Directors
- Zurich Chamber of Commerce, Chairman
- economiesuisse, Zurich, Member of the Board

PIERFRANCO RIVA | Born 1940, Swiss national

Member of the Board of Directors

Pierfranco Riva studied at the universities of Fribourg, Munich and Berlin between 1960 and 1966, and received his Doctorate in Law in 1968. He became a member of the bar in 1970. He has been an attorney and notary with the law firm Felder Riva Soldati in Lugano since 1970. He served as Chairman of the Council of the Bar Association for the Canton of Ticino between 1987 and 1989 and, from 1995 to 1999, was a member of the supervisory authority, Council of Magistrates for the Canton of Ticino.

After serving on the Swiss Life Board of Directors for six years, Pierfranco Riva will not be standing for re-election at the General Meeting in May 2009, as he has reached the statutory age limit.

Other appointments:
– Finter Bank Zürich, Zurich, Vice Chairman of the Board of Directors
– Bank Hugo Kahn & Co. AG, Zurich, Vice Chairman of the Board of Directors
– Fondazione Daccò, Lugano, Member of the Board of Trustees
– Fondazione Nerina Bellingeri ved. Gualdi, Lugano, Member of the Board of Trustees
– Fondazione Rudolf Chaudoire, Lugano, Vice Chairman of the Board of Trustees

FRANZISKA TSCHUDI | Born 1959, Swiss national

Member of the Board of Directors

Franziska Tschudi graduated in law at the University of Berne and passed her bar exam there in 1984. She studied US law at Georgetown University, Washington DC, earning an LL.M., and passed the bar exam for the US states of New York and Connecticut in 1987. Franziska Tschudi also completed her postgraduate studies at the University of St. Gallen (1991 to 1993), receiving an Executive MBA. After initially working as an Assistant for Media Law at the Institute for Constitutional and Administrative Law at the University of Berne, and practising business and media law in Zurich, Washington DC and Geneva, she served as Secretary General at SIG Holding AG from 1992 to 1995. Ms Tschudi then became a Member of the Executive Board of WICOR Holding AG (“Weidmann Group”), Rapperswil in 1995, where she was Head of Corporate Development and, from 1998, Head of the Business Area Electrical Technology Asia/Pacific. She has held the positions of Chief Executive Officer and Managing Director of WICOR Holding AG since 2001.

Other appointments:
– BIOMED AG, Dübendorf, Member of the Board of Directors
– Swiss-American Chamber of Commerce, Member of the Board
– Chamber of Commerce Germany-Switzerland, Member of the Executive Committee
– St. Gallen – Appenzell Chamber of Commerce and Industry, Vice Chairperson

RESIGNATIONS | There were no resignations from the Board of Directors during the period under review.

OUTLOOK | Swiss Life announced changes to the Board of Directors of Swiss Life Holding on 8 May and 12 December 2008.

As a result of his election to the Board of Directors of UBS AG in October 2008, Bruno Gehrig, who has held the position of Chairman of the Board of Directors of Swiss Life Holding since May 2003, decided to resign from the Board of Directors one year earlier than planned, after the 2009 General Meeting of Shareholders. It is envisaged that, Rolf Dörig, who was Group CEO from November 2002 to May 2008 and who subsequently assumed the role of Delegate of the Board of Directors, will succeed Bruno Gehrig as Chairman of the Board of Directors in May 2009.

After serving on the Swiss Life Holding Board of Directors for six years, Pierfranco Riva will not be standing for re-election at the General Meeting of Shareholders on 7 May 2009, as he has reached the statutory age limit.

At the General Meeting on 7 May 2009 the Board of Directors of Swiss Life Holding will propose to shareholders that Frank Schnewlin and Carsten Maschmeyer be put forward for election to the Board. Frank Schnewlin was formerly CEO of the Bâloise Group and a Member of the Group Executive Committee of the Zurich Financial Services Group. Carsten Maschmeyer is the founder of the AWD Group and long-standing Chairman of its Management Board.

INTERNAL ORGANISATIONAL STRUCTURE | In accordance with the Articles of Association, the Board of Directors issued the Organisational Regulations setting forth the internal organisational structure and the duties and competencies of the Board of Directors, the Board of Directors' committees, the Chairman of the Board of Directors, the Delegate of the Board of Directors and the Corporate Executive Board. The Regulations are reviewed regularly and adjusted where necessary. The Organisational Regulations are available on the internet at www.swisslife.com, "About Swiss Life" area, "Organisation" section (http://www.swisslife.com/en/organisation).

The Chairman of the Board of Directors coordinates the work of the Board and the committees, and ensures reporting from the Corporate Executive Board to the Board of Directors. In urgent situations, the Chairman may also determine the necessary measures and take steps falling within the scope of the competencies of the Board until the Board of Directors takes a decision. If a timely decision cannot be reached by the Board of Directors, the Chairman is empowered to take a decision.

The Delegate of the Board of Directors is responsible for strategy development and overseeing strategy implementation.

The Board of Directors meets as often as business requires, but at least six times a year as a rule. Meetings are generally called by the Chairman of the Board of Directors. However, any member of the Board of Directors may request that a meeting be called, as may the Corporate Executive Board. In addition to the members of the Board of Directors, the Group CEO also generally attends the meetings or parts of meetings in an advisory capacity, as do other members of the Corporate Executive Board when required.

The Board of Directors met eleven times during the year under review in ordinary and extraordinary meetings. The meetings lasted over three hours on average, with 95% of members attending. The Group CEO and the other members of the Corporate Executive Board attended all the meetings, with the exception of two meetings, where one member was excused on each occasion. The Board of Directors did, however, conduct parts of the meetings among themselves.

The Board of Directors regularly performs a self-assessment. Furthermore, discussions take place between the Chairman of the Board and its members on an individual basis.

Three standing committees support the work of the Board of Directors as a whole: the Chairman's Committee – which also assumes the functions of a corporate governance, nomination and compensation committee – the Investment and Risk Committee, and the Audit Committee. The Board of Directors may establish other committees to be entrusted with special tasks.

The committees of the Board of Directors sometimes call on the services of external consultants and assess their own work once a year. If the Chairman of the Board of Directors is not a member of a committee of the Board of Directors, he has the right to attend meetings (without voting rights).

CHAIRMAN'S COMMITTEE | The Chairman's Committee assists both the Chairman of the Board of Directors in fulfilling his leadership and coordination role, and the Board of Directors with matters concerning strategy and corporate governance. It also advises the Board of Directors in decisions concerning the appointment of personnel at the highest levels of management (*nomination function*) and in setting guidelines for the compensation of members of the Board of Directors and the Corporate Executive Board, and determines, in application of these guidelines, the compensation and terms of employment of the Group CEO and other members of the Corporate Executive Board (*compensation function*).

The Chairman of the Board of Directors presides over meetings. As a rule, the Group CEO attends the Chairman's Committee meetings or parts of the meetings in an advisory capacity. Further members of the Corporate Executive Board or in-house specialists may also be invited to attend. The Chairman's Committee meets at least six times a year.

The Chairman's Committee held ten (ordinary and extraordinary) meetings during the year under review. The average duration of an ordinary meeting was around two hours. There was full attendance at all meetings, and the Group CEO was also present on each occasion.

INVESTMENT AND RISK COMMITTEE | The Investment and Risk Committee assists the Board of Directors in matters concerning investment management, financial management and risk management within the Group. The tasks of the Investment and Risk Committee include, among others, drafting proposals on the principle features of asset and liability management (ALM) and submitting them to the Board of Directors, determining the investment policy, assessing capital adequacy, verifying compliance with guidelines on investments, and establishing the risk tolerance in insurance and investment operations. The Investment and Risk Committee is vested with the authority to define various regulations and directives pertaining to the investment activities of the Swiss Life Group and must inform the Board of Directors accordingly. In addition, the Investment and Risk Committee is free to decide itself on investments at a particular level and specifies the terms of significant intra-Group financing.

Generally, the Group CIO and Group CFO attend the Investment and Risk Committee meetings or parts of meetings in an advisory capacity. The Group CEO may attend the meetings of the Investment and Risk Committee (without voting rights). Further members of the Corporate Executive Board and in-house specialists may also be invited to attend. The Investment and Risk Committee meets at least four times a year.

Six meetings of the Investment and Risk Committee were held in the year under review; each session lasted for around three hours on average. There was full attendance, except in the case of two meetings, where one member was excused on each occasion.

AUDIT COMMITTEE | The Audit Committee assists the Board of Directors in its supervision of the accounting function and financial reporting activities, as well as compliance with the legal framework. It reviews the appropriateness of the internal control structures and processes used to comply with the legal requirements. It monitors the activities of Corporate Internal Audit and the external audit services, and takes due note of their reports and recommendations. The Committee is empowered to make decisions with respect to defining the terms and conditions for mandates to external auditors and keeps the Board of Directors appropriately informed. Moreover, the Audit Committee issues the regulations of the Corporate Internal Audit and sets the annual programme of activities for the internal audit units.

Generally, the Group CFO and the Head of the Corporate Internal Audit attend the Audit Committee meetings or parts of the meetings in an advisory capacity. The Group CEO may attend the meetings of the Audit Committee (without voting rights). Representatives from the external audit services are also regularly invited (cf. also "Supervisory and control instruments vis-à-vis the auditors", page 82. In addition, further members of the Corporate Executive Board or in-house specialists may also be invited to attend.

The Audit Committee meets at least four times a year. The frequency of meetings depends on the financial budgeting and reporting process.

The Audit Committee met six times during the year under review, with the meetings lasting over three hours on average. There was full attendance, except in the case of one meeting, where one member was unable to attend. Representatives from the external audit services were present at four of the meetings.

DELINEATION OF COMPETENCIES BETWEEN THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD | The Organisational Regulations of Swiss Life Holding provide for the comprehensive delegation of the executive management responsibilities of the company to the Group CEO and the Corporate Executive Board, with the exception of those duties reserved for other bodies in accordance with the law, the Articles of Association or the Organisational Regulations themselves. The Articles of Association of Swiss Life Holding can be found at www.swisslife.com, "Shareholders & Analysts" area, "Swiss Life Share" section, "Articles of Association" (http://www.swisslife.com/slcom/en/home/analysts/share/association.html). The Organisational Regulations are also published on Swiss Life's internet site at "About Swiss Life" area, "Organisation" section (http://www.swisslife.com/slcom/en/home/gruppe/organisation.html).

The Corporate Executive Board bears responsibility in particular for the implementation of the corporate strategy, for the conditions governing business operations and for financial guidance. It is further responsible for preparing the resolutions for the Board of Directors and its committees, and for monitoring the implementation of these decisions in the Group. It is vested with the authority to rule on business referred to it by the Board of Directors, the Board of Directors' committees and the Chairman of the Board of Directors, insofar as approval or a decision is not reserved exclusively to the delegating body.

INFORMATION AND CONTROL INSTRUMENTS OF THE BOARD OF DIRECTORS VIS-À-VIS THE CORPORATE EXECUTIVE BOARD | The Board of Directors is continually and comprehensively briefed on the activities of the Corporate Executive Board. The Group CEO regularly informs the Chairman of the Board of Directors, the Delegate of the Board of Directors, and the Board of Directors and its committees, on the course of business, new business activities and significant projects. The Group CEO informs the Chairman and the Delegate of the Board of Directors immediately of any extraordinary matters. Considerable expenditure which is unbudgeted for and amounts to more than 10% of the relevant budget must be submitted to the Chairman's Committee for approval. Similarly, significant investments and divestments require the approval of the Investment and Risk Committee or, when they reach a certain level, the approval of the Board of Directors as a whole.

If required, the Board of Directors and its individual committees regularly invite all or some members of the Corporate Executive Board and internal specialists to its meetings. Outside the meetings, each member of the Board of Directors may request information about the course of business from the Corporate Executive Board subject to the prior notification of the Chairman of the Board of Directors. Requests for information on individual transactions require the prior approval of the Chairman of the Board of Directors.

The Chairman of the Board of Directors may participate (without voting rights) in the meetings of the Corporate Executive Board. He receives the invitations and the minutes of the meetings.

There is a regular exchange of information between the Delegate of the Board of Directors and the Group CEO. The Delegate of the Board is responsible for strategy development and strategy implementation and attends the meetings of the Corporate Executive Board. He also has access to all the reports, applications and minutes of the Corporate Executive Board and its committees.

Corporate Internal Audit, which reports directly to the Chairman of the Board, represents a suitable means of independent monitoring and information gathering for the Board of Directors. Regular meetings take place between the Chairman of the Board of Directors and the Head of Corporate Internal Audit, as well as between the Chairman of the Audit Committee and the Head of Corporate Internal Audit. Implementation of the measures recommended by Corporate Internal Audit is monitored by Group Compliance & Operational Risk Management. The Audit Committee regularly receives a report on all compliance activities and on operational risk management within the Swiss Life Group. Swiss Life's Internal Control System (ICS) also serves the Board of Directors for information and controlling purposes. Further details on this system are available in the Risk Management section on page 31.

The performance of the Corporate Executive Board and the contributions made by the individual members are regularly discussed and evaluated by the Chairman's Committee and the Board of Directors with no members of the Corporate Executive Board being present. The acceptance of directorships and senior political or military roles by members of the Corporate Executive Board is subject to the consent of the Chairman of the Board of Directors.

Corporate Executive Board

The Group CEO directs the business operations of the Group. The Group CEO, together with the Corporate Executive Board, works out the long-term objectives and strategic orientation of the Group for submission to the Board of Directors and, based on the resolutions of the Board of Directors, ensures the goal-oriented leadership and development of the Group. The Corporate Executive Board can form committees to address specific areas and can delegate competencies to such a Corporate Executive Board committee.

The organisational structure of the Group is geared to the main functions of its business. The resultant organisation is reflected in the division of tasks within the Corporate Executive Board. The members of the Corporate Executive Board have a direct management role with functional management responsibility for cross-divisional competencies. The members of the Corporate Executive Board are responsible for setting objectives, financial planning, HR management and achievement of objectives within their division. They issue directives for their division within the context of legal and regulatory requirements, the relevant regulations and the Group directives valid for the Group as a whole.

The Corporate Executive Board is responsible for implementation of the corporate strategy, for the establishment of conditions governing business operations and for financial guidance. It is responsible for the preparation of the resolutions for the Board of Directors and its committees, and for monitoring the implementation of these decisions in the Group. The Corporate Executive Board is vested with the authority to rule on business referred to it by the Board of Directors, the Board of Directors committees and the Delegate of the Board of Directors, insofar as decision or approval is not reserved exclusively to one of these.

The Corporate Executive Board may delegate operational responsibility for the management of subsidiaries to individual members of the Corporate Executive Board.

MEMBERS OF THE CORPORATE EXECUTIVE BOARD | On 31 December 2008 the Corporate Executive Board of Swiss Life Holding was composed of the following members:

Name	Function	Member of the Corporate Executive Board since
Bruno Pfister	Group CEO	01.08.2002
Ivo Furrer	CEO Switzerland	01.09.2008
Klaus G. Leyh	CEO Germany	01.10.2008
Charles Relecom	CEO France	01.07.2008
Reto Himmel	Group CTO	20.01.2003
Patrick Frost	Group CIO	01.07.2006
Thomas Müller	Group CFO	01.01.2006
Manfred Behrens	Co-CEO AWD	08.05.2008

BRUNO PFISTER | Born 1959, Swiss national

Group Chief Executive Officer (Group CEO)

Bruno Pfister graduated from the University of Geneva with a master's degree in law before being called to the bar in Geneva. Following completion of his business management studies (MBA from the UCLA Graduate School of Management in Los Angeles), the initial stages of his career saw him working for Chase Manhattan Bank in London and Geneva. From 1988 onwards he was a management consultant for McKinsey & Co in Zurich. In 1996 Mr Pfister became Chief of Staff of the Private Banking division at Liechtenstein Global Trust (LGT) where he managed a global strategic project before being appointed Chief Financial Officer of LGT Group and LGT Bank in Liechtenstein in 1998. In 1999, as a Member of the Credit Suisse Group Executive Board, he took over as Head of Customer Segment Management and Product Management at Credit Suisse.

Bruno Pfister has been with the Swiss Life Group since August 2002, initially as Group Chief Financial Officer (Group CFO) and, as of 1 January 2006, Chief Executive Officer International (CEO International). He assumed the position of Group Chief Executive Officer (Group CEO) of the Swiss Life Group in May 2008.

Other appointments:
- Gottex Fund Management Holdings Limited, St. Peter Port, Guernsey, Member of the Board of Directors
- Swiss Insurance Association, Member of the Board and the Board Committee
- Admission Board and Executive Committee of the Admission Board of the SIX Swiss Exchange, Vice Chairman

IVO FURRER | Born 1957, Swiss national

Chief Executive Officer Switzerland (CEO Switzerland)

Ivo Furrer graduated in law from the universities of Zurich and Fribourg and earned his PhD with a thesis on employee benefits. He joined Winterthur Life in 1982, initially working in group insurance marketing and later assuming various project management roles relating to strategy development and expansion of Winterthur's international insurance business in Europe, Canada and the USA. In 1992 he relocated to the USA, where he worked in underwriting. From 1994 to 1997 he held a number of management positions at Winterthur International in London before being appointed Chief Underwriting Officer of this business area. In 1999 he moved to Credit Suisse Group, where he developed and implemented an internet bank in Luxembourg and was subsequently appointed Head of e-Investment Services Europe.

Ivo Furrer began working for Zurich Financial Services in 2002, initially in Germany as head of the international key account business, and in 2005 as a Member of the Global Corporate Executive Committee with responsibility for the development of key account and distribution management at a global level. In 2007 he was appointed CEO Life Switzerland and Member of the Global Life Executive Committee of Zurich Financial Services.

On 1 September 2008 the Board of Directors appointed Ivo Furrer a Member of the Corporate Executive Board and Chief Executive Officer (CEO Switzerland) of the Swiss Life Group.

KLAUS G. LEYH | Born 1966, German national

Chief Executive Officer Germany (CEO Germany)

After graduating with a degree in economics from the University of Augsburg, Klaus G. Leyh worked for two years as a market researcher and advisor in the consumer goods industry. In 1995 he changed to the insurance sector, building up Generali's Market Research department in Munich. He subsequently held management positions in marketing, product management and e-business at Generali Lloyd Versicherung AG, AXA Colonia Konzern and ARAG Lebens- und Krankenversicherung, and received a Master of Business Research (MBR) from the Ludwig Maximilian University of Munich.

In 2001 Klaus G. Leyh joined Swiss Life in Germany as the head of its e-commerce and e-business activities and was assigned responsibility for distribution service, control and promotion in 2002. From January 2006 to September 2008 he held the position of Chief Market Officer and Member of the Executive Board of Swiss Life in Germany with responsibility for the entire sales force, distribution management, service and control.

On 1 October 2008 Klaus G. Leyh was appointed Chief Executive Officer of Swiss Life in Germany (CEO Germany) and a Member of the Swiss Life Group's Corporate Executive Board.

Other appointments:
- German Insurance Association (GDV): Member of the Socio-Political Committee
- DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf, Member of the Supervisory Board

CHARLES RELECOM | Born 1953, Belgian national

Chief Executive Officer France (CEO France)

Charles Relecom graduated from the University of Namur (Belgium) with a degree in mathematics and went on to gain a master's degree in Actuarial Science at the University of Louvain (Belgium). He began his career in 1978 as Chief Actuary and Chief Technology Officer at Swiss Life in Belgium. In 1984 he moved to the head office in Zurich, where he played a significant role in setting up the International Division. From 1988 to 1994 he worked for Elvia Life as Director of Sales in the key accounts business. In 1995 he moved to «La Suisse» and, in 1998, was appointed CEO of the non-life business and Chief Actuary.

In 2000 he became the CEO of «La Suisse», a position he held until 2005 when the company was integrated into the Swiss Life Group. Following the integration, Charles Relecom returned to Swiss Life in Belgium, initially as the CEO of Zelia S.A. and, from February 2006, as CEO for the entire Belgian business.

On 1 July 2008 Charles Relecom was appointed Chief Executive Officer France (CEO France) of the Swiss Life Group and Member of the Corporate Executive Board.

RETO HIMMEL | Born 1956, Swiss national

Group Chief Technology & Services Officer (Group CTSO)

The physicist Reto Himmel (master's degree in physics, Swiss Federal Institute of Technology (ETH), Zurich, 1982) graduated from the Harvard Business School in 1987 with an MBA. He began his career in 1982 as a software engineer with Brown Boveri & Co. in Baden, before joining Credit Suisse in 1985. From 1990 to 1994 he went on to head the General Secretariat at Bank Leu where he was also in charge of Corporate Planning. He then served as Chief of Staff of the Investment and Trading division at Credit Suisse. In 1997 Mr Himmel became a Member of the Executive Board at ABN AMRO Bank (Switzerland), assuming responsibility for the bank's logistics operations. He became Head of Operations at UBS Warburg Switzerland in August 2001.

Reto Himmel has been a Member of the Corporate Executive Board of the Swiss Life Group since January 2003.

Other appointments:
- SIX Group, Member of the Board of Directors
- Technopark Zurich, Member of the Board of Trustees

PATRICK FROST | Born 1968, Swiss national

Group Chief Investment Officer (Group CIO)

Patrick Frost studied at the ETH in Zurich and the universities of Cologne, Basel and Zurich, obtaining degrees in natural science (dipl. Natw. ETH, 1993), economics (Dr. rer. pol., 1998) and law (lic. iur., 2001). He began his professional career in 1996 as a portfolio manager and analyst in financial engineering at Winterthur Group. Between 1999 and 2001 he was employed as a Senior Bond Portfolio Manager at Winterthur Investment Management Corp. in New York. He became the Head of Global Fixed Income at Winterthur Group in 2001, where he played a key role in the further strategic development of its asset management.

Patrick Frost was appointed Group Chief Investment Officer (Group CIO) of the Swiss Life Group in July 2006.

Other appointment:
– Castle Alternative Invest AG, Freienbach, Member of the Board of Directors

THOMAS MÜLLER | Born 1965, Swiss national

Group Chief Financial & Risk Officer (Group CFO)

Thomas Müller studied economics and business administration (lic. rer. pol.) at the University of Berne and earned an MBA from the IMD in Lausanne. His professional career began in 1991 at Swiss Volksbank where he was responsible for asset and liability management. Up to and after the integration of Swiss Volksbank into Credit Suisse Group, he headed the Treasury department from 1994 to 1997. In 1997 he moved to Marc Rich Holding where he was responsible for the group's trading in interest rate instruments. Thomas Müller joined Banca del Gottardo in 2002 as Chief Financial & Risk Officer and Member of the Executive Board.

He became Group Chief Financial Officer (Group CFO) of the Swiss Life Group in January 2006. On 1 April 2008 he assumed the additional position of Group Chief Risk Officer.

Other appointments:
– Swiss Insurance Association, Member of the Economics and Finances Committee
– The Sustainability Forum, Zurich, Member of the Board of Directors

MANFRED BEHRENS | Born 1955, German national

Co-Chief Executive Officer AWD (Co-CEO AWD)

After graduating in law, Manfred Behrens initially worked as an attorney in a Hamburg-based law firm. In 1984 he moved to Hamburg Mannheimer AG, where he assumed various leading positions in the areas of law and sales and went on to become state manager. He joined Volksfürsorge Deutsche Lebensversicherungs-AG in May 1996 and, in 1998, was appointed Member of the Board of Directors with responsibility for sales and marketing. Manfred Behrens moved to Swiss Life in January 2004, where he held the position of Chief Executive Officer of Swiss Life in Germany (CEO Germany) until August 2008.

Manfred Behrens was appointed Co-Chief Executive Officer of AWD (Co-CEO AWD) in September 2008 and has been a Member of Swiss Life's Corporate Executive Board since May of the same year.

Other appointments:
- Aareal Bank, Wiesbaden, Member of the Supervisory Board
- Commerzbank, Member of the Federal State Advisory Committee
- German Insurance Association, Member of the Main Committee Life Insurance and Member of the Chairman's Committee

RESIGNATIONS | Swiss Life informed on 8 May 2008 that, within the context of the succession planning at Board of Director and Corporate Executive Board level announced on 26 November 2007, Rolf Dörig had been elected to the Board of Directors of Swiss Life Holding at the General Meeting of Shareholders on 8 May 2008 and that Bruno Pfister had succeeded him as Chairman of the Corporate Executive Board on this date.

On 2 June 2008 Swiss Life communicated that Paul Müller would hand over his position as CEO Switzerland to Ivo Furrer as of 1 September 2008 and that he would be put forward for election to the Board of Directors at the General Meeting of Swiss Life Holding on 7 May 2009. In a media release by the Federal Finance Administration of 5 December 2008, the Federal Council informed that Paul Müller had been elected to the Board of Directors of the Swiss Financial Market Supervisory Authority FINMA, which, for autonomy reasons, rules out his election to the Board of Directors of Swiss Life Holding.

Transfer of management tasks

No management tasks have been contractually delegated to third parties by Swiss Life Holding.

Report on compensation

The specifications below follow the directives on information relating to corporate governance issued by the SIX Swiss Exchange and take into consideration the new transparency regulations set out in the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c. Further details on compensation and benefit expenditure for the management and employees of the Swiss Life Group can be found in the Financial Statements (notes 24 and 31). In addition, the compensation of the members of the Board of Directors and the Corporate Executive Board, and their participation interests, are shown in the notes to the Swiss Life Holding Financial Statements.

The information in this Annual Report is presented in the same way as previous years. In accordance with the new transparency requirements, the compensation received by each member of the Board of Directors and the Chairman of the Corporate Executive Board (Group CEO) is disclosed individually.

In view of the fact that Rolf Dörig held the positions of Group CEO until the Annual General Meeting of Swiss Life Holding on 8 May 2008 and Delegate of the Board following his election to the Board of Directors, his compensation in the period under review is shown in its entirety under the compensation to the Corporate Executive Board.

As, during the year under review, the position of Group CEO was transferred, as of 9 May 2008, to Corporate Executive Board member Bruno Pfister, who was previously CEO International, the compensation to Bruno Pfister, as the new Group CEO, is also reported individually for the 2008 financial year.

COMPENSATION POLICY PRINCIPLES | Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for establishing the guidelines on the Group's compensation policy (incl. bonuses and equity compensation programmes) and with regard to employee benefit institutions. The compensation policy underpins the performance culture required by the corporate strategy and forms part of the HR policy. The aim is to retain qualified employees and recruit new, highly skilled staff. The chosen compensation system is in line with the market environment and must be competitive. The overall compensation takes into account the employees' professional skills, commitment and personal performance. Individual compensation is made up of a basic salary and variable short-, medium- and long-term salary components, as well as contributions to occupational provisions and risk insurance. The basic salary is determined according to the employee's function and skill-set, and is annually re-assessed and adjusted if appropriate. The variable salary components are linked to the strategic objectives of the company and the individual divisions, and the associated financial and HR-related targets. Personal performance and target achievement are assessed annually in the employee appraisal procedure implemented throughout the Group (Group Performance System) and taken into consideration when applying the defined compensation policy.

PRACTICE AND PROCEDURE | Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and make-up of compensation for its members, whereas the Chairman's Committee, in its capacity as a Compensation Committee, is responsible for putting forward corresponding proposals. The Board of Directors also establishes the guidelines for the company's compensation policy. In doing so, it takes into consideration the compensation policies of other organisations of comparable size and in comparable industries, drawing its findings from publicly available information and, as necessary, studies by external experts. Based on these guidelines, the Chairman's Committee determines the compensation for the individual members of the Corporate Executive Board and informs the entire Board of Directors accordingly.

The share option programme for Swiss Life Group management, which was introduced in 2000, was discontinued at the end of 2002. Accordingly, no further share options have been allocated since 2003.

Within the framework of the compensation arrangements for the members of the Corporate Executive Board and other key performers within the Swiss Life Group, which are selected by the Corporate Executive Board with the approval of the Chairman's Committee, a long-term remuneration component was introduced in 2004 on the basis of corresponding regulations. This equity compensation programme was adjusted slightly from 2005 by defining specific performance criteria. These take account of both the performance of the Swiss Life Holding share and its performance vis-à-vis other companies. Based on the programme, participants are granted future subscription rights in the form of Performance Share Units (PSUs) on Swiss Life Holding shares, entitling them to receive Swiss Life Holding shares free of charge after a period of three years has elapsed, insofar as the relevant prerequisites have been satisfied. According to the parameters at the time, the number of PSUs can increase by up to a factor of 1.5 or drop by a factor of 0.5 within three years, depending on how the performance criteria develop. For the equity compensation programme in 2007 and subsequent years, the Chairman's Committee decided that the retention component (factor of 0.5), which was appropriate during the turnaround phase, would be rescinded in future so that the number of PSUs entitling the holder to shares could drop to zero after three years. The maximum possible factor of 1.5 was maintained.

The equity compensation programmes for 2007 and 2008 continue to be based on two performance criteria, each with a 50% weighting. One criterion is the Total Shareholder Return on Swiss Life Holding shares (TSR Swiss Life Holding), whereby a performance in excess of 20% is required for the subscription right to share allocation to arise. The TSR of the company's own shares is also compared with the TSR of the shares of the companies included in the Dow Jones STOXX 600 Insurance Index (TSR Outperformance); on the basis of this criterion, a subscription right arises if the performance on expiry of the three-year term is above the first quartile in comparison with the companies in question.

55 members of the Swiss Life Group senior management participated in the 2007 equity compensation programme. A total of 56 222 PSUs were allocated; 24 444 to the Corporate Executive Board, of which 6717 to the Group CEO.

In the period under review, 47 members of the Swiss Life Group senior management took part in the 2008 equity compensation programme with effect from 1 April 2008. A total of 52 618 PSUs were allocated; 23 695 to the Corporate Executive Board, of which 5924 to the new Group CEO, Bruno Pfister. As a result of his election to the Board of Directors on 8 May 2008 and resultant resignation from the Corporate Executive Board, Rolf Dörig was not allocated any PSUs in 2008 in accordance with the compensation regulations pertaining to the Board of Directors.

COMPENSATION PAID TO ACTING MEMBERS OF GOVERNING BODIES | The compensation paid in cash to acting members of the Board of Directors and the Corporate Executive Board during the period under review was as follows:

In CHF	**2008**	2007
Board of Directors	**1 543 000**	1 543 000
Corporate Executive Board	**11 543 949**	9 572 243

There were no resignations from the Board of Directors in the period under review. Within the context of succession planning at Board of Director and Corporate Executive Board level, Rolf Dörig was elected to the Board of Directors of Swiss Life Holding as an additional member on 8 May 2008.

Various personnel changes occurred in the Corporate Executive Board vis-à-vis the previous year. Bruno Pfister was appointed Group CEO with effect from 9 May 2008. On the same date, Manfred Behrens, CEO Germany, became a member of the Corporate Executive Board; he assumed the position of Co-CEO of AWD on 1 September 2008. CEO France, Charles Relecom, and the new CEO Germany, Klaus Leyh, joined the Corporate Executive Board on 1 July 2008 and 1 October 2008, respectively. Paul Müller handed over his position as CEO Switzerland to Ivo Furrer as of 1 September 2008. The Corporate Executive Board, including Rolf Dörig as Group CEO, thus consisted of up to ten members during the period under review (2007: six members).

The compensation in cash received by the members of the Corporate Executive Board includes a cash bonus of CHF 4 700 000 for the 2007 financial year, which was paid out in 2008. For the 2008 financial year, no bonus will be paid to the Corporate Executive Board.

Compensation remitted to members of the Board of Directors comprised the basic compensation, compensation in cash and a variable compensation component in shares. The basic compensation takes into account membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life/Rentenanstalt as well as membership of the individual Board Committees. The additional compensation in cash is commensurate to the function and workload and is determined annually by the Board of Directors. It is partly paid in the form of blocked shares. If Swiss Life Group's business operations have proved successful, a further, variable compensation component is remitted in the form of Swiss Life Holding shares, decided upon by the Board of Directors taking into consideration the business result.

The following compensation was received by acting members of the Board of Directors of Swiss Life Holding in 2008 during the period under review.

		Compensation in cash	Shares with three-year blocking period		
			Part of basic compensation	Part of variable compensation for the 2007 financial year[1]	Total
Bruno Gehrig	CHF	655 000	–	385	385
Gerold Bührer	CHF	238 000	282	159	441
Volker Bremkamp	CHF	126 000	212	89	301
Paul Embrechts	CHF	82 000	159	59	218
Rudolf Kellenberger	CHF	114 000	229	83	312
Henry Peter	CHF	82 000	159	59	218
Peter Quadri	CHF	82 000	159	59	218
Pierfranco Riva	CHF	82 000	159	59	218
Franziska Tschudi	CHF	82 000	159	59	218
Rolf Dörig[2]					

[1] The variable compensation component in shares relates to the 2007 financial year and was allocated in 2008. No variable compensation component in shares will be allocated for the 2008 financial year.

[2] The compensation received in the period under review by Rolf Dörig, Group CEO until 8 May 2008 and Delegate of the Board of Directors following his election by the Annual General Meeting, is disclosed in its entirety under the compensation for the Corporate Executive Board.

Compensation to the members of the Corporate Executive Board comprises a salary, a variable bonus in cash, other compensation (child allowances, allowances for years of service, company cars, premium contributions to 3rd-pillar pension plans) and a variable compensation component in shares. The salary is determined annually by the Chairman's Committee, in its capacity as Compensation Committee, taking into account the function-related responsibility and workload. If the Swiss Life Group's business operations have proven successful, a variable cash bonus and variable compensation in the form of shares are also granted. This is decided on by the Chairman's Committee, taking into account the personal achievement of objectives by the members of the Corporate Executive Board

COMPENSATION PAID TO FORMER MEMBERS OF GOVERNING BODIES | None.

SHARE ALLOTMENT IN THE YEAR UNDER REVIEW | During the 2008 financial year, the members of the Board of Directors and the Corporate Executive Board were allotted Swiss Life Holding shares subject to a three-year blocking period as follows:

Some of the shares allotted to the members of the Board of Directors in the period under review formed part of their basic compensation. The remaining shares are variable compensation components, which were allocated on the basis of the results achieved during the previous financial year.

All the shares allotted to the members of the Corporate Executive Board in 2008 represent variable compensation for the results achieved in the 2007 financial year.

For the 2008 financial year, no variable compensation in shares will be paid to the members of the Board of Directors or the Corporate Executive Board.

Board of Directors [1]	2529 shares, allocated at values of CHF 231.74, 227.75 and 60.45[2]. They are subject to a three-year blocking period.
Corporate Executive Board	7724 shares, allocated at a value of CHF 231.74[3]. They are subject to a three-year blocking period.

[1] The shares allocated in the period under review to Rolf Dörig, Group CEO until 8 May 2008 and Delegate of the Board of Directors following his election by the Annual General Meeting, are disclosed in their entirety under the compensation for the Corporate Executive Board.

[2] Economic value equal to the tax value, taking the blocking period into account. The share prices on allocation amounted to CHF 276, CHF 271.25 and CHF 72.

[3] Economic value equal to the tax value, taking the blocking period into account. The share price on allocation amounted to CHF 276.

No shares were allocated to closely linked parties[4] within the meaning of the law.

[4] "Closely linked parties" are natural persons and legal entities pursuant to Art. 678 of the Swiss Code of Obligations that have close personal, economic, legal or de facto ties with members of the governing body. This typically includes spouses, minor children, companies controlled by members of the governing body, and natural or legal persons serving the members of the governing body in a fiduciary capacity.

SHARE OWNERSHIP | On the balance sheet date, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held the following number of Swiss Life Holding registered shares:

Board of Directors	**14 397**	**Shares**
Bruno Gehrig	2 021	Shares
Gerold Bührer	2 166	Shares
Volker Bremkamp	1 043	Shares
Paul Embrechts	776	Shares
Rudolf Kellenberger	1 022	Shares
Henry Peter	1 856	Shares
Peter Quadri	1 556	Shares
Pierfranco Riva	3 181	Shares
Franziska Tschudi	776	Shares
Rolf Dörig [1]		

Corporate Executive Board	**42 889**	**Shares**
Rolf Dörig (Group CEO until 08.05.2008, then BoD Delegate) [1]	28 607	Shares
Bruno Pfister	8 841	Shares
Ivo Furrer	–	Shares
Klaus G. Leyh	53	Shares
Charles Relecom	–	Shares
Reto Himmel	2 010	Shares
Patrick Frost	1 615	Shares
Thomas Müller	1 065	Shares
Manfred Behrens	698	Shares

[1] The shares allocated in the period under review to Rolf Dörig, Group CEO until 8 May 2008 and Delegate of the Board of Directors following his election by the Annual General Meeting, are disclosed in their entirety under the compensation for the Corporate Executive Board.

The number of future subscription rights to Swiss Life Holding shares allocated in the context of the equity compensation programme to members of the Corporate Executive Board in the form of so-called performance share units (PSUs), and whose exercise depends on the fulfilment of specific performance criteria, is shown in the notes to the Swiss Life Holding Financial Statements.

OPTIONS | No share options have been granted in the Swiss Life Group since 2003; there are no longer any outstanding options.

ADDITIONAL HONORARIUMS AND REMUNERATIONS | In the period under review no additional honorarium or remuneration payments were made to the members of the Board of Directors or the Corporate Executive Board.

LOANS | On the balance sheet date, there were no loans outstanding to members of the Board of Directors or the Corporate Executive Board:

Board of Directors	none
Corporate Executive Board	none

EXPENDITURE FOR OCCUPATIONAL PROVISIONS | Details on the company's benefit expenditure can be found in the Financial Statements (notes 24 and 31) and the notes to the Swiss Life Holding Financial Statements. For reasons of transparency, information on the following benefits is provided here:

Bruno Gehrig, Chairman of the Board of Directors, and Rolf Dörig, who was Group CEO until 8 May 2008 and became Delegate of the Board of Directors following his election to the Board of Swiss Life Holding, are affiliated to the employee benefits institutions of Swiss Life for the purposes of occupational provisions. No such affiliation exists for other members of the Board of Directors; no contributions have been made on their behalf.

In the period under review, Swiss Life assumed regular annual employer contributions of CHF 104 827 and CHF 195 656 on behalf of Bruno Gehrig and Rolf Dörig, respectively.

In the case of Bruno Pfister, who was CEO International until 8 May 2008 and then became Group CEO, the employer contributions assumed on his behalf totalled CHF 755 148. This comprised the regular annual contribution of CHF 156 648 and a subsequent contribution of CHF 598 500 due to the increase in the insured income.

Expenditure for occupational provisions on behalf of the remaining members of the Corporate Executive Board totalled CHF 813 420.

HIGHEST TOTAL COMPENSATION, BOARD OF DIRECTORS | The highest total compensation for a non-executive member of the Board of Directors in 2008 was paid to Bruno Gehrig as Chairman of the Board. The compensation paid to Rolf Dörig in the period under review is disclosed in its entirety under the compensation to the Corporate Executive Board.

The total compensation paid to Bruno Gehrig in the form of cash, shares and contributions to occupational provisions in the year under review is as follows:

Compensation in cash [1]	CHF	655 000	
Shares [2]	CHF	89 218	385 SLH shares at CHF 231.735
Share options		none	
Total compensation 2008:			
in cash and shares	CHF	744 218	
including annual contributions to occupational provisions of CHF 104 827	CHF	849 045	
Total compensation 2007:			
in cash and shares	CHF	734 898	
including annual contributions to occupational provisions of CHF 99 492	CHF	834 390	

1 Basic compensation and additional compensation in cash determined annually by the Board of Directors.

2 The 385 shares allocated in 2008 relate to the 2007 financial year. They are subject to a blocking period of three years. The share price at the time of allocation was CHF 276; the allocation was effected at an economic value of CHF 231.735, which is equal to the tax value, taking into account the blocking period.
For the 2008 financial year, no variable compensation in shares will be paid to the members of the Board of Directors.

HIGHEST TOTAL COMPENSATION, CORPORATE EXECUTIVE BOARD | The compensation received in the period under review by Rolf Dörig as Group CEO and subsequently as Delegate of the Board of Directors following his election by the Annual General Meeting, is disclosed in its entirety under the compensation to the Corporate Executive Board.

The compensation to Bruno Pfister, who was formerly CEO International and assumed the position of Group CEO as of 9 May 2008, is also shown individually.

The total compensation paid to Rolf Dörig in the form of cash, shares and contributions to occupational provisions in the year under review is as follows:

Compensation in cash [1]	CHF	2 871 806	
Shares [2]	CHF	441 455	1905 SLH shares at CHF 231.735
Share options		none	
Total compensation 2008: [1, 2]			
in cash and shares [1, 2]	CHF	3 313 261	
including contribution to occupational provisions of CHF 195 656	CHF	3 508 917	
Total compensation 2007:			
in cash and shares	CHF	3 957 144	
including contribution to occupational provisions of CHF 238 856	CHF	4 196 000	

1 Including bonus in cash of CHF 1 250 000 for the 2007 financial year, which was paid in 2008, and other compensation in cash (child allowances, allowance for years of service, company car, premium contribution).
As was previously stated, the members of the Corporate Executive Board will not be paid a cash bonus for the 2008 financial year. The members of the Board of Directors and the Corporate Executive Board will also not receive variable compensation components in shares for the 2008 financial year.

2 The shares allocated in 2008 as variable compensation relate to the 2007 financial year. They are subject to a blocking period of three years. The share price at the time of allocation was CHF 276; the allocation was effected at an economic value of CHF 231.735, which is equal to the tax value, taking into account the blocking period.

Disregarding the cash bonus paid for the 2007 financial year and the variable compensation in the form of blocked shares, the total compensation paid to Rolf Dörig for 2008 amounted to CHF 1 817 462.

As a result of his transfer from the Corporate Executive Board to the Board of Directors following his election by the Annual General Meeting on 8 May 2008, Rolf Dörig was not allocated any future subscription rights on Swiss Life Holding shares in the form of Performance Share Units (PSUs) from the 2008 equity compensation programme in accordance with the compensation regulations pertaining to the Board of Directors.

For the 2008 financial year, Rolf Dörig will not receive a cash bonus or a variable compensation component in shares.

The total compensation paid in cash, shares and occupational provision contributions to Corporate Executive Board member Bruno Pfister in 2008, as CEO International up to 8 May 2008 and Group CEO from 9 May 2008, was as follows

Compensation in cash [1]	CHF	1 903 193	
Shares [2]	CHF	367 764	1587 SLH shares at CHF 231.735
Share options		none	
Total compensation 2008: [1, 2, 3]			
in cash and shares [1, 2]	CHF	2 270 957	
including annual contributions to occupational provisions of CHF 156 648	CHF	2 427 605	
including additional contribution to occupational [4] provisions of CHF 598 500	CHF	3 026 105	

1 Includes a cash bonus of CHF 850 000 for the 2007 financial year, which was paid in 2008, as well as other compensation in cash (child allowances, company car, premium contribution).
As was previously stated, the members of the Corporate Executive Board will not receive a cash bonus for the 2008 financial year. The members of the Corporate Executive Board will also not receive variable compensation components in shares for the 2008 financial year.

2 The shares allocated in 2008 as variable compensation relate to the 2007 financial year. They are subject to a blocking period of three years. The share price at the time of allocation was CHF 276; the allocation was effected at an economic value of CHF 231.735, which is equal to the tax value, taking the blocking period into account.

3 Without mathematical value of PSUs allocated.

4 Additional employer contribution to occupational provisions as subsequent contribution in accordance with pension fund regulations due to increase in insured income.

In addition to compensation in the form of cash, shares and contributions to occupational provisions, Bruno Pfister was allocated 5 924 future subscription rights in the form of Performance Share Units (PSU) as part of the three-year equity compensation programme. These entitle him to Swiss Life Holding shares as at 1 April 2011, provided that the relevant requirements have then been met. Depending on how the two defined performance criteria develop, the number of PSUs can increase by up to a factor of 1.5 or drop to 0. On the allocation date of 1 April 2008, the fair value of one PSU was CHF 179.30.

Taking into account the mathematical value of the PSUs allocated, which came to CHF 1 062 173, Bruno Pfister's total compensation for 2008 amounted to CHF 4 088 278.

Disregarding the cash bonus paid for the 2007 financial year and the variable compensation in the form of blocked shares, the total compensation paid to Bruno Pfister for 2008 amounted to CHF 2 870 514.

For the 2008 financial year, Bruno Pfister will not receive a cash bonus or variable compensation in shares.

Shareholders' participation rights

RESTRICTIONS ON VOTING RIGHTS | In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of his own shares and those he represents. Legal entities and partnerships which are connected through capital, voting rights, uniform management or in any other way, as well as individuals or legal entities and partnerships which act in concert by virtue of agreement, as a syndicate or in any other way, are deemed to be a single person. Any amendment to or revocation of restrictions on voting rights must be approved by at least two-thirds of the voting shares represented at the General Meeting of Shareholders and an absolute majority of the share par value represented. The Board of Directors can permit exceptions to this limit on the basis of its discretionary powers; during the year under review, no such exceptions were granted.

RIGHT OF REPRESENTATION | The Articles of Association stipulate that a shareholder may be represented by his legal representative, or, if a written power of attorney exists, by another shareholder entitled to vote, by a management representative, by an independent voting representative or by a representative of deposited shares.

REQUIRED MAJORITIES | In addition to the resolutions provided for by law, a qualified majority (corresponding to at least two thirds of the voting shares represented and an absolute majority of the share par value represented) is required to:

- change provisions concerning restrictions on voting rights
- dissolve the company (liquidation)
- dismiss more than one third of the members of the Board of Directors;
- change these provisions of the Articles of Association

CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS AND AGENDA | The rules set out in the Articles of Association for convening a General Meeting of Shareholders and drawing up the agenda encompass the stipulations of the law. Shareholders representing shares with a par value of at least one million francs can submit a written request within a time limit published in advance by Swiss Life Holding for the inclusion on the agenda of an item for discussion, together with the relevant motions. The written application must be accompanied by a certificate issued by a bank to confirm that the shares are deposited with it until after the General Meeting of Shareholders is held.

ENTRY IN THE SHARE REGISTER | Entries can be made in the share register up to the day before the General Meeting of Shareholders. In all cases, however, the company reserves the right to adhere to the legal maximum period of 20 days for recognition of entries in the share register in accordance with Art. 685g of the Swiss Code of Obligations. For administrative reasons (postal delivery times), the deadline for registering to participate in the General Meeting of Shareholders is usually seven calendar days before the event takes place.

VOTING SYSTEM AND PROCEDURES | Based on a corresponding authorisation in the Articles of Association, the presiding officer at Swiss Life Holding's General Meeting of Shareholders generally requests for votes to be taken electronically. Swiss Life Holding uses a certified electronic voting system which permits balloting with remote-controlled handsets and records the exact number of voting shares represented.

Changes of control and defence measures

DUTY TO MAKE AN OFFER | Swiss Life Holding's Articles of Association provide for neither an "opting up" nor an "opting out" clause within the meaning of Art. 32 and 22 BEHG (Swiss Stock Exchange Act).

CLAUSES ON CHANGES OF CONTROL | No contractual provisions exist in favour of the Board of Directors or the Corporate Executive Board with regard to control of the company.

Auditors

PricewaterhouseCoopers (PwC) serves as external statutory auditor for 58% of the Swiss Life Group companies that are directly or indirectly held by Swiss Life Holding under its scope of consolidation. The remaining auditing mandates for subsidiaries are carried out by BDO Deutsche Warentreuhand AG (41%) and other auditing firms (1%).

In the report of the auditor, PwC confirms that it meets the legal requirements concerning professional qualification and independence.

DURATION OF THE MANDATES AND TERM OF OFFICE OF THE LEAD AUDITOR | The Articles of Association stipulate that the external auditor is to be elected by the General Meeting of Shareholders for one financial year at a time. When Swiss Life Holding was established in 2002, PwC was named as statutory auditor and Group auditor. Since then PwC has been re-elected without fail. PwC has also acted as statutory auditor and Group auditor for Swiss Life/Rentenanstalt since 1994.

With respect to the 2008 financial year, Swiss Life Holding invited tenders for its statutory auditor and Group auditor mandate. On completion of the evaluation process, the Board of Directors, in accordance with the proposal of the Audit Committee, again nominated PwC as its statutory auditor and Group auditor at the General Meeting of Shareholders on 8 May 2008.

The partner at PwC in charge of auditing the Swiss Life Holding annual financial statements and consolidated financial statements (lead auditor) has held that function since the 2004 financial year.

AUDITING FEES | In 2008 the auditing fees credited to PwC came to CHF 7.3 million (2007: CHF 12.0 million). This includes the fees for reviewing the 2008 half-year accounts.

ADDITIONAL FEES | In 2008 PwC received additional fees totalling around CHF 2.1 million for advisory services (2007: CHF 1.8 million), approximately CHF 1.4 million of which was for strategic and actuarial advice (2007: CHF 1.3 million). The remainder resulted from legal, fiscal and financial advice, as well as other advisory services.

SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS | The Audit Committee maintains regular contact with the external auditors. It assesses the quality and effectiveness of the external reporting, ascertains the independence of the statutory auditor and identifies possible conflicts of interest. Representatives from the external auditing firms may be called upon by the Audit Committee to attend any meetings it may hold. In the year under review, representatives of the external auditors attended four of the six meetings, either in their entirety or for specific items on the agenda.

Information Policy

Swiss Life communicates actively and openly both within and outside the company. The Investor Relations and Public Relations areas provide up-to-date reports to private and institutional investors, financial analysts, journalists and the public.

Key facts and figures about the Swiss Life Group, info kits on previous annual reports and all the details on events relevant to the shareholders, analysts and the media (AGM, media conferences, etc.), can be accessed at www.swisslife.com in the areas “Shareholders & Analysts” (www.swisslife.com/analysts) and “News & Media” (www.swisslife.com/media).

Furthermore, all interested parties can subscribe to the company’s mailing list so as to receive up-to-date ad-hoc reports and media releases free of charge via the e-mail distribution system (www.swisslife.com/subscription). These releases are also published on the Swiss Life website at the same time as they are sent to subscribers, and are available online for at least two years (www.swisslife.com/media).

In addition to its comprehensive Annual Report and Financial Statements, Swiss Life Holding also publishes its half-year results. All Swiss Life’s annual and half-year reports since 1997 can be accessed on the website, “Shareholders & Analysts” area, “Archive Reports” section (www.swisslife.com/en/annualreports). Twice a year, a report detailing the key facts and figures on business operations is sent to all the shareholders listed in the share register. For the last six years, the company has been holding an Investor’s Day annually; the most recent was held on 2 December 2008.

Contact details are available at the end of the Annual Report.

Consolidated Statement of Income

Consolidated statement of income for the years ended 31 December

In CHF million	Notes	2008	2007
Continuing operations			
Income			
Premiums earned on insurance contracts		**13 392**	13 455
Premiums earned on investment contracts with discretionary participation		**166**	107
Premiums ceded to reinsurers		**–304**	–246
Net earned premiums	7	**13 254**	13 316
Policy fees earned on insurance contracts		**54**	70
Policy fees earned on investment and unit-linked contracts		**206**	319
Net earned policy fees	7	**260**	389
Asset management and other commission income	8	**950**	196
Investment income	5, 8	**4 563**	4 878
Net gains/losses on financial assets	5, 8	**–6 010**	–5
Net gains/losses on financial instruments at fair value through profit or loss	5, 8	**1 853**	–179
Net gains/losses on investment property	5, 15	**194**	229
Other income	8	**292**	147
Total income		**15 356**	18 971
Expenses			
Benefits and claims under insurance contracts		**–12 844**	–13 332
Benefits and claims under investment contracts with discretionary participation		**–184**	–124
Benefits and claims recovered from reinsurers		**113**	188
Net insurance benefits and claims	8	**–12 915**	–13 268
Policyholder participation		**429**	–1 746
Interest expense	8	**–393**	–455
Commission expense	8	**–963**	–620
Employee benefits expense	8	**–1 041**	–870
Depreciation and amortisation expense	8	**–518**	–448
Impairment of property and equipment and intangible assets	17, 18	**–4**	–6
Other expenses	8	**–793**	–545
Total expenses		**–16 198**	–17 958
Result from operations		**–842**	1 013
Borrowing costs		**–181**	–177
Share of results of associates	5, 16	**–149**	12
Result before income tax		**–1 172**	848
Income tax expense	25	**29**	–122
Net result from continuing operations		**–1 143**	726
Discontinued operations			
Net profit from discontinued operations	30	**1 488**	642
Net profit		**345**	1 368
Net profit attributable to			
equity holders of Swiss Life Holding		**350**	1 345
minority interest		**–5**	23
Net profit		**345**	1 368
Earnings per share from continuing operations attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	**-35.37**	21.33
Diluted earnings per share (in CHF)	6	**-35.37**	20.83
Earnings per share attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	**10.88**	40.76
Diluted earnings per share (in CHF)	6	**10.88**	39.60

Consolidated Balance Sheet

Consolidated balance sheet

In CHF million	Notes	**31.12.2008**	31.12.2007
Assets			
Cash and cash equivalents		**9 408**	4 555
Insurance and other receivables	9, 33	**3 950**	4 152
Derivatives	10	**1 349**	463
Assets held for sale	30	**4**	40 468
Financial assets at fair value through profit or loss	11	**16 916**	19 399
Financial assets available for sale	12	**43 163**	68 588
Loans	13, 33	**33 079**	20 652
Financial assets held to maturity	14, 33	**7 159**	3 624
Investment property	15	**12 663**	12 252
Investments in associates	16	**437**	72
Reinsurance assets	23	**447**	975
Property and equipment	17	**802**	864
Intangible assets including intangible insurance assets	18	**4 651**	3 151
Current income tax assets		**11**	1
Deferred income tax assets	25	**97**	118
Other assets	19	**655**	423
Total assets		**134 791**	179 757

Consolidated balance sheet

In CHF million	Notes	31.12.2008	31.12.2007
Liabilities and equity			
Liabilities			
Insurance and other payables	9, 33	**3 465**	3 350
Derivatives	10	**346**	213
Liabilities associated with assets held for sale	30	**–**	37 502
Financial liabilities at fair value through profit or loss	11	**10 805**	11 427
Investment contracts	20	**11 135**	12 907
Deposits	21, 33	**3 282**	2 622
Borrowings	22, 33	**3 123**	3 621
Insurance liabilities	23	**91 024**	94 492
Policyholder participation liabilities		**1 422**	3 388
Employee benefit liabilities	24	**2 010**	1 980
Current income tax liabilities		**229**	245
Deferred income tax liabilities	25	**648**	485
Provisions	26	**93**	116
Other liabilities	19	**557**	75
Total liabilities		**128 139**	172 423
Equity			
Share capital		**596**	1 189
Share premium		**2 690**	2 612
Treasury shares		**–1 167**	–618
Foreign currency translation differences		**–195**	123
Gains/losses recognised directly in equity	27	**–445**	–809
Retained earnings		**5 130**	4 780
Total shareholders' equity		**6 609**	7 277
Minority interest		**43**	57
Total equity	28	**6 652**	7 334
Total liabilities and equity		**134 791**	179 757

Consolidated Statement of Cash Flows

Consolidated statement of cash flows for the years ended 31 December

In CHF million	Notes	2008	2007
Cash flows from operating activities			
Premiums, policy fees and deposits received, net of reinsurance		**18 145**	20 809
Benefits and claims paid, net of reinsurance		**–19 107**	–17 368
Interest received		**3 777**	5 290
Dividends received		**416**	880
Commissions received		**1 110**	502
Rentals received		**702**	685
Interest paid		**–70**	–143
Commissions, employee benefit and other payments		**–4 570**	–3 332
Net foreign currency gains/losses on cash and cash equivalents		**69**	136
Net cash flows from			
Derivatives		**2 116**	–556
Financial instruments at fair value through profit or loss		**–988**	2 178
Financial assets available for sale		**2 672**	–12 868
Loans		**1 176**	2 615
Financial assets held to maturity		**–3 998**	426
Investment property		**–256**	–321
Deposits		**4 353**	1 786
Other operating assets and liabilities		**–1 011**	–163
Net cash flows from operating activities before income tax		**4 536**	556
Income taxes paid		**–176**	–195
Total net cash flows from operating activities		**4 360**	361
Cash flows from investing activities			
Purchases of investments in associates		**–530**	–3
Sales of investments in associates		**–**	1
Dividends received from associates	16	**9**	10
Purchases of property and equipment		**–236**	–101
Sales of property and equipment		**33**	14
Purchases of computer software and other intangible assets		**–10**	–6
Acquisitions of minority interest		**–**	–28
Acquisitions of subsidiaries, net of cash and cash equivalents		**–1 211**	–219
Disposals of subsidiaries, net of cash and cash equivalents		**4 118**	305
Total net cash flows from investing activities		**2 173**	–27
Balance carried forward to next page		**6 533**	334

Consolidated statement of cash flows for the years ended 31 December

In CHF million	2008	2007
Balance carried forward from previous page	**6 533**	334
Cash flows from financing activities		
Issuance of subordinated perpetual notes	–	1 140
Issuance of other debt instruments	**413**	208
Redemption of debt instruments	**–705**	–266
Reduction in par value	**–547**	–234
Premiums paid/received for options on own shares	–	–6
Purchases of treasury shares	**–711**	–1 313
Sales of treasury shares	**144**	754
Capital contributions from minority interest	**10**	24
Borrowing costs paid	**–172**	–136
Dividends paid to minority interest	**–4**	–12
Total net cash flows from financing activities	**–1 572**	159
Total change in cash and cash equivalents	**4 961**	493
Cash and cash equivalents as at 1 January	**4 555**	7 621
Classification as assets held for sale	–	–3 591
Effect of exchange rate differences	**–108**	32
Total change in cash and cash equivalents	**4 961**	493
Cash and cash equivalents as at 31 December	**9 408**	4 555
Components of cash and cash equivalents		
Cash on hand and demand deposits	**3 887**	1 725
Cash equivalents	**4 234**	1 012
Cash and cash equivalents for the account and risk of the Swiss Life Group’s customers	**1 287**	1 818
Total cash and cash equivalents as at 31 December	**9 408**	4 555

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity for the year 2008

In CHF million	Notes	Share capital	Share premium	Treasury shares	Foreign currency translation differences	Gains/losses recognised directly in equity	Retained earnings	Total shareholders' equity	Minority interest	Total equity
Balance as at 1 January		**1 189**	**2 612**	**–618**	**123**	**–809**	**4 780**	**7 277**	**57**	**7 334**
Changes in foreign currency translation differences		–	–	–	**–311**	–	–	**–311**	**–8**	**–319**
Changes in gains/losses recognised directly in equity		–	–	–	–	**225**	–	**225**	**0**	**225**
Disposals of subsidiaries		–	–	–	**–7**	**139**	–	**132**	**–4**	**128**
Net profit		–	–	–	–	–	**350**	**350**	**–5**	**345**
Total recognised income and expense for the period		–	–	–	**–318**	**364**	**350**	**396**	**–17**	**379**
Reduction in par value	27	**–596**	**49**	–	–	–	–	**–547**	–	**–547**
Conversion of convertible debt	27	**3**	**20**	–	–	–	–	**23**	–	**23**
Obligation to purchase own shares		–	**–12**	–	–	–	–	**–12**	–	**–12**
Equity-settled share-based payments		–	**9**	–	–	–	–	**9**	**0**	**9**
Purchases of treasury shares		–	–	**–711**	–	–	–	**–711**	–	**–711**
Sales of treasury shares		–	**12**	**150**	–	–	–	**162**	–	**162**
Disposals of subsidiaries		–	–	**12**	–	–	–	**12**	**–17**	**–5**
Acquisitions of subsidiaries		–	–	–	–	–	–	–	**14**	**14**
Capital contributions from minority interest		–	–	–	–	–	–	–	**10**	**10**
Dividends		–	–	–	–	–	–	–	**–4**	**–4**
Balance as at 31 December		**596**	**2 690**	**–1 167**	**–195**	**–445**	**5 130**	**6 609**	**43**	**6 652**

Consolidated statement of changes in equity for the year 2007

In CHF million	Notes	Share capital	Share premium	Treasury shares	Foreign currency translation differences	Gains/losses recognised directly in equity	Retained earnings	Total shareholders' equity	Minority interest	Total equity
Balance as at 1 January		1 385	2 459	–66	61	305	3 435	7 579	272	7 851
Changes in foreign currency translation differences		–	–	–	64	–	–	64	0	64
Changes in gains/losses recognised directly in equity		–	–	–	–	–1 115	–	–1 115	1	–1 114
Disposals of subsidiaries		–	–	–	–2	1	–	–1	–251	–252
Net profit		–	–	–	–	–	1 345	1 345	23	1 368
Total recognised income and expense for the period		–	–	–	62	–1 114	1 345	293	–227	66
Reduction in par value	27	–245	11	–	–	–	–	–234	–	–234
Conversion of convertible debt	27	49	173	–	–	–	–	222	–	222
Options on own shares		–	–7	–	–	–	–	–7	–	–7
Obligation to purchase own shares		–	–28	–	–	–	–	–28	–	–28
Equity-settled share-based payments		–	9	–	–	–	–	9	–	9
Purchases of treasury shares		–	–	–1 313	–	–	–	–1 313	–	–1 313
Sales of treasury shares		–	–5	761	–	–	–	756	–	756
Acquisitions of minority interest		–	–	–	–	–	–	–	–12	–12
Capital contributions from minority interest		–	–	–	–	–	–	–	36	36
Dividends		–	–	–	–	–	–	–	–12	–12
Balance as at 31 December		1 189	2 612	–618	123	–809	4 780	7 277	57	7 334

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. In Switzerland, France and Germany, the Group offers individuals and corporations comprehensive advice and a broad range of products through its own sales force as well as brokers and banks. Swiss Life provides international corporations with employee benefits solutions from a single source, and is one of the global leaders in structured life and pension products for international 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 client segments. AWD offers 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 Ltd (hereinafter referred to as "Swiss Life Holding") on 8 May 2008, a reduction in par value of CHF 17 per registered share was effected in 2008. The payout took place on 29 July 2008 and amounted to CHF 547 million.

SHARE BUYBACK PROGRAMME | In the period under review, 3 003 500 Swiss Life Holding shares were repurchased for CHF 686 million under the share buyback programme.

CONVERSION OF CONVERTIBLE DEBT | In the period under review, convertible bonds were converted into 124 115 Swiss Life Holding shares in total with a corresponding increase in share capital and share premium (2007: conversion into 1 184 170 Swiss Life Holding shares).

APPROVAL OF FINANCIAL STATEMENTS | On 23 March 2009, 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.

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 November 2006, IFRIC 11 IFRS 2 – Group and Treasury Share Transactions was issued. The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The Interpretation also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Interpretation is effective for annual periods beginning on or after 1 March 2007. The Interpretation does not have an impact on the Swiss Life Group.

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 has been adopted by the Swiss Life Group for annual periods as of 1 January 2008. It has no impact on the Swiss Life Group as no defined benefit asset has been recognised where the availability of refunds or reductions in future contributions are restricted by the Interpretation. No defined benefit asset or liability is affected by a statutory or contractual minimum funding requirement.

In October 2008, amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures were issued in response to the deterioration of the financial markets in the third quarter of 2008. A financial asset within the scope of these amendments can be reclassified out of the fair-value-through-profit-or-loss category and the available-for-sale category if specified criteria are met. A debt instrument that would have met the definition of "loans and receivables" may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity. Any other debt or equity instrument may be reclassified out of the fair-value-through-profit-or-loss category if certain conditions are met – however, only in rare circumstances. The reclassification amendments apply from 1 July 2008. An entity shall not reclassify a financial asset before 1 July 2008. Any reclassification of a financial asset made on or after 1 November 2008 shall take effect only from the date when the reclassification is made. The Swiss Life Group made use of the possibility to reclassify certain debt instruments from the available-for-sale category to loans as at 1 July 2008. The financial effect of the reclassifications and the disclosure in accordance with IFRS 7 Financial Instruments: Disclosures is shown in note 37.

2 Summary of Significant Accounting Policies (continued)

The following new Interpretation is not relevant to the Swiss Life Group:

IFRIC 12 Service Concession Arrangements

2.3 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.

Minority interest is the part of profit or loss and net assets of a subsidiary attributable to equity interest that is not owned, directly or indirectly, through subsidiaries by the parent. The amount of minority interest comprises the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the original acquisition and the minority's proportion of changes in equity since the date of acquisition.

A listing of the Group's principal associates is shown in note 39.

2.4 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.

FOREIGN CURRENCY EXCHANGE RATES

	31.12.2008	31.12.2007	**Average 2008**	Average 2007
1 British pound (GBP)	**1.5413**	2.2561	**2.0006**	2.4016
1 Croatian kuna (HRK)	**0.2036**	n. a.	**0.2201**	n. a.
1 Czech koruna (CZK)	**0.0562**	n. a.	**0.0638**	n. a.
1 Euro (EUR)	**1.4915**	1.6552	**1.5874**	1.6432
100 Hungarian forint (HUF)	**0.5625**	n. a.	**0.6340**	n. a.
100 Polish zloty (PLN)	**35.9400**	n. a.	**45.4610**	n. a.
1 Romanian new leu (RON)	**0.3732**	n. a.	**0.4336**	n. a.
1 Singapore dollar (SGD)	**0.7345**	0.7825	**0.7651**	0.7967
1 Slovak koruna (SKK)	**0.0495**	n. a.	**0.0510**	n. a.
1 US dollar (USD)	**1.0608**	1.1249	**1.0831**	1.2004

2 Summary of Significant Accounting Policies (continued)

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.

2.5 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.

2.6 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 not, except for certain foreign exchange contracts, 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 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.

2.7 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.

2.8 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 assets 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 objective evidence of impairment. In this respect, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. In such a situation, the impairment loss – measured as the difference between the acquisition cost and the current fair value – is removed from equity and recognised in the income statement. After recognition of an impairment loss, any further declines in fair value are recognised in the income statement, and subsequent increases in fair value are recognised directly in equity.

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.

2.9 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.

2.10 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).

2 Summary of Significant Accounting Policies (continued)

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 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.

2 Summary of Significant Accounting Policies (continued)

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.

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 | The Insurance Supervisory Act was changed with effect from 1 January 2008. The new requirements for the statutory minimum distribution are as follows: A minimum of 90% of the total investment result less 100% of the minimum guaranteed interest on the policyholder account, a minimum of 75% of the risk result and a minimum of 50% of the positive expense result is allocated to the policyholder.

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.

2 Summary of Significant Accounting Policies (continued)

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. Benefits are recognised as an expense when due.

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 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.

INSURANCE LIABILITIES AND LIABILITIES FROM INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES

FUTURE LIFE POLICYHOLDER BENEFIT LIABILITIES | These liabilities are determined by using the net-level-premium method. Depending on the type of profit participation, the calculations are based on various actuarial assumptions as to mortality, interest rates, investment returns, expenses and persistency including a margin for adverse deviation. The assumptions are initially set at contract issue and are locked in except for deficiency.

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.

2 Summary of Significant Accounting Policies (continued)

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 measured 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 Summary of Significant Accounting Policies (continued)

2.11 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.

Property and equipment 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.

2.12 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.

2.13 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.

2 Summary of Significant Accounting Policies (continued)

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.

2.14 Asset management and other commission income

Revenue consists principally of brokerage fees, recurring fees for existing business and other fees. Such revenue is recognised when earned, i.e. when the services are rendered. Cancellations are recorded as a deduction of fee income.

Costs primarily comprise commissions paid to independent financial advisors, employee benefits attributable to advisory services and other expenses.

2.15 Intangible assets

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 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.

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 benefit liabilities and expected annual policyholder bonuses.

2 Summary of Significant Accounting Policies (continued)

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.

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 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.

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.

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.

2 Summary of Significant Accounting Policies (continued)

BRANDS AND OTHER | Other intangible assets consist of trademarks, computer software and other.

Brands and trademarks with a definite useful life of generally 5 to 20 years are amortised using the straight-line method over their useful lives. Brands with an indefinite useful life are tested for impairment on an annual basis as part of the cash-generating unit to which they belong. They are carried at cost less accumulated impairment.

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.

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.

2.17 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, 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 Summary of Significant Accounting Policies (continued)

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 represented 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.

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 related to assets measured at fair value 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.

Based on the terms and conditions, such as repayment provisions and contractual interest payments, hybrid instruments are considered as financial liabilities.

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.

2 Summary of Significant Accounting Policies (continued)

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 and the present value of any future refunds from the plans or reductions in future contributions to the plans.

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.

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 Summary of Significant Accounting Policies (continued)

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.

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.

2.26 Forthcoming changes in accounting policies

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 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 trans-

2 Summary of Significant Accounting Policies (continued)

actions 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.

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.

As part of the annual improvement project, the International Accounting Standards Board issued an amendment to IAS 40 Investment Property and a consequential amendment to IAS 16 Property, Plant and Equipment in May 2008. Property under construction or development for future use as investment property is within the scope of IAS 40. As the Swiss Life Group applies the fair value model for investment property, such property is therefore measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. 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.

In July 2008, IFRIC 16 Hedges of a Net Investment in a Foreign Operation was issued. IFRIC 16 applies to hedges of the foreign currency risk arising from the net investment in foreign operations. The Interpretation addresses the issue of which risks are eligible for hedge accounting. It clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of

2 Summary of Significant Accounting Policies (continued)

the foreign operation. The hedging instruments may be held by any entity or entities within the group. The Interpretation is effective for annual periods beginning on or after 1 October 2008. It is not expected to have an impact on the Swiss Life Group as no such hedging arrangements are currently in place.

In July 2008, the International Accounting Standards Board published Eligible Hedged Items (an amendment to IAS 39 Financial Instruments: Recognition and Measurement). The amendment provides clarification on how hedge accounting should be performed with regard to identifying inflation as a hedged risk and hedging with options. The amendment 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.

In November 2008, IFRIC 17 Distributions of Non-cash Assets to Owners was released by the International Financial Reporting Interpretations Committee. The Interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss. The Interpretation 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.

In March 2009, the International Accounting Standards Board issued Improving Disclosures about Financial Instruments, Amendments to IFRS 7 Financial Instruments: Disclosures. The amendments improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. 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.

The following amended Standards and Interpretations are not relevant to the Swiss Life Group:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment relating to the cost of an investment on first-time adoption

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 18 Transfers of Assets from Customers

Annual improvements to IFRS as published in May 2008, except for the amendment to IAS 40 Investment Property and IAS 16 Property, Plant and Equipment as described above

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 prices in active markets, if available. In inactive markets, information about prices from recent transactions with the same or similar instruments, quotes from brokers, indices and other input are taken into consideration in the determination of fair values. A market is deemed no longer active if prices available do not represent regularly occurring market transactions on an arm's length basis. Furthermore, the volume of trading activity has declined significantly and bid/ask spreads have widened above a certain level.
- 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 and are valued at 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.
- 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.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

- 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 (such as rental income and operating expenses) 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 and loans and receivables

As a Group policy, held-to-maturity and available-for-sale debt 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.

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 objective evidence of impairment. In this respect, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged.

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. Actuarial 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.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

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 values of the liabilities so established are adequate in the light of these latest estimates. If the valuation of the liabilities is deemed adequate the assumptions are not altered. However, if the valuation of the liabilities is deemed inadequate, the assumptions underlying the valuation of the liabilities are altered ("unlocked") to reflect the latest estimates; no margin is added to the assumptions in this event.

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 and avian flu, and wide-ranging lifestyle changes such as in eating, smoking and exercise habits, could result in an adverse mortality experience for the age groups in which significant exposure to mortality risk exists. However, continuing improvements in medical care and social conditions could result in an increasing life expectancy in excess of 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.

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.

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 the individual and group life business in Switzerland internal tables are in place. In the individual life business, the internal disability rates are based on the Swiss Insurance Association statistics and reflect the average situation of the past in the Swiss market. In the individual life business, only reactivation is considered, whereas increased mortality is also taken into account in group life business. In the individual life business, disability tables are usually reviewed every five years when new statistics from the Swiss Insurance Association become available.

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.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

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 convert the accumulated funds of an endowment contract into a life annuity at maturity. If the annuity rates under the guarantee exceed the market annuity rates, a rational policyholder will exercise the option. In this case, the insurer must bear the difference. The value of the option mainly depends on the mortality rates and the 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.

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.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

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. A provision is recognised to the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made.

4 Segment Information

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 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
- AWD
- Other
- Insurance (Discontinued)
- Banking (Discontinued)

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.

"Insurance Other" comprises the insurance operations in Liechtenstein and Luxembourg.

"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.

"AWD" comprises the Hanover-based AWD Group which was acquired by the Swiss Life Group on 19 March 2008 and the Proventus Group which was acquired in November 2008. The AWD Group specialises in financial advisory services for medium and high-income customer segments.

"Other" refers principally to various finance and service companies.

The insurance operations in the Netherlands and Belgium, which were disposed of on 29 April 2008, are presented as a separate segment "Insurance (Discontinued)".

4 Segment Information (continued)

Banca del Gottardo, Lugano, was disposed of on 7 March 2008. For the purposes of segment reporting Banca del Gottardo, Lugano, is presented as a separate segment "Banking (Discontinued)".

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 statement of income and balance sheet for the segments are given on the following pages:

4 Segment Information (continued)

Statement of income for the year ended 31 December 2008

In CHF million	Insurance Switzerland	Insurance France	Insurance Germany	Insurance Other	Investment Management
Income					
Premiums earned on insurance contracts	**7 795**	**3 674**	**1 862**	**81**	**–**
Premiums earned on investment contracts with discretionary participation	**158**	**8**	**–**	**–**	**–**
Premiums ceded to reinsurers	**–14**	**–199**	**–70**	**–39**	**–**
Net earned premiums	**7 939**	**3 483**	**1 792**	**42**	**–**
Policy fees earned on insurance contracts	**10**	**44**	**–**	**–**	**–**
Policy fees earned on investment and unit-linked contracts	**14**	**91**	**27**	**74**	**–**
Net earned policy fees	**24**	**135**	**27**	**74**	**–**
Asset management and other commission income	**49**	**66**	**27**	**1**	**265**
Investment income	**2 910**	**730**	**882**	**34**	**5**
Net gains/losses on financial assets	**–5 262**	**–323**	**–417**	**–9**	**–1**
Net gains/losses on financial instruments at fair value through profit or loss	**2 185**	**–407**	**92**	**–3**	**0**
Net gains/losses on investment property	**142**	**57**	**–5**	**0**	**–**
Other income	**292**	**16**	**17**	**–4**	**4**
Total income	**8 279**	**3 757**	**2 415**	**135**	**273**
of which inter-segment	***94***	***1***	***5***	***–7***	***172***
Expenses					
Benefits and claims under insurance contracts	**–7 892**	**–2 824**	**–2 089**	**–39**	**–**
Benefits and claims under investment contracts with discretionary participation	**–172**	**–12**	**–**	**–**	**–**
Benefits and claims recovered from reinsurers	**5**	**32**	**59**	**19**	**–**
Net insurance benefits and claims	**–8 059**	**–2 804**	**–2 030**	**–20**	**–**
Policyholder participation	**–112**	**472**	**69**	**–1**	**–**
Interest expense	**–141**	**–219**	**–19**	**–17**	**0**
Commission expense	**–202**	**–342**	**–108**	**–45**	**–36**
Employee benefits expense	**–334**	**–237**	**–106**	**–43**	**–98**
Depreciation and amortisation expense	**–12**	**–321**	**–138**	**–6**	**0**
Impairment of property and equipment and intangible assets	**–4**	**–**	**–**	**–**	**–**
Other expenses	**–163**	**–266**	**–54**	**–39**	**–45**
Total expenses	**–9 027**	**–3 717**	**–2 386**	**–171**	**–179**
of which inter-segment	***–136***	***–16***	***–45***	***–28***	***–28***
Segment result	**–748**	**40**	**29**	**–36**	**94**
of which inter-segment	***–42***	***–15***	***–40***	***–35***	***144***
Unallocated corporate costs					
Result from operations					
Borrowing costs	**–174**	**–10**	**–4**	**–13**	**–**
Share of results of associates	**1**	**5**	**1**	**0**	**–**
Income tax expense					
Net result					
Additions to non-current assets	**436**	**104**	**447**	**4**	**0**

AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total	Less: discontinued operations	Continuing operations
–	–	782	–	–20	14 174	–782	13 392
–	–	–	–	–	166	–	166
–	–	–7	–	20	–309	5	–304
–	–	775	–	0	14 031	–777	13 254
–	–	4	–	–	58	–4	54
–	–	53	–	–	259	–53	206
–	–	57	–	–	317	–57	260
750	9	15	35	–223	994	–44	950
7	63	275	63	–69	4 900	–337	4 563
–3	5	9	–118	–	–6 119	109	–6 010
–2	–12	27	28	–	1 908	–55	1 853
–	–	0	–	–	194	0	194
15	–38	1 039	690	–8	2 023	–1 731	292
767	27	2 197	698	–300	18 248	–2 892	15 356
15	*17*	*–2*	*5*	*–300*			
–	–	–919	–	0	–13 763	919	–12 844
–	–	–	–	–	–184	–	–184
–	–	2	–	–2	115	–2	113
–	–	–917	–	–2	–13 832	917	–12 915
–	–	2	–	0	430	–1	429
0	–2	–34	–49	12	–469	76	–393
–429	–2	–24	–4	204	–988	25	–963
–162	–3	–61	–30	–2	–1 076	91	–985
–41	–	–28	–	–	–546	28	–518
–	–	0	–	–	–4	0	–4
–176	–11	–36	–20	24	–786	53	–733
–808	–18	–1 098	–103	236	–17 271	1 189	–16 082
0	*29*	*–2*	*–10*	*236*			
–41	9	1 099	595	–64	977	–1 703	–726
15	*46*	*–4*	*–5*	*–64*			
					–116	–	–116
					861	–1 703	–842
–	–42	–2	–1	64	–182	1	–181
–	–156	1	–	–	–148	–1	–149
					–186	215	29
					345	–1 488	–1 143
1 526	–	–	–	–	2 517		

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	Investment Management
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	271
Investment income	2 981	1 099	829	32	3
Net gains/losses on financial assets	–205	–33	236	1	0
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	8
Total income	10 770	4 928	3 109	142	282
of which inter-segment	*100*	*0*	*–1*	*–5*	*172*
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	0
Commission expense	–209	–397	–128	–39	–39
Employee benefits expense	–324	–254	–103	–27	–99
Depreciation and amortisation expense	–58	–275	–110	–4	–1
Impairment of property and equipment and intangible assets	–5	–	–1	–	–
Other expenses	–175	–242	–59	–20	–50
Total expenses	–10 120	–4 604	–3 044	–134	–189
of which inter-segment	*–122*	*–9*	*–25*	*–8*	*–49*
Segment result	650	324	65	8	93
of which inter-segment	*–22*	*–9*	*–26*	*–13*	*123*
Unallocated corporate costs					
Result from operations					
Borrowing costs	–164	–14	0	–9	–
Share of results of associates	1	4	1	0	–
Income tax expense					
Net result					
Additions to non-current assets	432	70	83	187	1

AWD	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
–	9	31	303	–226	504	–308	196
–	62	894	412	–129	6 183	–1 305	4 878
–	–5	66	84	–	144	–149	–5
–	1	51	102	0	–36	–143	–179
–	–	–3	–	–	227	2	229
–	8	1	–9	–8	140	7	147
–	75	3 123	892	–365	22 956	–3 985	18 971
–	*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
–	–1	–105	–337	78	–822	367	–455
–	–3	–66	–39	196	–724	104	–620
–	–2	–164	–198	–3	–1 174	361	–813
–	–	–100	–10	–	–558	110	–448
–	–	–	-	–	–6	–	–6
–	–7	–91	–140	33	–751	222	–529
–	–13	–2 652	–724	303	–21 177	3 292	–17 885
–	*–6*	*–6*	*–78*	*303*			
–	62	471	168	–62	1 779	–693	1 086
–	*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
–	–	76	21	–	870		

4 Segment Information (continued)

Balance sheet as at 31 December 2008

In CHF million	Insurance Switzerland	Insurance France	Insurance Germany
Assets			
Cash and cash equivalents	5 943	632	378
Insurance and other receivables	1 768	1 220	733
Derivatives	1 186	29	162
Assets held for sale	3	–	1
Financial assets at fair value through profit or loss	1 857	7 331	580
Financial assets available for sale	27 763	10 731	3 918
Loans	20 564	230	12 563
Financial assets held to maturity	4 586	2 495	78
Investment property	10 652	1 271	716
Reinsurance assets	30	361	44
Property and equipment	452	160	115
Intangible assets including intangible insurance assets	1 110	527	1 527
Other assets	656	31	0
Segment assets	76 570	25 018	20 815
Investments in associates			
Income tax assets			
Total assets			
Liabilities and equity			
Liabilities			
Insurance and other payables	2 053	988	289
Derivatives	284	2	60
Financial liabilities at fair value through profit or loss	1 047	1 078	288
Investment contracts	1 008	9 657	13
Deposits	2 175	713	402
Insurance liabilities	61 691	11 049	18 104
Policyholder participation liabilities	715	10	693
Employee benefit liabilities	1 847	37	44
Provisions	32	35	20
Other liabilities	401	16	–
Segment liabilities	71 253	23 585	19 913
Borrowings			
Income tax liabilities			
Equity			
Total liabilities and equity			

Insurance Other	Investment Management	AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total
1 423	83	78	873	–	–	–2	9 408
90	69	230	62	163	–	–385	3 950
3	–	–	–	–	–	–31	1 349
–	–	–	–	–	–	–	4
7 144	–	1	3	–	–	–	16 916
702	33	–	16	–	–	–	43 163
0	10	13	810	–	–	–1 111	33 079
–	–	–	–	–	–	–	7 159
24	–	–	–	–	–	–	12 663
18	–	–	–	–	–	–6	447
2	3	70	–	–	–	–	802
187	0	1 300	–	–	–	–	4 651
0	63	4	6	–	–	–105	655
9 593	261	1 696	1 770	163	–	–1 640	134 246
							437
							108
							134 791
142	40	284	50	3	–	–384	3 465
0	–	–	31	–	–	–31	346
8 392	–	–	–	–	–	–	10 805
457	–	–	–	–	–	–	11 135
1	0	–	–	–	–	–9	3 282
245	–	–	–	–	–	–65	91 024
6	–	–	–	–	–	–2	1 422
0	82	–	–	–	–	–	2 010
0	5	–	1	–	–	–	93
2	1	146	25	4	–	–38	557
9 245	128	430	107	7	–	–529	124 139
							3 123
							877
							6 652
							134 791

4 Segment Information (continued)

Balance sheet as at 31 December 2007

In CHF million	Insurance Switzerland	Insurance France	Insurance Germany
Assets			
Cash and cash equivalents	2 378	142	273
Insurance and other receivables	2 107	1 340	746
Derivatives	340	5	87
Assets held for sale	4	–	1
Financial assets at fair value through profit or loss	3 557	7 372	913
Financial assets available for sale	49 754	11 450	6 387
Loans	8 925	241	11 873
Financial assets held to maturity	–	3 529	93
Investment property	10 171	1 334	720
Reinsurance assets	31	367	584
Property and equipment	564	194	101
Intangible assets including intangible insurance assets	1 079	553	1 329
Other assets	445	21	2
Segment assets	79 355	26 548	23 109
Investments in associates			
Income tax assets			
Total assets			
Liabilities and equity			
Liabilities			
Insurance and other payables	2 585	516	341
Derivatives	214	0	2
Liabilities associated with assets held for sale	–	–	–
Financial liabilities at fair value through profit or loss	1 345	385	355
Investment contracts	1 027	11 450	–
Deposits	1 283	377	970
Insurance liabilities	64 069	11 087	19 446
Policyholder participation liabilities	815	1 120	1 442
Employee benefit liabilities	1 815	38	53
Provisions	32	38	38
Other liabilities	52	22	2
Segment liabilities	73 237	25 033	22 649
Borrowings			
Income tax liabilities			
Equity			
Total liabilities and equity			

Insurance Other	Investment Management	AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total
1 890	118	–	328	–	–	–574	4 555
46	81	–	89	1	2	–260	4 152
53	–	–	2	–	–	–24	463
–	–	–	–	27 135	13 328	–	40 468
7 559	–	–	13	14	–	–29	19 399
670	31	–	296	–	–	–	68 588
0	9	–	882	30	8	–1 316	20 652
–	2	–	–	–	–	–	3 624
27	–	–	–	–	–	–	12 252
1	–	–	–	4	–	–12	975
1	4	–	–	–	–	–	864
190	0	–	–	–	–	–	3 151
1	51	–	7	–	303	–407	423
10 438	296	–	1 617	27 184	13 641	–2 622	179 566
							72
							119
							179 757

Insurance Other	Investment Management	AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total
69	43	–	30	15	2	–251	3 350
–	–	–	21	–	–	–24	213
–	–	–	–	25 699	11 803	–	37 502
9 357	–	–	–	14	–	–29	11 427
430	–	–	–	–	–	–	12 907
1	0	–	–	3	604	–616	2 622
255	–	–	–	–	–	–365	94 492
13	–	–	–	–	–	–2	3 388
1	73	–	–	–	–	–	1 980
0	6	–	2	–	–	–	116
0	0	–	44	0	0	–45	75
10 126	122	–	97	25 731	12 409	–1 332	168 072
							3 621
							730
							7 334
							179 757

4 Segment Information (continued)

Premiums and policy fees from external customers

In CHF million	2008	2007	2008	2007
	Net earned premiums	Net earned premiums	**Net earned policy fees**	Net earned policy fees
Life				
Individual life	**4 867**	4 772	**300**	481
Group life	**8 604**	9 883	**17**	57
Total life	**13 471**	14 655	**317**	538
Non-life				
Accident and health	**18**	44	**–**	–
Property, casualty and other	**542**	557	**–**	–
Total non-life	**560**	601	**–**	–
Total	**14 031**	15 256	**317**	538

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	2008	2007	31.12.2008	31.12.2007
	Total income	Total income	**Non-current assets**	Non-current assets
Switzerland	**9 049**	11 497	**11 193**	10 739
France	**3 763**	4 960	**1 755**	1 845
Germany	**2 865**	3 111	**2 511**	831
Liechtenstein	**45**	49	**177**	180
Luxembourg	**113**	138	**34**	36
Netherlands	**2 080**	2 470	**–**	–
Belgium	**105**	623	**–**	–
Other countries	**228**	108	**8**	–
Total	**18 248**	22 956	**15 678**	13 631

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. Half-yearly reports covering interest rate risk, equity price risk, currency risk, credit risk and insurance risk are prepared on a consolidated basis. 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

The assets relating to 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). These assets 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	Notes	31.12.2008	31.12.2007
Cash and cash equivalents		**1 287**	1 818
Derivatives	10	**6**	60
Financial assets at fair value through profit or loss			
Debt instruments	11	**3 120**	2 825
Equity securities	11	**805**	1 794
Investment fund units	11	**5 723**	7 028
Other	11	**1 484**	2 049
Total assets for the account and risk of the Swiss Life Group's customers		**12 425**	15 574

LIABILITIES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS

In CHF million	Notes	31.12.2008	31.12.2007
Financial liabilities at fair value through profit or loss	11	**9 727**	11 042
Derivatives	10	**–**	0
Investment contracts	20	**1 725**	3 567
Insurance liabilities	23	**952**	931
Total liabilities for the account and risk of the Swiss Life Group's customers		**12 404**	15 540

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	2008	2007	2008	2007	2008	2007
	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	**4 563**	4 878	**0**	–	**4 563**	4 878
Net gains/losses on financial assets	**–6 010**	–5	**–**	–	**–6 010**	–5
Net gains/losses on financial instruments at fair value through profit or loss (FVPL)	**1 790**	–229	**63**	50	**1 853**	–179
Net gains/losses on investment property	**194**	229	**–**	–	**194**	229
Share of results of associates	**–149**	12	**–**	–	**–149**	12
Financial result	**388**	4 885	**63**	50	**451**	4 935
The financial result for the account and risk of the Swiss Life Group's customers consists of						
net gains/losses on financial assets at FVPL			**–3 060**	722		
net gains/losses on financial liabilities at FVPL			**3 123**	–672		

5 Risk Management Policies and Procedures (continued)

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 rests with the Corporate Executive Board.

Risk and exposure limits are defined to control and limit the exposure to these risks. The limit systems and processes are set in a way that the sublimits are not utilised simultaneously in full.

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.

5.3 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 and distribution policy with regard to surplus generated on investments.

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 the involvement of investment management, finance, actuarial and risk functions.

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.

5 Risk Management Policies and Procedures (continued)

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 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 guaranteed 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.

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 product management and underwriting have been introduced to harmonise the local guidelines and to ensure that they are in line with the guidelines of the Group. As the Group's insurance entities operate in a number of different countries, the local regulatory constraints may have an impact on the business unit organisation and product range. These constraints must always be obeyed.

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, interest rate risk capital, currency risk capital and credit risk capital limits as well as exposure limits for currencies and net equity for each relevant insurance operation are defined based on the risk appetite. These limits are assessed and reported on a regular basis.

INSURANCE LIABILITIES WITH EMBEDDED DERIVATIVES NOT SEPARATED AND FAIR VALUED

In CHF million	**31.12.2008**	31.12.2007
Interest rate risk	**84 744**	85 583
Total insurance liabilities with embedded derivatives not separated and fair valued	**84 744**	85 583
Other insurance liabilities	**5 328**	7 978
Insurance liabilities for the account and risk of the Swiss Life Group's customers	**952**	931
Total insurance liabilities	**91 024**	94 492

5 Risk Management Policies and Procedures (continued)

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, counterparties 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, currency forwards in order to manage currency risk and credit default swaps in order to manage counterparty 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 as well as the list of allowed over-the-counter trading partners 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.

INTEREST RATE RISK RELATING TO FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS | The Group’s primary interest rate exposure is to 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	**31.12.2008**	31.12.2007
Interest-sensitive insurance liabilities		
Minimum guaranteed interest rate 0 – < 2%	**4 992**	2 193
Minimum guaranteed interest rate 2 – < 3%	**39 202**	38 254
Minimum guaranteed interest rate 3 – < 4%	**30 152**	33 423
Minimum guaranteed interest rate 4 – < 5%	**10 369**	11 672
Minimum guaranteed interest rate 5 – < 6%	**20**	31
Minimum guaranteed interest rate 6 – 8%	**9**	10
Minimum guaranteed interest rate > 8%	**–**	0
Total interest-sensitive insurance liabilities	**84 744**	85 583
Non-interest-sensitive insurance liabilities	**5 328**	7 978
Insurance liabilities for the account and risk of the Swiss Life Group’s customers	**952**	931
Total insurance liabilities	**91 024**	94 492

The insurance liabilities with minimum guaranteed interest rates between 0% and 4% are primarily denominated in Swiss francs and euros, and the insurance liabilities with minimum guaranteed interest rates between 4% and 8% are primarily denominated in euros.

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.

5 Risk Management Policies and Procedures (continued)

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 rate 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 targeted.

EXPOSURE TO INTEREST RATE RISK

	Earlier of contractual repricing or maturity dates					
In CHF million	Up to 1 year	1–5 years	5–10 years	More than 10 years	For the account and risk of the Swiss Life Group's customers	Total
Carrying amounts as at 31 December 2008						
Financial assets						
Fixed-rate	**8 066**	**11 691**	**24 757**	**32 422**	**–**	**76 936**
Variable-rate	**9 734**	**4 682**	**–**	**–**	**–**	**14 416**
Non-interest-bearing	**8 033**	**253**	**457**	**2 504**	**–**	**11 247**
Assets for the account and risk of the Swiss Life Group's customers	**–**	**–**	**–**	**–**	**12 425**	**12 425**
Total financial assets	**25 833**	**16 626**	**25 214**	**34 926**	**12 425**	**115 024**
Financial liabilities						
Fixed-rate	**–1 086**	**–4 850**	**–7 933**	**–1 046**	**–**	**–14 915**
Variable-rate	**–2 902**	**–796**	**–**	**–**	**–**	**–3 698**
Non-interest-bearing	**–1 903**	**–153**	**0**	**–35**	**–**	**–2 091**
Liabilities for the account and risk of the Swiss Life Group's customers	**–**	**–**	**–**	**–**	**–11 452**	**–11 452**
Total financial liabilities	**–5 891**	**–5 799**	**–7 933**	**–1 081**	**–11 452**	**–32 156**
Balance sheet interest rate sensitivity gap	**19 942**	**10 827**	**17 281**	**33 845**	**973**	**82 868**
Carrying amounts as at 31 December 2007						
Total financial assets	21 577	31 931	22 875	29 476	15 574	121 433
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

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. The guaranteed interest rate for the mandatory BVG business stood at 2.75% in 2008 and was lowered to 2% with effect from 2009. For 2009, the guaranteed annuity

5 Risk Management Policies and Procedures (continued)

conversion rate for the mandatory BVG business is set at 7.05% for men and 7.00% for women. Based on a recent amendment of the legislation and subject to a referendum, the guaranteed annuity conversion rate will be reduced to 6.40% for men and women within five years.

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.

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 led in 2008, and may lead in the future, to a further reduction of the Swiss Life Group's realised and unrealised gains/losses, which also negatively affects 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 that the impairment criteria were met.

A portion of Swiss Life's investment portfolio comprises 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 2008 (2007: none).

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

5 Risk Management Policies and Procedures (continued)

To reduce the credit exposure relating to derivatives a collateral management process has been established. Contractually all outstanding positions must be fully collateralised if they reach a very low agreed minimum transfer amount. The collateral is called at least weekly, but in times of turbulent markets the frequency is increased. As leverage is not permitted, certain coverage rules apply with regard to cash or long positions. Counterparties for derivative transactions, over-the-counter and exchange-traded, have to be approved by both the Group Chief Risk Officer and the Group Chief Investment Officer. The minimum rating for a counterparty is A– (Standard & Poor's or equivalent) for the Swiss Life Group's insurance operations. During the ongoing period of market turmoil reliance on ratings is of limited value; therefore an additional qualitative and quantitative counterparty monitoring process has been established to allow for immediate proactive measures.

Counterpary risk is managed through the holding of credit default swaps or credit default swap indices. A credit default swap provides insurance to the debt holder against a default of the debt issuer. It is traded over-the-counter and underlies itself the collateral management process described above. The credit default swap index is a hedge on credit risk of a basket of counterparties and is an exchange-traded derivative.

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 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. In addition, limits regarding single counterparty exposure are in place which depend on the rating and amount of exposure in relation to total investments. 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. 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	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
	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
Debt instruments						
Debt instruments at fair value through profit or loss	**3 227**	1 814	**3 120**	2 825	**6 347**	4 639
Debt instruments available for sale	**38 273**	54 771	**–**	–	**38 273**	54 771
Loans and receivables	**37 029**	24 804	**–**	–	**37 029**	24 804
Financial assets held to maturity	**7 159**	3 624	**–**	–	**7 159**	3 624
Total debt instruments	**85 688**	85 013	**3 120**	2 825	**88 808**	87 838
Other assets						
Cash and cash equivalents	**8 121**	2 737	**1 287**	1 818	**9 408**	4 555
Derivatives	**1 343**	403	**6**	60	**1 349**	463
Reinsurance assets	**447**	975	**–**	–	**447**	975
Total other assets	**9 911**	4 115	**1 293**	1 878	**11 204**	5 993
Unrecognised items						
Financial guarantees	**446**	152	**–**	–	**446**	152
Loan commitments	**118**	164	**–**	–	**118**	164
Total unrecognised items	**564**	316	**–**	–	**564**	316
Total exposure to credit risk	**96 163**	89 444	**4 413**	4 703	**100 576**	94 147

EXPOSURE TO CREDIT RISK OF DEBT INSTRUMENTS

In CHF million	**At fair value through profit or loss**	**Available for sale**	**Loans and receivables**	**Held to maturity**	**Pledged as collateral**	**Total**
Categories by counterparty as at 31 December 2008						
Governments	**364**	**20 054**	**3 894**	**5 566**	**–**	**29 878**
Sovereign/supranational	**–**	**–**	**1 452**	**–**	**–**	**1 452**
Corporates	**2 699**	**11 714**	**17 954**	**1 593**	**–**	**33 960**
Collateralised debt	**94**	**779**	**11 311**	**–**	**–**	**12 184**
Other debt	**70**	**5 726**	**2 418**	**–**	**–**	**8 214**
Total	**3 227**	**38 273**	**37 029**	**7 159**	**–**	**85 688**
Categories by counterparty as at 31 December 2007						
Governments	156	22 801	5 806	2 081	–	30 844
Sovereign/supranational	10	3 946	–	133	–	4 089
Corporates	1 304	19 696	4 641	743	–	26 384
Collateralised debt	318	8 307	12 182	666	–	21 473
Other debt	26	21	2 175	1	–	2 223
Total	1 814	54 771	24 804	3 624	–	85 013

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 2008							
Governments	**26 062**	**2 896**	**853**	**49**	**18**	**–**	**29 878**
Sovereign/supranational	**–**	**82**	**320**	**813**	**237**	**–**	**1 452**
Corporates	**4 257**	**5 298**	**13 175**	**6 033**	**4 995**	**202**	**33 960**
Collateralised debt	**5 622**	**73**	**44**	**243**	**6 057**	**145**	**12 184**
Other debt	**4 081**	**837**	**925**	**123**	**2 227**	**21**	**8 214**
Total	**40 022**	**9 186**	**15 317**	**7 261**	**13 534**	**368**	**85 688**
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

FINANCIAL ASSETS PAST DUE (NOT IMPAIRED)

In CHF million	Up to 3 months	3–6 months	6–12 months	More than 1 year	Total
Age analysis by counterparty as at 31 December 2008					
Corporates	**–**	**–**	**–**	**–**	**–**
Collateralised debt	**23**	**10**	**–**	**–**	**33**
Total	**23**	**10**	**–**	**–**	**33**
Fair value of collateral and credit enhancements					**14**
Age analysis by counterparty as at 31 December 2007					
Corporates	–	–	–	–	–
Collateralised debt	6	30	4	13	53
Total	6	30	4	13	53
Fair value of collateral and credit enhancements					67

FINANCIAL ASSETS INDIVIDUALLY DETERMINED AS IMPAIRED

In CHF million	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
	Gross amount	Gross amount	**Impairment losses**	Impairment losses	**Carrying amount**	Carrying amount
Analysis by counterparty						
Governments	**0**	–	**0**	–	**–**	–
Corporates	**989**	700	**–787**	–652	**202**	48
Collateralised debt	**146**	205	**–34**	–48	**112**	157
Other debt	**24**	–	**–3**	–	**21**	–
Total	**1 159**	905	**–824**	–700	**335**	205
Fair value of collateral and credit enhancements					**109**	217

5 Risk Management Policies and Procedures (continued)

FINANCIAL ASSETS INDIVIDUALLY DETERMINED AS IMPAIRED

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 by counterparty 2008							
Governments	**–**	**0**	**–**	**–**	**–**	**0**	**0**
Corporates	**652**	**149**	**–7**	**–**	**–**	**–7**	**787**
Collateralised debt	**48**	**–12**	**–1**	**–**	**–**	**–1**	**34**
Other debt	**–**	**3**	**0**	**–**	**–**	**0**	**3**
Total	**700**	**140**	**–8**	**–**	**–**	**–8**	**824**
Impairment loss allowance by counterparty 2007							
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

EXPOSURE TO CREDIT RISK OF OTHER ASSETS

In CHF million	AAA	AA	A	BBB	Below BBB or not rated	Total
Credit rating as at 31 December 2008						
Cash and cash equivalents	**2 570**	**926**	**4 429**	**6**	**190**	**8 121**
Derivatives	**3**	**1 203**	**136**	**–**	**1**	**1 343**
Reinsurance assets	**–**	**394**	**–**	**–**	**53**	**447**
Total	**2 573**	**2 523**	**4 565**	**6**	**244**	**9 911**
of which collateralised					***4***	
Credit rating as at 31 December 2007						
Cash and cash equivalents	1 612	725	301	3	96	2 737
Derivatives	74	241	84	2	2	403
Reinsurance assets	29	916	–	–	30	975
Total	1 715	1 882	385	5	128	4 115

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 2008						
Financial guarantees	**10**	**263**	**7**	**103**	**63**	**446**
Loan commitments	**–**	**–**	**–**	**–**	**118**	**118**
Total	**10**	**263**	**7**	**103**	**181**	**564**
of which collateralised					***75***	
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 values of which are 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 2008							
Monetary assets							
Cash and cash equivalents	**6 443**	**1 358**	**221**	**52**	**47**	**1 287**	**9 408**
Insurance and other receivables	**841**	**2 751**	**331**	**14**	**13**	**–**	**3 950**
Derivatives	**2**	**747**	**546**	**27**	**21**	**6**	**1 349**
Debt instruments at fair value through profit or loss	**164**	**3 063**	**–**	**–**	**–**	**3 120**	**6 347**
Debt instruments available for sale	**15 423**	**21 311**	**1 450**	**89**	**–**	**–**	**38 273**
Loans	**8 007**	**18 386**	**6 576**	**26**	**84**	**–**	**33 079**
Financial assets held to maturity	**–**	**7 159**	**–**	**–**	**–**	**–**	**7 159**
Reinsurance assets	**29**	**418**	**–**	**–**	**–**	**–**	**447**
Total monetary assets	**30 909**	**55 193**	**9 124**	**208**	**165**	**4 413**	**100 012**
Monetary liabilities							
Insurance and other payables	**–1 802**	**–1 621**	**–1**	**–29**	**–12**	**–**	**–3 465**
Derivatives	**–108**	**–217**	**–18**	**0**	**–3**	**–**	**–346**
Debt instruments at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–9 727**	**–9 727**
Investment contracts	**–1 032**	**–8 331**	**–45**	**–2**	**–**	**–1 725**	**–11 135**
Deposits	**–2 165**	**–1 115**	**–2**	**0**	**0**	**–**	**–3 282**
Borrowings	**–414**	**–2 709**	**–**	**–**	**–**	**–**	**–3 123**
Insurance liabilities	**–61 099**	**–28 835**	**–73**	**–65**	**0**	**–952**	**–91 024**
Policyholder participation liabilities	**–713**	**–709**	**–**	**0**	**–**	**–**	**–1 422**
Total monetary liabilities	**–67 333**	**–43 537**	**–139**	**–96**	**–15**	**–12 404**	**–123 524**
Balance sheet currency gap	**–36 424**	**11 656**	**8 985**	**112**	**150**	**–7 991**	**–23 512**
Carrying amounts as at 31 December 2007							
Total monetary assets	28 071	54 851	5 156	179	871	4 703	93 831
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

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 euros, 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 when due (primarily obligations arising from the insurance business and debt) 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 of not being 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 liquid assets, which can be sold at any time. 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 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.

5 Risk Management Policies and Procedures (continued)

EXPOSURE TO LIQUIDITY RISK AS AT 31 DECEMBER 2008

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 and other payables	**3 465**	**669**	**114**	**2 560**	**163**	**8**
Derivatives	**346**	**33**	**48**	**162**	**91**	**19**
Financial liabilities at fair value through profit or loss	**1 078**	**–**	**–**	**1 254**	**–**	**–**
Investment contracts with discretionary participation	**9 055**	**30**	**52**	**283**	**2 118**	**6 572**
Investment contracts without discretionary participation	**355**	**3**	**4**	**139**	**172**	**37**
Deposits	**3 282**	**68**	**4**	**1 980**	**654**	**576**
Borrowings	**3 123**	**7**	**23**	**225**	**2 037**	**2 011**
Total financial liabilities	**20 704**	**810**	**245**	**6 603**	**5 235**	**9 223**
Insurance and policyholder participation liabilities						
Insurance liabilities	**90 072**	**314**	**287**	**3 341**	**7 993**	**78 137**
Policyholder participation liabilities	**1 422**	**321**	**3**	**239**	**543**	**316**
Total insurance and policyholder participation liabilities	**91 494**	**635**	**290**	**3 580**	**8 536**	**78 453**
Commitments						
Loan commitments	**–**	**33**	**–**	**76**	**–**	**9**
Capital commitments	**–**	**382**	**–**	**153**	**459**	**0**
Total commitments	**–**	**415**	**–**	**229**	**459**	**9**

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 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 with discretionary participation	8 901	133	56	319	2 946	5 446
Investment contracts without discretionary participation	439	0	0	92	297	51
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)

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 the balance sheet date. Liabilities are classified as current if they are due to be settled within twelve months after the balance sheet date. All other assets and liabilities are classified as non-current.

In CHF million	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
	Current	Current	**Non-current**	Non-current	**Total**	Total
Assets						
Cash and cash equivalents	**9 408**	4 555	**–**	–	**9 408**	4 555
Insurance and other receivables	**3 811**	3 896	**139**	256	**3 950**	4 152
Derivatives	**1 275**	289	**74**	174	**1 349**	463
Assets held for sale	**4**	40 468	**–**	–	**4**	40 468
Financial assets at fair value through profit or loss	**11 397**	14 261	**5 519**	5 138	**16 916**	19 399
Financial assets available for sale	**4 375**	4 154	**38 788**	64 434	**43 163**	68 588
Loans	**3 182**	3 926	**29 897**	16 726	**33 079**	20 652
Financial assets held to maturity	**674**	559	**6 485**	3 065	**7 159**	3 624
Investment property	**–**	–	**12 663**	12 252	**12 663**	12 252
Investments in associates	**–**	–	**437**	72	**437**	72
Reinsurance assets	**401**	852	**46**	123	**447**	975
Property and equipment	**–**	–	**802**	864	**802**	864
Intangible assets including intangible insurance assets	**–**	–	**4 651**	3 151	**4 651**	3 151
Current income tax assets	**11**	1	**–**	–	**11**	1
Deferred income tax assets	**–**	–	**97**	118	**97**	118
Other assets	**490**	265	**165**	158	**655**	423
Total assets	**35 028**	73 226	**99 763**	106 531	**134 791**	179 757
Liabilities						
Insurance and other payables	**3 297**	3 299	**168**	51	**3 465**	3 350
Derivatives	**301**	163	**45**	50	**346**	213
Liabilities associated with assets held for sale	**–**	37 502	**–**	–	**–**	37 502
Financial liabilities at fair value through profit or loss	**7 790**	7 703	**3 015**	3 724	**10 805**	11 427
Investment contracts	**590**	626	**10 545**	12 281	**11 135**	12 907
Deposits	**2 046**	774	**1 236**	1 848	**3 282**	2 622
Borrowings	**974**	537	**2 149**	3 084	**3 123**	3 621
Insurance liabilities	**9 517**	12 066	**81 507**	82 426	**91 024**	94 492
Policyholder participation liabilities	**571**	407	**851**	2 981	**1 422**	3 388
Employee benefit liabilities	**–**	–	**2 010**	1 980	**2 010**	1 980
Current income tax liabilities	**229**	245	**–**	–	**229**	245
Deferred income tax liabilities	**–**	–	**648**	485	**648**	485
Provisions	**46**	60	**47**	56	**93**	116
Other liabilities	**509**	74	**48**	1	**557**	75
Total liabilities	**25 870**	63 456	**102 269**	108 967	**128 139**	172 423

5 Risk Management Policies and Procedures (continued)

5.5 Insurance risk management objectives and policies

Insurance contracts are contracts under which one party (the insurer) agrees to compensate the other party (the policyholder) if a specified uncertain future event affects the policyholder. 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 risk taken. The amount of risk taken must be in line with the Group's strategy and risk policy, and must also meet the profitability targets.

NATURE OF INSURANCE RISK | 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 needs. The Swiss Life Group generally favours transparent and simple product design with minimised model risk and a reliable pricing basis with sufficient statistical data available. Insurance risk arises when biometric and demographic trends or administrative costs deviate adversely from expectations and the premium rates agreed with the policyholder. The uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts is due to the unpredictability of long-term changes in overall levels of mortality and disability, for instance. However, there are random fluctuations, such as variability in policyholder behaviour, which cause deviations from the expected outcome of a portfolio. The impact of random fluctuations depends on the extent of diversification within a portfolio of contracts, that is, on the size of the portfolio.

The quantification of life insurance risk is based on a sensitivity analysis. Insurance risk is thus measured as the deviation of (the realisations of) the insurance risk factors from the corresponding best estimate values. Life insurance risk factors include mortality rates, disability rates and longevity, among others.

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. It is mandatory for salaried persons with an annual income of at least CHF 20 520. It provides benefits in the event of old age, death and disability. Old age insurance is based on the individual's savings. The savings process comes to an end when the insured person reaches retirement age. For 2009, the guaranteed annuity conversion rate for the mandatory BVG business was set at the rate of 7.05% for men and 7.00% for women. Based on a recent amendment of the legislation and subject to a referendum, the guaranteed annuity conversion rate will be reduced to 6.40% for men and women within five years.

5 Risk Management Policies and Procedures (continued)

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	**31.12.2008**	31.12.2007
Life annuities – in payment	**562**	563
Life annuities – deferred	**876**	870
Annuities certain – in payment	**20**	23
Annuities certain – deferred	**51**	59
Disability income and other annuities – in payment	**306**	272
Disability income and other annuities – deferred	**7 679**	8 109
Total individual life	**9 494**	9 896

ANNUITIES PAYABLE PER ANNUM BY TYPE OF ANNUITY – GROUP LIFE

In CHF million	**31.12.2008**	31.12.2007
Retirement annuities – in payment	**540**	545
Retirement annuities – deferred	**486**	427
Survivors' annuities – in payment	**104**	114
Survivors' annuities – deferred	**2 051**	2 085
Disability income and other annuities – in payment	**368**	450
Disability income and other annuities – deferred	**14 040**	14 511
Total group life	**17 589**	18 132

LIFE BENEFITS INSURED BY TYPE OF INSURANCE – INDIVIDUAL LIFE

In CHF million	**31.12.2008**	31.12.2007
Pure endowment	**2 017**	2 172
Mixed endowment	**49 275**	53 939
Whole life	**443**	563
Term life	**13 850**	14 241
Universal life	**10**	12
Unit-linked contracts	**6 635**	6 401
Disability lump-sum payment	**28**	32
Other	**5 651**	9 497
Total individual life	**77 909**	86 857

LIFE BENEFITS INSURED BY TYPE OF INSURANCE – GROUP LIFE

In CHF million	**31.12.2008**	31.12.2007
Endowment and related	**14 056**	15 621
Term life	**85 375**	87 197
Swiss BVG	**135 275**	132 240
Disability lump-sum payment	**739**	740
Other	**2 029**	3 294
Total group life	**237 474**	239 092

5 Risk Management Policies and Procedures (continued)

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 avian flu, and 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 primarily cover refunds for medical treatment, 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 in 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).

EMBEDDED 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 insurer's liability 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).

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 coverage 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 coverage exceeding set limits is 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.

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

	Estimate of ultimate claim costs by accident year								
In CHF million	2001	2002	2003	2004	2005	2006	2007	2008	Total
At end of accident year	**535**	**447**	**454**	**467**	**427**	**546**	**501**	**416**	**n. a.**
1 year later	**586**	**496**	**472**	**443**	**481**	**457**	**438**	–	**n. a.**
2 years later	**565**	**481**	**446**	**468**	**440**	**424**	–	–	**n. a.**
3 years later	**550**	**468**	**476**	**447**	**409**	–	–	–	**n. a.**
4 years later	**548**	**480**	**563**	**380**	–	–	–	–	**n. a.**
5 years later	**581**	**470**	**465**	–	–	–	–	–	**n. a.**
6 years later	**530**	**450**	–	–	–	–	–	–	**n. a.**
7 years later	**492**	–	–	–	–	–	–	–	**n. a.**
Current estimate of cumulative claims	**492**	**450**	**465**	**380**	**409**	**424**	**438**	**416**	**3 474**
Cumulative payments to date	**–428**	**–371**	**–354**	**–286**	**–293**	**–296**	**–268**	**–174**	**–2 470**
Liabilities before discounting	**64**	**79**	**111**	**94**	**116**	**128**	**170**	**242**	**1 004**
Effect of discounting	–	–	–	–	–	–	–	–	–
Liabilities for the current and 7 previous years	**64**	**79**	**111**	**94**	**116**	**128**	**170**	**242**	**1 004**
Liabilities for prior years									**177**
Total gross claims under non-life insurance contracts									**1 181**

The development of claims under non-life insurance contracts comprises the non-life business in France.

Acceptance rules for risks are consistent with both the Code des Assurances and the French regulations. 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.

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.

5 Risk Management Policies and Procedures (continued)

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.

As far as non-life insurance is concerned, the reinsurance arrangements mostly include non-proportional coverage on any single risk and/or event, adapted to the specifications of each contract. This includes excess of loss, stop-loss and catastrophe coverage. Facultative reinsurance is also written for protection against specific risks.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon one single reinsurer.

Approximately 2.2% of insurance in force from continuing operations in terms of earned insurance premiums was ceded as at 31 December 2008 (2007: 1.8%).

OTHER RISK TRANSFER | Risk transfer primarily takes the form of reinsurance. Alternative forms of risk transfer (such as securitisation) require the formal approval of the Group Risk Committee. No significant alternative form of risk transfer is used by the Group at present.

Insurance risks are regularly reported to the Group Risk Committee.

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 and 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 8.5 billion as at 31 December 2008 (2007: CHF 12.8 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.

5 Risk Management Policies and Procedures (continued)

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.

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 2008, if the longevity improvement parameter had increased by 10%, the embedded value would have been CHF 48 million lower in Switzerland (2007: CHF 31 million lower) and CHF 8 million lower in the other countries (2007: CHF 27 million lower).

At 31 December 2008, if the longevity improvement parameter had decreased by 10%, the embedded value would have been CHF 44 million higher in Switzerland (2007: CHF 33 million higher) and CHF 7 million higher in the other countries (2007: CHF 26 million higher).

At 31 December 2008, if morbidity had been 10% higher, the embedded value would have been CHF 32 million lower in Switzerland (2007: CHF 29 million lower) and CHF 16 million lower in the other countries (2007: CHF 30 million lower).

At 31 December 2008, if morbidity had been 10% lower, the embedded value would have been CHF 32 million higher in Switzerland (2007: CHF 29 million higher) and CHF 16 million higher in the other countries (2007: CHF 30 million higher).

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 2008, if the new money rate with regard to bonds had been 100 basis points higher, the embedded value would have been CHF 41 million higher in Switzerland (2007: CHF 151 million higher) and CHF 207 million higher in the other countries (2007: CHF 255 million higher).

At 31 December 2008, if the new money rate with regard to bonds had been 100 basis points lower, the embedded value would have been CHF 216 million lower in Switzerland (2007: CHF 162 million lower) and CHF 197 million lower in the other countries (2007: CHF 247 million lower).

At 31 December 2008, if the fair value of equity securities and property had been 10% higher, the embedded value would have been CHF 304 million higher in Switzerland (2007: CHF 307 million higher) and CHF 45 million higher in the other countries (2007: CHF 84 million higher).

5 Risk Management Policies and Procedures (continued)

At 31 December 2008, if the fair value of equity securities and property had been 10% lower, the embedded value would have been CHF 447 million lower in Switzerland (2007: CHF 377 million lower) and CHF 46 million lower in the other countries (2007: CHF 83 million lower).

At 31 December 2008, if the investment returns for equity securities and property had been 100 basis points higher, the embedded value would have been CHF 171 million higher in Switzerland (2007: CHF 181 million higher) and CHF 65 million higher in the other countries (2007: CHF 119 million higher).

At 31 December 2008, if the investment returns for equity securities and property had been 100 basis points lower, the embedded value would have been CHF 267 million lower in Switzerland (2007: CHF 206 million lower) and CHF 67 million lower in the other countries (2007: CHF 118 million lower).

At 31 December 2008, if the foreign currencies had strengthened by 10% against the Swiss franc, the embedded value would have been CHF 11 million lower in Switzerland (2007: CHF 4 million lower). If the foreign currencies had strengthened by 10% against the euro, the embedded value would not have changed in the other countries (2007: CHF 2 million higher).

At 31 December 2008, if the foreign currencies had weakened by 10% against the Swiss franc, the embedded value would have been CHF 11 million higher in Switzerland (2007: CHF 4 million higher). If the foreign currencies had weakened by 10% against the euro, the embedded value would not have changed in the other countries (2007: CHF 2 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.

Due to the loss from continuing operations in 2008, diluted earnings per share equal basic earnings per share.

In CHF million (if not noted otherwise)	**2008**	2007	**2008**	2007	**2008**	2007
	Continuing operations	Continuing operations	**Discontinued operations**	Discontinued operations	**Group**	Group
Basic earnings per share						
Net result attributable to equity holders of Swiss Life Holding	**–1 138**	704	**1 488**	641	**350**	1 345
Weighted average number of shares outstanding	**32 169 248**	33 003 291	**32 169 248**	33 003 291	**32 169 248**	33 003 291
Basic earnings per share for the net result attributable to equity holders of Swiss Life Holding (in CHF)	**-35.37**	21.33	**46.25**	19.43	**10.88**	40.76
Diluted earnings per share						
Net result attributable to equity holders of Swiss Life Holding	**–1 138**	704	**1 488**	641	**350**	1 345
Elimination of interest expense on convertible bonds	–	8	–	–	–	8
Result used to determine diluted earnings per share	**–1 138**	712	**1 488**	641	**350**	1 353
Weighted average number of shares outstanding	**32 169 248**	33 003 291	**32 169 248**	33 003 291	**32 169 248**	33 003 291
Adjustments (number of shares)						
Assumed conversion of convertible bonds	–	986 830	–	986 830	–	986 830
Equity compensation plans	–	176 009	–	176 009	–	176 009
Share options	–	1 543	–	1 543	–	1 543
Weighted average number of shares outstanding for diluted earnings per share	**32 169 248**	34 167 673	**32 169 248**	34 167 673	**32 169 248**	34 167 673
Diluted earnings per share for the net result attributable to equity holders of Swiss Life Holding (in CHF)	**-35.37**	20.83	**46.25**	18.77	**10.88**	39.60

7 Premiums, Policy Fees and Deposits Received

Written premiums

In CHF million	2008	2007
Direct	**12 794**	13 271
Assumed	**764**	281
Gross written premiums	**13 558**	13 552
Ceded	**–304**	–247
Net written premiums	**13 254**	13 305

Earned premiums

In CHF million	2008	2007
Direct	**12 792**	13 281
Assumed	**766**	281
Gross earned premiums	**13 558**	13 562
Ceded	**–304**	–246
Net earned premiums	**13 254**	13 316

Written policy fees

In CHF million	2008	2007
Direct	**264**	392
Assumed	**0**	–
Gross written policy fees	**264**	392
Ceded	**–**	0
Net written policy fees	**264**	392

Earned policy fees

In CHF million	2008	2007
Direct	**260**	389
Assumed	**0**	–
Gross earned policy fees	**260**	389
Ceded	**–**	0
Net earned policy fees	**260**	389

Under the accounting principles adopted, deposits received under insurance and investment contracts are not recognised as income:

In CHF million	2008	2007
Net earned premiums	**13 254**	13 316
Net earned policy fees	**260**	389
Deposits received under insurance and investment contracts	**4 693**	7 269
Net earned premiums, policy fees and deposits received	**18 207**	20 974
Gross written premiums, policy fees and deposits received	**18 515**	21 213

8 Details of Certain Items in the Consolidated Statement of Income

Asset management and other commission income

In CHF million	2008	2007
Fiduciary and portfolio management fees	**100**	103
Brokerage commissions	**737**	7
Fees earned on loans and deposits	**1**	0
Other commissions and fees	**112**	86
Total asset management and other commission income	**950**	196

Investment income

In CHF million	2008	2007
Interest income on financial assets held to maturity and available for sale	**1 926**	2 615
Interest income on loans	**1 522**	880
Other interest income	**186**	183
Dividend income on financial assets available for sale	**390**	698
Net income on investment property	**539**	502
Total investment income	**4 563**	4 878

Net gains/losses on financial assets

In CHF million	Notes	2008	2007
Sale of			
financial assets available for sale	27	**–692**	452
loans		**79**	2
Net gains/losses from sales		**–613**	454
Impairment losses on			
debt instruments available for sale	27	**–108**	–630
equity instruments available for sale	27	**–3 000**	–114
loans	13	**–32**	–1
receivables		**–7**	–7
Impairment losses on financial assets		**–3 147**	–752
Foreign currency gains/losses		**–2 250**	293
Total net gains/losses on financial assets		**–6 010**	–5

Net gains/losses on financial instruments at fair value through profit or loss

In CHF million	2008	2007
Net gains/losses on derivatives and financial instruments held for trading		
Interest rate instruments	**80**	94
Equity instruments	**916**	–105
Foreign currency and other instruments	**1 754**	–516
Total net gains/losses on derivatives and financial instruments held for trading	**2 750**	–527
Net gains/losses on financial instruments designated as at fair value through profit or loss		
Financial assets	**–4 025**	1 066
Financial liabilities	**3 128**	–718
Total net gains/losses on financial instruments designated as at fair value through profit or loss	**–897**	348
Total net gains/losses on financial instruments at fair value through profit or loss	**1 853**	–179

8 Details of Certain Items in the Consolidated Statement of Income (continued)

Other income

In CHF million	2008	2007
Realised gains/losses on sales of subsidiaries and other assets	–6	133
Other foreign currency gains/losses	242	–42
Other	56	56
Total other income	**292**	147

Net insurance benefits and claims

In CHF million	2008	2007
Net benefits and claims under insurance contracts		
Life benefits and claims	13 292	10 610
Change in future life policyholder benefits	–883	2 206
Non-life claims	322	328
Benefits and claims under investment contracts with discretionary participation		
Life benefits and claims	112	94
Change in future life policyholder benefits	72	30
Total net insurance benefits and claims	**12 915**	13 268

Interest expense

In CHF million	Notes	2008	2007
Interest expense on deposits		50	40
Interest expense on investment contracts		143	200
Interest expense on deposits under insurance contracts	23	146	162
Other interest expense		54	53
Total interest expense		**393**	455

Commission expense

In CHF million	2008	2007
Insurance agent and broker commissions	448	527
Asset management and banking commissions	53	40
Other commissions and fees	462	53
Total commission expense	**963**	620

Employee benefits expense

In CHF million	Notes	2008	2007
Wages and salaries		676	536
Social security		169	147
Defined benefit plans	24	112	105
Defined contribution plans		1	1
Other employee benefits		83	81
Total employee benefits expense		**1 041**	870

8 Details of Certain Items in the Consolidated Statement of Income (continued)

Depreciation and amortisation expense

In CHF million	Notes	2008	2007
Depreciation of property and equipment	17	**50**	46
Amortisation of present value of future profits (PVP)	18	**1**	1
Amortisation of deferred acquisition costs (DAC)	18	**425**	388
Amortisation of deferred origination costs (DOC)	18	**2**	2
Amortisation of other intangible assets	18	**40**	11
Total depreciation and amortisation expense		**518**	448

Other expenses

In CHF million	2008	2007
Marketing and advertising	**124**	46
Information technology and systems	**101**	85
Rental, maintenance and repair expenses	**79**	56
Professional services	**274**	163
Other	**215**	195
Total other expenses	**793**	545

Net gains/losses on financial instruments at fair value through profit or loss from continuing operations include interest and dividend income of CHF 54 million for the period ended 31 December 2008 (2007: CHF 132 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 2008 (2007: nil).

9 Insurance and Other Receivables and Payables

Insurance and other receivables

In CHF million	Notes	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
		Gross amount	Gross amount	**Allowance for impairment losses**	Allowance for impairment losses	**Carrying amount**	Carrying amount
Receivables from agents, brokers and insurers		**459**	399	**–13**	–7	**446**	392
Receivables from policyholders		**806**	914	**–4**	–4	**802**	910
Receivables from reinsurers		**168**	194	**–**	–	**168**	194
Accrued income		**1 747**	1 823	**–**	–	**1 747**	1 823
Other		**788**	840	**–1**	–7	**787**	833
Total insurance and other receivables	33	**3 968**	4 170	**–18**	–18	**3 950**	4 152

Insurance and other payables

In CHF million	Notes	31.12.2008	31.12.2007
Amounts due to agents, brokers and insurers		**515**	353
Amounts due to policyholders		**1 737**	2 157
Accrued expenses		**268**	432
Other		**945**	408
Total insurance and other payables	33	**3 465**	3 350

10 Derivatives

In CHF million	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
	Fair value assets	Fair value assets	**Fair value liabilities**	Fair value liabilities	**Contract/ notional amount**	Contract/ notional amount
Currency derivatives						
Forward contracts	**986**	174	**86**	158	**42 887**	34 984
Swaps	**16**	30	**59**	–	**1 474**	803
Options (exchange-traded)	**121**	7	**98**	–	**3 000**	1 000
Total currency derivatives	**1 123**	211	**243**	158	**47 361**	36 787
Interest rate derivatives						
Forward rate agreements	**–**	–	**1**	–	**447**	–
Swaps	**0**	58	**10**	48	**390**	5 464
Options (exchange-traded)	**8**	–	**25**	–	**1 193**	–
Other	**3**	0	**–**	–	**172**	605
Total interest rate derivatives	**11**	58	**36**	48	**2 202**	6 069
Equity/index derivatives						
Forward contracts	**28**	16	**2**	4	**26**	1 898
Futures	**1**	–	**6**	–	**888**	–
Options (exchange-traded)	**140**	15	**28**	0	**3 582**	2 974
Total equity/index derivatives	**169**	31	**36**	4	**4 496**	4 872
Other derivatives						
Credit derivatives	**7**	16	**1**	–	**312**	120
Derivatives embedded in insurance contracts	**–**	–	**0**	1	**10**	10
Derivatives for the account and risk of the Swiss Life Group's customers	**6**	60	**–**	0	**42**	192
Other	**33**	87	**30**	2	**400**	530
Total other derivatives	**46**	163	**31**	3	**764**	852
Total derivatives	**1 349**	463	**346**	213	**54 823**	48 580
of which derivatives designated and accounted for as hedging instruments						
Derivatives designated as fair value hedges	***54***	*49*	***16***	*12*	***1 550***	*6 493*

10 Derivatives (continued)

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	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
	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	**1**	–	**–30**	–245	**30**	245	**447**	1 628
Currency forward contracts	**54**	15	**15**	12	**209**	21	**–209**	–21	**1 103**	4 865
Total derivatives designated as fair value hedges	**54**	49	**16**	12	**179**	–224	**–179**	224	**1 550**	6 493

In 2008 and 2007 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 2008 was CHF 0.4 billion in total (2007: available-for-sale fixed-rate bond portfolios in USD and EUR totalling CHF 1.6 billion).

Forward contracts are used as hedging instruments to protect investments in hedge funds against adverse movements in EUR and USD exchange rates.

11 Financial Assets and Liabilities at Fair Value through Profit or Loss

In CHF million	Notes	31.12.2008	31.12.2007
		Designated as at fair value through profit or loss	Designated as at fair value through profit or loss
Financial assets at fair value through profit or loss			
Debt securities		**3 227**	1 814
Equity securities		**574**	874
Investment fund units – debt		**776**	1 665
Investment fund units – equity		**1 007**	1 051
Investment fund units – mixed		**36**	30
Private equity		**31**	–
Hedge funds		**132**	267
Assets for the account and risk of the Swiss Life Group's customers	5	**11 132**	13 696
Other		**1**	2
Total financial assets at fair value through profit or loss		**16 916**	19 399
Financial liabilities at fair value through profit or loss			
Liabilities for the account and risk of the Swiss Life Group's customers	5	**9 727**	11 042
Share of net assets of investment funds attributable to minority unitholders		**1 078**	385
Total financial liabilities at fair value through profit or loss		**10 805**	11 427

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	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	Carrying amount	Carrying amount	Redemption amount	Redemption amount
Total financial liabilities designated as at fair value through profit or loss	**1 078**	385	**1 078**	385

12 Financial Assets Available for Sale

In CHF million	Notes	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
		Cost/ amortised cost	Cost/ amortised cost	**Net unrealised gains/losses**	Net unrealised gains/losses	**Fair value (Carrying amount)**	Fair value (Carrying amount)
Debt securities		**39 091**	57 326	**–917**	–2 576	**38 174**	54 750
Money market instruments		**99**	21	**–**	–	**99**	21
Equity securities		**720**	6 123	**–13**	93	**707**	6 216
Investment fund units – debt		**122**	157	**–4**	3	**118**	160
Investment fund units – equity		**699**	1 418	**–10**	21	**689**	1 439
Investment fund units – mixed		**286**	234	**6**	16	**292**	250
Private equity		**207**	93	**–4**	20	**203**	113
Hedge funds		**2 748**	5 310	**130**	328	**2 878**	5 638
Other		**3**	1	**0**	0	**3**	1
Total financial assets available for sale	27	**43 975**	70 683	**–812**	–2 095	**43 163**	68 588

Based on detailed assessments with regard to indications of impairment, impairment losses from continuing operations totalling CHF 3108 million were recognised in the period under review (2007: CHF 744 million). The impairment losses in 2008 related to equity instruments were CHF 3000 million and debt instruments CHF 108 million (2007: debt instruments CHF 630 million and equity instruments CHF 114 million).

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.

The effect of the reclassification of financial assets available for sale to loans as at 1 July 2008 is shown in note 37.

13 Loans

In CHF million	Notes	31.12.08 Gross amount	31.12.07 Gross amount	31.12.08 Allowance for impairment losses	31.12.07 Allowance for impairment losses	31.12.08 Cost/ amortised cost (Carrying amount)	31.12.07 Cost/ amortised cost (Carrying amount)	31.12.08 Fair value	31.12.07 Fair value
Mortgages		**5 592**	5 974	**–34**	–47	**5 558**	5 927	**5 644**	5 784
Policy loans		**538**	671	**–**	–	**538**	671	**555**	679
Other originated loans		**1 449**	3 511	**–2**	–7	**1 447**	3 504	**1 478**	3 483
Purchased loans		**10 895**	10 550	**–**	–	**10 895**	10 550	**11 404**	10 462
Assets previously classified as available for sale	37	**14 685**	–	**–44**	–	**14 641**	–	**12 337**	–
Repurchase agreements		**–**	0	**–**	–	**–**	0	**–**	0
Total loans	33	**33 159**	20 706	**–80**	–54	**33 079**	20 652	**31 418**	20 408

Allowance for impairment losses

In CHF million	Notes	2008 Individual evaluation of impairment	2007 Individual evaluation of impairment	2008 Collective evaluation of impairment	2007 Collective evaluation of impairment	2008 Total	2007 Total
Balance as at 1 January		**54**	194	**–**	23	**54**	217
Impairment losses	8	**32**	1	**–**	–	**32**	1
Write-offs		**–6**	–3	**–**	–	**–6**	–3
Effect of classification as assets held for sale		**–**	–96	**–**	–23	**–**	–119
Changes from discontinued operations		**–**	–42	**–**	0	**–**	–42
Foreign currency translation differences		**0**	0	**–**	–	**0**	0
Balance as at 31 December		**80**	54	**–**	–	**80**	54

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 2 million as at 31 December 2008 (2007: CHF 5 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.

The effect of the reclassification of financial assets available for sale to loans as at 1 July 2008 is shown in note 37.

14 Financial Assets Held to Maturity

In CHF million	Notes	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
		Gross amount	Gross amount	**Allowance for impairment losses**	Allowance for impairment losses	**Cost/ amortised cost (Carrying amount)**	Cost/ amortised cost (Carrying amount)	**Fair value**	Fair value
Debt securities		**7 159**	3 624	**–**	–	**7 159**	3 624	**6 926**	3 575
Money market instruments		**–**	–	**–**	–	**–**	–	**–**	–
Total financial assets held to maturity	33	**7 159**	3 624	**–**	–	**7 159**	3 624	**6 926**	3 575

15 Investment Property

In CHF million	Notes	**2008**	2007
Balance as at 1 January		**12 252**	11 816
Additions		**220**	326
Additions from business combinations	29	**–**	34
Capitalised subsequent expenditure		**111**	135
Classification as assets held for sale and other disposals		**–155**	–462
Gains/losses from fair value adjustments		**194**	229
Transfers from property and equipment	17	**256**	95
Changes from discontinued operations		**–**	19
Foreign currency translation differences		**–215**	60
Balance as at 31 December		**12 663**	12 252

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 701 million for the period ended 31 December 2008 (2007: CHF 670 million). Operating expenses arising from investment property from continuing operations that generated rental income stood at CHF 162 million for the period ended 31 December 2008 (2007: CHF 168 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 2008 (2007: CHF 0.1 million).

16 Investments in Associates

In CHF million	2008	2007
Balance as at 1 January	**72**	75
Additions	**530**	3
Classification as assets held for sale and other disposals	**–**	–9
Share of results	**10**	12
Share of amounts recognised directly in equity	**0**	0
Impairment losses	**–159**	–
Dividends paid	**–9**	–10
Changes from discontinued operations	**–**	0
Foreign currency translation differences	**–7**	1
Balance as at 31 December	**437**	72
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
2008								
MLP, Wiesloch	**2 369**	**1 528**	**841**	**370**	**100**	**–158**	**–159**	**24.3%**
Crédit et services financiers (CRESERFI), Paris	**315**	**180**	**135**	**45**	**72**	**14**	**5**	**33.4%**
Technopark Immobilien, Zürich	**101**	**57**	**44**	**15**	**14**	**3**	**1**	**33.3%**
LGT Swiss Life Non Traditional Advisers, Vaduz	**10**	**3**	**7**	**3**	**8**	**6**	**3**	**43.7%**
Parking de Bellefontaine, Lausanne	**7**	**6**	**1**	**0**	**1**	**0**	**0**	**38.3%**
Other	**18**	**9**	**9**	**4**	**10**	**1**	**1**	**n. a.**
Total	**2 820**	**1 783**	**1 037**	**437**	**205**	**–134**	**–149**	**n. a.**
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.

On 20 November 2008, the Swiss Life Group completed the acquisition of the 24.3% stake in MLP, Wiesloch. The published price quotation for the investment in MLP as at 31 December 2008 was CHF 383 million. The impairment losses of CHF 159 million relate to MLP, Wiesloch. No other investments in associates had published price quotations as at 31 December 2007. As at 31 December 2008 and 2007, no contingent liabilities arose from the Group's investments in associates.

17 Property and Equipment

Property and equipment for the year 2008

In CHF million	Notes	Land and buildings	Buildings under construction	Furniture and fixtures	Hardware	Other equipment	Total
Cost							
Balance as at 1 January		**887**	**107**	**91**	**72**	**18**	**1 175**
Additions		**27**	**173**	**14**	**20**	**2**	**236**
Additions from business combinations	29	**52**	**–**	**14**	**16**	**0**	**82**
Classification as assets held for sale and other disposals		**–42**	**–**	**0**	**–9**	**–5**	**–56**
Transfers to investment property	15	**–95**	**–182**	**–**	**–**	**–**	**–277**
Revaluation in respect of transfers to investment property		**8**	**–**	**–**	**–**	**–**	**8**
Foreign currency translation differences		**–37**	**–2**	**–6**	**–4**	**0**	**–49**
Balance as at 31 December		**800**	**96**	**113**	**95**	**15**	**1 119**
Accumulated depreciation and impairment							
Balance as at 1 January		**–185**	**–2**	**–61**	**–50**	**–13**	**–311**
Depreciation	8	**–21**	**–**	**–10**	**–18**	**–1**	**–50**
Impairment losses		**–**	**–2**	**–1**	**–1**	**0**	**–4**
Classification as assets held for sale and other disposals		**4**	**–**	**0**	**7**	**3**	**14**
Transfers to investment property	15	**21**	**–**	**–**	**–**	**–**	**21**
Foreign currency translation differences		**6**	**–**	**4**	**1**	**2**	**13**
Balance as at 31 December		**–175**	**–4**	**–68**	**–61**	**–9**	**–317**
Total property and equipment as at 31 December		**625**	**92**	**45**	**34**	**6**	**802**
of which assets held under a finance lease		***0***	**–**	**–**	***1***	**–**	***1***

17 Property and Equipment (continued)

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	29	–	–	0	0	0	0
Classification as assets held for sale and other disposals		–271	–	–56	–86	–21	–434
Transfers 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
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
of which assets held under a finance lease		*40*	–	–	*2*	–	*42*

No borrowing costs were capitalised in property and equipment in 2008 and 2007.

18 Intangible Assets including Intangible Insurance Assets

In CHF million	31.12.2008	31.12.2007
Intangible insurance assets	**2 446**	2 644
Other intangible assets	**2 205**	507
Total intangible assets	**4 651**	3 151

Intangible insurance assets

In CHF million	Notes	2008	2007	2008	2007	2008	2007	2008	2007
		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		**24**	17	**2 612**	2 526	**8**	246	**2 644**	2 789
Additions		**–**	–	**534**	452	**3**	5	**537**	457
Additions from business combinations	29	**–**	8	**–**	–	**–**	–	**–**	8
Amortisation	8	**–1**	–1	**–425**	–388	**–2**	–2	**–428**	–391
Impairment due to liability adequacy test		**–**	–	**–**	–1	**–**	–	**–**	–1
Effect of gains/losses recognised directly in equity	27	**0**	0	**–151**	326	**–**	–	**–151**	326
Changes from discontinued operations		**–**	–	**–**	27	**–**	–11	**–**	16
Classification as assets held for sale and other disposals		**–**	–	**–**	–372	**–**	–231	**–**	–603
Foreign currency translation differences		**–2**	0	**–153**	42	**–1**	1	**–156**	43
Balance as at 31 December		**21**	24	**2 417**	2 612	**8**	8	**2 446**	2 644

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, relate to contracts acquired in Germany and France.

On the acquisition of Meeschaert Assurances, Paris, in November 2007, the present value of future profits amounting to CHF 8 million was recognised.

18 Intangible Assets including Intangible Insurance Assets (continued)

Annual amortisation charges on the present value of future profits relating to acquired insurance portfolios totalling CHF 21 million as at 31 December 2008 are estimated at CHF 1 million for the years 2009 to 2011.

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 in 2007.

Other intangible assets

In CHF million	Notes	2008	2007	2008	2007	2008	2007	2008	2007
		Goodwill	Goodwill	**Customer relation-ships**	Customer relation-ships	**Brands and other**	Brands and other	**Total**	Total
Cost									
Balance as at 1 January		**599**	1 430	**60**	18	**134**	175	**793**	1 623
Additions		**–**	–	**–**	–	**10**	3	**10**	3
Additions from business combinations	29	**1 382**	165	**334**	60	**139**	0	**1 855**	225
Additions from internal development		**–**	–	**–**	–	**–**	0	**–**	0
Classification as assets held for sale and other disposals		**–**	–996	**–**	–19	**–7**	–52	**–7**	–1 067
Changes from discontinued operations		**–**	–	**–**	0	**–**	3	**–**	3
Foreign currency translation differences		**–91**	–	**–26**	1	**–23**	5	**–140**	6
Balance as at 31 December		**1 890**	599	**368**	60	**253**	134	**2 511**	793
Accumulated amortisation and impairment									
Balance as at 1 January		**–163**	–738	**–2**	–11	**–121**	–156	**–286**	–905
Amortisation	8	**–**	–	**–27**	–4	**–13**	–7	**–40**	–11
Classification as assets held for sale and other disposals		**–**	575	**–**	16	**6**	48	**6**	639
Changes from discontinued operations		**–**	–	**–**	–3	**–**	–2	**–**	–5
Foreign currency translation differences		**–**	–	**0**	0	**14**	–4	**14**	–4
Balance as at 31 December		**–163**	–163	**–29**	–2	**–114**	–121	**–306**	–286
Total other intangible assets as at 31 December		**1 727**	436	**339**	58	**139**	13	**2 205**	507

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 79 million was recognised in 2008 on the acquisition of Deutsche Proventus AG, Bremen.

Goodwill totalling CHF 1303 million on the acquisition of AWD Holding AG, Hanover, was recognised in the period under review. The cost that led to the recognition of goodwill relates to the anticipated future business of AWD.

18 Intangible Assets including Intangible Insurance Assets (continued)

Goodwill totalling CHF 149 million on the acquisition of CapitalLeben Versicherung AG, Schaan, was recognised in 2007. The cost that led to the recognition of goodwill related to the anticipated future business of the Liechtenstein operation. Goodwill on the acquisition of CapitalLeben Versicherung AG, Schaan, has been allocated to the segment "Insurance Other".

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 segment "Insurance 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. The calculations for Lloyd Continental and CapitalLeben 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 relating to Lloyd Continental and CapitalLeben were as follows:

In CHF million	**31.12.2008**	31.12.2007	**31.12.2008**	31.12.2007
	Lloyd Continental	Lloyd Continental	**CapitalLeben**	CapitalLeben
Net carrying amount of goodwill	**287**	287	**149**	149
Key assumptions used for impairment tests				
Growth rate	**1.0%**[1]	1.0%[1]	**1.5%**	1.5%
Discount rate	**8.0%**	8.0%	**12.8%**	10.1%

[1] 1% in 2012 and 2011 respectively, reduced by 0.25% in each subsequent year

Goodwill relating to the acquisition of AWD Holding AG, Hanover, has been allocated to the segments as detailed below. Goodwill relating to the acquisition of Deutsche Proventus AG, Bremen, is included in the segment "AWD" only.

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 five-year period. The calculations 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 relating to AWD were as follows:

In CHF million	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
	Insurance Switzerland	Insurance Switzerland	**Insurance Germany**	Insurance Germany	**AWD**	AWD
Net carrying amount of goodwill	**81**	–	**316**	–	**894**	–
Key assumptions used for impairment tests						
Growth rate	**1.0%**	–	**1.0%**	–	**1.0%**	–
Discount rate	**10.9%**	–	**12.2%**	–	**12.2%**	–

18 Intangible Assets including Intangible Insurance Assets (continued)

These key assumptions have been derived from analyses 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 period.

Goodwill amounting to CHF 421 million relating to Banca del Gottardo (including CHF 16 million relating to the purchase of additional shares of Banca del Gottardo Italia, Bergamo) has been reclassified to assets held for sale in 2007.

CUSTOMER RELATIONSHIPS | On the acquisition of Deutsche Proventus AG, Bremen, a customer relationship asset amounting to CHF 8 million was recognised. On the acquisition of Fonds de Commerce Arpège, a customer relationship asset of CHF 9 million was recognised. The acquisition of AWD Holding AG, Hanover, led to the recognition of a customer relationship asset of CHF 312 million. The acquisition of Placement Direct, France, led to a customer relationship asset amounting to CHF 5 million.

On the acquisition of CapitalLeben Versicherung AG, Schaan, a customer relationship asset of CHF 33 million was recognised in 2007. 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.

BRANDS AND OTHER | Consist of brands, trademarks, computer software and other intangible assets. On the acquisition of Deutsche Proventus AG, Bremen, the brand name of “Proventus” amounting to CHF 6 million was recognised. The acquisition of AWD Holding AG, Hanover, led to the recognition of the brand name of “AWD” of CHF 120 million, which has an indefinite useful life, and computer software of CHF 13 million. The brand names of “Proventus” and “AWD” are expected to generate cash inflows without legal or similar limits on an indefinite basis. The key assumptions used for the calculations relating to the recoverable amounts are indicated above.

19 Other Assets and Liabilities

Other assets

In CHF million	Notes	31.12.2008	31.12.2007
Deferred charges and prepaid expenses		**308**	125
Employee benefit assets	24	**165**	158
Sundry assets		**182**	140
Total other assets		**655**	423

Other liabilities

In CHF million	31.12.2008	31.12.2007
Deferred income	**481**	14
Sundry liabilities	**76**	61
Total other liabilities	**557**	75

20 Investment Contracts

In CHF million	Notes	31.12.2008	31.12.2007
Investment contracts with discretionary participation with deposit accounting		**9 686**	11 414
Investment contracts with discretionary participation with actuarial valuation		**802**	743
Investment contracts without discretionary participation at amortised cost	33	**355**	440
Investment contracts without discretionary participation at fair value through profit or loss		**292**	310
Total investment contracts		**11 135**	12 907
of which for the account and risk of the Swiss Life Group's customers		***1 725***	*3 567*

Investment contracts with discretionary participation with deposit accounting

In CHF million	Notes	2008	2007
Balance as at 1 January		**11 414**	28 626
Additions from business combinations	29	**–**	870
Deposits received		**4 248**	3 769
Interest credited		**125**	180
Participating bonuses		**253**	215
Policy fees		**–90**	–209
Deposits released		**–1 094**	–1 772
Other movements		**–957**	19
Reclassifications and other disposals		**–3 123**	–21 109
Changes from discontinued operations		**–**	145
Foreign currency translation differences		**–1 090**	680
Balance as at 31 December		**9 686**	11 414

Investment contracts with discretionary participation with actuarial valuation

In CHF million	2008	2007
Balance as at 1 January	**743**	710
Savings premiums	**165**	106
Accretion of interest	**17**	19
Liabilities released for payments on death, surrender and other terminations during the year	**–104**	–94
Effect of changes in actuarial assumptions and other movements	**–7**	1
Foreign currency translation differences	**–12**	1
Balance as at 31 December	**802**	743

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 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 relate to contracts issued in Switzerland and France.

20 Investment Contracts (continued)

Certain contracts that do not contain significant insurance risk and do not have discretionary participation features are carried at amortised cost.

Investment contracts without discretionary participation at amortised cost

In CHF million	Notes	2008	2007
Balance as at 1 January		**440**	586
Additions from business combinations	29	**–**	1
Deposits received		**17**	2
Interest credited		**18**	20
Policy fees		**0**	0
Deposits released		**–115**	–92
Other movements		**0**	1
Reclassifications and other disposals		**–**	–30
Changes from discontinued operations		**–**	–50
Foreign currency translation differences		**–5**	2
Balance as at 31 December		**355**	440

Investment contracts without discretionary participation at fair value through profit or loss

In CHF million	Notes	2008	2007
Balance as at 1 January		**310**	155
Additions from business combinations	29	**–**	8
Deposits received		**392**	243
Fair value changes		**–32**	8
Policy fees		**–1**	–
Deposits released		**–49**	–18
Reclassifications and other disposals		**–297**	–93
Foreign currency translation differences		**–31**	7
Balance as at 31 December		**292**	310

21 Deposits

In CHF million	Notes	31.12.2008	31.12.2007
Policyholder deposits		**1 798**	1 597
Reinsurance deposits		**117**	676
Demand deposits		**565**	205
Due to banks		**802**	144
Total deposits	33	**3 282**	2 622

22 Borrowings

In CHF million	Notes	31.12.2008	31.12.2007
Money market instruments		**27**	37
Hybrid debt	28	**2 677**	2 936
Convertible debt		**40**	63
Other debentures		**–**	494
Bank loans		**377**	86
Finance lease obligations		**2**	5
Total borrowings	33	**3 123**	3 621

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 interest payment date thereafter, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. 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 Swiss Financial Market Supervisory Authority. 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.

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. The forward agreement will expire should the subordinated perpetual step-up loan issued in 1999 not be redeemed in 2009.

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 and the CHF 290 million floating rate loan at the earliest on 6 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 Swiss Financial Market Supervisory Authority.

22 Borrowings (continued)

Amounts in CHF million (if not noted otherwise)					**31.12.08**	31.12.07
Issuer	Nominal value	Interest rate	Year of issue	Optional redemption	**Carrying amount**	Carrying amount
Swiss Life/Rentenanstalt [1]	EUR 700	5.849%	2007	2017	**1 039**	1 152
Swiss Life/Rentenanstalt [2]	EUR 350	5.000%	2005	2015	**517**	573
Swiss Life/Rentenanstalt	EUR 100	Euribor +1.7500%	2001	2011	**149**	165
Swiss Life/Rentenanstalt	EUR 443	Euribor +1.0500%	1999	2009	**660**	733
Swiss Life/Rentenanstalt	CHF 290	Libor +1.0500%	1999	2009	**290**	290
Swiss Life/Rentenanstalt	EUR 15	5.3655%	1999	2009	**22**	23
Total					**2 677**	2 936

[1] Hybrid loan notes granted by ELM B.V.
[2] Hybrid bank loan originally granted by J.P. Morgan Bank Luxembourg S.A.

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 original conversion price of CHF 209.625 (subject to adjustments, with effect from 29 July 2008 conversion price of CHF 200.20).

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 2008, convertible bonds were converted into 124 115 SLH shares (2007: 1 184 170 SLH shares) with a corresponding increase in share capital totalling CHF 3 million (2007: CHF 49 million) and an increase in share premium totalling CHF 20 million (2007: CHF 173 million).

Other debentures

On 30 June 2008, EUR 300 million in 4.375% bonds matured and were repaid.

Amounts in CHF million					**31.12.08**	31.12.07
Issuer/instrument	Currency	Interest rate	Year of issue	Maturity	**Carrying amount**	Carrying amount
Swiss Life Insurance Finance Ltd. – guaranteed bonds	EUR	4.375%	2004	2008	**–**	494
Total					**–**	494

22 Borrowings (continued)

Bank loans

On 25 July 2008, Swiss Life Insurance Finance Ltd entered into a EUR 500 million loan agreement with a syndicate of banks. The syndicated loan has a three-year maturity and is split into a EUR 200 million fully drawn loan bearing an interest rate of Euribor plus a margin of 0.70% and a EUR 300 million undrawn credit facility against a commitment fee of 0.225%.

Amounts in CHF million				**31.12.08**	31.12.07
Type	Currency	Interest rate	Maturity	**Carrying amount**	Carrying amount
Mortgage loan	CHF	2.77%	2009	**45**	46
Mortgage loan	CHF	1.57%	2010	**39**	40
Syndicated loan	EUR	Euribor +0.70%	2011	**293**	–
Total				**377**	86

Finance lease obligations

In CHF million	**31.12.2008**	31.12.2007	**31.12.2008**	31.12.2007
	Minimum lease payments	Minimum lease payments	**Present value of minimum lease payments**	Present value of minimum lease payments
Not later than 1 year	**2**	3	**2**	3
Later than 1 year and not later than 5 years	**–**	2	**–**	2
Later than 5 years	**–**	–	**–**	–
Total	**2**	5	**2**	5
Future finance charges	***0***	*0*		

23 Insurance Liabilities and Reinsurance Assets

In CHF million	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
	Gross	Gross	**Reinsurance assets**	Reinsurance assets	**Net**	Net
Claims under non-life insurance contracts	**1 181**	1 284	**220**	230	**961**	1 054
Claims under life insurance contracts	**6 632**	7 155	**74**	119	**6 558**	7 036
Unearned premiums	**147**	169	**2**	2	**145**	167
Future life policyholder benefits	**77 831**	80 846	**151**	624	**77 680**	80 222
Deposits under insurance contracts	**5 233**	5 038	**–**	–	**5 233**	5 038
Total insurance liabilities and reinsurance assets	**91 024**	94 492	**447**	975	**90 577**	93 517
of which for the account and risk of the Swiss Life Group's customers	***952***	*931*	**–**	–	***952***	*931*

Claims under non-life insurance contracts

In CHF million	2008	2007
Balance as at 1 January		
Gross claims under non-life insurance contracts	**1 284**	1 440
Less: reinsurance recoverable	**–230**	–243
Net claims under non-life insurance contracts	**1 054**	1 197
Claims and claim settlement costs incurred		
Reporting period	**434**	395
Prior reporting periods	**–81**	–35
Total claims and claim settlement costs incurred	**353**	360
Claims and claim settlement costs paid		
Reporting period	**–185**	–198
Prior reporting periods	**–156**	–158
Total claims and claim settlement costs paid	**–341**	–356
Claims and claim settlement costs from discontinued operations	**–**	0
Reclassifications and other disposals	**–**	–179
Foreign currency translation differences	**–105**	32
Balance as at 31 December		
Net claims under non-life insurance contracts	**961**	1 054
Plus: reinsurance recoverable	**220**	230
Total gross claims under non-life insurance contracts	**1 181**	1 284

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	2008	2007	2008	2007	2008	2007
	Gross	Gross	**Reinsurance assets**	Reinsurance assets	**Net**	Net
Balance as at 1 January	**7 155**	7 773	**119**	122	**7 036**	7 651
Accretion of interest	**119**	121	**2**	2	**117**	119
Claims incurred, benefits paid and surrenders	**–113**	–49	**–7**	–3	**–106**	–46
Effect of changes in actuarial assumptions and other movements	**–291**	–156	**–31**	–3	**–260**	–153
Reclassifications and other disposals	**–**	–570	**–**	–3	**–**	–567
Changes from discontinued operations	**–**	–28	**–**	0	**–**	–28
Foreign currency translation differences	**–238**	64	**–9**	4	**–229**	60
Balance as at 31 December	**6 632**	7 155	**74**	119	**6 558**	7 036

Claims under life insurance contracts represent the liability for unpaid portions of claims incurred. It includes an estimate of the liability for claims incurred but not reported (IBNR). The measurement at reporting date is a best estimate of ultimate future claim payments.

Unearned premiums

Unearned premiums represent the portion of the premiums written relating to the unexpired terms of coverage.

Future life policyholder benefits

In CHF million	2008	2007	2008	2007	2008	2007
	Gross	Gross	**Reinsurance assets**	Reinsurance assets	**Net**	Net
Balance as at 1 January	**80 846**	93 342	**624**	600	**80 222**	92 742
Additions from business combinations	**–**	23	**–**	–	**–**	23
Savings premiums	**8 842**	8 715	**72**	67	**8 770**	8 648
Accretion of interest	**2 235**	2 236	**9**	18	**2 226**	2 218
Claims incurred, benefits paid and surrenders	**–11 665**	–8 806	**–27**	–45	**–11 638**	–8 761
Effect of changes in actuarial assumptions and other movements	**33**	–123	**–495**	–4	**528**	–119
Reclassifications and other disposals	**–**	–16 588	**–**	–5	**–**	–16 583
Changes from discontinued operations	**–**	1 387	**–**	–24	**–**	1 411
Foreign currency translation differences	**–2 460**	660	**–32**	17	**–2 428**	643
Balance as at 31 December	**77 831**	80 846	**151**	624	**77 680**	80 222

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	2008	2007
Balance as at 1 January	**5 038**	6 708
Additions from business combinations	–	6
Deposits received	**1 213**	453
Interest credited	**146**	162
Participating bonuses	**54**	51
Policy fees and insurance charges	**–57**	–75
Deposits released for payments on death, surrender and other terminations during the year	**–782**	–787
Other movements	**3**	609
Reclassifications and other disposals	**–7**	–2 396
Changes from discontinued operations	–	187
Foreign currency translation differences	**–375**	120
Balance as at 31 December	**5 233**	5 038

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	31.12.2008	31.12.2007
Insurance liabilities with discretionary participation	**80 061**	82 891
Insurance liabilities without discretionary participation	**10 011**	10 670
Insurance liabilities for the account and risk of the Swiss Life Group’s customers	**952**	931
Total insurance liabilities	**91 024**	94 492

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 2019 million as at 31 December 2008 (2007: CHF 2019 million) 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 2009 are CHF 63 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	**31.12.2008**	31.12.2007
Present value of wholly and partly funded obligations		**–2 218**	–2 242
Fair value of plan assets		**268**	371
Present value of unfunded obligations		**–74**	–78
Unrecognised actuarial gains (–)/losses (+)		**165**	138
Unrecognised past service cost		**21**	–
Net defined benefit asset (+)/liability (–)		**–1 838**	–1 811
The net defined benefit asset/liability consists of			
gross defined benefit liabilities		**–2 003**	–1 969
gross defined benefit assets	19	**165**	158
Employee benefit liabilities consist of			
gross defined benefit liabilities		**–2 003**	–1 969
other employee benefit liabilities		**–7**	–11
Total employee benefit liabilities		**–2 010**	–1 980
Amount of insurance contracts not included in plan assets		***2019***	*2 019*

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME

In CHF million	Notes	**2008**	2007
Current service cost		**77**	79
Interest cost		**82**	76
Expected return on plan assets		**–15**	–25
Net actuarial gains (–)/losses (+)		**0**	0
Past service cost		**2**	–
Employee contributions		**–34**	–25
Effect of curtailments or settlements		**0**	–
Total defined benefit expense	8	**112**	105
Actual return on plan assets (gains (-)/losses (+))		***94***	*22*

24 Employee Benefits (continued)

DEFINED BENEFIT PLANS

In CHF million	2008	2007
Changes in the present value of the defined benefit obligation		
Balance as at 1 January	**–2 320**	–3 065
Current service cost	**–77**	–79
Interest cost	**–82**	–76
Contributions by plan participants	**–99**	–49
Actuarial gains (+)/losses (–)	**82**	33
Benefits paid	**205**	171
Past service cost	**–24**	–
Business combinations	**–**	–2
Curtailments and settlements	**3**	4
Effect of reclassifications and other disposals	**–**	793
Changes from discontinued operations	**–**	–45
Foreign currency translation differences	**20**	–5
Balance as at 31 December	**–2 292**	–2 320
Changes in the fair value of plan assets		
Balance as at 1 January	**371**	496
Expected return on plan assets	**15**	25
Actuarial gains (+)/losses (–)	**–109**	–47
Contributions by the employer	**17**	2
Contributions by plan participants	**–4**	0
Benefits paid	**–8**	–5
Business combinations	**–**	2
Curtailments and settlements	**–3**	–4
Effect of reclassifications and other disposals	**–**	–98
Changes from discontinued operations	**–**	–2
Foreign currency translation differences	**–11**	2
Balance as at 31 December	**268**	371
Categories of plan assets		
Equity instruments	**56**	156
Debt instruments	**118**	117
Other assets	**94**	98
Total plan assets	**268**	371
Plan assets include		
own equity instruments	**31**	120

DEFINED BENEFIT PLANS

In CHF million	2008	2007	2006	2005
Historical information				
Present value of defined benefit obligation	**–2 292**	–2 320	–3 065	–2 937
Fair value of plan assets	**268**	371	496	302
Difference	**–2 024**	–1 949	–2 569	–2 635
Experience adjustments on plan liabilities	**5**	18	–57	–67
Experience adjustments on plan assets	**–108**	–47	43	49

24 Employee Benefits (continued)

PRINCIPAL ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGES)

	31.12.2008	31.12.2007
Discount rate	**3.7%**	3.4%
Expected rate of return on plan assets	**4.1%**	4.1%
Future salary increases	**1.6%**	1.6%
Future pension increases	**0.9%**	0.9%

Number of employees

The Group had 8184 full-time equivalents as at 31 December 2008 (2007: 8556).

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 2008 (2007: CHF 1 million).

Other long-term employee benefits

The liability for long-term employee benefits amounted to CHF 6 million as at 31 December 2008 (2007: CHF 11 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 0.8 million for the year ended 31 December 2008 (2007: CHF 0.04 million) arose as a result of early retirements.

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 and 2008, the maximum possible factor of 1.5 was maintained whereas the factor of 0.5 was rescinded so that the number of PSUs could drop to zero after three years.

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 share 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 share 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.

24 Employee Benefits (continued)

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 2008, the number of PSUs granted under this programme amounted to 52 618. The fair value at the measurement date amounted to CHF 179.30. The date of grant was 1 April 2008.

In 2007 and 2008, no adjustment to the number of PSUs was made due to the reduction in par value of the Swiss Life Holding share 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 11 million in 2008 (2007: CHF 12 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
2008							
Granted in 2005	**55 100**	–	–	**55 100**	**–1 947**	**–53 153**	–
Granted in 2006	**44 464**	–	–	**44 464**	**–4 654**	–	**39 810**
Granted in 2007	**55 141**	–	–	**55 141**	**–10 061**	–	**45 080**
Granted in 2008	–	**52 618**	–	**52 618**	**–1 381**	–	**51 237**
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

Since 2003, no new share options have been allocated to directors and managers in Switzerland and abroad and no share options were outstanding as at 31 December 2008.

NUMBER OF SHARES UNDER OPTION

Amounts in CHF	2008	2007	2008	2007	2008	2007	2008	2007
	Number of shares	Number of shares	Exercise date	Exercise date	Expiry date	Expiry date	Weighted average exercise price	Weighted average exercise price
As at 1 January	–	88 055					–	224
Granted/issued	–	–	–	–	–	–	–	–
Exercised	–	–88 055	–	–	–	–	–	224
Lapsed	–	–	–	–	–	30.06.07	–	–
As at 31 December	–	–					–	–

Other benefits

Related expenses in 2008 were CHF 11 million (2007: CHF 14 million).

25 Income Taxes

Income tax expense

In CHF million	2008	2007
Current income tax expense	–7	204
Deferred income tax expense	–22	–82
Total income tax expense	–29	122

The expected weighted-average tax rate for the continuing operations of the Group was 27.0% in 2008 (2007: 30.9%). 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 decrease 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 expense differs from the expected amount as follows:

25 Income Taxes (continued)

Actual and expected income tax

In CHF million	2008	2007
Expected income tax expense	–317	262
Increase/reduction in taxes resulting from		
tax-exempt interest	0	0
tax-exempt dividends	–37	–16
other non-taxable income	–75	–65
non-deductible expenses	150	6
other income taxes (incl. withholding taxes)	–8	6
unrecognised tax losses/credits	274	1
use of previously unrecognised tax losses/credits	–1	–
adjustments for current tax of prior periods	–118	0
changes in tax rates	0	–51
intercompany effects	101	12
other	2	–33
Actual income tax expense	–29	122

The Swiss Life Group realised net tax benefits of CHF 118 million due to tax audits and final assessments in 2008. Intercompany effects of CHF 101 million are mainly based on intragroup dividends.

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	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax liabilities
Financial assets	306	461	148	192
Investment property	–	2	430	415
Intangible assets	42	12	381	257
Property and equipment	30	34	0	0
Financial liabilities	29	9	10	3
Insurance liabilities	83	74	80	81
Employee benefits	35	32	47	55
Deferred income	7	–	5	0
Other	31	20	27	17
Tax losses and tax credits	14	9		
Deferred income tax assets/liabilities	577	653	1 128	1 020
Offset	–480	–535	–480	–535
Total deferred income tax assets/liabilities	97	118	648	485

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	Acquisitions and foreign currency translation differences	Balance as at 31 December
Movements by type of temporary difference during the year 2008						
Financial assets	**269**	**7**	**–114**	**–**	**–4**	**158**
Investment property	**–413**	**–24**	**1**	**–**	**6**	**–430**
Intangible assets	**–245**	**–18**	**36**	**–**	**–112**	**–339**
Property and equipment	**34**	**–8**	**–**	**–**	**4**	**30**
Financial liabilities	**6**	**14**	**–**	**–**	**–1**	**19**
Insurance liabilities	**–7**	**13**	**–2**	**–**	**–1**	**3**
Employee benefits	**–23**	**12**	**–**	**–**	**–1**	**–12**
Deferred income	**0**	**3**	**–**	**–**	**–1**	**2**
Other	**3**	**17**	**0**	**–**	**–16**	**4**
Tax losses and tax credits	**9**	**6**	**–**	**–**	**–1**	**14**
Net deferred income tax assets/liabilities	**–367**	**22**	**–79**	**–**	**–127**	**–551**
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

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 1.7 billion as at 31 December 2008 (2007: CHF 3.1 billion). If such earnings are ever repatriated, no material tax liabilities would be incurred due to participation exemption rules, unrecognised tax loss carryforwards 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	**31.12.2008**	31.12.2007	**31.12.2008**	31.12.2007
	Tax losses	Tax losses	**Tax rate**	Tax rate
2009	**9**	7	**16.7%**	9.0%
2010	**11**	10	**8.5%**	7.8%
2011	**15**	15	**9.2%**	8.4%
Thereafter	**1 176**	42	**22.4%**	16.6%
Total	**1 211**	74	**n. a.**	n. a.

26 Provisions

In CHF million	Notes			**2008**	2007
		Restructuring	**Other**	**Total**	Total
Balance as at 1 January		**58**	**58**	**116**	202
Additions from business combinations	29	**–**	**0**	**0**	2
Additional provisions made during the reporting period		**21**	**7**	**28**	37
Amounts used during the reporting period		**–34**	**–3**	**–37**	–46
Unused amounts reversed during the reporting period		**0**	**–7**	**–7**	–20
Changes from discontinued operations		**–**	**–**	**–**	–15
Reclassifications and other disposals		**–**	**–**	**–**	–47
Foreign currency translation differences		**–2**	**–5**	**–7**	3
Balance as at 31 December		**43**	**50**	**93**	116

Restructuring costs

In 2008, provisions for restructuring programmes were primarily set up in Switzerland (2007: 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 2008 the remaining provision amounted to CHF 4 million (2007: CHF 16 million) and CHF 12 million was used during the period (2007: CHF 7 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 2008, a reduction in the par value of CHF 17 per registered SLH share was effected in 2008 (2007: CHF 7 per registered share). The payout took place at the end of July 2008 and led to a reduction in the share capital of SLH of CHF 596 million (2007: CHF 245 million).

In 2008, convertible bonds were converted into 124 115 SLH shares (2007: 1 184 170 SLH shares) with a corresponding increase in share capital totalling CHF 3 million (2007: CHF 49 million).

As at 31 December 2008, the share capital of SLH consisted of 35 084 554 fully-paid shares with a par value of CHF 17 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 2007, SLH had 34 960 439 registered shares with a par value of CHF 34 per share. Conditional share capital was CHF 40 109 562 as at 31 December 2008 (2007: CHF 84 439 034).

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 the par value of CHF 17 per registered SLH share in 2008 (2007: CHF 7 per registered SLH share), an amount of CHF 49 million was credited to share premium in respect of treasury shares (2007: CHF 11 million).

In 2008, convertible bonds were converted into 124 115 SLH shares (2007: 1 184 170 SLH shares) with a corresponding increase in share premium totalling CHF 20 million (2007: CHF 173 million).

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	**2008**	2007
Shares issued		
Balance as at 1 January	**34 960 439**	33 776 269
Conversion of convertible debt	**124 115**	1 184 170
Balance as at 31 December	**35 084 554**	34 960 439
Treasury shares		
Balance as at 1 January	**2 153 802**	335 517
Purchases of treasury shares	**3 083 540**	4 233 778
Sales of treasury shares	**–576 630**	–2 415 493
Disposals of subsidiaries	**–41 246**	–
Balance as at 31 December	**4 619 466**	2 153 802

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 2008

In CHF million	Notes	Financial assets available for sale	Cash flow hedges	Other	Total
Gross gains and losses					
Balance as at 1 January		–2 095	–	–5	–2 100
Gains/losses arising during the period		–3 727	–	–	–3 727
Revaluation surplus on owner-occupied property transferred to investment property	17	–	–	8	8
Share of gains/losses of associates		–	–	0	0
Reclassification of financial assets available for sale		1 159	–	–1 159	–
Gains/losses transferred to the income statement	8	3 800	–	80	3 880
Changes from discontinued operations		–	–	–252	–252
Disposals of subsidiaries		–	–	410	410
Foreign currency translation differences		51	–	0	51
Balance as at 31 December	12	–812	–	–918	–1 730
Adjustments for income tax and other items					
Balance as at 1 January					1 291
Income tax	25				–79
Deferred acquisition costs and present value of future profits	18				–151
Policyholder participation and insurance liabilities					332
Changes from discontinued operations					212
Disposals of subsidiaries					–279
Foreign currency translation differences					–44
Minority interest					3
Balance as at 31 December					1 285
Total gains/losses recognised directly in equity as at 31 December					–445

27 Equity (continued)

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 arising during the period		–3 894	–	–	–3 894
Revaluation surplus on owner-occupied property transferred to investment property		–	–	4	4
Share of gains/losses of associates		–	–	0	0
Reclassification in respect of assets held for sale		318	–2	–316	–
Gains/losses transferred to the income statement	8	292	–	–	292
Changes from discontinued operations		–1 078	6	–1	–1 073
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 participation and insurance 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

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 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 continuously optimise its capital structure and interest cover ratio.

Regulatory requirements

In accordance with the federal act on the supervision of insurance companies and corresponding decree, the Swiss Life Group reports as an insurance group to the Swiss Financial Market Supervisory Authority (FINMA). The reporting covers risk management as outlined in note 5, Group solvency, legal structure, management organisation and intragroup 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 statutory auditor. At 31 December 2008, 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. Market and insurance risk are calculated using a value-at-risk approach with a 99.5 percentile and a holding period of one year. Credit risk is calculated as expected shortfall of 99 percentile, whereas operational and strategic risks are charged on a size basis similar to Basel II. Following the Swiss Solvency Test (SST) approach, market and insurance risks are assumed to be uncorrelated while all other risk capital is cumulated. Elements of the bottom-up risk capital 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 Corporate Executive Board (Group Risk Committee) defines the risk limits for each country and business. 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 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).

28 Capital Management (continued)

In CHF million	Notes	31.12.2008	31.12.2007
Equity		**6 652**	7 334
Hybrid capital instruments	22	**2 677**	2 936
Deferred Group-related funds		**678**	1 324
Total core capital		**10 007**	11 594

29 Acquisitions and Disposals of Subsidiaries

Assets and liabilities from acquisitions

In CHF million	Notes	2008	2008	2007	2007
		Fair value	**Carrying amount in accordance with IFRS before combination**	Fair value	Carrying amount in accordance with IFRS before combination
Cash and cash equivalents		**320**	**320**	65	65
Insurance and other receivables		**226**	**226**	178	178
Financial assets at fair value through profit or loss		**3**	**3**	5 084	5 084
Financial assets available for sale		**–**	**–**	113	113
Loans		**33**	**33**	3	3
Investment property	15	**–**	**–**	34	34
Property and equipment	17	**82**	**82**	0	0
Present value of future profits from acquired insurance portfolios	18	**–**	**–**	8	–
Customer relationships and other intangible assets		**459**	**13**	60	–
Other assets		**18**	**18**	47	47
Insurance and other payables		**–399**	**–399**	–153	–153
Financial liabilities at fair value through profit or loss		**–**	**–**	–4 332	–4 332
Investment contracts	20	**–**	**–**	–879	–879
Borrowings		**–**	**–**	–19	–19
Insurance liabilities		**–**	**–**	–29	–29
Policyholder participation liabilities		**–**	**–**	–10	–10
Provisions	26	**0**	**0**	–2	–2
Deferred income tax liabilities		**–128**	**–8**	–5	0
Other liabilities		**–187**	**–187**	–10	–10
Net identifiable assets acquired		**427**	**101**	153	90
Cash used for acquisitions		**1 783**		284	
Direct costs relating to the acquisitions		**12**		0	
Non-cash consideration		**–**		18	
Total purchase consideration		**1 795**		302	
Net identifiable assets acquired		**–427**		–153	
Minority interest		**14**		–	
Goodwill	18	**1 382**		149	
Consideration paid in cash		**–1 795**		–284	
Cash and cash equivalents acquired		**320**		65	
Net cash outflow from acquisitions		**–1 475**[1]		–219	

[1] of which paid in 2007: CHF 264 million

The figures above primarily relate to the acquisition of AWD Holding AG, Hanover.

29 Acquisitions and Disposals of Subsidiaries (continued)

In November 2008, the Swiss Life Group acquired Deutsche Proventus AG, Bremen. The purchase price amounted to CHF 82 million.

On 19 March 2008, 96.7% of the AWD Holding shares (including 10.46% shares under option) were acquired by the Swiss Life Group. The AWD Group specialises in independent financial advisory services and is one of Europe's top financial services providers for the medium and high-income customer segments. The acquisition cost amounted to CHF 1713 million. If the acquisition had taken place at the beginning of the period the contribution to the income of the Group would have been CHF 1047 million and the contribution to the net profit of the Group would have been a loss of CHF 42 million.

In November 2007, the Swiss Life Group acquired Meeschaert Assurance, 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.

29 Acquisitions and Disposals of Subsidiaries (continued)

Assets and liabilities from disposals

In CHF million				2008	2007
	Insurance (Discontinued)	Banking (Discontinued)	Other	Total	Total
Cash and cash equivalents	**1 050**	**3 332**	**12**	**4 394**	67
Insurance and other receivables	**–**	**–**	**0**	**0**	–
Derivatives (assets)	**78**	**547**	**–**	**625**	93
Financial assets at fair value through profit or loss	**3 957**	**2 551**	**–**	**6 508**	11 034
Financial assets available for sale	**19 721**	**683**	**–**	**20 404**	13 338
Loans and receivables	**1 359**	**5 949**	**2**	**7 310**	425
Financial assets held to maturity	**111**	**41**	**–**	**152**	–
Investment property	**210**	**–**	**80**	**290**	85
Investments in associates	**0**	**9**	**–**	**9**	–
Reinsurance assets	**47**	**–**	**–**	**47**	–
Property and equipment	**101**	**138**	**1**	**240**	1
Intangible assets including intangible insurance assets	**577**	**424**	**1**	**1 002**	3
Other assets	**46**	**331**	**1**	**378**	20
Insurance and other payables	**–1 261**	**–119**	**–5**	**–1 385**	–
Derivatives (liabilities)	**–2**	**–720**	**–**	**–722**	–
Financial liabilities at fair value through profit or loss	**–245**	**–438**	**–**	**–683**	–
Investment contracts and other financial liabilities	**–2 613**	**–11 217**	**–**	**–13 830**	–21 898
Borrowings	**–**	**–**	**–65**	**–65**	–39
Insurance liabilities	**–20 789**	**–**	**–**	**–20 789**	–1 985
Policyholder participation liabilities	**–427**	**–**	**–**	**–427**	–
Employee benefit liabilities	**–304**	**–307**	**–**	**–611**	–
Provisions	**–6**	**–34**	**–**	**–40**	0
Other liabilities	**–345**	**–55**	**–6**	**–406**	–663
Net assets disposed of	**1 265**	**1 115**	**21**	**2 401**	481
Cash received from disposals	**2 446**	**1 773**	**20**	**4 239**	372
Direct costs relating to the disposals	**–58**	**–49**	**–2**	**–109**	–
Total disposal consideration	**2 388**	**1 724**	**18**	**4 130**	372
Transfer to financial assets at fair value through profit or loss	**16**	**–**	**–**	**16**	–
Net assets disposed of	**–1 265**	**–1 115**	**–21**	**–2 401**	–481
Foreign currency translation differences	**12**	**–5**	**–**	**7**	2
Gains/losses recognised directly in equity	**–131**	**–8**	**–**	**–139**	–1
Treasury shares	**–**	**–12**	**–**	**–12**	–
Minority interest	**14**	**7**	**–**	**21**	251
Gain (+)/loss (–) on disposals	**1 034**	**591**	**–3**	**1 622**	143

On 12 December 2008, AWD Home Finance Ltd, London, was sold. The loss realised on the sale amounted to CHF 4 million.

In November 2008, Swissville Centers Ltd, Zurich, was sold. The gain realised on the sale was CHF 1 million.

On 29 April 2008, the Swiss Life Group sold the Dutch and Belgian businesses. The disposal consideration amounted to CHF 2388 million. The gain realised on the sale was CHF 1034 million. For the purposes of segment reporting the Dutch and Belgian businesses have been presented as a separate segment “Insurance (Discontinued)”.

29 Acquisitions and Disposals of Subsidiaries (continued)

On 7 March 2008, Banca del Gottardo was disposed of for a total consideration of CHF 1724 million. The gain realised on the sale amounted to CHF 591 million. Banca del Gottardo has been presented as a separate segment “Banking (Discontinued)”.

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.

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. The transaction was completed on 7 March 2008. Banca del Gottardo, Lugano, is presented as a separate segment “Banking (Discontinued)” for segment reporting purposes.

Also in November 2007, the Swiss Life Group announced the sale of its Dutch and Belgian businesses. The transaction was completed on 29 April 2008. For the purposes of segment reporting the Dutch and Belgian businesses are presented as a separate segment “Insurance (Discontinued)”.

Banca del Gottardo, Lugano, as well as the insurance operations in the Netherlands and in Belgium are presented as discontinued operations in the consolidated statement of income.

The calculation for the impairment testing in 2007 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	**2008**	2007	**2008**	2007	**2008**	2007
	Insurance (Discontinued)	Insurance (Discontinued)	**Banking (Discontinued)**	Banking (Discontinued)	**Total**	Total
Income	**1 165**	3 129	**103**	857	**1 268**	3 986
Expenses	**–1 095**	–2 648	**–95**	–650	**–1 190**	–3 298
Gain/loss on disposal of operations	**1 034**	–	**591**	–	**1 625**	–
Profit before income tax	**1 104**	481	**599**	207	**1 703**	688
Income tax expense on profit from ordinary activities from discontinued operations	**–62**	–11	**–3**	–35	**–65**	–46
Income tax expense on the gain/loss on remeasurement to fair value less costs to sell/disposal of operations	**–148**	–	**–2**	–	**–150**	–
Net profit from discontinued operations	**894**	470	**594**	172	**1 488**	642

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.

30 Assets Held for Sale and Discontinued Operations (continued)

Assets held for sale and associated liabilities

In CHF million	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
	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	–	–	**1**	–	**1**	219
Investments in associates	–	0	–	9	–	–	–	9
Property and equipment	–	104	–	138	–	–	–	242
Foreclosed property	–	–	–	12	**3**	4	**3**	16
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**	4	**4**	40 468
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

Net cash flows from discontinued operations

In CHF million	2008	2007	2008	2007	2008	2007
	Insurance (Discontinued)	Insurance (Discontinued)	**Banking (Discontinued)**	Banking (Discontinued)	**Total**	Total
Net cash flows from operating activities	**–487**	–92	**405**	895	**–82**	803
Net cash flows from investing activities	**0**	–16	–	–32	**0**	–48
Net cash flows from financing activities	**433**	69	**–38**	163	**395**	232
Net cash flows from discontinued operations	**–54**	–39	**367**	1 026	**313**	987

31 Related Party Transactions

Consolidated statement of income

In CHF million				2008	2007
	Associates	Key management personnel	Other	Total	Total
Investment income	**1**	**–**	**1**	**2**	2
Net gains/losses on financial instruments at fair value through profit or loss	**–**	**–**	**–139**	**–139**	–17
Interest expense	**–**	**–**	**0**	**0**	0
Employee benefits expense	**–**	**–22**	**–**	**–22**	–19
Other expenses	**–**	**–**	**–**	**–**	–2

Consolidated balance sheet

Amounts in CHF million				31.12.08	31.12.07
	Associates	Key management personnel	Other	Total	Total
Financial assets	**0**	**–**	**151**	**151**	285
Loans	**19**	**–**	**–**	**19**	19
SLH shares issued to key management under equity compensation plans (number)	**–**	**10 253**	**–**	**10 253**	7 617

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 2008, no impairment allowance has 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	2008	2007
Short-term employee benefits	**13**	11
Post-employment benefits	**2**	2
Other long-term benefits	**–**	–
Termination benefits	**–**	–
Equity-settled share-based payments	**7**	6
Total	**22**	19

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	**31.12.2008**	31.12.2007
On-balance-sheet assets		
Cash and cash equivalents	**9 408**	4 555
Derivatives	**1 349**	463
Financial assets at fair value through profit or loss	**16 916**	19 399
Debt securities available for sale	**38 174**	54 750
Money market instruments available for sale	**99**	21
Equity securities available for sale	**707**	6 216
Investment funds available for sale	**1 099**	1 849
Private equity available for sale	**203**	113
Hedge funds available for sale	**2 878**	5 638
Other financial assets available for sale	**3**	1
Loans	**33 079**	20 652
Financial assets held to maturity	**7 159**	3 624
Investment property	**12 663**	12 252
Investments in associates	**437**	72
Total on-balance-sheet assets	**124 174**	129 605
Fair value adjustments of assets reported at amortised cost		
Financial assets held to maturity	**–233**	–49
Loans	**–1 661**	–244
Third-party off-balance-sheet assets	**12 046**	9 634
Total assets under control	**134 326**	138 946
Minus externally managed on-balance-sheet assets		
Assets under unit-linked/private placement life insurance business	**–8 683**	–9 991
Externally managed alternative investments	**–3 122**	–6 107
Externally managed other assets	**–2 157**	–1 681
Total assets under management	**120 364**	121 167

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	**31.12.2008**	31.12.2007	**31.12.2008**	31.12.2007
		Carrying amount	Carrying amount	**Fair value**	Fair value
Assets					
Insurance and other receivables	9	**3 950**	4 152	**3 950**	4 152
Loans	13	**33 079**	20 652	**31 418**	20 408
Financial assets held to maturity	14	**7 159**	3 624	**6 926**	3 575
Liabilities					
Insurance and other payables	9	**3 465**	3 350	**3 465**	3 350
Deposits	21	**3 282**	2 622	**3 282**	2 622
Investment contracts without discretionary participation	20	**355**	440	**355**	440
Borrowings	22	**3 123**	3 621	**2 060**	3 616

34 Guarantees and Commitments

In CHF million	**31.12.2008**	31.12.2007
Financial guarantees	**446**	152
Loan commitments	**118**	164
Capital commitments	**375**	568
Private equity commitments	**726**	303
Operating lease commitments	**18**	13
Other contingent liabilities and commitments	**79**	19
Total	**1 762**	1 219

Future minimum lease payments under non-cancellable operating leases – lessee

In CHF million	**31.12.2008**	31.12.2007
Not later than 1 year	**4**	0
Later than 1 year and not later than 5 years	**13**	13
Later than 5 years	**1**	–
Total	**18**	13

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.

The German government, the German central bank, the German banking associations as well as some finance companies have attained an agreement to jointly provide liquidity in order to rescue the Hypo Real Estate Group. The German insurance companies agreed upon a re-guarantee to the German government. The guarantors are liable

34 Guarantees and Commitments (continued)

for 60% of the loss (after recovery of collateral), EUR 8.5 billion in total, against the overall guarantee amounting to EUR 14.2 billion. The German insurance companies' proportion thereof is EUR 1.4 billion. The Swiss Life Group's share amounts to EUR 19.6 million.

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 2008, committed principal amounts stood at EUR 22 million and CHF 62 million (2007: EUR 24 million and CHF 89 million). The range of committed interest rates is 3.3% to 6.1% for commitments in EUR and 2.1% to 4.1% for commitments in CHF.

Capital commitments

The Group had commitments to purchase investments of CHF 268 million (excluding private equity) as at 31 December 2008 (2007: CHF 413 million). Contractual obligations to purchase or construct investment property amounted to CHF 107 million as at 31 December 2008 (2007: CHF 155 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 44 million for the year ended 31 December 2008 (2007: CHF 25 million). Minimum lease payments totalled CHF 44 million in 2008 (2007: CHF 25 million).

Other contingencies and commitments

Contractual obligations for repairs and maintenance of investment property amounted to CHF 38 million as at 31 December 2008, which are included in this line item (2007: CHF 16 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	**31.12.2008**	31.12.2007
Securities under other transactions	**1 040**	283
Other financial assets	**29**	–
Investment property	**103**	102
Total	**1 172**	385

Fair value of collateral held which can be sold or repledged

In CHF million	**31.12.2008**	31.12.2007
Securities under repurchase agreements, securities borrowing and lending arrangements	**–**	0
Securities under derivative and other transactions	**2 979**	–
Total	**2 979**	0
of which sold or repledged		
With obligation to return	***–***	*0*
No obligation to return	***–***	*–*

36 Future Minimum Lease Payments under Non-Cancellable Operating Leases – Lessor

In CHF million	**31.12.2008**	31.12.2007
Not later than 1 year	**142**	144
Later than 1 year and not later than 5 years	**550**	526
Later than 5 years	**538**	556
Total	**1 230**	1 226
Contingent rents recognised in income	***1***	*1*

Leased assets where the Group is a lessor primarily relate to investment property leased to third parties under operating leases.

37 Reclassification of Financial Assets Available for Sale to Loans

As at 1 July 2008, certain financial assets were reclassified from financial assets available for sale to loans due to the disappearance of an active market. The financial assets reclassified primarily consist of corporate debt instruments and debt instruments relating to emerging markets. The fair value as at 1 July 2008 of the financial assets reclassified amounted to CHF 14 966 million. At the date of reclassification the effective interest rate ranged from 0.8% to 9.7%, and the amount of cash flows expected to be recovered was estimated at CHF 32 658 million. During the period, unrealised losses of CHF 740 million were recognised in equity in respect of these assets (2007: losses of CHF 425 million).

Further details with regard to the financial assets reclassified are as follows:

In CHF million	Notes	**2008**	2007
Carrying amount as at 31 December	13	**14 641**	–
Fair value as at 31 December	13	**12 337**	–
Gains/losses that would have been recognised in equity if the assets had not been reclassified (excluding adjustments for income tax and policyholder participation)		**–2 259**	–
Gains/losses recognised in profit or loss (including impairment)		**–60**	–
Interest income		**690**	–

38 Events after the Balance Sheet Date

In January 2009, the Swiss Life Group set the cash compensation for AWD shareholders at EUR 30 per share under the terms of the squeeze out and also entered into a profit transfer agreement. Minority shareholders will receive a cash compensation offer of EUR 30 or an annual gross cash settlement of EUR 2.34 per share.

In February 2009, the Swiss Life Group decided against redeeming the 1999 private placement of subordinated perpetual step-up loan totalling about CHF 970 million on the first possible call date in April 2009. The interest margin on this loan thus increases from 105 basis points to 205 basis points over Libor/Euribor.

39 Significant Subsidiaries and Associates

	Segment [1]	Consolidation period		Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Switzerland								
Adroit Investment AG, Zürich	Ins. CH	until	01.01.2007	–	–	full		
Adroit Private Equity AG, Zürich	Ins. CH			100.0%	100.0%	full	CHF	5 000
AWD Allgemeiner Wirtschaftsdienst AG, Zug	AWD	from	19.03.2008	96.7%	100.0%	full	CHF	5 600
Banca del Gottardo, Lugano	Bank. Dis.	until	07.03.2008	–	–	full		
B-Source, Lugano	–	until	07.03.2008	–	–	equity		
City-Markt Aarau AG, Aarau	–			–	24.0%	equity	CHF	500
Dreieck Fiduciaria, Lugano	Bank. Dis.	until	07.03.2008	–	–	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
Livit, Zürich	IM			100.0%	100.0%	full	CHF	3 000
Livit FM Services AG, Zürich	IM	from	07.02.2008	100.0%	100.0%	full	CHF	100
Livolsi e Associati Private SA, Lugano	–	until	07.03.2008	–	–	equity		
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%	equity	CHF	800
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	until	01.01.2008	–	–	full		
Swiss Life General Partners, Zürich	Other	until	20.08.2007	–	–	full		
Swiss Life Holding, Zürich	Other			–	–	full	CHF	596 437
Swiss Life Intellectual Property Management AG, Zürich	Other			100.0%	100.0%	full	CHF	250
Swiss Life International Holding AG, Zürich	Other			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, Zürich	Ins. Other			100.0%	100.0%	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 Products (Luxembourg) S.A., Strassen, Branch Zürich, Zürich	Ins. Other	from	19.12.2008	100.0%	100.0%	full	–	–
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	until	30.11.2008	–	–	full		
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		
Technopark Immobilien, Zürich	–			–	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	27.03.07–01.07.07	–	–	full		
LGT Swiss Life Non Traditional Advisers, Vaduz	–		–	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 SA, Lille	Ins. FR		100.0%	100.0%	full	EUR	500
Cabinet Wilhelm SA, Lons	–	from 01.02.2007	–	49.8%	equity	EUR	300
Carte Blanche Partenaires, Paris	Ins. FR		94.6%	95.1%	full	EUR	2 300
Carte Blanche TP, Paris	–		–	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%	equity	EUR	56 407
Erisa, Paris	Ins. FR	until 02.07.2007	–	–	full		
Erisa IARD, Paris	Ins. FR	until 02.07.2007	–	–	full		
Financière du Capitole SAS, Balma	Ins. FR	from 12.11.2008	80.0%	80.0%	full	EUR	1 700
Garantie Assistance, Paris	Ins. FR		99.5%	100.0%	full	EUR	1 850
GSD Gestion SA, Paris	–	until 15.03.2007	–	–	equity		
Meeschaert Assurances SA, Paris	Ins. FR	09.11.07–19.11.08	–	–	full		
Oudart S.A., Paris	Bank. Dis.	until 07.03.2008	–	–	full		
Oudart Gestion S.A., Paris	Bank. Dis.	until 07.03.2008	–	–	full		
Oudart Patrimoine SARL, Paris	Bank. Dis.	until 07.03.2008	–	–	full		
Placement Direct SAS, Pau	Ins. FR	from 08.01.2008	100.0%	100.0%	full	EUR	40
Premium Consulting SAS, Paris	–		–	20.0%	equity	EUR	40
SCI DYNAPIERRE, Paris	Ins. FR		99.8%	100.0%	full	EUR	7 317
SCI ERISA IMMO I, Paris	Ins. FR	until 02.07.2007	–	–	full		
Seeds Finance SA, Paris	–	from 21.12.2007	–	34.0%	equity	EUR	85
Société suisse vie, Paris (branch Swiss Life/Rentenanstalt)	Ins. FR	until 31.10.2008	–	–	full		
Swiss Life Asset Management (France), Paris	IM		100.0%	100.0%	full	EUR	3 000
Swiss Life Assurance et Patrimoine, Paris	Ins. FR		99.8%	100.0%	full	EUR	141 494
Swiss Life Assurances de Biens, Paris	Ins. FR		100.0%	100.0%	full	EUR	80 000
Swiss Life Banque Privée, Paris	Ins. FR		59.9%	60.0%	full	EUR	36 471
Swiss Life France (formerly Société suisse de participations d'assurance), Paris	Ins. FR		100.0%	100.0%	full	EUR	267 767
Swiss Life Gestion Privée SA, Paris	Ins. FR	from 31.08.2007	59.9%	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							
Allgemeiner Wirtschaftsdienst Gesellschaft für Wirtschaftsberatung und Finanzbetreuung mbH, Hannover	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	2 700
AWD Beteiligungstreuhand GmbH, Hannover	AWD	from 01.10.2008	96.7%	100.0%	full	DEM	50
AWD Gastronomie GmbH, Hannover	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	25
AWD Gruppe Deutschland GmbH, Hannover	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	1 500
AWD Holding AG, Hannover	AWD	from 19.03.2008	96.7%	96.7%	full	EUR	38 639
AWD Vermögensverwaltungsgesellschaft mbH, Hannover	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	100
AWD – Versicherungsmakler und -beratungs GmbH, Hannover	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	31
AWD Zweite Vermögensverwaltungsgesellschaft mbH, Hannover	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	25
Bizztools GmbH, Bremen	AWD	from 06.05.2008	96.7%	100.0%	full	EUR	50
DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf	–		–	20.4%	–	EUR	539
DEUTSCHE PROVENTUS AG, Bremen	AWD	from 06.05.2008	96.7%	100.0%	full	DEM	1 000
Financial Solutions AG Service & Vermittlung, München	Ins. DE		100.0%	100.0%	full	EUR	200
Horbach Wirtschaftsberatung GmbH, Köln	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	260
MLP AG, Wiesloch	–	from 20.11.2008	–	24.3%	equity	EUR	107 791
PROFIDUS Assekuranzmakler GmbH, Bremen	AWD	from 06.05.2008	96.7%	100.0%	full	EUR	25
PROFIDUS Vermittlung- und Verwaltungs-GmbH, Bremen	AWD	from 06.05.2008	96.7%	100.0%	full	EUR	51
PROFIDUS Vertriebsgesellschaft mbh, Bremen	AWD	from 06.05.2008	96.7%	100.0%	full	EUR	25
ProVentus Akademie- und Vertriebs GmbH, Bremen	AWD	from 06.05.2008	96.7%	100.0%	full	EUR	25
Schweizerische Rentenanstalt, München (branch Swiss Life/Rentenanstalt)	Ins. DE		100.0%	100.0%	full	–	–
SEKO, München	Ins. DE		90.0%	90.0%	full	EUR	30
Sepis, München	Ins. DE		100.0%	100.0%	full	EUR	30
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, München	Ins. DE		100.0%	100.0%	full	EUR	50
SL Beteiligungs-GmbH & Co. Immobilien I KG, München	Ins. DE	from 22.10.2007	100.0%	100.0%	full	EUR	10
SL Beteiligungs-GmbH & Co. Immobilien II KG, München	Ins. DE	from 27.11.2008	100.0%	100.0%	full	EUR	10
SL Beteiligungs-GmbH & Co. Immobilien III KG, München	Ins. DE	from 04.12.2008	100.0%	100.0%	full	EUR	10
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, München	Ins. DE	from 22.10.2007	100.0%	100.0%	full	EUR	50
SL-Immobilien-Beteiligungs-Gesellschaft mbH (formerly Swiss Life Beteiligungs GmbH), München	Ins. DE		100.0%	100.0%	full	EUR	25
SL Private Equity GmbH, Frankfurt am Main	Ins. DE	from 14.05.2008	98.9%	98.9%	full	EUR	91
SLP Swiss Life Partner Vertriebs GmbH & Co. KG, Hamburg	–		–	50.0%	equity	EUR	77
SLPM Schweizer Leben PensionsManagement, München	Ins. DE		100.0%	100.0%	full	EUR	150

[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 (continued)							
Swiss Life Asset Management, Unterföhring	IM	until 03.12.2008	–	–	full		
Swiss Life Asset Management GmbH, München	IM		100.0%	100.0%	full	EUR	1 000
Swiss Life Beteiligungs GmbH, Hannover	Other	from 04.12.2007	100.0%	100.0%	full	EUR	25
Swiss Life Cooperations GmbH in liquidation, Hamburg	Ins. DE		100.0%	100.0%	full	EUR	100
Swiss Life Grundstücksmanagement, München	Ins. DE		100.0%	100.0%	full	EUR	26
Swiss Life Grundstücksmanagement GmbH & Co. Münchner Tor KG, München	Ins. DE		100.0%	100.0%	full	EUR	59 435
Swiss Life Insurance Solutions AG, München	Ins. DE		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 Finanzvermittlungs GmbH, München	Ins. DE		100.0%	100.0%	full	EUR	300
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 Products (Luxembourg) S.A. Branch Germany, München	Ins. Other	from 15.05.2008	100.0%	100.0%	full	–	–
Swiss Life Vermittlungs GmbH, München	Ins. DE	from 29.10.2007	100.0%	100.0%	full	EUR	50
tecis Asset Management AG, Hamburg	AWD	19.03.08–05.12.08	–	–	full		
tecis Finanzdienstleistungen AG, Hamburg	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	500
Thomas Beteiligungsgesellschaft mbH, Bremen	AWD	from 06.05.2008	96.7%	100.0%	full	EUR	51
Verwaltung SLP Swiss Life Partner Vertriebs GmbH, Hamburg	–		–	50.0%	equity	EUR	26
Netherlands							
Swiss Life Asset Management (Nederland), Amstelveen	Ins. Dis.	until 29.04.2008	–	–	full		
Zwitserleven, Amstelveen (branch Swiss Life/Rentenanstalt)	Ins. Dis.	until 29.04.2008	–	–	full		
Zwitserleven Vermogensbeheer, Amstelveen	Ins. Dis.	until 29.04.2008	–	–	full		
Belgium							
AIA Pool, Sint-Jans-Molenbeek	–	until 29.04.2008	–	–	equity		
Bureau Maron, Verviers	Ins. Dis.	until 29.04.2008	–	–	full		
Demoisy & Cie, Montigny le Tilleul	–	until 29.04.2008	–	–	equity		
European District Properties Three, Sint Stevens Woluwe	–	until 29.04.2008	–	–	equity		
Freeberg Sprl, Bruxelles	Ins. Dis.	05.07.07–29.04.08	–	–	full		
Leaseberg Sprl, Bruxelles	Ins. Dis.	05.07.07–29.04.08	–	–	full		
Swiss Life Asset Management (Belgium), Bruxelles	IM	until 30.06.2008	–	–	full		
Swiss Life Belgium SA, Bruxelles	Ins. Dis.	until 29.04.2008	–	–	full		
Swiss Life Immo-Cross Roads, Bruxelles	Ins. Dis.	until 29.04.2008	–	–	full		
Swiss Life Immo-Midi (Belgium), Bruxelles	Ins. Dis.	until 29.04.2008	–	–	full		
Swiss Life Immo-Residential, Sint-Gillis	Ins. Dis.	until 29.04.2008	–	–	full		
Swiss Life Immo-Techno Center I, Bruxelles	Ins. Dis.	until 29.04.2008	–	–	full		
Swiss Life Invest (Belgium), Bruxelles	Ins. Dis.	until 29.04.2008	–	–	full		

[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
Luxembourg								
Banque du Gothard (Luxembourg), Luxembourg	Bank. Dis.	until	07.03.2008	–	–	full		
Esofac, Luxembourg	–			–	30.0%	equity	EUR	125
Gotam Fund Management Company, Luxembourg	Bank. Dis.	until	07.03.2008	–	–	full		
Gotam Umbrella Fund (Lux) Advisory Company, Luxembourg	Bank. Dis.	until	07.03.2008	–	–	full		
Gottardo Equity Fund (Lux) Management, Luxembourg	Bank. Dis.	until	07.03.2008	–	–	full		
Gottardo Strategy Fund Management, Luxembourg	Bank. Dis.	until	07.03.2008	–	–	full		
Heralux, Luxembourg	Ins. FR			99.2%	100.0%	full	EUR	3 500
SLGB Management, Luxembourg	Ins. Dis.	until	29.04.2008	–	–	full		
Swiss Life (Luxembourg), Strassen	Ins. Other			100.0%	100.0%	full	EUR	23 000
Swiss Life Asset Management Holding, Strassen	IM	until	18.12.2008	–	–	full		
Swiss Life Assurance Solutions S.A., Luxembourg	Ins. DE	from	27.11.2008	100.0%	100.0%	full	EUR	5 000
Swiss Life Funds (Lux) Management Company S.A., 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 Insurance Solutions S.A., Luxembourg	Ins. DE	from	27.11.2008	100.0%	100.0%	full	EUR	5 000
Swiss Life International Pension Fund ASBL, Strassen	Ins. Other	from	18.04.2008	–	–	full	–	–
Swiss Life Invest Luxembourg, Strassen	Ins. Other			100.0%	100.0%	full	EUR	35 000
Swiss Life Participations Luxembourg, Strassen	Ins. Other			100.0%	100.0%	full	EUR	70 000
Swiss Life Products (Luxembourg) S.A. (formerly Pulse S.A.), Strassen	Ins. Other	from	07.08.2007	100.0%	100.0%	full	EUR	35 031
Swiss Life Solutions S.A., Strassen	Ins. DE	from	17.09.2008	100.0%	100.0%	full	EUR	11 000
United Kingdom								
Active Net Solutions Limited, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0
AWD Chase de Vere Consulting Limited, London	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	1 935
AWD Chase de Vere Corporate Services Limited, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	EUR	0
AWD Chase de Vere Financial Services Ltd, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0
AWD Chase de Vere Limited, London	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	10
AWD Chase de Vere Wealth Management Limited, London	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	23 088
AWD Consultancy Limited, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0
AWD Direct Limited, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	9
AWD Group Plc, London	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	65 800
AWD Group Services Limited, London	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0
AWD Home Finance Limited, London	AWD	19.03.08–12.12.08		–	–	full		
AWD Limited, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0
AWD Loans Limited, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	1 000
AWD Private Client Trustees Limited, London	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0
AWD Trustees Limited, Leicestershire	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0
AWD Wealth Management Limited, Manchester	AWD	from	19.03.2008	96.7%	100.0%	full	GBP	0

[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 (continued)							
Chase de Vere Financial Solutions Limited, Manchester	AWD	from 19.03.2008	96.7%	100.0%	full	GBP	10
Jaffrey Financial Services Limited, Dundee	AWD	from 19.03.2008	96.7%	100.0%	full	GBP	22
Read Independent Financial Advisers Ltd, Manchester	AWD	from 19.03.2008	96.7%	100.0%	full	GBP	10
UHY Financial Planning Limited, London	–	from 19.03.2008	–	25.0%	equity	GBP	0
Spain							
Gottardo Gestión, SGIIC, Madrid	Bank. Dis.	until 07.03.2008	–	–	full		
Gottardo Inversiones Financieras, Madrid	Bank. Dis.	until 07.03.2008	–	–	full		
Gottardo Patrimonios, Madrid	Bank. Dis.	until 07.03.2008	–	–	full		
Italy							
Banca del Gottardo Italia, Bergamo	Bank. Dis.	until 07.03.2008	–	–	full		
Fafid, Milano	Bank. Dis.	until 07.03.2008	–	–	full		
Gottardo Asset Management SGR, Milano	Bank. Dis.	until 07.03.2008	–	–	full		
Austria							
AWD CEE Holding GmbH, Wien	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	35
AWD Gesellschaft für Wirtschaftsberatung GmbH, Wien	AWD	from 19.03.2008	96.7%	100.0%	full	EUR	727
Bahamas							
Alpine Services Ltd., Nassau	Bank. Dis.	until 07.03.2008	–	–	full		
Gottardo Trust Company, Nassau	Bank. Dis.	until 07.03.2008	–	–	full		
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 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
Croatia							
AWD Savjetovanje d.o.o. za poslovno savjetovanje, Zagreb	AWD	from 19.03.2008	96.7%	100.0%	full	HRD	20
AWD zastupanje u osiguranju d.o.o., Zagreb	AWD	from 19.03.2008	96.7%	100.0%	full	HRD	100
Czech Republic							
AWD Česká republika s.r.o., Brno	AWD	from 19.03.2008	96.7%	100.0%	full	CZK	1 000
Greece							
Second Pillar, Athens	–	until 07.03.2008	–	–	equity		
Hungary							
AWD Magyarország Pénzügyi Szolgáltató Korlátolt Felelősségű Társaság, Budapest	AWD	from 19.03.2008	96.7%	100.0%	full	HUF	5 000
ECG Oktatási Korlátolt Felelősségű Társaság, Budapest	AWD	from 19.03.2008	96.7%	100.0%	full	HUF	5 000

[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
Monaco								
Podium Sam, Monaco	–	until	07.03.2008	–	–	equity		
Netherlands Antilles								
N.V. Pensioen ESC, Willemstad	Ins. Dis.	until	29.04.2008	–	–	full		
Poland								
AWD Sp.z o.o., Warszawa	AWD	from	19.03.2008	96.7%	100.0%	full	PLN	200
European Consulting Group Sp.z o.o., Warszawa	AWD	from	19.03.2008	96.7%	100.0%	full	PLN	498
Romania								
AWD Consultanta Financiara SRL, Târgu Mureş	AWD	from	19.03.2008	96.7%	100.0%	full	RON	1
AWD Romania Broker de Asigurare SRL, Târgu Mureş	AWD	from	19.03.2008	96.7%	100.0%	full	RON	50
Singapore								
Swiss Life (Liechtenstein) AG, Singapore Branch, Singapore	Ins. Other	from	17.12.2007	100.0%	100.0%	full	–	–
Swiss Life Network (Asia) Pte.Ltd., Singapore	Ins. Other	from	11.07.2007	100.0%	100.0%	full	SGD	0
Slovakia								
AWD s.r.o., Bratislava	AWD	from	19.03.2008	96.7%	100.0%	full	SKK	1 000
United Arab Emirates								
Swiss Life Private Placement (Middle East) Limited, Dubai	Ins. Other	from	16.09.2008	100.0%	100.0%	full	USD	10

[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))

Report of the Statutory Auditor

Report of the Statutory Auditor
to the General Meeting of
Swiss Life Holding Ltd
Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Swiss Life Group, which comprise the consolidated statement of income, consolidated balance sheet, consolidated statement of cash flow, consolidated statement of changes in equity and notes to the consolidated financial statements (pages 85 to 209), for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi	Daniel Häfeli
Audit expert	Audit expert
Auditor in charge	

Zurich, 23 March 2009

Review of Operations | The 2008 financial statements of Swiss Life Holding are shaped by the strategic acquisition and disposal of business units. The company's annual profit came to CHF 1921 million. This significant increase vis-à-vis the previous year can be attributed in particular to the distribution of an extraordinary dividend by the subsidiary Swiss Life Insurance and Pension Company.

Swiss Life Holding and its subsidiaries effected various transactions in the 2008 financial year which had a considerable impact on the parent company's financial statements. Swiss Life Holding sold Banca del Gottardo to BSI for a profit of CHF 486 million. Swiss Life Insurance and Pension Company sold its Dutch and Belgian arms to SNS Reaal and, based on the realised gain, distributed an extraordinary dividend of CHF 1551 million. On the other hand, Swiss Life invested in its distribution capabilities. Through its subsidiary Swiss Life Beteiligungs GmbH, Hanover, Swiss Life Holding built up its participation in AWD Holding AG to 96.7% and took over a 24.3% stake in MLP.

Swiss Life's Holding's net investment income grew from CHF 337 million to CHF 1919 million, mainly as a result of the above-mentioned disposals. Other financial expenses and income increased to a net CHF 40 million due to the rise in interest received on loans to Group companies. In particular Swiss Life Holding granted a loan of EUR 300 million to Swiss Life Beteiligungs GmbH, Hanover, to partly finance the takeover of AWD Holding AG and the stake in MLP. The reported currency loss of CHF 78 million can be attributed to the fact that a considerable proportion of the loan was issued in euros. Operating expenses were up slightly on the previous year from CHF 8 million to CHF 9 million. All in all, Swiss Life Holding generated an annual profit of CHF 1921 million.

As a result of the disclosed transactions, Swiss Life Holding's liquid assets (liquid funds plus time deposits and comparable instruments) rose significantly from CHF 159 million to CHF 801 million.

The value of participations increased from CHF 2665 million to CHF 3147 million following the acquisition of the stakes in AWD and MLP and the takeover of Swiss Life Selection AG from the sale of Banca del Gottardo. To finance ongoing business operations, Swiss Life carried out a capital increase at Swiss Life Products (Luxembourg) S.A. The sale of Banca del Gottardo and the distributed dividend of CHF 185 million in net worth realised from the sale of the Dutch business lowered the value of participations by CHF 1425 million. In addition an impairment of CHF 149 million was taken, based on the valuation of MLP.

Within the context of the share buyback programme, Swiss Life Holding repurchased 3 003 500 shares with a value of CHF 686 million. An impairment totalling CHF 691 million had to be made on own shares repurchased and already held. The unrealised loss on investments thus amounted to CHF 840 million.

Swiss Life Holding's profit distribution to shareholders in the reporting period came to CHF 596 million or CHF 17 per share. It took the form of a repayment of par value. The par value of the Swiss Life Holding share was thereby reduced from CHF 34 to CHF 17 and the share capital decreased from CHF 1189 million to CHF 596 million. This includes a CHF 3 million increase in share capital due to the conversion of outstanding convertible bonds into shares. The nominal value of the convertible bonds issued in 2004 at CHF 317 million and set to expire in June 2010, was thereby reduced to CHF 42 million. The conversion price at the time of writing is CHF 200.20. Apart from the convertible bond issue, Swiss Life Holding is financed entirely by equity.

Statement of Income

Statement of Income for the years ended 31 December

In CHF million	2008	2007
Dividends received	**2 307**	331
Realised gain on non-current assets	**490**	10
Unrealised loss on non-current assets	**–840**	–30
Other finance income	**47**	25
Other financial expense	**–7**	–6
Foreign currency gains/losses	**–78**	7
Net investment income	**1 919**	337
Operating expense	**–9**	–8
Other income	**10**	7
Income tax	**1**	–1
Net profit	**1 921**	335

Balance Sheet

Balance Sheet

In CHF million	**31.12.2008**	31.12.2007
Assets		
Cash and cash equivalents	**20**	9
Time deposits and similar investments	**781**	150
Short-term investments at fair value	**–**	2
Receivables from Group companies	**9**	4
Receivables from third parties	**7**	3
Accrued income	**–**	4
Current assets	**817**	172
Shares	**297**	519
Debt securities	**5**	5
Hedge Funds	**10**	–
Participations	**3 147**	2 665
Loans to Group companies	**668**	218
Non-current assets	**4 127**	3 407
Total assets	**4 944**	3 579
Liabilities and equity		
Liabilities		
Payables to Group companies	**1**	–
Liabilities towards third parties	**32**	33
Total short-term liabilities	**33**	33
Convertible securities	**42**	68
Total long-term liabilities	**42**	68
Total liabilities	**75**	101
Equity		
Share capital	**596**	1 189
General reserves	***1 139***	*1 117*
Reserve for treasury shares	***1 167***	*618*
Legal reserves	**2 306**	1 735
Free reserves	**43**	216
Balance carried forward from previous year	***3***	*3*
Net profit	***1 921***	*335*
Profit shown in the balance sheet	**1 924**	338
Total equity	**4 869**	3 478
Total liabilities and equity	**4 944**	3 579

Notes to the Financial Statements
Accounting Rules

Assets and liabilities are stated in the balance sheet in accordance with the provisions of the Swiss Code of Obligations (CO).

Explanations on the Balance Sheet and Statement of Income

PARTICIPATIONS

	31.12.2008			31.12.2007		
	Currency	**Authorised share capital in 1000**	**Direct share**	Currency	Authorised share capital in 1000	Direct share
Banca del Gottardo, Lugano	–	–	–	CHF	70 000	100.0%
Swiss Life/Rentenanstalt, Zürich	**CHF**	**587 350**	**100.0%**	CHF	587 350	100.0%
Swiss Life Beteiligungs GmbH, Hannover	**EUR**	**25**	**100.0%**	EUR	25	100.0%
Swiss Life Intellectual Property Management AG, Zürich	**CHF**	**250**	**100.0%**	CHF	250	100.0%
Swiss Life International Holding AG, Zürich	**CHF**	**1 000**	**100.0%**	CHF	1 000	100.0%
Swiss Life Investment Management Holding, Zürich	**CHF**	**50 000**	**100.0%**	CHF	50 000	100.0%
Swiss Life Products (Luxembourg) S.A. (formerly Pulse S.A.), Strassen	**EUR**	**35 031**	**100.0%**	EUR	31	100.0%
Swiss Life Selection AG	**CHF**	**250**	**100.0%**	–	–	–

LOANS TO GROUP COMPANIES | CHF 191 million of the loans to Group companies is classified as subordinated.

MAJOR SHAREHOLDERS | The following shareholders hold over 5% of Swiss Life Holding's share capital:

As % of total share capital	**31.12.2008**	31.12.2007
Carsten Maschmeyer & Sons	**5.56%**	–

SHARE CAPITAL | As at 31 December 2008, the share capital of Swiss Life Holding consisted of 35 084 554 fully-paid shares with a par value of CHF 17 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of their own shares and those they represent. As at 31 December 2007, Swiss Life Holding had 34 960 439 registered shares with a par value of CHF 34 per share. Conditional share capital was CHF 40 109 562 as at 31 December 2008 (2007: CHF 84 439 034).

LEGAL RESERVES | Legal reserves comprise the general reserves (plus the additional paid-in capital in excess of the par value, net of transaction costs) and the reserve for treasury shares (equivalent in value to own Swiss Life Holding shares held by the Swiss Life Group).

FREE RESERVES AND RETAINED EARNINGS | Free reserves and retained earnings contain accumulated retained earnings which have not been distributed to the shareholders, or which have not been allocated to the reserve for treasury shares.

Explanations on the Balance Sheet and Statement of Income (continued)

ISSUANCE OF CONVERTIBLE DEBT IN 2004 | On 10 June 2004 Swiss Life Holding issued CHF 317 million in 0.625% convertible bonds (2004 to 2010) convertible into Swiss Life Holding registered shares. The conversion price is currently CHF 200.20.

In 2008, convertible bonds of CHF 25 961 000 were converted into 124 115 Swiss Life Holding shares with a corresponding increase of share capital and share premium.

TREASURY SHARES | In the year under review the companies in the Swiss Life Group purchased a total of 3 083 540 Swiss Life Holding shares at an average price of CHF 230.61. In the same period, they sold 617 876 shares at an average price of CHF 215.53. As at 31 December 2008, the Swiss Life Group held 4 619 466 of its treasury shares.

PERSONNEL EXPENSES | No direct staff costs are included under operating expenses.

CONTINGENCIES | Swiss Life Holding acts as warrantor for all Swiss Life/Rentenanstalt liabilities with regard to the various tranches of the subordinated perpetual step-up loan (hybrid debt), which amounted to an equivalent value of CHF 2316 million at the balance sheet date.

Swiss Life Holding further gives a capital guarantee for a maximum net asset value of CHF 300 million to Swiss Life Funds.

Explanations on the Balance Sheet and Statement of Income (continued)

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

In CHF million	2008	2007
Share capital		
Balance as at 1 January	**1 189**	1 385
Reduction in par value	**–596**	–245
Converted Swiss Life Holding shares	**3**	49
Total share capital	**596**	1 189
Legal reserves		
General reserves		
Balance as at 1 January	**1 117**	918
Converted Swiss Life Holding shares	**22**	199
Total general reserves	**1 139**	1 117
Reserve for treasury shares		
Balance as at 1 January	**618**	66
Reserve for treasury shares	**549**	552
Total reserve for treasury shares	**1 167**	618
Total legal reserves	**2 306**	1 735
Free reserves		
Balance as at 1 January	**216**	508
Allocation to free reserves	**335**	250
Reserve for treasury shares (incl. reduction in par value)	**–508**	–542
Total free reserves	**43**	216
Profit shown in the balance sheet		
Balance as at 1 January	**338**	253
Allocation to free reserves	**–335**	–250
Net profit	**1 921**	335
Total profit shown in the balance sheet	**1 924**	338
Total equity	**4 869**	3 478

RISK ASSESSMENT | For information on risk assessment, please refer to Note 5 of the Swiss Life Group's consolidated financial statements.

Explanations on the Balance Sheet and Statement of Income (continued)

Disclosure of compensation to the Board of Directors and the Corporate Executive Board in accordance with the Swiss Code of Obligations (CO) Art. 663b^{bis} and Art. 663c

COMPENSATION IN 2008 | The specifications below take into consideration the new transparency regulations on compensation set out in the Swiss Code of Obligations (CO), Art. 663b^{bis} and Art. 663c, and the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange. Further information on compensation and benefit expenditure can be found in the Swiss Life Group's Annual Report 2008 (Corporate Governance and Notes 24 and 31 of the Financial Statements).

The description of the compensation received by the members of the Board of Directors and the Corporate Executive Board and the tables showing the relevant amounts are based on those in the Annual Report 2007. For comparison purposes, details of the compensation for 2007, as published in the Annual Report 2007, are shown in a separate table below the compensation table for 2008.

The compensation received by each member of the Board of the Directors and the Chairman of the Corporate Executive Board (Group CEO) is disclosed individually. In view of the fact that Rolf Dörig held the positions of Group CEO until the Annual General Meeting of Swiss Life Holding on 8 May 2008 and Delegate of the Board following his election to the Board of Directors, his compensation in the period under review is shown in its entirety under the compensation to the Corporate Executive Board. As, during the year under review, the position of Group CEO was transferred, as of 9 May 2008, to Corporate Executive Board member Bruno Pfister, who was previously CEO International, the compensation to Bruno Pfister, as the new Group CEO, is also reported individually for the 2008 financial year.

COMPENSATION POLICY PRINCIPLES | Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for establishing the guidelines on the Group's compensation policy (incl. bonuses, equity compensation plans and share option plans) and with regard to employee benefits. The compensation policy underpins the performance culture required by the corporate strategy and forms part of the HR policy. The aim is to retain well-qualified employees and gain new, highly skilled staff. The compensation system is to be competitive and in line with the market environment. The overall compensation takes into account the employees' professional skills, commitment and personal performance. Individual compensation is made up of a basic salary and variable short-, medium- and long-term salary components as well as contributions to retirement and risk insurance. The basic salary is determined according to the employee's function and skill-set, and is annually reassessed and adjusted if appropriate. The variable salary components are linked to the strategic objectives of the Group and the individual divisions and the associated financial and HR-related targets. Personal performance and target achievement are assessed annually in the employee appraisal procedure implemented throughout the Group (Group Performance System) and taken into consideration when applying the defined compensation policy.

PRACTICE AND PROCEDURE | Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and make-up of compensation for its members, whereas the Chairman's Committee, in its capacity as a Compensation Committee, is responsible for putting forward corresponding proposals. The Board of Directors also establishes the guidelines for the company's compensation policy. In doing so, it takes into consideration the compensation policies of other organisations of comparable size and in comparable industries, drawing its findings from publicly available information and, as necessary, studies by external experts. Based on these guidelines, the Chairman's Committee determines the compensation for the individual members of the Corporate Executive Board and informs the entire Board of Directors accordingly.

Explanations on the Balance Sheet and Statement of Income (continued)

COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS | Compensation remitted to members of the Board of Directors in the year under review comprised the basic compensation, additional compensation in cash and a variable compensation component in shares. The basic compensation covers membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life/Rentenanstalt as well as membership of the individual Board Committees. The additional compensation in cash is commensurate to the function and workload and is determined annually by the Board of Directors. If Swiss Life Group's business operations have proved successful, a further, variable compensation component is remitted in the form of Swiss Life Holding shares, decided upon by the Board of Directors taking into consideration the business result. The shares are allocated at economic value, which is equal to the tax value, taking a blocking period of three years into account.

As Chairman of the Board, Bruno Gehrig is affiliated to the employee benefits institutions of Swiss Life for the purpose of occupational provisions. This also applies to Rolf Dörig in his role as Delegate of the Board of Directors, a position he has held since 9 May 2008 following his election to the Board. No such affiliation exists for other members of the Board of Directors; no contributions have been made on their behalf.

COMPENSATION TO MEMBERS OF THE CORPORATE EXECUTIVE BOARD | The compensation remitted to members of the Corporate Executive Board comprises the salary, a variable bonus in cash, other compensation (child allowances, allowance for years of service, company cars, premium contributions to 3rd-pillar pension plans) and variable compensation in the form of shares. The salary is determined annually by the Chairman's Committee in its capacity as Compensation Committee, taking into account the individual member's function-related responsibility and workload. If the Group's business operations have proved successful, a variable cash bonus and variable compensation in the form of shares is added, decided upon by the Chairman's Committee under consideration of the personal target achievement of the members of the Corporate Executive Board.

As part of the compensation policy, a long-term equity compensation plan was introduced in 2004 for members of the Corporate Executive Board and other senior management members of the Swiss Life Group. Under this programme, participants have been granted future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs) since 2005. These subscription rights entitle them to receive Swiss Life Holding shares free of charge after a period of three years insofar as the relevant conditions have been satisfied.

Explanations on the Balance Sheet and Statement of Income (continued)

Pursuant to the regulations of the 2007 and 2008 equity compensation plans, two objective performance criteria have been defined, each weighted at 50%. Depending on the fulfilment of the two performance criteria within the three-year period, the number of PSUs can increase by up to a factor of 1.5 or drop to zero. The first criterion is the Total Shareholder Return on the Swiss Life Holding share (TSR Swiss Life Holding), requiring a performance of over 20% for a subscription right to share allocation to arise after three years. The second criterion involves a comparison of the Swiss Life Holding share's TSR with the TSRs of the shares of the companies included in the Dow Jones STOXX 600 Insurance Index (TSR Outperformance). A subscription right arises if the performance on expiry of the three-year term is above the first quartile in comparison with the companies in question.

50% of PSU x Factor	
TSR Swiss Life Holding	**Factor**
≤ 20%	0%
= 30%	100%
≥ 40%	150%

50% of PSU x Factor	
TSR Outperformace	**Factor**
≤ 1st Quartile	0%
= Median	100%
≥ 3rd Quartile	150%

The number of PSUs entitling the participant to receive shares after the three-year term is determined in accordance with the table above as follows: One half of the PSUs allocated is multiplied by the factor resulting from the TSR Swiss Life Holding target achievement, and the other half by the factor resulting from the TSR Outperformance target achievement. The factor equals 1, i.e. 100%, if a performance of 30% is attained for the first performance criterion, the TSR Swiss Life Holding. Interim values are determined by linear interpolation. In the case of TSR Outperformance, the second performance criterion, the factor is 1, i.e. 100%, if the TSR Swiss Life Holding is equal to the median of the benchmark index (Dow Jones STOXX 600 Insurance Index). Here, too, interim values are determined by linear interpolation. The results (factor TSR Swiss Life Holding multiplied by one half of the PSUs and the factor TSR Outperformance multiplied by the other half) are added up. The sum is the number of PSUs, which translates into an entitlement to an equal number of Swiss Life Holding shares.

The value of the PSUs allocated equals the fair value as at 1 April of the year of allocation. It is determined by an independent consultancy company.

Explanations on the Balance Sheet and Statement of Income (continued)

PERSONNEL CHANGES TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD IN 2008 | There were no resignations from the Board of Directors in the period under review. Within the context of succession planning at Board of Director and Corporate Executive Board level, Rolf Dörig was elected to the Board of Directors of Swiss Life Holding as an additional member on 8 May 2008.

Various personnel changes occurred in the Corporate Executive Board vis-à-vis the previous year. Bruno Pfister was appointed Group CEO with effect from 9 May 2008. On the same date, Manfred Behrens, CEO Germany, became a member of the Corporate Executive Board. He assumed the position of Co-CEO of AWD on 1 September 2008. CEO France, Charles Relecom, and the new CEO Germany, Klaus Leyh, joined the Corporate Executive Board on 1 July 2008 and 1 October 2008, respectively. Paul Müller handed over his position as CEO Switzerland to Ivo Furrer as of 1 September 2008. The Corporate Executive Board, including Rolf Dörig as Group CEO, thus consisted of up to ten members during the period under review (2007: six members).

ADJUSTMENT OF COMPENSATION WITH REGARD TO THE 2008 FINANCIAL YEAR | Shares were allocated to the members of the Board of Directors in 2008 as part of the basic compensation and also as a variable compensation component relating to the 2007 financial year performance.

For the 2008 financial year, no variable compensation in shares will be paid to the members of the Board of Directors.

The compensation in cash received by the members of the Corporate Executive Board in the period under review includes a cash bonus of CHF 4 700 000 for the 2007 financial year, which was paid out in 2008. Furthermore in 2008 the members of the Corporate Executive Board were allotted a total of 7 724 shares, with a three-year blocking period, as a variable compensation component for the 2007 financial year performance.

For the 2008 financial year, no cash bonus and no variable compensation in shares will be paid to the members of the Corporate Executive Board.

Explanations on the Balance Sheet and Statement of Income (continued)

COMPENSATION TO THE BOARD OF DIRECTORS IN 2008 | For comparison purposes, the corresponding details of the compensation for 2007, as published in the Annual Report 2007, are shown in a separate table below the compensation table for 2008.

	Compensation in cash			Compensation in shares [1]			Expenditure for occupational provisions		
Amounts in CHF	Basic compensation	Additional compensation	**Total compensation in cash**	Number	Amount	**Total compensation in cash and shares (amount)**	Regular contributions [2]	Extraordinary contributions	**Aggregate total (amount)** [3]
Bruno Gehrig, Chairman of the Board of Directors	555 000	100 000	**655 000**	385	89 218	**744 218**	104 827		**849 045**
Gerold Bührer	128 000	110 000	**238 000**	441	63 764	**301 764**			
Volker Bremkamp	96 000	30 000	**126 000**	301	40 968	**166 968**			
Paul Embrechts	72 000	10 000	**82 000**	218	28 972	**110 972**			
Rudolf Kellenberger	104 000	10 000	**114 000**	312	41 108	**155 108**			
Henry Peter	72 000	10 000	**82 000**	218	28 972	**110 972**			
Peter Quadri	72 000	10 000	**82 000**	218	28 972	**110 972**			
Pierfranco Riva	72 000	10 000	**82 000**	218	28 972	**110 972**			
Franziska Tschudi	72 000	10 000	**82 000**	218	28 972	**110 972**			
Rolf Dörig [4] Group CEO until 08.05.2008, BoD Delegate from 09.05.2008									
Total Board of Directors	1 243 000	300 000	**1 543 000**	2 529	379 918	**1 922 918**	104 827		**2 027 745**

[1] The compensation in shares was, on the one hand, part of the basic compensation (in total 1 518 shares) and, on the other, a variable compensation component in shares for the 2007 financial year, allocated in 2008 (in total 1 011 shares). The allocation of shares was effected on 31.03.2008, 24.06.2008 and 16.12.2008 at economic value, which is equal to the tax value (CHF 231.7351, CHF 227.7469 and CHF 60.4526 respectively), taking into account a blocking period of three years. The share prices (closing prices) on the days of allocation were CHF 276.00, CHF 271.25 and CHF 72.00 respectively. No variable compensation component in shares will be allocated for the 2008 financial year.

[2] Pursuant to the pension fund regulations, occupational provisions are financed by the employer and the employee at a ratio of 2/3 to 1/3.

[3] All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV amounted to a total of CHF 96 047 in the year under review.

[4] The 2008 compensation to Rolf Dörig, as Group CEO and BoD Delegate, is disclosed in its entirety under the compensation for the Corporate Executive Board members (see tables below).

COMPENSATION TO THE BOARD OF DIRECTORS IN 2007

	Compensation in cash			Compensation in shares [1]			Expenditure for occupational provisions		
Amounts in CHF	Basic compensation	Additional compensation	**Total compensation in cash**	Number	Amount	**Total compensation in cash and shares (amount)**	Regular contributions [2]	Extraordinary contributions	**Aggregate total (amount)** [3]
Bruno Gehrig, Chairman of the Board of Directors	555 000	100 000	**655 000**	312	79 898	**734 898**	197 992	652 961	**1 585 851**
Gerold Bührer	128 000	110 000	**238 000**	235	60 187	**298 187**			
Volker Bremkamp	96 000	30 000	**126 000**	152	38 937	**164 937**			
Paul Embrechts	72 000	10 000	**82 000**	108	27 653	**109 653**			
Rudolf Kellenberger	104 000	10 000	**114 000**	153	39 199	**153 199**			
Henry Peter	72 000	10 000	**82 000**	108	27 653	**109 653**			
Peter Quadri	72 000	10 000	**82 000**	108	27 653	**109 653**			
Pierfranco Riva	72 000	10 000	**82 000**	108	27 653	**109 653**			
Franziska Tschudi	72 000	10 000	**82 000**	108	27 653	**109 653**			
Total Board of Directors	1 243 000	300 000	**1 543 000**	1 392	356 486	**1 899 486**	197 992	652 961	**2 750 439**

[1] The allocation of shares was effected on 30.03.2007, 25.06.2007 and 17.12.2007 at economic value, which is equal to the tax value (CHF 256.0841, CHF 270.5675 and CHF 243.2798 respectively), taking into account a blocking period of three years. The share prices (closing prices) on the days of allocation were CHF 305.00, CHF 322.25 and CHF 289.75 respectively.

[2] Regular annual employer contribution of CHF 99 492 and subsequent contribution of CHF 98 500. Pursuant to the regulations, occupational provisions are financed by the employer and employee at a ratio of 2/3 to 1/3.

[3] All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV amounted to a total of CHF 170 134 in the year under review.

Explanations on the Balance Sheet and Statement of Income (continued)

COMPENSATION TO THE CORPORATE EXECUTIVE BOARD IN 2008 | For comparison purposes, the corresponding details of the compensation for 2007, as published in the Annual Report 2007, are shown in a separate table below the compensation table for 2008.

	Compensation in cash				Compensation in shares for 2007 [4]		
Amounts in CHF	Salary	Bonus for 2007 paid in 2008[2]	Other compensation[3]	**Total compensation in cash**	Number	Amount	**Total compensation in cash and shares (amount)**
Rolf Dörig [1] Group CEO until 08.05.2008, BoD Delegate from 09.05.2008	1 525 000	1 250 000	96 806	**2 871 806**	1 905	441 455	**3 313 261**
Bruno Pfister CEO International until 08.05.2008, Group CEO from 09.05.2008	1 000 000	850 000	53 193	**1 903 193**	1 587	367 764	**2 270 957**
Other members of Corporate Executive Board [5]	3 908 057	2 600 000	260 893	**6 768 950**	4 232	980 703	**7 749 653**
Total Corporate Executive Board	6 433 057	4 700 000	410 892	**11 543 949**	7 724	1 789 922	**13 333 871**

[1] Group CEO until 08.05.2008, BoD Delegate from 09.05.2008. Salary / compensation in cash was fixed at CHF 1 200 000 per year for the position of BoD Delegate.

[2] The bonus paid in 2008 relates to the 2007 financial year. No bonus will be paid for the 2008 financial year.

[3] Child allowances (CHF 12 830), allowances for years of service (CHF 31 570), company cars (CHF 110 221), premium contributions to 3rd-pillar pension plans (CHF 174 401), other (CHF 81 870), each in total.

[4] The allocation of the shares for the 2007 financial year was effected on 31.03.2008 at economic value, which is equal to the tax value (CHF 231.7351), taking into account a blocking period of three years. The share price on the day of allocation was CHF 276.00. No variable compensation in shares will be paid out for the 2008 financial year.

[5] Eight individuals were taken into account in the period under review. Compensation for 2008 membership in the Corporate Executive Board is given on a pro-rata basis for Manfred Behrens, Charles Relecom, Paul Müller, Ivo Furrer and Klaus Leyh.

	Expenditure for occupational provisions		
Amounts in CHF	Regular contributions[6]	Extra-ordinary contri-butions	**Aggregate total compensation in cash and in shares and occupational provisions expense (amount)[8]**
Rolf Dörig Group CEO until 08.05.2008, BoD Delegate from 09.05.2008	195 656		**3 508 917**
Bruno Pfister [7] CEO International until 08.05.2008, Group CEO from 09.05.2008	755 148		**3 026 105**
Other members of Corporate Executive Board	813 420		**8 563 073**
Total Corporate Executive Board	1 764 224		**15 098 095**

[6] Regular annual employer contribution and subsequent contributions. Pursuant to the regulations, occupational provisions are financed by the employer and employee at a ratio of 2/3 to 1/3.

[7] Regular contribution of CHF 156 648 and a subsequent contribution of CHF 598 500 in accordance with the pension fund regulations due to the increase in the insured income.

[8] All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV amounted to a total of CHF 1 223 286 in the year under review.

Explanations on the Balance Sheet and Statement of Income (continued)

Amounts in CHF	Performance Share Units (PSU) [11, 12] Number	Amount	Aggregate total incl. PSUs (amount)[13]
Rolf Dörig [9] Group CEO until 08.05.2008, BoD Delegate from 09.05.2008	–	–	**3 508 917**
Bruno Pfister [10] CEO International until 08.05.2008, Group CEO from 09.05.2008	5 924	1 062 173	**4 088 278**
Other members of Corporate Executive Board	17 771	3 186 341	**11 749 414**
Total Corporate Executive Board	23 695	4 248 514	**19 346 609**

9 In 2008 no PSUs were allocated to Rolf Dörig as a result of his transfer from the Corporate Executive Board to the Board of Directors. Disregarding the cash bonus paid for the 2007 financial year and the variable compensation in shares, the total compensation paid to Rolf Dörig for 2008 amounted to CHF 1 817 462.

10 Disregarding the cash bonus paid for the 2007 financial year and the variable compensation in shares, the total compensation paid to Bruno Pfister for 2008 amounted to CHF 2 870 514.

11 The PSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years, provided the relevant conditions are then met. Depending on the fulfilment during the three-year term of the two performance criteria defined, the number of PSUs can increase by a factor of 1.5 or drop to zero.

12 The allocation of PSUs as at 01.04.2008 was effected at a fair value of CHF 179.30, as calculated by an independent consultancy firm.

13 Including a cash bonus for 2007, paid in 2008, and a variable compensation component in shares for 2007, paid in 2008. For the 2008 financial year, no cash bonus and no variable compensation in shares will be paid to the members of the Corporate Executive Board.

COMPENSATION TO THE CORPORATE EXECUTIVE BOARD IN 2007

Amounts in CHF	Compensation in cash Salary	Bonus for 2006 paid in 2007	Other compen-sation[1]	Total compen-sation in cash	Compensation in shares [2] Number	Amount	Total compen-sation in cash and shares (amount)
Rolf Dörig, Group CEO	1 980 000	1 450 000	80 001	**3 510 001**	1 554	447 143	**3 957 144**
Other members of Corporate Executive Board [3]	2 588 400	3 350 000	123 842	**6 062 242**	4 671	1 344 020	**7 406 262**
Total Corporate Executive Board	4 568 400	4 800 000	203 843	**9 572 243**	6 225	1 791 163	**11 363 406**

1 Child allowances (CHF 12 840), allowances for years of service (CHF 10 938), company cars (CHF 50 056), premium contributions to 3rd-pillar pension plans (CHF 130 009), each in total.

2 The allocation of the shares was effected as at 30.03.2007 at economic value, which is equal to the tax value (CHF 287.7370), taking into account a blocking period of one year. The share price (closing price) on the day of allocation was CHF 305.00.

3 Five individuals were considered in the period under review.

Amounts in CHF	Expenditure for occupational provisions Regular contributions[4]	Extra-ordinary contri-butions	Aggregate total compen-sation in cash and in shares and occupa-tional provisions expense (amount)[5]
Rolf Dörig, Group CEO	238 856		**4 196 000**
Other members of Corporate Executive Board	587 089		**7 993 351**
Total Corporate Executive Board	825 945		**12 189 351**

4 Regular annual employer contribution and subsequent contributions. Pursuant to the regulations, occupational provisions are financed by the employer and employee at a ratio of 2/3 to 1/3.

5 All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV amounted to a total of CHF 579 310 in the year under review.

Explanations on the Balance Sheet and Statement of Income (continued)

Amounts in CHF	Performance Share Units (PSU) [6, 7] Number	Amount	Aggregate total incl. PSUs (amount)
Rolf Dörig, Group CEO	6 717	1 270 991	**5 466 991**
Other members of Corporate Executive Board	17 727	3 354 303	**11 347 654**
Total Corporate Executive Board	24 444	4 625 294	**16 814 645**

[6] The PSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years, provided the relevant conditions are then met. Depending on the fulfilment during the three-year term of the two performance criteria defined, the number of PSUs can increase by a factor of 1.5 or drop to zero.

[7] The allocation of PSUs as at 01.04.2007 was effected at a fair value of CHF 189.22, as calculated by an independent consultancy firm.

SHARE OWNERSHIP / PARTICIPATION RIGHTS AS AT 31.12.2008 | As at the balance sheet date, current members of the Board of Directors and Corporate Executive Board (including closely linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs).

BOARD OF DIRECTORS

Number	**31.12.2008**
	SLH shares
Bruno Gehrig, Chairman of the Board of Directors	**2 021**
Gerold Bührer	**2 166**
Volker Bremkamp	**1 043**
Paul Embrechts	**776**
Rudolf Kellenberger	**1 022**
Henry Peter	**1 856**
Peter Quadri	**1 556**
Pierfranco Riva	**3 181**
Franziska Tschudi	**776**
Rolf Dörig [1] Group CEO until 08.05.2008, BoD Delegate from 09.05.2008	
Total Board of Directors	**14 397**

[1] Share ownership and the number of PSUs are shown in their entirety under the relevant details for the Corporate Executive Board (see tables below).

Explanations on the Balance Sheet and Statement of Income (continued)

CORPORATE EXECUTIVE BOARD

Number	**31.12.2008**
	SLH shares
Rolf Dörig Group CEO until 08.05.2008, BoD Delegate from 09.05.2008	**28 607**
Bruno Pfister CEO International until 08.05.2008, Group CEO from 09.05.2008	**8 841**
Manfred Behrens	**698**
Patrick Frost	**1 615**
Ivo Furrer	**–**
Reto Himmel	**2 010**
Klaus Leyh	**53**
Thomas Müller	**1 065**
Charles Relecom	**–**
Total Corporate Executive Board	**42 889**

Number	**31.12.2008**
	Performance Share Units (PSUs) as future subscription rights to SLH shares[1]
Rolf Dörig Group CEO until 08.05.2008, BoD Delegate from 09.05.2008	**13 870**
Bruno Pfister CEO International until 08.05.2008, Group CEO from 09.05.2008	**17 483**
Manfred Behrens	**4 263**
Patrick Frost	**6 610**
Ivo Furrer	**1 975**
Reto Himmel	**11 258**
Klaus Leyh	**373**
Thomas Müller	**7 543**
Charles Relecom	**1 502**
Total Corporate Executive Board	**64 877**

[1] Total number of PSUs allocated in the years 2006, 2007 and 2008 in connection with the relevant equity compensation plan. The PSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are then met. In 2008 no PSUs were allocated to Rolf Dörig as a result of his transfer from the Corporate Executive Board to the Board of Directors.

Explanations on the Balance Sheet and Statement of Income (continued)

SHARE OWNERSHIP / PARTICIPATION RIGHTS AS AT 31.12.2007 | As at the balance sheet date, current members of the Board of Directors and Corporate Executive Board (including closely linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs).

BOARD OF DIRECTORS

Number	31.12.2007
	SLH shares
Bruno Gehrig, Chairman of the Board of Directors	1 636
Gerold Bührer	1 725
Volker Bremkamp	742
Paul Embrechts	558
Rudolf Kellenberger	710
Henry Peter	1 638
Peter Quadri	1 338
Pierfranco Riva	2 963
Franziska Tschudi	558
Total Board of Directors	**11 868**

CORPORATE EXECUTIVE BOARD

Number	31.12.2007
	SLH shares
Rolf Dörig, Group CEO	12 245
Bruno Pfister	6 723
Paul Müller	6 290
Reto Himmel	903
Thomas Müller	557
Patrick Frost	557
Total Corporate Executive Board	**27 275**

Number	31.12.2007
	Performance Share Units (PSUs) as future subscription rights to SLH shares[1]
Rolf Dörig, Group CEO	23 508
Bruno Pfister	19 913
Paul Müller	12 847
Reto Himmel	11 808
Thomas Müller	3 594
Patrick Frost	2 661
Total Corporate Executive Board	**74 331**

[1] Total number of PSUs allocated in the years 2005, 2006 and 2007 in connection with the relevant equity compensation plan. The PSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are then met.

Appropriation of Profit
Profit and Appropriation of Profit

The net profit for the year amounts to CHF 1 920 911 041. The Board of Directors proposes to the General Meeting of Shareholders to appropriate the profit in accordance with the table below. If the Board of Directors' proposal is adopted, a distribution in the form of a reduction of CHF 5 in the par value per share will be paid.

Profit shown in the Balance Sheet

In CHF	2008	2007
Balance carried forward from previous year	**3 047 818**	3 403 418
Net profit	**1 920 911 041**	334 644 400
Total profit shown in the balance sheet	**1 923 958 859**	338 047 818

Appropriation of profit

In CHF	2008	2007
Dividend	**–**	–
Allocation to legal reserves	**–**	–
Allocation to free reserves	**1 920 000 000**	335 000 000
Balance carried forward to new account	**3 958 859**	3 047 818
Total profit shown in the balance sheet	**1 923 958 859**	338 047 818

Zurich, 23 March 2009

For the Swiss Life Holding Board of Directors

Bruno Gehrig Gerold Bührer

Report of the Statutory Auditor

Report of the Statutory Auditor
to the General Meeting of
Swiss Life Holding Ltd
Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Life Holding Ltd, which comprise the statement of income, balance sheet and notes to the financial statements (pages 214 to 228), for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of profit complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi	Daniel Häfeli
Audit expert	Audit expert
Auditor in charge	

Zurich, 23 March 2009

Information on share performance | In a reflection of the global financial market crisis, the development of the Swiss Life share price was disappointing in 2008. Following the distribution of profit in 2008 amounting to CHF 17 per share for the 2007 financial year, the Board of Directors will propose a distribution of CHF 5 per share for 2008 to the General Meeting of Shareholders in May.

The persistent distortion of the financial markets in 2008 weighed down on the price of the Swiss Life share. With the situation becoming increasingly acute, the price trend was particularly disappointing in the second half of the year. In August Swiss Life said that the share buyback programme of up to CHF 2.5 billion announced in connection with the extraordinary receipts from disposals would be restricted to a maximum of CHF 1 billion. The Board of Directors decided in November to suspend the buyback programme entirely, due to the further deterioration of the market environment. Swiss Life had bought back around 3 million shares by the end of October 2008 for CHF 686 million under the share buyback programme approved at the General Meeting of Shareholders in May 2008. At the General Meeting of Shareholders on 7 May 2009, the Board of Directors will propose a distribution of profit in the form of a repayment of par value amounting to CHF 5 per share.

Swiss Life share details

Swiss security number	1 485 278
ISIN	CH 001 485 278 1
Ticker symbol SIX	SLHN
Reuters	SLHN.VX
Bloomberg	SLHN VX

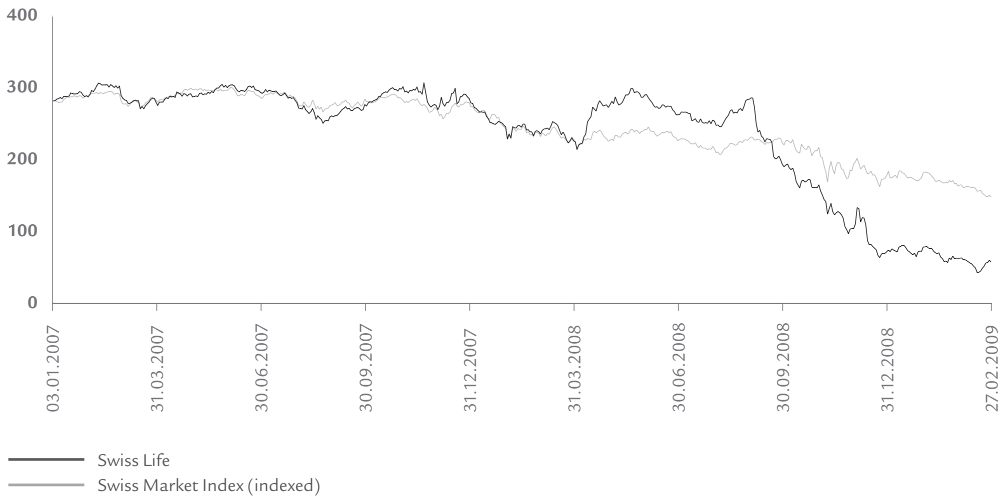
Share performance

Amounts in CHF	as at	2008	as at	2007
Number of shares (incl. conversions in 2008)	31.12.2008	**35 084 554**	31.12.2007	34 960 439
Annual high	02./05.05.2008	**298.66**	06.11.2007	326.00
Annual low	21.11.2008	**63.90**	16.08.2007	266.50
Year-end price	30.12.2008	**72.40**	28.12.2007	283.00
Performance Swiss Life (in %)		**–74**		–5
Swiss Market Index (SMI)	30.12.2008	**5 535**	28.12.2007	8 484
Performance Swiss Market Index (SMI) (in %)		**–35**		–3
Dow Jones STOXX 600 Insurance Index (in EUR)	30.12.2008	**134**	28.12.2007	252
Performance of Dow Jones STOXX 600 Insurance Index (in %)		**–47**		–12
Average trading volume		**241 000**		327 843
Market capitalisation	30.12.2008	**2 540 121 710**	28.12.2007	9 893 804 237
Diluted earnings per share	31.12.2008	**10.88**	31.12.2007	39.60
Dividend paid per share	29.07.2008	**17.00**	03.08.2007	7.00
Dividend yield on year-end price (in %)	30.12.2008	**23.48**	28.12.2007	2.47

Source: Bloomberg

Swiss Life share price chart 03.01.2007 – 27.02.2009

Share price in CHF



Breakdown of registered shares with voting rights As at 31.12.2008		
Number of shares	Number of shareholders	In % of registered shareholders
1 – 25	161 879	83.21
26 – 100	22 278	11.45
101 – 1 000	9 495	4.88
> 1 000	886	0.46
Total	**194 538**	**100.00**

Standard & Poor's counterparty credit ratings		
As at 31.12.2008	Classification	Outlook
Swiss Life/Rentenanstalt, Zurich	BBB+	stable
Swiss Life Holding Ltd, Zurich	BBB–	stable

Standard & Poor's financial strength ratings		
As at 31.12.2008	Classification	Outlook
Swiss Life/Rentenanstalt, Zurich	BBB+	stable
Schweizerische Rententanstalt, Munich (Swiss Life/Rentenanstalt branch)	BBB+	stable

Bonds

As at 31.12.2008	Convertible bond	EUR Perpetual nc10 Fiduciary Certificates[1]	EUR Perpetual nc10 Notes[2]
Issuer	Swiss Life Holding, Zürich	J.P. Morgan Bank, Luxemburg	ELM B.V. (independent repackaging vehicle)
S&P rating	BBB–	BBB–	BBB–
Ranking	Senior	Subordinated	Subordinated
Nominal value	CHF 42 703 000	EUR 350 000 000	EUR 700 000 000
Interest rate	0.625%, payable annually	5%, payable annually	5.849%, payable annually
Life	June 2004 – June 2010	November 2005 (issued), perpetual	April 2007 (issued), perpetual
ISIN	CH0018461092	XS0235535035	XS0295383524
Listing	SIX	Luxembourg Stock Exchange	Irish Stock Exchange

[1] The notes are issued by the fiduciary to fund a step-up subordinated perpetual loan to Swiss Life/Rentenanstalt.
[2] The notes are issued by ELM to fund step-up subordinated perpetual loan notes to Swiss Life/Rentenanstalt which are guaranteed by Swiss Life Holding.

Swiss Life Group historical comparison

In CHF million (if not stated otherwise)	2008	2007	2006	2005	2004
Premium volume					
Gross written premiums, policy fees and deposits received	**18 515**	21 213	19 421	n.a.	n.a.
Figures from consolidated statement of income					
Net earned premiums	**13 254**	13 316	12 283	13 512	14 657
Net earned policy fees	**260**	389	390	394	167
Financial result	**451**	4 935	5 375	7 059	6 934
Total income	**15 356**	18 971	18 219	21 542	22 328
Net insurance benefits and claims	**–12 915**	–13 268	–12 012	–14 040	–15 375
Policyholder participation	**429**	–1 746	–2 143	–2 227	–1 553
Operating expense	**–3 319**	–2 489	–2 432	–3 390	–3 341
Total expense	**–16 198**	–17 958	–17 309	–20 519	–21 180
Result from operations	**–842**	1 013	910	1 023	1 148
Net result from continuing operations	**–1 143**	726	576	n.a.	n.a.
Net profit from discontinued operations	**1 488**	642 [1]	378	n.a.	n.a.
Net profit	**345**	1 368	954	874	606
Net profit attributable to					
Equity holders of Swiss Life Holding	**350**	1 345	933	860	579
Minority interest	**–5**	23	21	14	27
Figures from consolidated balance sheet					
Equity incl. minority interest	**6 652**	7 334	7 851	7 953	6 490
Insurance reserves	**113 308**	121 829	153 800	139 252	131 415
Balance sheet total	**134 791**	179 757	186 950	177 597	164 736
Share performance					
Basic earnings per share (in CHF)	**10.88**	40.76	27.87	25.67	18.57
Diluted earnings per share (in CHF)	**10.88**	39.60	26.92	24.82	18.27
Dividend paid per share (in CHF)	**17.00**	7.00	5.00	4.00	–
Total dividend payout to shareholders	**596**	245	169	135	–
Year-end price (in CHF)	**72.40**	283.00	305.25	237.70	165.50
Year-end market capitalisation	**2 540**	9 894	10 310	8 029	5 590
Further key figures					
Return on equity (in %)	**5.0**	18.1	12.2	12.3	10.7
Assets under control	**134 326**	138 946	214 041	215 094	197 749
Year-end embedded value	**8 457**	12 837	10 665	8 887	7 936
Value of new business	**78**	118	121	48	41
Number of employees (full-time equivalents)	**8 184**	8 556	8 693	8 979	9 419

[1] 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, Swiss Life adjusted the presentation of its Financial Statements from 2007 in accordance with the relevant regulations, gearing them to continuing operations. The units sold were fully consolidated up to the completion of the transactions concerned, but only their net contribution to the net profit is included in the Consolidated Statement of Income. The figures for 2006 have been adjusted accordingly to facilitate comparability.

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Caution regarding forward-looking statements

This Annual Report is also available in German. The English text is definitive for the Financial Statements.

As a reader-friendly, condensed version of this Annual Report, Swiss Life has published a 92-page Business Review in colour, which is available in German, English and French. It contains a presentation of business operations, an extract from the Financial Statements and a summary of the Corporate Governance section.

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Important Dates

Interim Reporting
5 May 2009

Annual General Meeting
7 May 2009
Hallenstadion Zurich

Presentation of Half-Year Figures
26 August 2009

Interim Reporting
11 November 2009

Annual Report

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

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