



SwissLife

Audited Annual Financial Statements

for the year ended 31 December 2013
Swiss Life (Luxembourg) S.A.

Swiss Life (Luxembourg) S.A.
25, route d'Arlon
L-8009 Strassen

A limited company under Luxembourg law authorised by ministerial order on 2 May 1985 Trade Register Luxembourg section B no. 22663

Annual Report 2013

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Management report for the financial year 2013 to the Annual General Meeting of 10 April 2014 Comments on the financial year 2013

1 General considerations

In a very challenging economic environment, characterized by a lack of economic recovery, historically low interest rates and highly competitive insurance markets, Swiss Life (Luxembourg) S.A. achieved this year a net profit of 14.198 million euros, an increase of 6.22% compared to last year..

This very positive performance consolidates Swiss Life position in both its local and international markets and results from the joint effect of an ambitious and consistent sales strategy, as well as a disciplined management of costs and investments. It also confirms the successful application in Luxembourg of the group-wide program, Swiss Life 2015.

Swiss Life 2015 in Luxembourg includes a variety of projects, grouped under the 5 strategic thrusts, i.e. Customer promise, Offering, Distribution, Efficiency and quality and Financial strength. A particular emphasis has been put by the whole company on the Efficiency and quality thrust, with big investments on large scale IT projects, enabling to improve processes efficiency but also the service provided to the client. In that respect, 2013 was an important milestone as we had the first clients on our new contract management system dedicated to corporate customers. Migration of contracts to the new system has started by end of 2013 and will continue in 2014. Another ambitious project was launched in 2013, this time aimed at offering a state of the art, fully integrated contract management system for the Private Clients segment. Main objective of this new process is to improve the service to our clients, while enabling a better collaboration with our key partners.

These 2 big projects, combined with the significant increase in the number of employees during the year, highlight the emphasis Swiss Life Group has put on the development of Luxembourg, as well as Local Management's trust on Luxembourg as a European Financial Centre.

In 2013, the profitability has remained a priority of the company, therefore focus has been set on the quality of premium collected. This has helped increase the net profit of the company for 2013.

2 Analysis

The net profit went up by 6.22% in 2013. Once again, both business lines contributed positively to the company's profits this year.

Despite the market volatility in 2013, as well as the exceptionally low interest rates, the impact of financial transactions on the Company's annual accounts was positive. The impact of ordinary income on the Company's own portfolio was also positive for the year.

The Company's own portfolio totalled 856.2 million euros on the balance sheet date, versus 746.9 million euros for the previous year.

Investment income for the above-mentioned portfolio recorded a gain of 0.272 million euros further to small disinvestments.

Operating expenses remained a priority at Swiss Life. In 2013, the increase is mainly due to the significant investments made in the renewal of the IT infrastructures, as well as the development of new markets.

Tax expense: Swiss Life (Luxembourg) S.A. belongs to a group of companies which consolidate their individual profits for tax purposes. The tax burden for the year is mainly composed of the net wealth tax for which the Company is individually liable. The increase over the financial year also corresponds to the increase in the tax base used to calculate the said tax.

2.1 Private Clients Business Line

The level of net inflows in 2013 increased by 33 million euros (+3%) compared to last year, demonstrating both the very good performance of our sales force and the high level of retention rate, a further proof of the trust our clients deposit on the Swiss Life (Luxembourg) S.A. services and products. This very good performance is highlighted by the decrease in Unit Linked Premium in Luxembourg market, a minus of 8.07% in 2013 compared to 2012.

This extraordinary performance was mainly driven by the successes obtained in Portugal and Spain in the private clients segment, confirming the good performance obtained in 2012, but also the good results obtained in historical markets such as France and Italy.

Technical provisions relating to unit-linked products, for which the policyholder bears the market risk, totalled 8.018 billion euros at the end of 2013, versus 6.575 billion euros in 2012, i.e. a growth of 21.94% in 2013. Together with a good quality of premiums collected, this strong level of assets under management ensured that the business increased its profitability.

2.2 Corporate Clients Business Line

Inflows increased by 59.93% compared with the previous financial year, rising from 183.1 million euros to 292.8 million euros. This growth was driven by the group's insurance portfolio as well as to our ability to attract new clients.

The volume of benefits paid decreased by 10.83%, mainly due to a low level of risk claims for the year and to the small number of group contracts redeemed.

3 Perspectives

In 2013, Swiss Life Group, and its International Division in particular, continued to place the emphasis on growth and profitability of the international business led by Swiss Life (Luxembourg) S.A.. The changes that took place within the international division last year contributed to the strong performance of the company this year, and set the basis for a further development in years to come.

Outlook for business related to Private Clients:

2013 was a very good year for our Private Clients activity, benefiting from the dual drivers of strengthening demand for wealth protection solutions based in strong jurisdictions such as Luxembourg and the trust that advisers and clients have in Swiss Life. In a “globalized” world where a growing number of countries are taking precautionary austerity measures, wealthy families are increasingly looking for safe and compliant “globalized” wealth and estate planning solutions.

2013 was highlighted by the strong success of our solutions for the French, Spanish and Portuguese markets, together with the further development of our Private Clients activity in line with the Group’s “Swiss Life 2015” strategic plan. In this respect we have concentrated on three aspects:

1. We have invested in building the best team of recognised specialists in the industry to be able to deliver the best service to our partners and to their clients, recognising that clients are looking for a solution that takes into account their specific family situation and types of assets held, rather than looking to buy a “product”.
2. We have strengthened our distribution team.
3. We have expanded our geographic coverage to respond to our partners’ needs, launching in Greece where business is taking off and, more recently, in Finland. We have had a real success story in Portugal, becoming one of the leading providers of solutions in the country following our launch there two years ago.

Outlook for the Pension business – Corporate Clients:

In 2013, Swiss Life (Luxembourg) S.A. confirmed its position as a leader in Group insurance in Luxembourg. This segment has shown strong growth in all its lines of business and considerably improved profitability.

Swiss Life (Luxembourg) S.A. launched the new client-facing online administrative platform “Swiss Life Preferred Plus”, which enables the Company to streamline administrative processes, increase efficiency and maintain its high level of services to clients. It is also a strong competitive advantage in new business development.

The combination of strong business development efforts, strict internal efficiency improvement and vigorous IT development contributed to the growth in 2013, which will also enable Swiss Life (Luxembourg) S.A. to maintain its growth ambitions and to reinforce the profitability of its business lines in the future.

4 Post-balance sheet events

There are no major post-balance sheet events to report that are likely to have an impact on the annual financial statements.

5 Acquisition of own shares

Swiss Life (Luxembourg) S.A. did not acquire any of its own shares over the 2013 financial year.

6 Research and Development

The Company did not carry out any research and development activities over the 2013 financial year.

7 Description and management of main risks

For business unconnected with investment funds, the main financial risks (interest rate risk, market risk, exchange risk and credit risk) are subject to a monthly report in which the related exposures as well as risk capitals are assessed based on the methodology implemented within Swiss Life Group and used as part of the Swiss Solvency Test.

The Company did not make use of derivatives during the financial year.

Asset allocation is also subject to a periodic examination, one of the objectives of which is to ensure that the established risk limits are observed, notably by favouring high-quality securities.

Insurance risk mainly results from biometric and expense risks.

Mortality and morbidity risks are managed via the underwriting policy and the tables used, while benefiting from the increase in life expectancy; results volatility and catastrophe risk are reduced by reinsurance.

Longevity risk results from the constant improvement in life expectancy beyond that forecasted by the tariff rates; additional technical provisions are therefore established in line with recent prospective survival tables.

Expense risk is also evaluated and an additional provision is built to face expected loadings deficiencies related to the portfolio administration costs of a limited number of products in the future.

The risk management framework in place at Swiss Life (Luxembourg) S.A. refers to the monitoring role performed by the asset-liability committee, the issuance of monthly financial risk management reports, the elaboration of half-yearly market consistent embedded value appraisals, the holding of underwriting and compliance committees as well as the adherence to the regulatory requirements applicable for life insurance undertakings operating in the Grand Duchy of Luxembourg.

At operational risk level, a continuity plan is in place which allows administrative activities to continue in the event of the unavailability of or serious IT failures in the usual equipment.

8 Branch

In 2008 Swiss Life (Luxembourg) S.A. opened a branch in Switzerland.

This entity is responsible for the distribution of products marketed under the Freedom to Provide Services regime which are sold by local financial intermediaries.

9 Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of 14.198 million euros.

In view of the balance of 6.5 million euros brought forward from financial year 2013, the balance available to the General Meeting totals 20.698 million euros.

We propose the following allocation of this amount:

	EUR
– Allocation to legal reserve:	0
– Allocation to free reserves:	14 221 098
– Allocation to reserve unavailable for tax reasons (*):	0
– Undistributable reserve brought forward for tax purposes (**):	(523 250)
– Balance carried forward:	7 000 000

(*) in accordance with article 174 bis of the Income Tax Law allowing wealth tax to be charged to its base.

(**) clawback of due allocation to undistributable reserve for tax purposes (undistributable reserve retained for 5 fiscal years following the year in which the request to establish the reserve was made) and transfer to the free reserve.

Acknowledgements

We would like to thank our clients for the trust and loyalty which they have shown the Company over many years.

This 2013 annual report also gives us the opportunity to express our warm thanks to all the Company's employees for their support, their dedication and the energy which they have put into serving the ambitions and excellent results of Swiss Life (Luxembourg) S.A. this year.

The Board of Directors

Strassen, 18 March 2014



Audit report

To the Shareholder of
Swiss Life (Luxembourg) S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Swiss Life (Luxembourg) S.A., which comprise the balance sheet as at 31 December 2013, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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 annual accounts give a true and fair view of the financial position of Swiss Life (Luxembourg) S.A. as of 31 December 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 20 March 2014

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Marc Voncken





Annual accounts

Balance sheets as at 31 December 2013 and 31 December 2012

(expressed in euros)

	Notes	31/12/2013	31/12/2012
ASSETS			
Subscribed capital unpaid	10	6 000 000	6 000 000
Intangible assets	3(b), 4	4 247 598	3 216 865
Other financial investments	3(e), 6		
Shares and other variable yield transferable securities and units in unit trusts	3(f)	15 244 708	17 712 227
Debt securities and other fixed income transferable securities	3(g)	840 829 414	729 107 731
Other loans	7	134 018	135 148
Deposits with credit institutions		4 007	4 014
Investments		856 212 147	746 959 120
Investments for the benefit of life insurance policyholders who bear the investment risk	3(h)	8 310 796 678	6 765 159 544
Reinsurer's share of technical provisions			
Life insurance provision		2 490 328	1 355 878
Debtors arising out of direct insurance operations			
Policyholders		9 311 759	11 321 392
Debtors arising out of reinsurance operations			
other debtors		2 263 017	2 554 517
Other debtors		333 585	1 100 993
Debtors	3(i), 8	11 908 361	14 976 902
Tangible assets and stocks	3(c), 5	220 855	263 900
Cash at bank and in hand		61 798 357	30 901 889
Other assets		62 019 212	31 165 789
Accrued interest and rent		17 606 878	15 902 987
Deferred acquisition costs	3(j), 9	1 178 131	1 832 485
Other prepayments and accrued income		471 534	928 942
Prepayments and accrued income		19 256 543	18 664 414
TOTAL ASSETS		9 272 930 868	7 587 498 512

The accompanying notes form an integral part of these financial statements.

Balance sheets as at 31 December 2013 and 31 December 2012

(expressed in euros)

	Notes	31/12/2013	31/12/2012
LIABILITIES			
Subscribed capital		23 000 000	23 000 000
Reserves			
Legal reserve	11	2 300 000	1 813 202
Other reserves		37 157 798	24 778 317
Profits brought forward		6 500 000	6 000 000
Profit for the financial year		14 197 848	13 366 279
Capital and reserves	10	83 155 646	68 957 798
Subordinated liabilities	8	10 000 000	10 000 000
Technical provisions	3(k), 12		
Provision for unearned premiums		7 099 431	1 803 981
Life insurance provision		780 248 655	677 726 803
Claims outstanding		17 555 835	14 255 205
Provision for bonuses and rebates		19 442 084	17 769 403
Technical provisions		824 346 005	711 555 392
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 12	8 310 796 678	6 765 159 544
Provisions for taxation		3 713 753	2 913 553
Other provisions		919 832	1 037 771
Provisions for other risks and charges	3(l)	4 633 585	3 951 324
Deposits received from reinsurers		2 490 328	1 355 878
Creditors arising out of direct insurance operations		18 881 458	10 200 937
Creditors arising out of reinsurance operations		6 851 392	6 468 276
Other creditors, including tax and social security		11 280 183	9 173 077
Creditors	3(m), 8, 13	37 013 033	25 842 290
Accruals and deferred income	3(n)	495 593	676 286
TOTAL LIABILITIES		9 272 930 868	7 587 498 512

The accompanying notes form an integral part of these financial statements.

Profit and loss accounts for the years ended 31 December 2013 and 31 December 2012

(expressed in euros)

	Notes	2013	2012
TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS			
Gross premiums written	14		
Outward reinsurance premiums	15	1 961 141 716	2 212 000 180
Change in the provision for unearned premiums, net of reinsurance	14	-7 985 842	-6 307 037
Earned premiums, net of reinsurance		-5 309 109	-328 633
Income from other investments		1 947 846 765	2 205 364 510
Gains on the realisation of investments		31 996 510	29 419 744
Investment income		51 392 385	60 780 452
Unrealised gains on investments	3(h)	83 388 895	90 200 196
Other technical income, net of reinsurance		448 036 961	285 124 018
Claims paid		2 365 276	2 409 549
Gross amount		-636 882 501	-1 041 237 076
Reinsurers' share		923 772	678 756
Changes in the provision for claims			
Gross amount		-3 340 102	-5 616 886
Claims incurred, net of reinsurance		-639 298 831	-1 046 175 206
Life insurance provision			
Gross amount		-1 674 154 864	-1 375 850 940
Reinsurers' share	14	1 134 450	-161 239
Changes in other technical provisions, net of reinsurance		-1 673 020 414	-1 376 012 179
Bonuses and rebates, net of reinsurance		-13 669 454	-14 257 661
Acquisition costs	16	-13 949 603	-12 585 386
Change in deferred acquisition costs		-654 174	-801 609
Administrative expenses	3(p)	-17 653 151	-12 499 409
Reinsurance commissions and profit participation	14	1 339 245	1 875 761
Net operating expenses		-30 917 683	-24 010 643
Investment management charges, including interest		-5 734 533	-5 175 639
Value adjustments on investments	3(q)	-120 178	-52 536
Losses on the realisation of investments		-15 522 541	-4 379 238
Investment charges		-21 377 252	-9 607 413
Unrealised losses on investments	3(h)	-88 121 111	-99 026 783
Other technical charges, net of reinsurance		-152 455	-56 775
Allocated investment return transferred to the non-technical account	3(o)	-744 095	-537 391
BALANCE ON THE TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS		14 336 602	13 414 222

The accompanying notes form an integral part of these financial statements.

Profit and loss accounts for the years ended 31 December 2013 and 31 December 2012

(expressed in euros)

	Notes	2013	2012
NON-TECHNICAL ACCOUNT			
Balance on the technical account – life insurance business		14 336 602	13 414 222
Allocated investment return transferred from the life insurance technical account	3(e)	744 095	537 391
Tax on profit or loss on ordinary activities		-173 202	-213 611
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		14 907 495	13 738 002
Other taxes, not shown under the preceding items		-709 647	-371 723
PROFIT FOR THE FINANCIAL YEAR		14 197 848	13 366 279

The accompanying notes form an integral part of these financial statements.

Notes to the annual accounts

1 General

Swiss Life (Luxembourg) S.A. („the company”) is an insurance company incorporated in the Grand Duchy of Luxembourg on 27 March 1985, as a limited liability company (société anonyme). The purpose of the company is to engage in any insurance and reinsurance business in the „life” branch, both in the Grand Duchy of Luxembourg and abroad, on its own behalf and on behalf of third parties, as follows:

1. Insurance operations

- in case of death
- in case of life, with or without reinsurance
- combined
- regarding complementary covers providing non-indemnity benefits in the event of sickness or accident, in particular in the event of disability.

2. Capitalisation operations

- ### 3. Management of collective pension funds, and more generally, any financial, asset and real estate transactions directly connected with the objects above.

The company may also acquire any interests and shareholdings in any other companies or insurance companies which can further contribute to the company’s business, and more particularly by establishing special purpose companies, investments, mergers, subscribing for and purchasing shares, bonds and other securities, purchasing interests in companies and by any partnership or other agreements of any kind whatsoever.

2 Presentation of the financial statements

Basis of preparation

These financial statements have been prepared in conformity with the law of 8 December 1994, as amended, on financial statements with respect to insurance and reinsurance undertakings, and with the significant accounting policies generally accepted within the insurance industry in the Grand Duchy of Luxembourg.

The accounting policies and the valuation rules apart from those defined by the law or the Commissariat aux Assurances are determined and applied by the Board of Directors.

The preparation of the annual accounts requires management and Board of Directors to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. Actual results could differ significantly from these estimates.

3 Summary of significant accounting policies

The significant accounting policies applied by the company are as follows:

(a) Translation of items expressed in foreign currencies

The assets and liabilities, expressed in foreign currencies, are translated into euros (EUR) at the exchange rates prevailing at the balance sheet date.

Transactions during the accounting period, expressed in foreign currencies, are translated into euros (EUR) at the exchange rates prevailing at the balance sheet date.

(b) Intangible assets

The intangible assets are valued at historical acquisition cost including incidental expenses.

Intangible assets are amortised on a straight line basis at the following rates:

Formation Expenses	33.3%
Software	16.67% – 50%
Goodwill	10%

(c) Tangible fixed assets

Land and buildings and tangible assets, are valued at historical acquisition cost. The acquisition cost includes expenses incidental to the purchase.

Buildings and tangible assets with limited useful economic lives are amortised on a straight line basis at the following rates:

Plant	10% – 25.0%
Electrical equipment	20% – 33.3%
Machinery	20% – 33.3%
Office furniture	10% – 33.3%

(d) Shares in affiliated undertakings and participating interests

Affiliated undertakings are considered to be the undertakings between which the company or the parent company exercises a dominant influence either directly or indirectly. Participating interests refer to rights contained in the capital of other undertakings which, when creating a durable link with those undertakings, are intended to contribute to the company's activities.

Shares in affiliated undertakings and participating interests are valued at historical acquisition cost which includes expenses incidental to the purchase.

If an impairment in value is of a permanent nature, the shares in affiliated undertakings and participating interests are valued at the lower value to be attributed to them at the balance sheet date.

These value adjustments should no longer continue when the reasons for which they were made cease to apply.

(e) Other financial investments

Other financial investments are valued at historical acquisition cost which includes incidental purchase expenses.

If the directors expect the impairment in value to be permanent in nature, the other financial investments are valued at the lower value to be attributed to them at the balance sheet date. These value adjustments may not be carried when the reasons for which they were made cease to apply.

(f) Shares and other variable yield transferable securities and units in unit trusts

Shares and other variable yield transferable securities and units in unit trusts are valued at the lower of historical acquisition cost and realisable value. The acquisition cost includes expenses incidental to the purchase. The value adjustments which correspond to the difference between the realisable value and the acquisition cost are maintained even if the reasons for which they were made cease to apply.

(g) Debt securities and other fixed income transferable securities

Debt securities and other fixed income securities are valued at historical acquisition cost, or redemption value, taking into account the following elements:

a positive difference between the acquisition cost and redemption value is written off in instalments over the duration of the holding of the security;

a negative difference between the acquisition cost and redemption value is released to income in instalments over the period remaining to repayment.

If the Directors expect the impairment in value to be permanent in nature, debt securities and other fixed income transferable securities are valued at the lower value to be attributed to them at the balance sheet date. These value adjustments may not be carried when the reasons for which they were made cease to apply.

(h) Investments for the benefit of life insurance policyholders who bear the investment risk

Investments for the benefit of life insurance policyholders who bear the investment risk are valued at the market value at the balance sheet date and any difference between this value and the acquisition cost is disclosed in the technical account for life insurance in the unrealised gains or losses on investments line items.

The market value shall refer to the last available value at the balance sheet date quoted on a stock exchange or the value at which the investment could be sold, valued prudently and in good faith.

(i) Debtors

Debtors are valued at the lower of their nominal and their probable realisable value. Value adjustments shall be made when recoverability is questionable, either in part or entirely. These value adjustments shall no longer be carried when the reasons for which they were made cease to apply.

(j) Deferred acquisition costs

Deferred acquisition costs directly related to life insurance contracts, disclosed as an asset, are based on the calculation of the life insurance provision.

(k) Technical provisions

Sufficient technical provisions are set up in order that the company can meet, as far as can be reasonably foreseen, any liabilities arising from insurance contracts.

Provision for unearned premiums

Written premiums include all the amounts received or receivable with respect to insurance contracts concluded prior to the end of the accounting period.

That part of written premiums which is to be allocated to one or more subsequent financial years is deferred by way of the provision for unearned premiums, computed separately for each contract on a prorata basis.

Life insurance provision

The life insurance provision, which consists of the actuarial value of the company's liabilities net of future premiums, is calculated separately for each contract.

The technical basis and methods applied for computing the balance sheets' life insurance provision are specified in the annual actuarial report communicated to the supervisory authority.

Provision for claims outstanding

The provision for claims outstanding corresponds to the total estimated cost (including claims settlement costs) for settling all claims arising from events which have occurred up to the end of the financial year.

The provision for claims outstanding is computed separately for each claim known by the company. Claims occurred but not declared as at balance sheet date are assessed globally on a flat-rate basis.

Provision for bonuses and rebates

This provision consists of amounts intended for policyholders or contract beneficiaries to the extent that such amounts represent an allocation of surplus or profit arising on business, or a partial refund of premium made based on the performance of the contracts.

Technical provisions for life insurance contracts where the investment risk is borne by the policyholders

This item shall comprise technical provisions set up to cover liabilities relating to investments in the context of life insurance contracts whose value or return is determined by reference to an index or to investments for which the policyholder bears the risk.

(l) Provisions for other risks and charges

Provisions for other risks and charges are intended to cover losses or debts whose nature is clearly defined but are, at the balance sheet date, either likely or certain to be incurred but amounts or timing are indeterminable.

The liabilities for the employees' pension fund are included under the technical provisions item.

(m) Creditors

Creditors are included in liabilities at settlement value.

If the amount payable is greater than the amount received, the difference is charged to the profit and loss account at the date when the debt is recognised.

If the amount payable is lower than the amount received, the difference is released to income in instalments over the remaining period of the contract.

(n) Accruals and deferred income

This item consists of both income receivable before the balance sheet date but relating to a subsequent financial year and charges that relate to the current financial year but payable in a subsequent financial year.

(o) Allocated investment return transferred to the non-technical account

The allocated investment return transferred from the technical account to the non-technical account represents the income relating to assets being part of the company's free assets.

(p) Administrative expenses

Administrative expenses specifically consist of costs arising from premium collection, portfolio administration, handling of bonuses and rebates and inward and outward reinsurance. In particular they include staff costs and depreciation provisions in respect of office furniture and equipment in so far as these need not to be shown under acquisition costs, claims incurred or investment charges.

(q) Value adjustments

Value adjustments are deducted directly from the related individual asset.

4 Intangible assets

The movements in intangible assets incurred during the financial year are summarised as follows:

EUR	Formation expenses	Capital increase costs	Software	Goodwill	Total
Gross Book value 01/01/2013	0	0	4 497 526	0	4 497 526
Additions during the year			1 955 269		1 955 269
Disposals during the year					0
Gross Book value 31/12/2013	0	0	6 452 795	0	6 452 795
Accumulated depreciation 01/01/2013	0	0	-1 280 661	0	-1 280 661
Depreciation during the year			-924 536		-924 536
Accumulated depreciation 31/12/2013	0	0	-2 205 197	0	-2 205 197
NET BOOK VALUE 31/12/2013	0	0	4 247 598	0	4 247 598
Net book value 31/12/2012	0	0	3 216 865	0	3 216 865

5 Tangible assets

The movements during the financial year in respect of tangible assets are as follows:

EUR	Technical Installations	Machines	Office Furniture	Room Fitting	Total
Gross Book value 01/01/2013	151 747	404 255	651 924	311 082	1 519 008
Additions during the year			17 833		17 833
Disposals during the year					0
Gross Book value 31/12/2013	151 747	404 255	669 757	311 082	1 536 841
Accumulated depreciation 01/01/2013	-121 298	-404 255	-504 054	-225 501	-1 255 108
Depreciation during the year	-9 767		-30 506	-20 605	-60 878
Accumulated depreciation 31/12/2013	-131 065	-404 255	-534 560	-246 106	-1 315 986
NET BOOK VALUE 31/12/2013	20 682	0	135 197	64 976	220 855
Net book value 31/12/2012	30 449	0	147 870	85 581	263 900

6 Other financial investments

The current value of the items „Shares and other variable yield transferable securities” and „Debt securities and other fixed income transferable securities” as at 31 December 2013 was EUR 15 247 993 and EUR 885 361 756 respectively (2012: EUR 17 715 163 and EUR 802 702 532 respectively).

The current value of the investment portfolio has been determined by the following methods:

- Transferable securities which are admitted to official listing on a stock exchange or dealt in on another regulated market are valued on the basis of the last available price.
- Transferable securities not admitted to official listing on a stock exchange or not dealt in on another regulated market and transferable securities admitted to official listing on a stock exchange or dealt in on another regulated market for which the last available price is not representative are valued on the basis of their reasonably foreseeable sales price determined with prudence and good faith by the Board of Directors.

The depreciation of the positive and negative differences between the acquisition cost and the redemption value (agio/disagio) in the financial year 2013 stands at EUR 4 254 058 (2012: EUR 3 320 236) and EUR 613 819 (2012: EUR 683 744) respectively.

The balance as at 31 December 2013 for discount depreciation remaining unamortised stands at EUR -3 575 938 (2012: EUR -4 080 438) and for premium depreciation remaining unamortised stands at EUR 36 797 574 (2012: EUR 27 518 070).

7 Other loans

Other loans are secured by policies taken out by the borrower.

8 Amounts owed by or to affiliated undertakings or undertakings with which the company is linked by virtue of a participating interest

The items may be broken down as follows:

EUR	Affiliated undertakings	
	2013	2012
DEBTORS		
Debtors arising of reinsurance operations	2 263 017	2 554 517
Other debtors	333 585	85 601
CREDITORS		
Creditors arising out of reinsurance operations	6 851 392	6 468 276
Debenture loans		
of which subordinated loans	10 000 000	10 000 000
Other creditors	2 362 073	1 867 233

Two subordinated loans, of EUR 5 million each, have been contracted with Swiss Life Insurance Finance Ltd with anniversary dates respectively on 2 June 2018 and on 30 June 2014. These loans are granted for a perpetual term.

The company has concluded Service Level Agreements with several companies of the Group, including in Luxembourg, with regard to IT services and Human Resources.

9 Deferred acquisition costs

The movements in deferred acquisition costs during the financial year can be summarised as follows:

EUR		
	2013	2012
Net acquisition costs, opening balance	1 832 485	2 634 069
Conversion differences (net)	-180	25
Net difference in additions/depreciation during the year	-654 174	-801 609
NET ACQUISITION COSTS, CLOSING BALANCE	1 178 131	1 832 485

10 Capital and reserves

The movements during the financial year in respect of capital and reserves may be broken down as follows:

EUR					
	Subscribed capital	Legal reserve	Other reserves	Profit brought forward	Profit for the year
As at 31/12/2012	23 000 000	1 813 202	24 778 317	6 000 000	13 366 279
Allocation of result 2012		486 798	12 379 481	500 000	-13 366 279
Movements during the year 2013					14 197 848
AS AT 31/12/2013	23 000 000	2 300 000	37 157 798	6 500 000	14 197 848

As at 31 December 2013 and 31 December 2012, the subscribed capital amounting to EUR 23 000 000, is represented by 23 000 shares with no nominal value; the paid up capital amounts to EUR 17 000 000.

11 Legal reserve

The company must allocate 5% of its net profit for each financial year in order to comply with Luxembourg company law requirements. This allocation ceases to be compulsory once the legal reserve balance reaches 10% of the issued share capital.

The legal reserve is not available for distribution to shareholders, except upon the dissolution of the company.

12 Technical provisions

EUR	Provision for unearned premiums	Life insurance provision	Provision for claims outstanding	Provision for bonuses	Technical provisions ¹	Total
Closing balance 31/12/2012	1 803 981	677 726 803	14 255 205	17 769 403	6 765 159 544	7 476 714 936
Conversion Difference	-13 659	-3 119 189	-39 472	-35 410	-34 838 052	-38 045 782
Opening balance 01/01/2013	1 790 322	674 607 614	14 215 733	17 733 993	6 730 321 492	7 438 669 154
Movements during financial year 2013	5 309 109	105 641 041	3 340 102	1 708 091	1 580 475 186	1 696 473 529
CLOSING BALANCE 31/12/2013	7 099 431	780 248 655	17 555 835	19 442 084	8 310 796 678	9 135 142 683

¹ relating to life insurance where investment risks are borne by the policyholder.

13 Classification of loans according to duration

With the exception of the subordinated loans, all loans have a duration of less than one year.

14 Results from the life insurance business

The principal results of the life insurance business may be broken down as follows:

EUR	Life Insurance	
	2013	2012
Individual premiums	1 681 224 189	2 036 867 586
Premiums under group contracts	279 917 527	175 132 594
Periodic premiums	160 023 141	137 431 218
Single premiums	1 801 118 575	2 074 568 962
Premiums for non-bonus contracts	780 631	920 715
Premiums for bonus contracts	189 287 729	157 305 222
Premiums from contracts where the investment risks are borne by the policyholders	1 771 073 356	2 053 774 243
Reinsurance balance	-4 588 375	-3 913 759

15 Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 1 961 141 716 (2012: EUR 2 212 000 180), may be broken down into geographic zones according to where the contracts have been concluded:

EUR	Life Insurance	
	2013	2012
Contracts concluded in the Grand Duchy of Luxembourg	238 526 561	181 533 853
Contracts concluded in other countries of the EEA	1 551 948 639	1 793 148 231
Contracts concluded in other countries outside the EEA	170 666 516	237 318 096

The figures for the year ended 31 December 2012 have been reclassified to ensure comparability with the figures for the year ended 31 December 2013.

16 Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 10 416 322 (2012: EUR 7 199 006), and are included in the acquisition costs item.

17 Personnel employed during the year

The average number of persons employed during the financial year 2013 amounts to 88 (2012: 74) and may be broken down in the following categories:

Category	Number of persons	
	2013	2012
Management	5	5
Executives	38	32
Salaried employees	45	37

EUR		
	2013	2012
Wages and salaries	6 683 063	6 357 720
Social securities costs	847 720	743 115
of which pensions	476 364	447 107

18 Remuneration granted to members of the Board of Directors and to Management

Directors' fees or other remuneration to members of the Board of Directors amount to 0 Euro, including employer charges.

Remuneration granted to the company's Management amount to EUR 752 459 (2012: EUR 804 210) including employer charges.

19 Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2013 and 31 December 2012 are broken down as follows:

EUR	2013	2012
Legal audit fees	157 268	125 408
Other assurance services	19 804	24 450
Tax related services	12 650	12 538

20 Off balance sheet commitments

At 31 December 2013 and 31 December 2012, the company has the following commitments:

EUR	2013	2012
Leasing of hardware	123 416	242 328
Leasing of vehicles	585 057	594 178
Building's lease agreement	722 464	4 892 022
Other contingencies	1 091 548	1 079 935

Moreover, Swiss Life (Luxembourg) S.A. committed itself, based on a trust agreement with Swiss Life (Liechtenstein) AG to hold, on behalf of Swiss Life (Liechtenstein) AG, a participating interest in an unquoted company. This participating interest is valued EUR 179 100 as at 31 December 2013 (2012: EUR 179 100).

21 Collective pension funds

EUR		31/12/2013
Investments		
Investments for the benefit of life insurance policyholders who bear the investment risk		
Shares and other variable yields transferable securities and units in unit trusts		8 459 382
Debt securities and other fixed income transferable securities		61 282 052
Other assets		
Cash at bank and in hand		182 524
ASSETS		69 923 958
Technical provisions		
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders		
		69 923 958
LIABILITIES		69 923 958

22 Tax status

Swiss Life (Luxembourg) S.A. is subject to the tax legislation in force in the Grand Duchy of Luxembourg and included in a tax unity with its parent company.

23 Information concerning consolidated companies

Swiss Life (Luxembourg) S.A. is included in the consolidated financial statements prepared by Swiss Life Holding, a société anonyme under Swiss law, whose registered office is at CH-8022 Zurich, General-Guisan-Quai 40 (Switzerland), being the largest group of companies to which the company belongs as a subsidiary.

The consolidated accounts are available from the head office of Swiss Life (Luxembourg) S.A.

Caution regarding forward-looking statements

This Annual Report contains forward-looking statements about Swiss Life (Luxembourg) S.A. 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 this Annual Report was compiled.

The future starts here.

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