



SwissLife

# Financial Statements 2014

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 2014*

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# *Management report for the financial year 2014 to the Annual General Meeting of 9 April 2015*

## *Comments on the financial year 2014*

### **1 General considerations**

Looking back to the year 2014 and its challenging environment, Swiss Life (Luxembourg) S.A. is proud to announce a record EUR 16.52 million profit before tax, an increase of 9.5% compared to the 2013 already exceptional EUR 15.08 million.

This outstanding result has been achieved despite the adverse economic environment, namely the lack of economic recovery, record low (and still decreasing) interest rates and high unemployment rates in major European countries. In such challenging times, it is even more important to live the five strategic Swiss Life Group thrusts, which include Customer promise, Offering, Distribution, Efficiency and Quality as well as Financial strength. Among these thrusts, special emphasis was put on the Efficiency and Quality, as well as on the distribution during the year 2014.

The efforts and investments in the new contract management system for the Corporate Clients segment have materialized throughout the year 2014, with all new clients included in this state of the art platform, as well as a continuous number of contracts migrated. This enables us to provide corporate clients and their affiliates with the level of service they are entitled to receive. Moreover, the new streamlined processes, natively including high standard controls, enabled to improve the internal efficiency. The project is scheduled to be finalised in the end of 2015 with the delivery of the latest functions, while the migration of contracts is now gaining pace and is planned to end at the beginning of 2016.

The second achievement in 2014 is the validation of a key project, which aims at replacing the current contract management system for the Private Clients segment, focusing on the improvement of service delivered to clients and partners. The platform is expected to be ready for new business during the second semester of 2015 and the migration of existing contracts is planned to start before the end of 2015.

These significant investments demonstrate once again the continuous trust Swiss Life Group deposits for almost 30 years in Swiss Life (Luxembourg) S.A. as a key insurance carrier and in the continuous development of Luxembourg as an important European Financial Center.

### **2 Analysis**

Due to tax effects, the net profit decreased by 8.71% compared to 2013 while profit before tax raised by 9.54% to EUR 16.520 million (EUR 15.081 million in 2013). Both business lines contributed positively to the Company's profit this year.

Operating expenses, increased due to the significant investments in the development of new contract management systems, the development of new markets as well as the emphasis Swiss Life has put into the compliance to the several new regulations coming into force in the coming months or years.

The Company's own portfolio totaled EUR 886.7 million on the balance sheet date, versus EUR 856.2 million for the previous year. This limited increase is explained by a transfer of assets in connection with the implementation of a new reinsurance contract. This operation triggered some exceptional transactions on the bond portfolio and is the main explanation for the increase in the investment income on the own portfolio to EUR 3.217 million (EUR 0.272 million in 2013).

Looking at tax expenses, Swiss Life (Luxembourg) S.A. belongs to a group of companies which consolidate their individual profits for tax purposes. Contrarily to what happened in previous years, the tax burden for the year is composed of income tax, as the losses brought forward from previous years have been totally used in 2014.

### **2.1 Private Clients Business Line**

Gross Written Premium increased by 10.4% to EUR 173.0 million in 2014 compared to the previous year. With a combined net inflow of EUR 1.220 billion, this demonstrates both the strong performance of our sales force and the high level of retention rate, a further proof of the trust our clients deposit on the services and products of Swiss Life. As such, Swiss Life (Luxembourg) S.A. outperforms the evolution in Unit Linked Premiums in the Luxembourg market, which increased by 9.09% in 2014.

The 2014 results were highlighted by excellent results in France, Italy and our international solutions. The launch of our new markets Finland and Greece, were equally successful and provide a strong outlook for promising growth. The performance of both the Spanish and Portuguese markets was curtailed by a lengthy tax system review and late reform announcements. Portugal was additionally impacted by domestic financial system turmoil in 2014. We expect strong recoveries in 2015.

Technical provisions relating to unit-linked products, for which the policyholder bears the market risk, totaled EUR 9.942 billion at the end of 2014, versus EUR 8.018 billion in 2013, a growth of 24% in 2014. Together with a good quality of premiums collected, this strong level of assets under management ensured that the business maintained a high level of profitability.

### **2.2 Corporate Clients Business Line**

Gross written premium decreased by 12.9% compared to the previous financial year, due to a large single premium for Deposit Administration in 2013. Regular premiums increased by 4%, driven by the Corporate Client's insurance portfolio and our ability to attract new clients.

## **3 Perspectives**

Swiss Life Group continues to invest substantially in Swiss Life (Luxembourg) S.A. to further develop its leadership in the Corporate Client's segment, as well as to position itself as the European hub for Private Client Life Insurance. Focus will remain on growth and profitability, enabled by the strict application of the strategic projects being finalised (for Corporate Clients segment) or just launched (for the Private Clients segment).

2015 will also be characterized by the celebration of our 30th anniversary in Luxembourg. We would like to take this opportunity to thank our partners and clients for their support and look

forward to many more years successfully protecting the future of our clients. A series of events and actions will be organised in the course of the year.

Outlook for business related to Private Clients:

The strategic decisions, measures taken and focus in 2014 will continue into 2015. The principles of growth, expertise, efficiency and compliance will drive business in our increasingly global and dynamic financial environment forward. We will continue to provide innovative insurance solutions combining specialist expertise and market knowledge with greater emphasis on engaged partners.

Significant momentum is building in our mature insurance markets for 2015 which will provide tremendous opportunity and need for our expertise and support for our clients and partners. The uncertainty on the global economic scenarios together with increasing public debt, forces the UHNWI clients to review their wealth arrangements in order to achieve asset protection. At the same time the inheritance planning becomes a key element of their thoughts.

Following the successful launches of our new markets, Greece and Finland, in 2014, we will continue to investigate new opportunities to further enhance and enlarge our client and partner offerings both in Europe and internationally.

To reinforce our drive of furthering efficiency and providing enhanced services to our partners and clients Swiss Life (Luxembourg) S.A. has committed to transition to a new “state of the art” servicing and administration platform in 2015/2016. The project is progressing well and once implemented will further solidify our position as the insurance provider of choice for our partners.

Outlook for the Pension business – Corporate Clients:

In 2014, Swiss Life (Luxembourg) S.A. confirmed its position as a leader in Group insurance in Luxembourg. This segment has shown good growth in terms of regular premiums with considerably improved profitability.

Swiss Life (Luxembourg) S.A. has continued the migration process to its new administrative platform, which enables the Company to further streamline administrative processes, increase efficiency and maintain high level of services to clients.

The combination of strong business development efforts, strict internal efficiency improvements and optimization of current portfolio contributed to the profitability in 2014, which will also enable Swiss Life (Luxembourg) S.A. to maintain its growth ambitions and 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 2014 financial year.

## 6 Research and Development

The Company did not carry out any research and development activities over the 2014 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 rate risk and credit risk considering exposure concentration) 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 2014.

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.

Progressing with the implementation of the Swiss Life Group Internal Control System (ICS) project, 2014 has been a successful year in terms of controls enhancements following the achievements of targets set-forth by the 'Legal & Compliance Roadmap'. For 2015, nine new processes will be implemented locally, aimed at completing the ICS project landscape, which will ensure full application of the highest controlling standards envisaged by Swiss Life Group for all market units.

Furthermore, in view of the upcoming changes in the regulatory scenario impacting relevant streams of the insurance industry, e.g. tax reporting (FATCA, CRS), distribution (IMD2, MiFID2), and products (PRIIPs), Swiss Life (Luxembourg) S.A. is highly committed and up-to-speed on the organisation of dedicated projects in order to ensure full compliance with the upcoming changes in legislation.

## 8 Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of EUR 12.962 million.

In view of the balance of EUR 7.0 million brought forward from financial year 2013, the balance available to the General Meeting totals EUR 19.962 million.

We propose the following allocation of this amount:

	<b>EUR</b>
- Allocation to legal reserve:	0
- Allocation to free reserves:	9 919 923
- Allocation to reserve unavailable for tax reasons (*):	3 041 950
- Undistributable reserve brought forward for tax purposes (**):	0
- Balance carried forward:	7 000 000

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

(\*\*) clawback of due allocation to undistributable reserve for tax purposes (undistributable reserve retained for five 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 they have shown the Company over many years.

This 2014 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 they have put into serving the ambitions and excellent results of Swiss Life (Luxembourg) S.A. over the last 30 years.

The Board of Directors

Strassen, 26 March 2015



## **Audit report**

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

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### **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 2014, 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 2014, 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, 7 April 2015

A handwritten signature in blue ink, appearing to be 'Marc Voncken', written over a faint circular stamp or watermark.

Marc Voncken





# Annual accounts

## Balance sheets as at 31 December 2014 and 31 December 2013

(expressed in euros)

	Notes	31/12/2014	31.12.2013
<b>ASSETS</b>			
Subscribed capital unpaid	10	6 000 000	6 000 000
Intangible assets	3(b), 4	5 189 296	4 247 598
Other financial investments	3(e), 6		
Shares and other variable yield transferable securities and units in unit trusts	3(f)	35 918 393	15 244 708
Debt securities and other fixed income transferable securities	3(g)	849 707 891	840 829 414
Other loans	7	134 680	134 018
Deposits with credit institutions		11 194	4 007
Investments		885 772 158	856 212 147
Investments for the benefit of life insurance policyholders who bear the investment risk	3(h)	10 155 082 220	8 310 796 678
Reinsurer's share of technical provisions			
Life insurance provision		149 526 073	2 490 328
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders		7 027 774	0
Debtors arising out of direct insurance operations			
Policyholders		6 657 610	9 311 759
Debtors arising out of reinsurance operations			
other debtors		2 413 547	2 263 017
Other debtors		3 715 175	333 585
Debtors	3(i), 8	12 786 332	11 908 361
Tangible assets and stocks	3(c), 5	235 919	220 855
Cash at bank and in hand		94 210 908	61 798 357
Other assets		94 446 827	62 019 212
Accrued interest and rent		17 198 348	17 606 878
Deferred acquisition costs	3(j), 9	841 319	1 178 131
Other prepayments and accrued income		1 135 530	471 534
Prepayments and accrued income		19 175 197	19 256 543
<b>TOTAL ASSETS</b>		<b>11 335 005 877</b>	<b>9 272 930 868</b>

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

## Balance sheets as at 31 December 2014 and 31 December 2013

(expressed in euros)

	Notes	31/12/2014	31.12.2013
<b>LIABILITIES</b>			
Subscribed capital		23 000 000	23 000 000
Reserves			
Legal reserve	11	2 300 000	2 300 000
Other reserves		50 855 646	37 157 798
Profits brought forward		7 000 000	6 500 000
Profit for the financial year		12 961 873	14 197 848
Capital and reserves	10	96 117 519	83 155 646
Subordinated liabilities	8	10 000 000	10 000 000
Technical provisions	3(k), 12		
Provision for unearned premiums		7 243 362	7 099 431
Life insurance provision		968 479 407	780 248 655
Claims outstanding		13 172 956	17 555 835
Provision for bonuses and rebates		30 362 398	19 442 084
Technical provisions		1 019 258 123	824 346 005
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 12	10 162 109 994	8 310 796 678
Provisions for taxation		7 082 486	3 713 753
Other provisions		446 654	919 832
Provisions for other risks and charges	3(l)	7 529 140	4 633 585
Deposits received from reinsurers		0	2 490 328
Creditors arising out of direct insurance operations		7 336 242	18 881 458
Creditors arising out of reinsurance operations		14 018 795	6 851 392
Other creditors, including tax and social security		18 122 804	11 280 183
Creditors	3(m), 8, 13	39 477 841	37 013 033
Accruals and deferred income	3(n)	513 260	495 593
<b>TOTAL LIABILITIES</b>		<b>11 335 005 877</b>	<b>9 272 930 868</b>

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

## Profit and loss accounts for the years ended 31 December 2014 and 31 December 2013

(expressed in euros)

	Notes	31/12/2014	31.12.2013
<b>TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS</b>			
Gross premiums written	15	2 096 199 343	1 961 141 716
Outward reinsurance premiums	14	-179 677 604	-7 985 842
Change in the provision for unearned premiums, net of reinsurance		-143 931	-5 309 109
Earned premiums, net of reinsurance		1 916 377 808	1 947 846 765
Income from other investments		33 202 952	31 996 510
Gains on the realisation of investments		83 315 250	51 392 385
Investment income		116 518 202	83 388 895
Unrealised gains on investments	3(h)	1 030 698 616	448 036 961
Other technical income, net of reinsurance		2 688 049	2 365 276
Claims paid			
Gross amount		-856 988 601	-636 882 501
Reinsurers' share		20 399 577	923 772
Changes in the provision for claims			
Gross amount		4 382 879	-3 340 102
Claims incurred, net of reinsurance		-832 206 145	-639 298 831
Life insurance provision			
Gross amount		-2 026 424 771	-1 674 154 864
Reinsurers' share	14	153 016 825	1 134 450
Changes in other technical provisions, net of reinsurance		-1 873 407 946	-1 673 020 414
Bonuses and rebates, net of reinsurance		-24 039 611	-13 669 454
Acquisition costs	16	-13 868 259	-13 949 603
Change in deferred acquisition costs		-336 813	-654 174
Administrative expenses	3(p)	-25 342 505	-17 653 151
Reinsurance commissions and profit participation	14	2 271 978	1 339 245
Net operating expenses		-37 275 599	-30 917 683
Investment management charges, including interest		-5 913 464	-5 734 533
Value adjustments on investments	3(q)	-70 125	-120 178
Losses on the realisation of investments		-39 966 065	-15 522 541
Investment charges		-45 949 654	-21 377 252
Unrealised losses on investments	3(h)	-236 135 648	-88 121 111
Other technical charges, net of reinsurance		-748 388	-152 455
Allocated investment return transferred to the non-technical account	3(o)	-3 929 901	-744 095
<b>BALANCE ON THE TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS</b>		<b>12 589 783</b>	<b>14 336 602</b>

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

### Profit and loss accounts for the years ended 31 December 2014 and 31 December 2013

(expressed in euros)

	Notes	31/12/2014	31.12.2013
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the technical account – life insurance business		12 589 783	14 336 602
Allocated investment return transferred from the life insurance technical account	3(e)	3 929 901	744 095
Tax on profit or loss on ordinary activities		-3 539 262	-173 202
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>		<b>12 980 422</b>	<b>14 907 495</b>
Other taxes, not shown under the preceding items		-18 549	-709 647
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>12 961 873</b>	<b>14 197 848</b>

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, or the value resulting from generally accepted valuation models and techniques when no quoted price on a stock exchange is available.

**(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 01/01/2014	0	0	6 452 795	0	6 452 795
Additions during the year			2 199 494		2 199 494
Disposals during the year					0
Gross Book value 31/12/2014	0	0	8 652 289	0	8 652 289
Accumulated depreciation 01/01/2014	0	0	-2 205 197	0	-2 205 197
Depreciation during the year			-1 257 796		-1 257 796
Accumulated depreciation 31/12/2014	0	0	-3 462 993	0	-3 462 993
<b>NET BOOK VALUE 31/12/2014</b>	<b>0</b>	<b>0</b>	<b>5 189 296</b>	<b>0</b>	<b>5 189 296</b>
Net book value 31/12/2013	0	0	4 247 598	0	4 247 598

## 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 01/01/2014	151 747	404 255	669 757	311 082	1 536 841
Additions during the year			75 254		75 254
Disposals during the year					0
Gross Book value 31/12/2014	151 747	404 255	745 011	311 082	1 612 095
Accumulated depreciation 01/01/2014	-131 065	-404 255	-534 560	-246 106	-1 315 986
Depreciation during the year	-6 751		-32 834	-20 605	-60 190
Accumulated depreciation 31/12/2014	-137 816	-404 255	-567 394	-266 711	-1 376 176
<b>NET BOOK VALUE 31/12/2014</b>	<b>13 931</b>	<b>0</b>	<b>177 617</b>	<b>44 371</b>	<b>235 919</b>
Net book value 31/12/2013	20 682	0	135 197	64 976	220 855

## 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 2014 was EUR 35 926 322 and EUR 976 603 393 respectively (2013: EUR 15 247 993 and EUR 885 361 756 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 2014 stands at EUR 4 490 663 (2013: EUR 4 254 058) and EUR 553 764 (2013: EUR 613 819) respectively.

The balance as at 31 December 2014 for discount depreciation remaining unamortised stands at EUR -3 158 138 (2013: EUR -3 575 938) and for premium depreciation remaining unamortised stands at EUR 37 397 460 (2013: EUR 36 797 574).

## 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	
	2014	2013
<b>DEBTORS</b>		
Debtors arising of reinsurance operations	2 312 054	2 263 017
Other debtors	3 226 939	333 585
<b>CREDITORS</b>		
Creditors arising out of reinsurance operations	14 018 795	6 851 392
Debenture loans		
of which subordinated loans	10 000 000	10 000 000
Other creditors	6 629 374	2 362 073

Two subordinated loans, of EUR 6,5 million and EUR 3,5 million, have been contracted with Swiss Life Insurance Finance Ltd with anniversary dates respectively on 1 July and on 3 June of each year. 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		
	2014	2013
Net acquisition costs, opening balance	1 178 131	1 832 485
Conversion differences (net)	332	-180
Net difference in additions/depreciation during the year	-337 144	-654 174
<b>NET ACQUISITION COSTS, CLOSING BALANCE</b>	<b>841 319</b>	<b>1 178 131</b>

## 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 31/12/2013	23 000 000	2 300 000	37 157 798	6 500 000	14 197 848
Allocation of result 2013			13 697 848	500 000	-14 197 848
Movements during the year 2014					12 961 873
<b>AS AT 31/12/2014</b>	<b>23 000 000</b>	<b>2 300 000</b>	<b>50 855 646</b>	<b>7 000 000</b>	<b>12 961 873</b>

As at 31 December 2014 and 31 December 2013, 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 <sup>1</sup>	Total
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
Conversion Difference	65 608	10 671 664	160 271	145 801	130 400 043	141 443 387
Opening balance 01/01/2014	7 165 039	790 920 319	17 716 106	19 587 885	8 441 196 721	9 276 586 070
Movements during financial year 2014	78 323	177 559 088	-4 543 150	10 774 513	1 720 913 273	1 904 782 047
CLOSING BALANCE 31/12/2014	<b>7 243 362</b>	<b>968 479 407</b>	<b>13 172 956</b>	<b>30 362 398</b>	<b>10 162 109 994</b>	<b>11 181 368 117</b>

<sup>1</sup> relating to life insurance where investment risks are borne by the policyholder.

## 13 Classification of loans according to duration

All loans have a duration of more 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	
	2014	2013
Individual premiums	1 848 911 120	1 681 224 189
Premiums under group contracts	247 288 223	279 917 527
Periodic premiums	166 282 283	160 023 141
Single premiums	1 929 917 060	1 801 118 575
Premiums for non-bonus contracts	658 358	780 631
Premiums for bonus contracts	282 326 840	189 287 729
Premiums from contracts where the investment risks are borne by the policyholders	1 813 214 145	1 771 073 356
Reinsurance balance	-3 989 224	-4 588 375

## 15 Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 2 096 199 343 (2013: EUR 1 961 141 716), may be broken down into geographic zones according to where the contracts have been concluded:

EUR	Life Insurance	
	2014	2013
Contracts concluded in the Grand Duchy of Luxembourg	180 527 910	238 526 561
Contracts concluded in other countries of the EEA	1 560 018 204	1 551 948 639
Contracts concluded in other countries outside the EEA	355 653 229	170 666 516

## 16 Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 13 646 726 (2013: EUR 10 416 322), and are included in the acquisition costs item.

## 17 Personnel employed during the year

The average number of persons employed during the financial year 2014 amounts to 105 (2013: 88) and may be broken down in the following categories:

Category	Number of persons	
	2014	2013
Management	6	5
Executives	44	38
Salaried employees	55	45

EUR		
	2014	2013
Wages and salaries	9 445 804	6 683 063
Social securities costs	1 048 048	847 720
of which pensions	556 047	476 364

## *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 1 070 859 (2013: EUR 752 459) including employer charges.

## *19 Fees of the Independent Auditor*

The fees of the independent auditor for the years ending 31 December 2014 and 31 December 2013 are broken down as follows:

EUR	2014	2013
Legal audit fees	295 826	157 268
Other assurance services	20 149	19 804
Tax related services	20 708	12 650

## *20 Off balance sheet commitments*

At 31 December 2014 and 31 December 2013, the company has the following commitments:

EUR	2014	2013
Leasing of hardware	74 023	123 416
Leasing of vehicles	645 471	585 057
Building's lease agreement	4 199 419	722 464
Other contingencies	1 111 975	1 091 548

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 2014 (2013: EUR 179 100).

## 21 Collective pension funds

EUR	2014	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	0	8 459 382
Debt securities and other fixed income transferable securities	0	61 282 052
Other assets		
Cash at bank and in hand	0	182 524
ASSETS	0	69 923 958
Technical provisions		
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders	0	69 923 958
LIABILITIES	0	69 923 958

The collective pension fund above concerned one single contract, redeemed on September 1, 2014.

## 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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