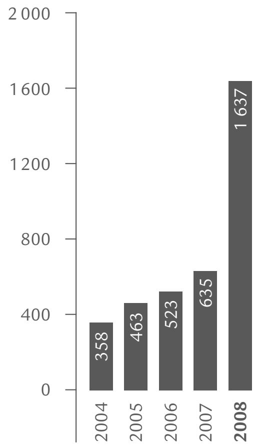
SwissLife

Letter to Shareholders | First Half 2008

Overview of Figures

First half year net profit

In CHF million



Period-on-period comparison Swiss Life Group

In CHF million (if not stated otherwise)	30.06.2008	30.06.2007	+/–%
Premium volume			
Gross written premiums, policy fees and deposits received,	**10 888**	12 265	–11.2%
net of ERISA companies sold in 2007	**10 888**	10 385	4.8%
Selected figures from the Consolidated Statement of Income			
Net earned premiums	**8 557**	8 396	1.9%
Net earned policy fees	**126**	224	–43.8%
Financial result (for the account and risk of the Swiss Life Group)	**1 215**	3 367	–63.9%
Total income	**10 418**	12 084	–13.8%
Net insurance benefits and claims	**–8 459**	–8 246	2.6%
Policyholder participation	**– 77**	–1 685	–95.4%
Operating expense	**–1 456**	–1 295	12.4%
Total expenses	**–10 191**	–11 474	–11.2%
Profit from operations	**227**	610	–62.8%
Net profit from continuing operations	**152**	425	–64.2%
Net profit from discontinued operations	**1 485**	210	n. a.
Net profit	**1 637**	635	n. a.
Net profit attributable to			
equity holders of Swiss Life Holding Ltd	**1 638**	615	n. a.
minority interest	**–1**	20	n. a.
Further key figures			
Annualised return on equity (as %)	**50.2**	17.3	n. a.
Share performance			
Basic earnings per share (in CHF)	**49.71**	18.41	n. a.
Diluted earnings per share (in CHF)	**49.06**	17.72	n. a.

In CHF million (if not stated otherwise)	30.06.2008	31.12.2007	+/–%
Selected figures from the Consolidated Balance Sheet			
Equity	**7 286**	7 334	–0.7%
Insurance reserves	**119 201**	121 829	–2.2%
Balance sheet total	**139 836**	179 757	–22.2%
Further key figures			
Assets under control	**137 369**	138 946	–1.1%
Embedded Value	**12 555**	12 837	–2.2%
Value of new business (first half year, continuing operations)	**55**	65	–15.4%
Number of employees (full-time equivalents)	**8 457**	8 556	–1.2%

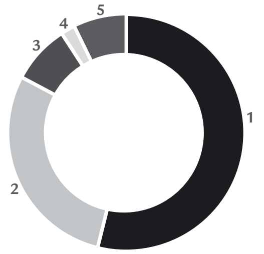
Due to the sale of its Dutch and Belgian operations (29.04.2008) and of Banca del Gottardo (07.03.2008), Swiss Life adjusted the presentation of its Financial Statements in accordance with the relevant regulations, gearing them to the continuing operations. The units sold were fully consolidated up to the completion of the transaction concerned, but only their net contribution to the net profit is included in the Consolidated Statement of Income. The previous year's figures in the Statement of Income have been adjusted accordingly to enhance comparability. In the Balance Sheet, the assets and liabilities of the units sold are stated separately.

Key figures by segment

In CHF million	30.06.2008	30.06.2007	+/–%
Insurance Switzerland			
Gross written premiums, policy fees and deposits received	**5 907**	6 001	–1.6%
Segment result	**120**	344	–65.1%
Insurance France			
Gross written premiums, policy fees and deposits received,	**3 168**	4 595	–31.1%
net of ERISA companies sold in 2007	**3 168**	2 715	16.7%
Segment result	**100**	198	–49.5%
Insurance Germany			
Gross written premiums, policy fees and deposits received	**908**	994	–8.7%
Segment result	**19**	57	–66.7%
Insurance Other			
Gross written premiums, policy fees and deposits received	**928**	715	29.8%
Segment result	**–21**	9	n. a.
Investment Management			
Asset management and other commission income	**131**	126	4.0%
Segment result	**48**	47	2.1%
AWD (consolidated since 19.03.2008)			
Asset management and other commission income	**253**	–	n. a.
Segment result	**5**	–	n. a.
Other			
Asset management and other commission income	**5**	4	25.0%
Segment result	**16**	41	–61.0%

Gross written premiums, policy fees and deposits received by country

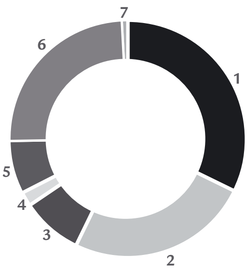
Total: 100%



1 Switzerland 54%
2 France 29%
3 Germany 8%
4 Luxembourg 2%
5 Liechtenstein 7%

Number of employees (full-time equivalents) as at 30.06.2008

Total: 8457 employees



1 Insurance Switzerland 2746
2 Insurance France 2135
3 Insurance Germany 712
4 Insurance Other 158
5 Investment Management 614
6 AWD (internal services) 2089
7 Other 3

We consistently advanced the implementation of the Swiss Life strategy in a difficult market environment.

DEAR SHAREHOLDERS | Swiss Life consistently advanced the implementation of the Group strategy in the first half of 2008. Our product initiatives are beginning to show results and the distribution capabilities have again been strengthened. The announced disposals were brought to a successful close and we acquired a majority stake in AWD.

The Swiss Life Group generated a net profit of CHF 1.6 billion in the first six months of the year, which includes the extraordinary gains resulting from the disposals of our Dutch and Belgian insurance units and of Banca del Gottardo. The net profit from continuing operations came to CHF 152 million, down by around CHF 270 million year on year. This reflects the CHF 2.2 billion decrease in the financial result, a direct consequence of the sharp downturn on the international financial markets.

Outside Switzerland we maintained our strong growth, pushing up the premium volume by 14%.

We achieved 5% growth in our premium volume, net of the ERISA companies sold. In Switzerland, premium income receded by 2%. Outside Switzerland, however, we maintained our strong growth, pushing up the premium volume by 14%.

The AWD Group has been consolidated in the Swiss Life Group's accounts since the end of March. In line with our takeover offer, we had acquired an 86% shareholding in AWD by mid March for around CHF 1.5 billion. As announced on 14 August, we will raise this stake by a further 10.5%, which means we will hold roughly 97% of all AWD shares when the transaction comes to a close. The AWD Group strengthened its position in both the German and Swiss markets in the first half of 2008. This shows that the new ownership structure at AWD does not have a negative impact on the performance and the business model. As communicated at the end of March, Swiss Life and AWD launched various market, product and operations-related projects aimed at accelerating international growth. In Germany, Swiss Life and AWD have already intensified their long-standing partnership. Certain Swiss Life product lines have been included in AWD's best-select range since May 2008, leading to a distinct increase in the volume of Swiss Life products sold by AWD advisors. In accordance with our announcement, AWD's Board of Management will be reinforced as of 1 September 2008 and endowed with new management functions. We are convinced that this measure lays a solid foundation for further growth and the realisation of efficiency potential, and thus paves the way for AWD's future success.

As a second step towards strengthening our position in the independent financial advisor sector, we announced on 14 August that we were acquiring a strategic participation in MLP. MLP operates exclusively in Germany and is the number two player in the sector behind DVAG and ahead of AWD. It is particularly strong in the attractive customer segment of academics seeking optimal solutions for their retirement needs. We are especially keen to grow in the large German market, where we currently rank 19th among life insurers, but are determined to gain a top ten spot within the next few years. This is why we need new distribution channels besides the successfully established ones. For us, it is clear that the successful AWD and MLP brands and business models must remain untouched in every conceivable case. Closer cooperation would, in fact, bolster and boost the business model. AWD's and MLP's distribution concepts and target groups complement each other perfectly. Cooperation would enable both companies to negotiate better terms when procuring products and services and lead to significant cost savings. It would also open up cross-selling potential from which MLP in particular would stand to benefit. The obvious business logic of closer cooperation is what makes us convinced that we can resume our dialogue with MLP and its major shareholders.

For us, it is clear that the successful AWD and MLP brands and business models must remain untouched in every conceivable case.

To increase our financial flexibility going forward, we announced on 14 August that we were limiting our ongoing share buyback programme of up to CHF 2.5 billion to CHF 1 billion. The cancellation of the second tranche of the programme does not herald a departure from our corporate policy of efficient capital management. As originally planned, we will repurchase own shares for another CHF 500 million plus in the course of this year.

We are also going to retain our attractive dividend policy for shareholders, and plan a dividend distribution in the range of CHF 600 million for 2008. From the 2009 financial year onwards, the distribution ratio should amount to between 40% and 60% of the reported profit. However, due to the distortions on the financial markets in the opening months and their repercussions, it has become clear that we cannot achieve our 2008 financial targets. Barring unforeseen events, we expect an overall net profit of CHF 1.8 to 1.9 billion for 2008, of which CHF 300 to 400 million from continuing operations. Furthermore, without the effect of the 2009 share buyback programme and given the persistently difficult market environment, we cannot attain the original earnings per share target set for the coming year. Looking beyond 2009, however, we are certain that our business model will enable us to achieve the targeted annual profit growth of 12% and a 12% return on equity.

We are going to retain our attractive dividend policy for shareholders.

Pensions and long-term savings remains a growth market and Swiss Life is in an excellent position to reap the benefits. Our sharper focus on attractive and fast-growing customer segments, the shift in our product mix towards non-traditional solutions, the measures we have taken to reinforce and diversify our distribution capabilities, and the continuation of our attractive dividend policy all enhance our standing with customers, shareholders and employees.

BRUNO GEHRIG
Chairman of the Board of Directors

BRUNO PFISTER
Group Chief Executive Officer

The Swiss Life Group generated a net profit of CHF 1.6 billion in the first six months of 2008, including CHF 1.5 billion in extraordinary gains from the disposal of the Dutch and Belgian insurance units and of Banca del Gottardo. The net profit from continuing operations came to CHF 152 million (–64%), a drop of approximately CHF 270 million year-on-year due to the CHF 2.2 billion decrease in the financial result. This decline in the financial result could only be partly offset by the CHF 1.6 billion reduction in policyholder participation.

RESULT HIT BY NEGATIVE FINANCIAL MARKET DEVELOPMENTS | The Group reported a CHF 227 million profit from continuing operations (–63%), to which insurance contributed CHF 218 million (–64%). Earnings in Switzerland (CHF 120 million; –65%), France (CHF 100 million; –49%) and Germany (CHF 19 million; –67%) were down on the same period last year because of the significantly lower financial result. In the wake of the investments made in the cross-border business, the Insurance Other segment posted a loss of CHF 21 million. Investment Management, which manages the insurance assets of the Swiss Life Group on a commission basis as well as third-party mandates, registered a profit of CHF 48 million. This was a good performance in keeping with the prior-year level. The AWD Group, which has been consolidated in the accounts since the end of March, contributed CHF 5 million to the profit from operations.

GROWTH MOMENTUM UPHELD DESPITE UNFAVOURABLE MARKET CONDITIONS | In continuing operations the Swiss Life Group reported CHF 10.9 billion in gross written premiums, policy fees and deposits received under insurance and investment contracts. Net of the ERISA companies, this represents an increase of 5%. Following the 10% advance in premium income recorded the previous year, gross written premiums in Switzerland dipped 2% to CHF 5.9 billion in the first half of 2008. Swiss Life continued to experience strong growth abroad, improving its premium volume by 14% to CHF 5.0 billion. This growth was largely driven by Swiss Life in France (+17%) and the Liechtenstein-based business targeting high net worth individuals (+61%).

ASSET IMPAIRMENTS PULL DOWN THE INVESTMENT RESULT | The financial market performance in the first six months of 2008 was disappointing to investors. Rising interest rates on fixed-interest investments and the widening of credit spreads led to losses in fair value, and equity prices in Europe decreased on average by 20%. Against this background, Swiss Life achieved a direct return on investment of 2.1% in its insurance business in the period under review (2007 HY: 2.0% on a comparable basis). Whereas net capital gains of CHF 516 million were generated in the same period last year, a net capital loss and impairments to the amount of CHF 1.2 billion were posted for the first half of 2008. Taking into account the changes in asset positions relevant to the income statement, together with asset management costs, the net investment return on the insurance portfolio fell to 1.0% (2007 HY: 2.4%). The overall investment performance of the insurance business amounted to –1.2% (2007 HY: 0.4%) and also includes the changes in asset valuations directly reflected in equity, which were negatively impacted by rising interest rates.

INVESTMENTS IN GROWTH INITIATIVES ABROAD AND EFFICIENCY IMPROVEMENTS IN SWITZERLAND | Net insurance benefits and claims and changes in the technical reserves increased in line with premium growth, climbing 3% to CHF 8.5 billion. Due to the unsatisfactory financial result, policyholder participation, at CHF 77 million (–95%), was very low. Operating expenses increased by 12% to CHF 1.5 billion. Operating costs were up 11% on a comparable basis. This figure mainly reflects investments made in various product and growth initiatives, notably relating to private placement life insurance, the expansion of the wealth management business in France, and the establishment of the variable annuities product factory in Luxembourg. The regulatory changes introduced in Germany also drove up costs. In Switzerland, efficiency was enhanced and the operating costs were cut by another 4%.

EQUITY AND EMBEDDED VALUE REMAIN STABLE | The insurance reserves decreased by 2% to CHF 119.2 billion in the first half of 2008, primarily due to the market environment and currency factors. The assets controlled by the Swiss Life Group amounted to CHF 137.4 billion (–1%) as at 30 June 2008. At CHF 7.2 billion, the equity attributable to shareholders remained stable vis-à-vis the year-end figure, due to the extraordinary contribution from the disposals made. Group solvency was also steady on 30 June 2008 at 162%. The embedded value of Swiss Life fell by 2% to CHF 12.6 billion, or CHF 359 per share as at 30 June 2008. The value of new business dropped slightly year on year to CHF 55 million, whereas the margin on new business remained above 15% as in the prior-year period.

PRODUCT AND GROWTH INITIATIVES PROGRESSING WELL | Swiss Life forged ahead with its product and growth initiatives. Swiss Life Champion, the first variable annuity product created by the product factory in Luxembourg, went on sale in Germany in August. The Luxembourg location makes it possible to market the products throughout the European Union. In France, further non-traditional products were also launched and the private insurer model was expanded through minor bolt-on acquisitions and an extended service range. Swiss Life VitalityPlus, a redesigned unit-linked product, was introduced in Switzerland, and a unit-linked annuity – unique to the Swiss market – is planned for the autumn. Furthermore, the company opened a branch office in Singapore to improve its access to the Asian market in structured insurance solutions for high net worth individuals and to enable it to diversify its range of products and services. In this connection, a sales location will also be unveiled in Dubai in the second half of the year.

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Important dates

Interim Statement
12 November 2008

Investors' Day
2 December 2008

Presentation of 2008 results
24 March 2009

Annual General Meeting
7 May 2009
Hallenstadion Zurich

Financial Publications

You can find all financial publications of the Swiss Life Group on the internet: www.swisslife.com/report

Caution regarding forward-looking statements

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

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

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