



Financial
Statements 2016

Swiss Life (Luxembourg) S.A.

Swiss Life (Luxembourg) S.A.
6 rue Eugène Ruppert
L-2453 Luxembourg

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

Annual Report 2016

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Management report for the financial year 2016 to the Annual General Meeting of 13 April 2017

Comments on the financial year 2016

1 General considerations

Swiss Life (Luxembourg) S.A. (“the Company”) presents the result of the financial year 2016, with another record net profit of EUR 15.620 million (EUR 15.576 million in 2015). This confirms our robustness and stability in a challenging economic environment.

Increasing our asset base, maintaining the fee level and a strict cost management led to this result. The low-interest environment still affects the evolution of the investment margin, as the regular interest income decreases faster than the level of the guarantees. However, the Company successfully preserved a strong net margin after policyholders’ participation.

In 2016, a lot of efforts and resources have been put into our strategic projects to improve the efficiency. This will continue throughout 2017 as the regulatory changes on European level remain very demanding.

2 Analysis

The year 2016 has proven to be yet another exceptional financial year for the Company. The profit before tax increased by 2.99% to EUR 20.115 million (EUR 19.531 million in 2015) while the net profit remained stable at EUR 15.620 million (EUR 15.576 in 2015), due to a slight increase in the tax charge.

The Company’s own portfolio totaled EUR 1 215 million on the balance sheet date, versus EUR 1 133 million for the previous year. This represents an increase of 7% and is explained by the premium income on the non-unit linked business and surrenders under control. Focus has been set in 2016 on a prudent but constant diversification of the investments held in the portfolio, compensating for the still exceptionally low interest rate environment.

A close monitoring of the costs is vital for our margin management. The limited increase compared to 2015 (+1.1%) is due to continuous investment in improving the contract management systems for both business lines and to the adoption of the new regulations which entered into force, or will in the coming years, such as Solvency II (with its extensive asset reporting requirements), PRIIPS, MIFID II, and IDD.

The level of investments of the Company in its IT infrastructure and in the modernization of its processes has remained high. The level of intangible assets has decreased compared to 2015 (-16.1%) following an extraordinary depreciation done on the Private Wealth platform.

2.1 Private Wealth business line

Gross Written Premium (GWP) decreased by 36% to EUR 1 240 million in 2016. At the same time surrenders were nearly close to the premiums, resulting in a combined net inflow of EUR 11 million in 2016. This negative result did not come as a surprise and measures have been taken to deliver a positive development in 2017.

Looking at the individual markets, we have lost market shares in most of them. It is too early to draw conclusions as we must analyze our peers. Technical provisions relating to unit-linked products, totaled EUR 10 994 million at the end of 2016, versus EUR 10 772 million in 2015, i.e., a growth of 2% in 2016.

2.2 Employee Benefits business line

Excluding one-off effects due to internal transfers in 2015, GWP increased slightly by 1%, with regular premiums increasing by 4%. In addition to the positive performance on income, the overall level of claims remained stable (-0.2% compared to 2015). As a result, the combined net inflow for 2016 amounts to EUR 101 million (EUR 109 million in 2015).

3 Perspectives

Swiss Life Group continues to invest substantially in Swiss Life (Luxembourg) S.A. and the cross-border business. A significant competence has been built up in Luxembourg under the new brand Swiss Life Global Solutions. More than 200 experts worldwide are offering their skills to corporates and individuals. However, focus will always remain on growth and profitability.

Outlook for business related to Private Wealth

Our strategic decisions, measures and focus in 2016 will continue into 2017. The principles of growth, expertise, efficiency and compliance will drive business in our increasingly global and dynamic financial environment. We will continue to provide innovative insurance solutions that combine specialist expertise and market knowledge with greater emphasis on engaged partners. With key partners, we will enter into strategic agreements, to foster cooperation and provide know-how.

The need of the UHNWI clients in respect of inheritance planning and asset protection by combining life insurance with sophisticated asset management remains unbroken. The uncertain global economic and political situation forces the wealthy individuals to review their situation and to start engineering their wealth according to their needs.

Outlook for the Pension business --> Employee Benefits

The Company continued to confirm its position as group insurance leader in Luxembourg in 2016 with positive outlook in 2017. This segment continued showing growth in regular premiums, from which we benefited and intend to benefit further.

Further to our restructuring in 2015 which relocated the business unit in charge of Swiss Life Network to Luxembourg, we will further benefit from growth opportunities in this segment and focus on our ability to capture new clients in the international market.

Operationally, we are shifting our focus from migrating contracts from our older contract management systems to further optimizing our process and advancing our online capabilities. This will improve efficiency as well as the clients' experience.

4 Post-balance sheet events

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

5 Acquisition of own shares

The Company did not acquire any of its own shares over the 2016 financial year.

6 Research and Development

The Company did not conduct any research and development activities over the 2016 financial year.

7 Branch

The Company had no branch over the 2016 financial year.

8 Description and management of main risks

For business unconnected with investment funds, the main financial risks (interest rate risk, market risk, currency exchange rate risk and credit risk considering exposure concentration) are subject to a monthly report in which the related exposures and 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 use derivatives during the financial year 2016.

Asset allocation is also subject to a periodic examination. One of its objectives is to ensure that the established risk limits are observed, notably by favoring 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 in 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 asset-liability committee's monitoring role
- issuing monthly financial risk management reports
- the elaboration of half-yearly market consistent embedded value appraisals
- holding underwriting and compliance committees
- adhering to the regulatory requirements applicable for life insurance undertakings operating in the Grand Duchy of Luxembourg

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

As a follow-up to the 2014 Private Clients Legal & Compliance Roadmap and as part of the Swiss Life Group Internal Control System (ICS) project, a series of controls have been designed and reviewed. This will ensure permanent and proper application of all internal and external legal and compliance requirements. In parallel, the same reviewing exercise is currently rolled out in the Corporate Clients business line.

Furthermore, in view of the 2016 and upcoming changes in the regulatory scenario impacting relevant streams of the insurance industry, e.g. tax reporting (FATCA, CRS), distribution (IDD, MiFID2), and products (PRIIPs), Swiss Life (Luxembourg) S.A. is highly committed to, and up-to-speed on, organizing dedicated projects. This will ensure full compliance with the 2017 and upcoming changes in legislation.

9 Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of EUR 15.620 million.

In view of the zero balance brought forward from financial year 2015, the balance available to the General Meeting totals EUR 15.620 million.

We propose the following allocation of this amount:

	EUR
- Allocation to legal reserve:	0
- Allocation to free reserves:	15 620 352
- Allocation to reserve unavailable for tax reasons (*):	0
- Undistributable reserve brought forward for tax purposes (**):	0
- Dividend payable to shareholders:	0
- Balance carried forward:	0

(*) 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 once again thank our clients for the trust and loyalty they have shown the Company over many years.

This 2016 annual report also gives us the opportunity to warmly thank the Company's employees for their support, dedication and energy in serving the ambitions and excellent results of Swiss Life (Luxembourg) S.A. over the last 31 years.

The Board of Directors

Strassen, 9 March 2017



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 2016, 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 2016, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 12 April 2017

A handwritten signature in black ink, appearing to be 'Marc Voncken', written over a circular stamp or seal.

Marc Voncken





Annual accounts

Balance sheets as at 31 December 2016 and 31 December 2015

(expressed in euros)

	Notes	31.12.2016	31.12.2015
ASSETS			
Subscribed capital unpaid	11	6 000 000	6 000 000
Intangible assets	3(b), 4	7 654 444	9 121 238
Other financial investments	3(e), 6		
Shares and other variable yield transferable securities and units in unit trusts	3(f)	71 506 261	53 344 653
Debt securities and other fixed income transferable securities	3(g)	1 039 363 525	998 216 789
Other loans	7	107 134	117 134
Deposits with credit institutions		735 095	11 194
Investments		1 111 712 015	1 051 689 770
Investments for the benefit of life insurance policyholders who bear the investment risk	3(h)	11 204 185 618	10 980 364 956
Reinsurer's share of technical provisions			
Life insurance provision		241 962 768	185 794 600
Provision for bonuses and rebates		3 538 892	2 619 230
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders		45 944 726	33 501 911
Debtors arising out of direct insurance operations			
Policyholders	9	18 342 514	12 704 626
Intermediaries		36 324	0
Debtors arising out of reinsurance operations			
other debtors		5 826 910	3 094 653
Other debtors		2 998 428	1 324 013
Debtors	3(i), 8	27 204 176	17 123 292
Tangible assets and stocks	3(c), 5	666 076	180 022
Cash at bank and in hand		103 197 326	78 029 682
Other assets		103 863 402	78 209 704
Accrued interest and rent		17 868 547	18 413 656
Deferred acquisition costs	3(j), 10	470 413	577 055
Other prepayments and accrued income		1 096 010	905 853
Prepayments and accrued income		19 434 970	19 896 564
TOTAL ASSETS		12 771 501 011	12 384 321 265

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

Balance sheets as at 31 December 2016 and 31 December 2015

(expressed in euros)

	Notes	31.12.2016	31.12.2015
LIABILITIES			
Subscribed capital		23 000 000	23 000 000
Reserves			
Legal reserve	12	2 300 000	2 300 000
Other reserves		79 393 098	63 817 519
Profits brought forward		0	7 000 000
Profit for the financial year		15 620 352	15 575 579
Capital and reserves	11	120 313 450	111 693 098
Subordinated liabilities	8	10 000 000	10 000 000
Technical provisions	3(k), 13		
Provision for unearned premiums		7 589 078	8 720 172
Life insurance provision		1 250 588 072	1 108 294 161
Claims outstanding		22 242 079	10 914 113
Provision for bonuses and rebates		22 014 718	25 330 876
Technical provisions		1 302 433 947	1 153 259 322
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 13, 22	11 250 130 344	11 013 866 867
Provisions for taxation		733 830	2 028 830
Other provisions		560 058	933 394
Provisions for other risks and charges	3(l)	1 293 888	2 962 224
Creditors arising out of direct insurance operations	9	17 789 743	14 979 623
Creditors arising out of reinsurance operations		8 626 916	10 244 000
Amounts owed to credit institutions		0	4 385 515
Other creditors, including tax and social security	14	60 911 798	61 952 481
Creditors	3(m), 8	87 328 457	91 561 619
Accruals and deferred income	3(n)	925	978 135
TOTAL LIABILITIES		12 771 501 011	12 384 321 265

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

Profit and loss accounts for the years ended 31 December 2016 and 31 December 2015

(expressed in euros)

	Notes	31.12.2016	31.12.2015
TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS			
Gross premiums written	16	1 459 517 298	2 156 145 967
Outward reinsurance premiums	15	-115 328 321	-111 514 769
Change in the provision for unearned premiums, net of reinsurance		1 131 094	-1 476 810
Earned premiums, net of reinsurance		1 345 320 071	2 043 154 388
Income from other investments		34 875 692	41 316 157
Gains on the realisation of investments		47 697 089	77 440 034
Investment income		82 572 781	118 756 191
Unrealised gains on investments	3(h)	592 339 187	537 793 008
Other technical income, net of reinsurance		4 133 852	2 639 484
Claims paid			
Gross amount		-1 360 554 001	-981 826 426
Reinsurers' share	15	49 613 865	44 768 583
Changes in the provision for claims			
Gross amount		-11 327 967	2 258 843
Claims incurred, net of reinsurance		-1 322 268 103	-934 799 000
Life insurance provision			
Gross amount		-359 898 279	-966 433 177
Reinsurers' share	15	69 530 644	65 361 894
Changes in other technical provisions, net of reinsurance		-290 367 635	-901 071 283
Bonuses and rebates, net of reinsurance		-15 342 952	-20 106 929
Acquisition costs	17	-11 262 866	-10 624 592
Change in deferred acquisition costs		-106 642	-264 264
Administrative expenses	3(p)	-27 242 169	-26 936 428
Reinsurance commissions and profit participation	15	1 785 065	993 765
Net operating expenses		-36 826 612	-36 831 519
Investment management charges, including interest		-8 565 635	-6 721 564
Value adjustments on investments	3(q)	-726 410	-426 107
Losses on the realisation of investments		-65 445 928	-80 506 244
Investment charges		-74 737 973	-87 653 915
Unrealised losses on investments	3(h)	-262 487 271	-701 241 167
Other technical charges, net of reinsurance		-284 848	-517 219
Allocated investment return transferred to the non-technical account	3(o)	-381 986	-1 012 028
BALANCE ON THE TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS		21 668 511	19 110 011

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

Profit and loss accounts for the years ended 31 December 2016 and 31 December 2015

(expressed in euros)

	Notes	31.12.2016	31.12.2015
NON-TECHNICAL ACCOUNT			
Balance on the technical account – life insurance business		21 668 511	19 110 011
Allocated investment return transferred from the life insurance technical account	3(e)	381 986	1 012 028
Other Income		24 440	0
Other charges, including value adjustments		-1 960 000	-591 128
Tax on profit or loss on ordinary activities		-4 470 360	-3 920 246
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		15 644 577	15 610 665
Other taxes, not shown under the preceding items		-24 225	-35 086
PROFIT FOR THE FINANCIAL YEAR		15 620 352	15 575 579

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.

These transactions are translated into euros (EUR) in the profit and loss accounts with the monthly rate prevailing at the transaction 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, subject to management estimates, 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 01/01/2016	0	0	14 331 066	0	14 331 066
Additions during the year			3 056 882		3 056 882
Disposals during the year					0
Gross Book value 31/12/2016	0	0	17 387 948	0	17 387 948
Accumulated depreciation 01/01/2016	0	0	-5 209 828	0	-5 209 828
Depreciation during the year			-2 563 676		-2 563 676
Extraordinary value adjustments during the year			-1 960 000		-1 960 000
Accumulated depreciation 31/12/2016	0	0	-9 733 504	0	-9 733 504
NET BOOK VALUE 31/12/2016	0	0	7 654 444	0	7 654 444
Net book value 31/12/2015	0	0	9 121 238	0	9 121 238

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 01/01/2016	151 747	411 977	745 011	311 082	1 619 817
Additions during the year	110 481	37 192	126 028	287 488	561 189
Disposals during the year					0
Gross Book value 31/12/2016	262 228	449 169	871 039	598 570	2 181 006
Accumulated depreciation 01/01/2016	-144 240	-404 641	-603 598	-287 316	-1 439 795
Depreciation during the year	-7 345	-8 950	-35 840	-23 000	-75 135
Accumulated depreciation 31/12/2016	-151 585	-413 591	-639 438	-310 316	-1 514 930
NET BOOK VALUE 31/12/2016	110 643	35 578	231 601	288 254	666 076
Net book value 31/12/2015	7 507	7 336	141 413	23 766	180 022

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 2016 was EUR 72 061 787 and EUR 1 158 983 570 respectively (2015: EUR 53 347 392 and EUR 1 095 612 850 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 2016 stands at EUR 5 352 753 (2015: EUR 5 061 395) and EUR 480 436 (2015: EUR 480 241) respectively.

The balance as at 31 December 2016 for discount depreciation remaining unamortised stands at EUR -3 671 648 (2015: EUR -3 806 300) and for premium depreciation remaining unamortised stands at EUR 51 869 240 (2015: EUR 49 469 627).

7 Other loans

Other loans are secured by insurance 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	
	2016	2015
DEBTORS		
Debtors arising of reinsurance operations	5 539 879	2 732 520
Other debtors	2 072 326	285 051
CREDITORS		
Creditors arising out of reinsurance operations	8 626 916	10 244 000
Debenture loans		
of which subordinated loans	10 000 000	10 000 000
Other creditors	15 412 285	9 568 859

The significant increases of:

- debtors arising of reinsurance operations (+103% compared to 2015) is mainly explained by the loss of some pooled contracts supported by the reinsurer (following major deaths);
- other debtors (+627% compared to 2015) and other creditors (+61% compared to 2015) is mainly explained by the development of the cross-border business.

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. However, the two loans of Swiss Life Luxembourg S.A. towards Swiss Life Insurance Finance Ltd have been transferred to Swiss Life International Holding Ltd as at December 31, 2016.

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 Debtors, creditors arising out of direct insurance operations

Debtors and creditors arising out of direct insurance operations represent amounts open as at balance sheet date and are mainly related to insurance operations which occurred close to the end of the financial period.

10 Deferred acquisition costs

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

EUR		
	2016	2015
Net acquisition costs, opening balance	577 055	841 319
Conversion differences (net)	62	407
Net difference in additions/depreciation during the year	-106 704	-264 671
NET ACQUISITION COSTS, CLOSING BALANCE	470 413	577 055

11 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 31/12/2015	23 000 000	2 300 000	63 817 519	7 000 000	15 575 579	
Allocation of result 2015			15 575 579		-15 575 579	
Dividend paid to shareholders				-7 000 000		
Movements during the year 2016					15 620 352	
AS AT 31/12/2016	23 000 000	2 300 000	79 393 098	0	15 620 352	

As at 31 December 2016 and 31 December 2015, 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.

12 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.

13 Technical provisions

EUR	Provision for unearned premiums	Life insurance provision	Provision for claims outstanding	Provision for bonuses	Technical provisions ¹	Total
Closing balance 31/12/2015	8 720 172	1 108 294 161	10 914 113	25 330 876	11 013 866 867	12 167 126 189
Conversion Difference	-49 605	1 317 091	-17 834	54 431	32 802 059	34 106 142
Opening balance 01/01/2016	8 670 567	1 109 611 252	10 896 278	25 385 306	11 046 668 926	12 201 232 329
Movements during financial year 2016	-1 081 489	140 976 820	11 345 801	-3 370 588	203 461 418	351 331 962
CLOSING BALANCE 31/12/2016	7 589 078	1 250 588 072	22 242 079	22 014 718	11 250 130 344	12 552 564 291

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

14 Other creditors, including tax and social security

The significant amount of other creditors, including tax and social security is mainly explained by:

- some significant disinvestment transactions amounted to EUR 34,836 million, initiated before the end of the period and finalized only in 2017;
- the transfer of tax liabilities from the caption "Provision for taxation" to the caption "other creditors, including tax and social security" totaled EUR 13,247 million (2015: EUR 8,777 million), to take into account that even though Swiss Life (Luxembourg) S.A. is supporting the charge of its income tax, the liability is to be recognized towards its parent company, as this is the one liable towards the tax administration in the scope of the tax unity in place.

15 Results from the life insurance business

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

EUR	Life Insurance	
	2016	2015
Individual premiums	1 245 787 117	1 934 192 229
Premiums under group contracts	213 730 181	221 953 738
Periodic premiums	191 894 360	184 209 811
Single premiums	1 267 622 938	1 971 936 156
Premiums for non-bonus contracts	555 809	624 171
Premiums for bonus contracts	247 786 625	235 249 683
Premiums from contracts where the investment risks are borne by the policyholders	1 211 174 864	1 920 272 113
Reinsurance balance	5 601 253	-390 527

16 Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 1 459 517 298 (2015: EUR 2 156 145 967), may be broken down into geographic zones according to where the contracts have been concluded:

EUR	Life Insurance	
	2016	2015
Contracts concluded in the Grand Duchy of Luxembourg	157 653 808	152 648 741
Contracts concluded in other countries of the EEA	1 047 388 434	1 547 325 543
Contracts concluded in other countries outside the EEA	254 475 056	456 171 683

17 Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 12 087 907 (2015: EUR 13 867 884), and are included in the acquisition costs item.

18 Personnel employed during the year

The average number of persons employed during the financial year 2016 amounts to 123 (2015: 105) and may be broken down in the following categories:

Category	Number of persons	
	2016	2015
Management	7	5
Executives	51	47
Salaried employees	65	53

EUR		
	2016	2015
Wages and salaries	9 695 506	8 461 741
Social securities costs	1 134 404	1 127 634
of which pensions	956 180	968 928

19 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 (2015: EUR 0).

Remuneration granted to the company's Management amount to EUR 1 472 260 (2015: EUR 956 584) including employer charges.

20 Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2016 and 31 December 2015 are broken down as follows:

EUR		
	2016	2015
Legal audit fees	326 014	276 725
Other assurance services	24 937	25 056
Tax related services	20 620	34 318

21 Off balance sheet commitments

At 31 December 2016 and 31 December 2015, the company has the following commitments:

EUR	2016	2015
Leasing of hardware	303 983	79 843
Leasing of vehicles	801 795	728 002
Building's lease agreement	7 832 489	3 646 803
Asset pledged as collateral	0	4 213 160
Infrastructure fund	10 047 170	0
Other contingencies	1 027 998	1 005 790

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 thus valued EUR 39 824 as at 31 December 2016 (2015: EUR 179 100).

The other contingencies included in the above table concern the engagement of the company towards our IT infrastructure provider.

Swiss Life (Luxembourg) S.A. has no more investment in asset pledged as collateral. The current value of the repurchase agreement instrument as at 31 December 2016 was EUR 0 (2015: EUR 4 213 160). However Swiss Life (Luxembourg) S.A. has a commitment amount to EUR 10 047 170 in an infrastructure fund.

Finally, the increase in Building lease agreement is due to the move of the company to its new premises in the Cloche d'Or, effective 1 January 2017, and the related new lease agreement signed.

22 Collective pension funds

EUR	2016	2015
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	4 914 782	4 709 651
Debt securities and other fixed income transferable securities	0	0
Other assets		
Cash at bank and in hand	153 542	627 173
ASSETS	5 068 324	5 336 824
Technical provisions		
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders	5 068 324	5 336 824
LIABILITIES	5 068 324	5 336 824

The collective pension fund above concerned one single contract which has been invested since the 7th January 2015.

23 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.

24 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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