Annual Accounts 2019

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 Accounts 2019

Management report for the financial year 2019 to the Annual General Meeting of 9 April 2020

Comments on the financial year 2019

1 General considerations

Swiss Life (Luxembourg) S.A. ("the Company") presents the result of the financial year 2019, with another record net profit of EUR 29.707 million (EUR 22.456 million in 2018). This confirms our robustness and stability in a challenging economic environment.

Increasing our asset base, increasing our employee benefits client basis and a good 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 2019, a lot of efforts and resources have still been put into our strategic projects to improve the efficiency. This will continue throughout 2020 as the regulatory changes on European level remain very demanding.

2 Analysis

The year 2019 has proven to be yet another exceptional financial year for the Company. The profit before tax increased by 30.6% to EUR 37.325 million (EUR 28.588 million in 2018) and the net profit increased at EUR 29.707 million (+ 32.3% compared to EUR 22.456 in 2018).

The Company's own portfolio totaled EUR 1.467 million on the balance sheet date, versus EUR 1.264 million for the previous year. This represents an increase of 16% and is explained by the premium income on the guaranteed rate insurance products. Focus has been set in 2019 on a prudent but constant diversification in real estate and infrastructure investment funds, compensating for the low interest rate environment.

A close monitoring of the costs is vital for our margin management. The increase compared to 2018 (+3.1%) is mainly due to transfer of activity in Luxembourg, to cooperation with other Swiss Life carriers 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, and IDD.

The level of investments of the Company in its IT infrastructure and in the modernization of its processes has remained high.

2.1 Global Private Wealth business line

Gross Written Premiums decreased by 33.9% to EUR 712 million in 2019 and surrenders increased by 9.6 % up to EUR 864 million in 2019, resulting in a combined net outflow of EUR 152 million in 2019.

Technical provisions relating to unit-linked products, totaled EUR 12 447 million at the end of 2019, versus EUR 11 788 million in 2018, i.e., an increase of 6% in 2019, due to the bullish stock markets in 2019.

2.2 Global Employee Benefits business line

Gross Written Premiums decreased by 1% driven mainly by the exceptional level of single premium in 2018. But the periodic premiums increased by 11% due to a very good performance on risk business The assets under control increased by 16% from EUR 1,588 to EUR 1,852 million in 2019, due to a good inflow and a better cash management of the Company.

3 Perspectives

Swiss Life Group continues to invest substantially in Swiss Life (Luxembourg) S.A. and the cross-boarder business. A significant competence has been built up in Luxembourg under the new brand Swiss Life Global Solutions. More than 250 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 2019 will continue into 2020. 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 Global Private Wealth Solutions' 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.

On a proposition perspective, the Company will enhance its proposition offerings by combining a portfolio of assets with the option of substantial death cover, which should bring growth and profitability.

Outlook for the Pension business – Employee Benefits
The Company continued to confirm its position as group insurance leader in Luxembourg in 2019 with positive outlook in 2020.

In 2020, we are concentrating our efforts to further establish the market share of our solution Swiss Life Preferred Germany, a locally compliant solution for group risk benefits targeting German multinationals. Furthermore, we would like to capitalize the launch of a fully digital solution for group risk for international plans. With the support of Swiss Life Network, we will further benefit from growth opportunities in this segment and focus on our ability to capture new clients in the international market.

With the support of our contract management systems we aim in improving 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 Accounts.

The management of Swiss Life Luxembourg has assessed the risks linked to the COVID 19 crisis based on the current available information and the current Swiss Life Luxembourg lines of business. The results of this assessment (including the review of solvency ratio, the review of asset liquidity and valuation and the review of claim ratio) do not require any change in the financial statements as at December 31, 2019 and the preliminary analysis demonstrates the Company's resilience in terms of business continuity, solvency position, and compliance with regulatory requirements. The potential consequences will be monitored during the duration of COVID 19 crisis based on the newly reported information.

5 Acquisition of own shares

The Company did not acquire any of its own shares over the 2019 financial year.

6 Research and Development

The Company did not conduct any research and development activities over the 2019 financial year.

7 Branch

The Company had no branch over the 2019 financial year.

8 Description and management of main risks

The Risk Management functions are not isolated but an integral part of the overall management activities of Swiss Life (Luxembourg) S.A. as it is within Swiss Life Group. The Risk Management Function should not only analyze the developments of the past but should also provide the senior management with the analysis of future risk aspects. The Swiss Life Luxembourg Risk Management function is headed by the local Chief Risk Officer.

a) Competences
Risk monitoring (risk controlling) applies to all relevant risks and especially to the limits in place. Any limit breach requires the Company, in which the breach occurred, to immediately inform both the delegating unit or body and the risk functional line, including the Group Chief Risk Officer. The decision on further actions lies in the first place with the delegating unit or body.

b) Controls and reporting
Swiss Life (Luxembourg) S.A. has to report according to Internal Risk Reporting guideline.

c) Comprehensive system of limits
Swiss Life (Luxembourg) S.A. has set up a comprehensive system of limits to capture and reflect the nature of the underlying risks.

Quantitative risk
- The risk appetite is set on Board of Directors level and is expressed as Solvency II ratio limit for Swiss Life Luxembourg;
- Specific risk capital and exposure limits for units set by the Asset & Liability Committee (ALCO);
- For credit risk, rating-dependent exposure limits avoid concentration risk of counterparties.

Qualitative risk
- Strategic and operational risks have quantitative risk tolerance levels and thresholds.

Actuarial
- Insurance risk is managed through an underwriting process with limits and thresholds.

Product Management
- Profitability hurdle rates on unit and product level trough pricing policy;
- Local product developments exceeding certain thresholds are subject to a local and group approval process.

The main risks which are monitored by Swiss Life (Luxembourg) S.A. are:

Business / Strategic risk
Business or Strategic risk is the current and prospective impact on capital and earnings (various metrics) arising from the unintended risk that can result as a by-product of planning or executing the strategy such as:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans;
- Assumptions underlying the strategic plans do not materialize including changing business environments.

Strategic risks are potentially risks combining drivers from various risk categories (i.e. overarching risks) which might have a substantial impact on the achievement of strategic goals.

Market risk
Market risk refers to the risk of a loss due to changes in the financial position, which, directly or indirectly, arise from fluctuations in the level and/or volatility of market prices for assets, liabilities or financial instruments. Market risk includes the risk of currency rate changes.

Credit risk
Credit risk is the risk due to the uncertainty in counterparty's ability to meet its contractual obligations.

Liquidity risk
Liquidity risk means the risk that Swiss Life (Luxembourg) S.A. is unable to realise investments and other assets in order to settle their financial obligations when they fall due.

Insurance risk
Insurance risk refers to the risk of a loss based on deviation between the expected costs for claims and benefits and the actual costs as a result of accident, error or change of circumstances.

Concentration risk

Concentration risk describes the risk of a loss caused by assuming single or highly correlated risks with significant loss exposure or potential defaults.

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes Outsourcing and Legal Risks.

Reputational risk

Reputational risk is the risk of a perceived reduction in Swiss Life (Luxembourg) S.A.'s ability to generate future profits due to a loss of credibility leading to a negative impact on shareholders' value. Reputational damage can be a consequence of internal or external events.

Emerging risk

Emerging risks are newly occurring or altering existing risks. By nature, Emerging Risks are difficult to quantify at an early stage and may have a major impact on the Swiss Life (Luxembourg) S.A. Generally, Emerging Risks are more important to reinsurance or liability insurance companies than to life insurance companies.

Alternative risk Categorisation

In addition to the above described risk categories, Swiss Life distinguishes between quantitative and qualitative risks. Quantitative risks comprise market risk, credit risk, liquidity risk, insurance risk and concentration risk. Qualitative risks comprise operational risk, strategic risk, reputational risk and emerging risk.

The risk management framework in place at Swiss Life (Luxembourg) S.A. refers to:

- The ALCO monitoring role;
- The monthly financial risk management reports;
- The elaboration of half-yearly market consistent embedded value appraisals;
- The tenue of Underwriting and compliance committees (CBAC);
- The adherence of Luxembourg regulatory requirements;
- The maintenance of Business Continuity Plan in the event of unavailability of serious IT and/or building failures.

Finally, the Company did not use derivatives during the financial year 2019.

9 Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of EUR 29.707 million.

In view of the zero balance brought forward from financial year 2018, the balance available to the General Meeting totals EUR 29.707 million.

We propose the following allocation of this amount:

	EUR
Allocation to legal reserve:	0
Allocation to free reserves:	9 007 303
Allocation to reserve unavailable for tax reasons: [1]	0
Undistributable reserve brought forward for tax purposes: [2]	0
Dividend payable to shareholders:	20 700 000
Balance carried forward:	0

[1] In accordance with article 174 bis of the Income Tax Law allowing net wealth tax to be charged to its base.

[2] 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 2019 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 34 years.

The Board of Directors

Luxembourg, 25 March 2020

Audit report

To the Shareholder of
SWISS LIFE (LUXEMBOURG)

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of SWISS LIFE (LUXEMBOURG) (the "Company") as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 20 to the annual accounts.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
1- Valuation of Unit Linked assets - Unquoted investments Management estimates the market value of certain categories of assets in the absence of readily available market price. As at 31 December 2019, the unquoted investments included in the unit-linked assets represent 1,413 million EUR (see Note 24). Reliable information as well as adequate valuation methods are required for Management to ensure that these assets are valued in accordance with the accounting principle described under Note 3(h) to the annual accounts. This process requires Management to exercise their judgement to: • assess reliability of the underlying source information, including challenging independent experts involved in the valuation exercise; • select appropriate valuation models and techniques.	We have gained an understanding of the process implemented by the Company with respect to the valuation of these unquoted assets. We have performed the following procedures on the market value derived from supporting documentation such as external valuation reports and/or audited financial statements of the underlying assets, or others alternative approaches: • challenged Management's assessment of the reliability and independence of the experts involved; • assessed the adequacy of the accounting framework and related disclosures; • challenged the methodology and valuation model used. Additionally, we have recomputed the market value based on the source information and the selected valuation models.

2- Valuation of certain technical provisions Life insurance provisions amounting to 1,583 millions EUR as at 31 December 2019 are valued in accordance with the accounting principle k) of the notes to the annual accounts. Their valuation requires some level of judgment from Management when selecting methodologies and assumptions. Due to the size of the life insurance provisions, inappropriate methodologies and/or inadequate assumptions setting may result in significant impact on their valuation. Additionally, inaccurate or incomplete data used in the process of computation could also result in misstatements in the valuation.	We have assessed and tested the key controls over the actuarial processes (mainly data collection and roll-forward of technical provisions) put in place by Management with respect to the valuation of the life insurance provisions. We have complemented our work by procedures which include the following: • Involving our actuarial experts to challenge Management's methodology, methods, and assumptions taking into consideration industry available studies and benchmark, as well as recognised actuarial practices and regulatory requirements; • Independently calculating technical reserves for a sample of policies; • Assessing the consistency of the actuarial methods used compared to prior year; • Testing the completeness and the accuracy of a sample of data through a reconciliation with the source documentation.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated 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 identified above 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 that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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 Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

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

We have been appointed as “Réviseur d’Entreprises Agréé” of the Company by the General Meeting of the Shareholders on 11 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 25 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 7 April 2020

Electronically signed by
Sylvia Pucar

Sylvia Pucar

Annual Accounts

Balance sheet as at 31 December 2019

(expressed in euros)

	Notes	31.12.2019	31.12.2018
ASSETS			
Subscribed capital unpaid	11	**6 000 000**	6 000 000
Intangible assets	3(b), 4	**10 179 946**	6 522 692
Other financial investments	3(e), 6		
Shares and other variable yield transferable securities and units in unit trusts	3(f)	**248 744 631**	97 451 150
Debt securities and other fixed income transferable securities	3(g)	**1 224 983 694**	1 166 363 184
Other loans	7	**2 492 351**	76 691
Deposits with credit institutions		**744 518**	740 557
Investments		**1 476 965 194**	1 264 631 582
Investments for the benefit of life insurance policyholders who bear the investment risk	3(h),24	**13 282 352 716**	11 972 868 635
Reinsurer' share of technical provisions			
Life insurance provision		**374 566 717**	282 984 106
Provision for bonuses and rebates		**5 088 981**	4 504 335
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders		**91 272 396**	94 835 833
Debtors arising out of direct insurance operations			
Policyholders	9	**28 233 286**	22 153 363
Intermediaries		**580 278**	772 455
Debtors arising out of reinsurance operations		**3 701 875**	2 441 446
Other debtors	8	**9 768 139**	15 408 009
Debtors	3(i), 8	**42 283 578**	40 775 273
Tangible assets and stocks	3(c), 5	**1 670 054**	1 819 009
Cash at bank and in hand		**81 543 946**	102 965 535
Other assets		**83 214 000**	104 784 544
Accrued interest and rent		**18 386 542**	17 264 012
Deferred acquisition costs	3(j), 10	**291 084**	343 525
Other prepayments and accrued income		**4 327 056**	914 626
Prepayments and accrued income		**23 004 682**	18 522 163
TOTAL ASSETS		**15 394 928 210**	13 796 429 163

The accompanying notes form an integral part of these Annual Accounts.

Balance sheet as at 31 December 2019

(expressed in euros)

	Notes	31.12.2019	31.12.2018
LIABILITIES			
Subscribed capital		**23 000 000**	23 000 000
Reserves			
Legal reserve	12	**2 300 000**	2 300 000
Other reserves		**107 700 010**	100 744 360
Profit or loss for the financial year		**29 707 303**	22 455 650
Capital and reserves	11	**162 707 313**	148 500 010
Subordinated liabilities	8	**9 000 000**	0
Technical provisions	3(k), 13		
Provision for unearned premiums		**10 531 405**	5 905 527
Life insurance provision		**1 583 258 301**	1 409 854 759
Claims outstanding		**21 350 806**	15 100 017
Provision for bonuses and rebates		**27 983 031**	30 840 959
Technical provisions		**1 643 123 543**	1 461 701 262
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 13, 22	**13 373 625 112**	12 067 704 468
Provisions for taxation		**15 902**	29 566
Other provisions		**695 790**	551 939
Provisions for other risks and charges	3(l)	**711 692**	581 505
Creditors arising out of direct insurance operations	9	**15 774 136**	13 608 927
Creditors arising out of reinsurance operations		**7 540 051**	5 308 876
Amounts owed to credit institutions		**73 575 801**	0
Other creditors, including tax and social security	14	**108 168 203**	98 256 750
Creditors	3(m), 8	**205 058 191**	117 174 553
Accruals and deferred income	3(n)	**702 359**	767 365
TOTAL LIABILITIES		**15 394 928 210**	13 796 429 163

The accompanying notes form an integral part of these Annual Accounts.

Profit and loss account for the year ended 31 December 2019

(expressed in euros)

	Notes	31.12.2019	31.12.2018
TECHNICAL ACCOUNT – LIFE INSURANCE BUSINESS	15		
Gross premiums written	16	**1 108 444 678**	1 355 643 043
Outward reinsurance premiums	15	**–164 037 933**	–111 216 191
Change in the provision for unearned premiums, net of reinsurance		**–4 625 878**	–2 589 919
Earned premiums, net of reinsurance		**939 780 867**	**1 241 836 933**
Income from other investments		**37 615 687**	34 862 824
Gains on the realisation of investments		**181 413 933**	340 794 319
Investment income		**219 029 620**	**375 657 143**
Unrealised gains on investments	3(h)	**1 286 779 226**	958 679 447
Other technical income, net of reinsurance		**6 677 680**	5 536 214
Claims paid			
Gross amount		**–999 145 349**	–1 000 690 211
Reinsurers' share	15	**82 870 011**	85 093 583
Changes in the provision for claims			
Gross amount		**–6 250 789**	–1 043 319
Claims incurred, net of reinsurance		**–922 526 127**	**–916 639 947**
Life insurance provision			
Gross amount		**–1 458 009 164**	153 165 612
Reinsurers' share	15	**88 603 820**	18 342 911
Changes in other technical provisions, net of reinsurance		**–1 369 405 344**	**171 508 523**
Bonuses and rebates, net of resinsurance		**–18 457 094**	–18 076 306
Acquisition costs	17	**–7 350 286**	–8 222 935
Change in deferred acquisition costs	10	**–52 441**	–55 101
Administrative expenses	3(p)	**–39 790 448**	–39 054 051
Reinsurance commissions and profit participation	15	**3 115 529**	3 388 567
Net operating expenses		**–44 077 646**	**–43 943 520**
Investment management charges, including interest		**–8 030 184**	–7 166 459
Value adjustments on investments	3(q)	**–258 618**	–227 548
Losses on the realisation of investments		**–40 467 073**	–171 678 052
Investment charges		**–48 755 875**	**–179 072 059**
Unrealised losses on investments	3(h)	**–11 427 933**	–1 566 310 568
Other technical charges, net of reinsurance		**–292 659**	–588 308
Allocated investment return transferred to the non-technical account	3(o)	**–1 835 945**	–1 335 351
BALANCE ON THE TECHNICAL ACCOUNT – LIFE INSURANCE BUSINESS		**35 488 770**	**27 252 201**

The accompanying notes form an integral part of these Annual Accounts.

Profit and loss account for the year ended 31 December 2019

(expressed in euros)

	Notes	31.12.2019	31.12.2018
NON-TECHNICAL ACCOUNT			
Balance on the technical account – life insurance business		**35 488 770**	27 252 201
Allocated investment return transferred from the life insurance technical account	3(o)	1 835 945	1 335 351
Tax on profit or loss on ordinary activities		**–7 619 092**	–6 095 122
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	23	**29 705 623**	**22 492 430**
Other taxes, not shown under the preceding items	23	**1 680**	–36 780
PROFIT FOR THE FINANCIAL YEAR		**29 707 303**	**22 455 650**

The accompanying notes form an integral part of these Annual Accounts.

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 annual accounts

Basis of preparation

These Annual Accounts have been prepared in conformity with the law of 8 December 1994, as amended, on Annual Accounts 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%

Where the Company considers that intangible fixed assets have suffered a durable decline in value in excess of the accumulated amortization recognized, an additional write-down is recorded to reflect this impairment. These value adjustments are reversed if the reasons for which the value adjustments were made have ceased to apply.

(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:

Technical installations	10% – 33.3%
Machines	20% – 33.3%
Office furniture	10% – 33.3%
Room fitting	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 (such as last available third party external report for private equity investment) 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 01/01/2019	0	0	21 125 923	0	21 125 923
Additions during the year	0	0	6 570 288	0	6 570 288
Disposals during the year	0	0	0	0	0
Gross Book value 31/12/2019	0	0	27 696 211	0	27 696 211
Accumulated depreciation 01/01/2019	0	0	–14 603 231	0	–14 603 231
Depreciation during the year	0	0	–2 913 034	0	–2 913 034
Accumulated depreciation 31/12/2019	0	0	–17 516 265	0	–17 516 265
Net book value 31/12/2019	**0**	**0**	**10 179 946**	**0**	**10 179 946**
Net book value 31/12/2018	0	0	6 522 692	0	6 522 692

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 01/01/2019	666 595	449 519	1 528 522	1 101 254	3 745 890
Additions during the year	19 947	0	9 444	23 166	52 557
Disposals during the year	0	0	0	0	0
Gross Book value 31/12/2019	686 541	449 519	1 537 966	1 124 421	3 798 447
Accumulated depreciation 01/01/2019	–214 362	–436 424	–821 837	–454 258	–1 926 881
Depreciation during the year	–20 464	–7 018	–92 287	–81 743	–201 512
Accumulated depreciation 31/12/2019	–234 826	–443 442	–914 124	–536 001	–2 128 393
Net book value 31/12/2019	**451 715**	**6 078**	**623 841**	**588 420**	**1 670 054**
Net book value 31/12/2018	452 233	13 095	706 685	646 996	1 819 009

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 2019 was EUR 254 190 198 and EUR 1 356 147 792 respectively (2018: EUR 100 267 146 and EUR 1 243 842 067 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 2019 stands at EUR 6 527 499 (2018: EUR 5 903 010) and EUR 570 265 (2018: EUR 532 967) respectively.

The balance as at 31 December 2019 for discount depreciation remaining unamortised stands at EUR -4 751 814 (2018: EUR -4 900 988) and for premium depreciation remaining unamortised stands at EUR 81 207 480 (2018: EUR 67 635 380).

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	
	2019	2018
DEBTORS		
Debtors arising of reinsurance operations	3 433 728	2 298 358
Other debtors	2 794 138	14 342 496
CREDITORS		
Creditors arising out of reinsurance operations	6 374 182	5 308 876
Debenture loans		
of which subordinated loans	9 000 000	0
Other creditors	37 884 467	29 711 626

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	2019	2018
Net acquisition costs, opening balance	**343 525**	398 626
Conversion differences (net)	**30**	79
Net difference in additions/depreciation during the year	**–52 471**	–55 179
Net acquisition costs, closing balance	**291 084**	343 525

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 31/12/2018	23 000 000	2 300 000	100 744 360	0	22 455 650
Allocation of result 2018			22 455 650		–22 455 650
Dividend paid to shareholders			–15 500 000		
Movements during the year 2019					29 707 303
As at 31/12/2019	**23 000 000**	**2 300 000**	**107 700 010**	**0**	**29 707 303**

As at 31 December 2019 and 31 December 2018, 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 31/12/2018	5 905 527	1 409 854 759	15 100 017	30 840 959	12 067 704 468	13 529 405 730
Conversion Difference	66 069	5 028 310	80 819	–11 629	54 162 509	59 326 078
Opening balance 01/01/2019	5 971 596	1 414 883 069	15 180 836	30 829 330	12 121 866 977	13 588 731 808
Movements during financial year 2019	4 559 809	168 375 232	6 169 970	–2 846 299	1 251 758 135	1 428 016 847
Closing balance 31/12/2019	**10 531 405**	**1 583 258 301**	**21 350 806**	**27 983 031**	**13 373 625 112**	**15 016 748 655**

[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 47 million, initiated before the end of the period and finalized only in 2020 (2018: EUR 47,779 million);
- the transfer of tax liabilities from the caption “Provision for taxation” to the caption “other creditors, including tax and social security” totaled EUR 33,512 million (2018: EUR 26,843 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	
	2019	2018
Individual premiums	**854 270 206**	1 083 149 851
Premiums under group contracts	**254 174 472**	272 493 192
Periodic premiums	**208 450 883**	188 365 722
Single premiums	**899 993 795**	1 167 277 321
Premiums for non-bonus contracts	**374 739**	443 887
Premiums for bonus contracts	**305 543 849**	258 738 170
Premiums from contracts where the investment risks are borne by the policyholders	**802 526 091**	1 096 460 986
Reinsurance balance	**10 551 427**	–4 391 130

16 Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 1 108 444 678 (2018: EUR 1 355 643 043), may be broken down into geographic zones according to where the contracts have been concluded:

EUR	Life Insurance	
	2019	2018
Contracts concluded in the Grand Duchy of Luxembourg	**154 964 142**	194 261 036
Contracts concluded in other countries of the EEA	**629 935 409**	815 393 709
Contracts concluded in other countries outside the EEA	**323 545 127**	345 988 298

17 Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 15 145 399 (2018: EUR 14 490 466), and are included in the acquisition costs item.

18 Personnel employed during the year

The average number of persons employed during the financial year 2019 amounts to 146 (2018: 137) and may be broken down in the following categories:

Category	Number of persons	
	2019	2018
Management	**8**	8
Executives	**55**	55
Salaried employees	**83**	74

EUR	2019	2018
Wages and salaries	**12 373 114**	12 242 837
Social securities costs	**1 538 720**	1 536 918
of which pensions	**1 363 019**	1 316 354

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 Euro 0, including employer charges (2018: EUR 0).

Remuneration granted to the Company's Management amount to EUR 2 225 015 (2018: EUR 2 022 584) including employer charges.

20 Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2019 and 31 December 2018 are broken down as follows:

EUR	2019	2018
Audit fees [1]	**510 408**	303 163
Audit-related fees	**948**	5 000
Tax fees	**9 349**	9 144
Other fees	**33 635**	5 333

[1] Such fees cover the audit of the Company's statutory accounts as of and for the year ended 31 December 2019, Group reporting work and the issuance of supplementary regulatory reports as applicable and required by the Commissariat aux Assurances.

21 Off balance sheet commitments

At 31 December 2019 and 31 December 2018, the Company has the following commitments:

EUR	2019	2018
Leasing of hardware	**141 436**	151 160
Leasing of vehicles	**598 116**	737 036
Building's lease agreement	**8 746 115**	5 195 607
Asset pledged as collateral	**71 682 136**	0
Infrastructure fund	**17 435 914**	19 446 807
Real Estate fund	**3 310 636**	8 443 374
Other contingencies	**903 702**	770 092

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 an uncalled commitment amount of EUR 17 435 914 (2018: EUR 19 446 807) in three infrastructure funds which are Luxembourg common limited funds and has a commitment in one real estate funds amount to EUR 3 310 636 (2018: EUR 8 443 374).

Moreover, Swisslife (Luxembourg) S.A. invested in asset pledged as collateral. The current value of the repurchase agreement instrument as at 31 December 2019 was EUR 71 682 136.

Finally, the 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 lease agreement signed.

22 Collective pension funds

EUR	2019	2018
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	**4 650 926**	4 302 845
Debt securities and other fixed income transferable securities	**0**	0
Other assets		
Cash at bank and in hand	**8 126**	149 091
ASSETS	**4 659 052**	4 451 936
Technical provisions		
Technical provisions for lilfe insurance contracts where the investment risk is borne by the policyholders	**4 659 052**	4 451 936
LIABILITIES	**4 659 052**	4 451 936

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

The investments for the benefit of life insurance policyholders who bear the investment risk amount to EUR 13 282 million as at 31 December 2019 (2018: EUR 11 973 million).

This caption also includes private equity type vehicles for a total amount of EUR 1 413 million (2018: EUR 1 489 million).

The Company determines the best estimate of the fair value based on the type of inputs available at the time of preparation of the Annual Accounts, as follows:

- Level 1: The fair value is based on independent external experts valuation reports.
- Level 2: The fair value is determined using valuation techniques that maximize the use of recent audited financial statements and other reliable financial information and rely as little as possible on entity specific estimates.
- Level 3: Typically, when one or more of the significant inputs is not based on recent audited financial statements and data, specific management assumptions are used.

As at 31 December 2019, these investments can be split as follows:

Million EUR	2019	2018
Level 1	**564**	365
Level 2	**843**	946
Level 3	**6**	178
Total	**1 413**	1 489

25 Information concerning consolidated companies

Swiss Life (Luxembourg) S.A. is included in the consolidated Annual Accounts 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.

26 Subsequent events

The management of Swiss Life Luxembourg has assessed the risks linked to the COVID 19 crisis based on the current available information and the current Swiss Life Luxembourg lines of business. The results of this assessment (including the review of solvency ratio, the review of asset liquidity and valuation and the review of claim ratio) do not require any change in the financial statements as at December 31, 2019 and the preliminary analysis demonstrates the Company's resilience in terms of business continuity, solvency position, and compliance with regulatory requirements. The potential consequences will be monitored during the duration of COVID 19 crisis based on the newly reported information.

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.

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03-2020

Swiss Life
Global Solutions

Other accounting documents
for the year ended 31 December 2019

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

A limited company under Luxembourg law
Authorized by ministerial order on 2 May 1985
Trade Register Luxembourg section B no.22603

Other accounting documents

Allocation of the result for the financial year 2019

Extract of the minutes of the Annual General Meeting of Shareholders held in Luxembourg on April 9th, 2020.

<u>First resolution</u>

The Sole Shareholder acknowledged that the annual accounts for the financial year ended as at 31 December 2019 show a post-tax profit of EUR 29.707 million.

The Sole Shareholder hereby resolved to approve the Annual Accounts and to allocate the Result as follows:

- Allocation to the legal reserve:	-
- Allocation to free reserves:	EUR 9 007 303
- Allocation to reserve unavailable for tax reasons (*):	-
- Undistributable reserve brought forward for tax purposes (**):	-
- Dividend payable to shareholders:	EUR 20 700 000
- Balance carried forward:	-

(*) 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.