Annual Report 2008

Swiss Life (Luxembourg) S.A.

Annual Report 2008

Content

Management report for the financial year 2008 to the Annual General Meeting of 9 April 2009

Comments on the financial year 2008

1. General considerations

At the end of 2007, the Swiss Life Group placed Luxembourg at the very core of its strategy in a bid to boost its international development. Swiss Life's activities in the Grand Duchy of Luxembourg are now structured by business area and integrated into transnational business lines. The advantages of this strategy are already apparent:

Employee benefit solutions for corporate clients

In Luxembourg, Swiss Life's total premium income from group insurance climbed 16% compared to 2007. It is gaining more ground on the Luxembourg market where the company is once again strengthening its position as leader. Swiss Life also received the HR Best Pension Solutions Award for the 6th consecutive year. The international ambitions of the transnational business line Corporate Solutions were already achieved in 2008, with Luxembourg turnover from companies located outside the Grand Duchy up 33% (mainly through solutions designed for expatriates).

Looking forward, Swiss Life will branch out into new areas and strengthen its international position as a leading player in the global employee benefit market. While continuing to invest in preserving its leadership in the Luxembourg market, Corporate Solutions will increasingly carry out cross-border business with companies in previously unexplored markets and offer a range of pension fund solutions.

Private placement life insurance

Life insurance designed for international high net worth individuals is also integrated into a cross-border business line, Private Placement Life Insurance. In 2008, the Luxembourg teams were strengthened and consolidated, as were partnerships with major private banks. The marketing strategy and operational structure were aligned with those of the business line and activities in Luxembourg were largely refocused on dedicated funds; as a result, turnover is up 76% compared with 2007.

In 2008, the company opened a branch in Switzerland in order to manage insurance contracts of clients whose financial intermediary is based there.

Private Placement Life Insurance in Luxembourg will mainly serve the French, Belgian and Luxembourg markets, without ruling out the possibility of expansion. Its unique platform enables the network to simultaneously distribute products from Luxembourg, Singapore and Liechtenstein, creating growth prospects for Swiss Life in Luxembourg thanks to the distribution of its Luxembourg products by sales teams based in Dubai, Liechtenstein, Luxembourg, Singapore and Switzerland.
The business line intends to consolidate its supranational structure while exploring new opportunities.

Overall, Swiss Life (Luxembourg) S.A. achieved turnover growth of 58% in 2008 (487.752 million euros against 309.198 million euros in 2007).

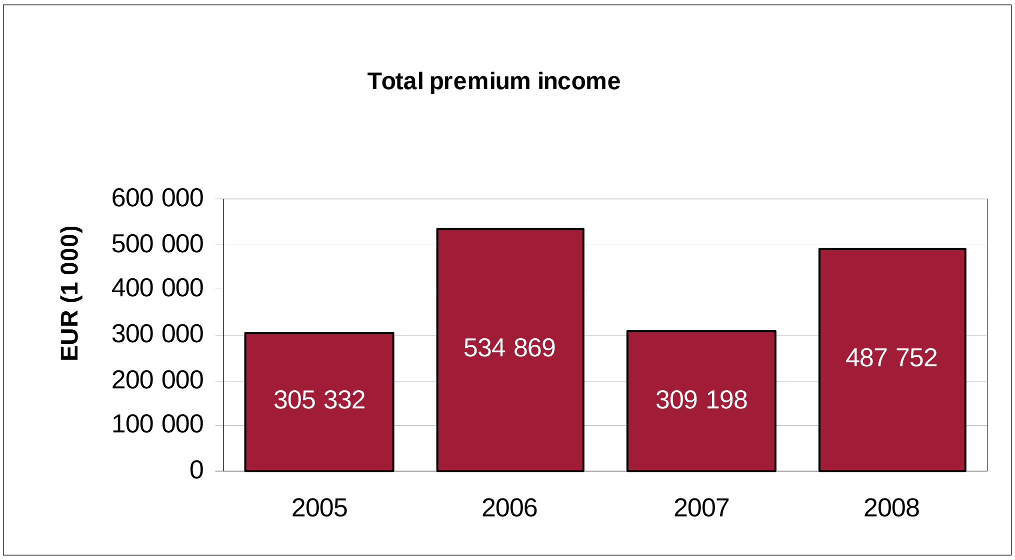
In spite of difficult market conditions, the company's technical provisions gained 13% compared with 2007 to reach 1 597.036 million euros at 31 December 2008.

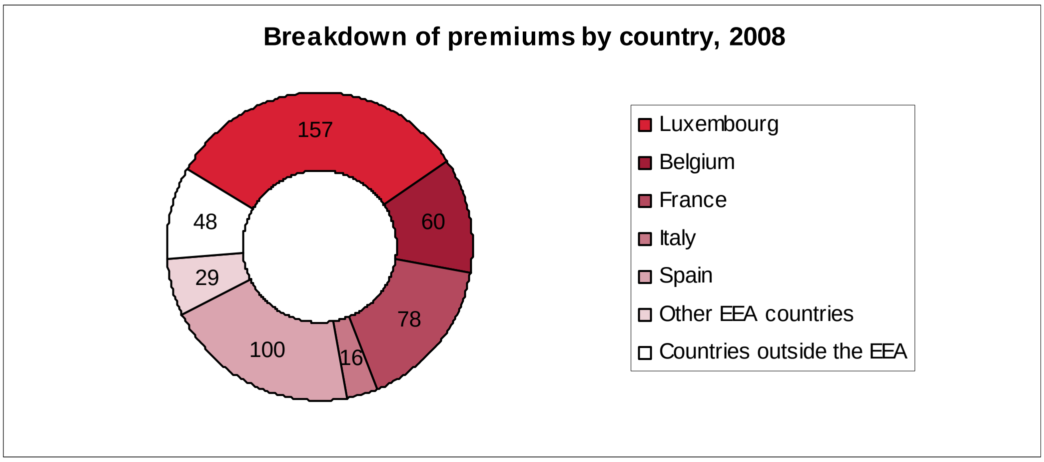
The company also closed the 2008 financial year in positive territory, with profits of 174 672 euros. This takes 100% of the losses on the company's equity portfolio into consideration, in compliance with the prudential policy of the *Commissariat aux Assurances*. The assets for which the investment risk is borne by the company therefore resulted in losses (net of gains) in the amount of 5.677 million euros for the financial year under review (whereas 2007 posted gains (net of losses) in the amount of 2.817 million euros).

Finally, the company did not acquire any own shares.

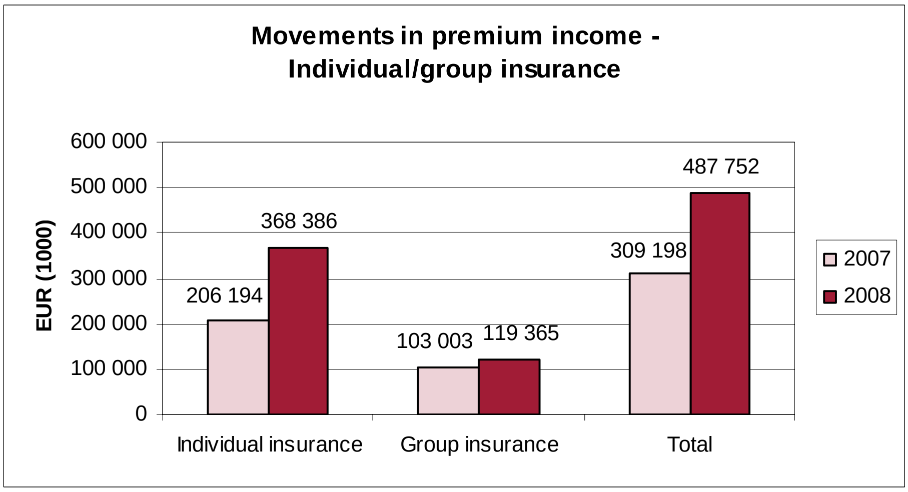
2. Insurance operations

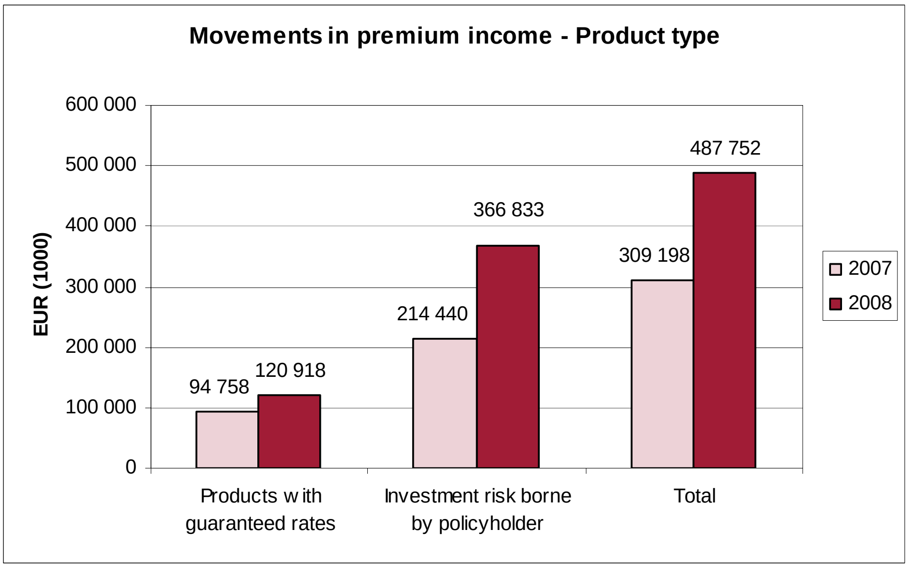
Turnover amounted to 487.752 million euros, which is an increase of 58% compared with 2007.
The following charts illustrate movements in premium income over the last four financial years, as well as the breakdown of premiums by country where the insurance contracts are taken out.





Movements in premium income between 2007 and 2008 are shown according to product type in the following charts and are discussed below.

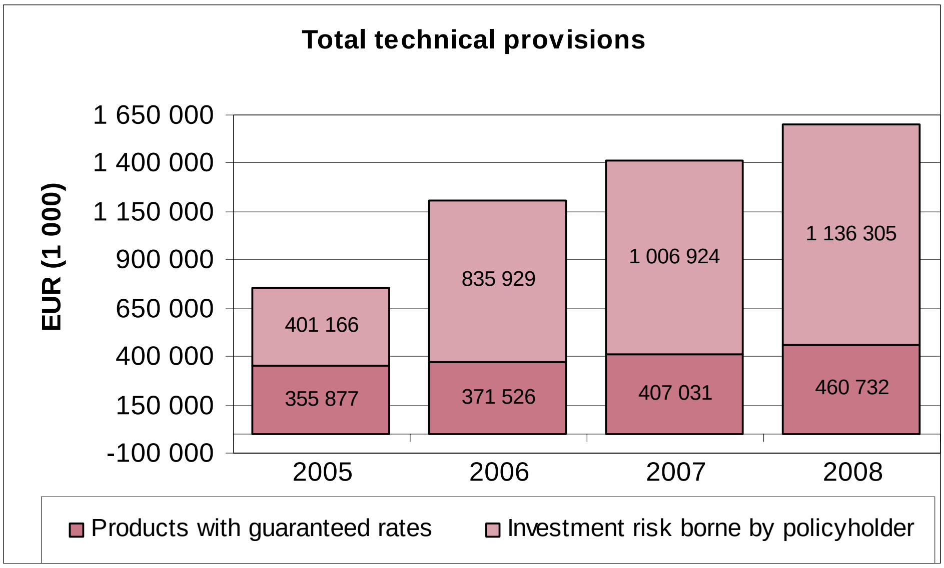




In 2008, premium income in respect of products with technical rates guaranteed by the insurer rose 28% compared with 2007. Both group insurance (+11%) and individual insurance (+104%) gained ground, with the latter benefiting from the boom in "Credit Life" business underwritten in the context of financing the purchase of vehicles and significantly reinsured as of 2008.

A sharp increase was also observed in products for which the investment risk is borne by the policyholder (+71%) compared with 2007; this may be broken down as follows:

- increase of 30% for group insurance due to new contracts and exceptional premiums;
- increase of 77% for individual insurance: dedicated funds jumped by 136%, while products linked to collective internal funds and external funds shrank by 56% due to the refocusing of distribution activities on dedicated funds.



At 31 December 2008, technical provisions of contracts with guaranteed rates amounted to 460.732 million euros, an increase of 13% compared with the previous financial year.

Contracts in respect of which the investment risk is borne by the policyholder have also seen their technical provisions rise by 13% to reach 1 136.305 million euros.

Therefore, the company's overall technical provisions amounted to a total of 1.597 billion euros.

Finally, benefits paid have grown by 18% (117.729 million euros against 100.112 million euros in 2007).

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

3. Description and management of main risks

Market risks, examined in more detail below, are analysed and followed up on a monthly basis:

- Interest rate risk is evaluated using ALM techniques. A comparison is thus made of the fair values of assets and liabilities, which correspond to the current values - according to market rates - of the cash flows arising from the asset portfolios concerned and the technical liabilities thus covered; the duration of assets and liabilities and their gaps are calculated, plus a check is carried out to ensure that the fair value of assets exceeds that of liabilities, also during various stress tests.
- Equity risk corresponds to the risk of loss following an adverse trend in the financial markets; the portfolio's exposure to equities is periodically tracked and UCIs are favoured in order to ensure a broad diversification.
- Currency risk results from the fact that some of the company's commitments (13% of technical provisions for which the company bears the investment risk) are underwritten in currencies other than EUR, namely USD, CHF and GBP.

Credit risk is incorporated in the investment policy, which sets stringent criteria with regard to the minimum rating of bonds.

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

Management of these risks also falls directly within the scope of the policy in force within the Swiss Life Group. In particular, the asset allocation is subject to a periodic examination, one of the objectives of which is to ensure that the established risk limits are observed, notably by favouring high-quality securities.

Insurance risk mainly results from biometric and expense risks.

- Mortality and morbidity risks are managed via the underwriting policy and the tables used, while benefiting from the increase in life expectancy; results volatility and catastrophe risk are reduced by reinsurance.
- Longevity risk, in particular inherent in the life annuities business, results from the constant improvement in life expectancy beyond that forecast by the tariff rates; additional technical provisions are therefore established in line with recent prospective survival rates.
- Expense risk is also evaluated and an additional provision is thus formed to offset the failure of policy fees to cover costs relating to future portfolio management.

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

4. Profit for the year and proposed allocation

For the year under review, the company realised a profit after tax of 174 672 euros.

Taking into account the balance brought forward from 2007 of 1 000 000 euros, le the balance available to the Annual General Meeting is 1 174 672 euros.

We propose to allocate this balance as follows:

	EUR
- Allocation to legal reserve:	8 734
- Allocation to free reserve:	1 488 058
- Allocation to unavailable reserve for tax purposes (*):	0
- Unavailable reserve brought forward for tax purposes (**):	(488 058)
- Dividend to be paid to shareholders:	0
- Balance carried forward:	165 938

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

(**) clawback of due past allocation to unavailable reserve for tax purposes, i.e., the allocation to unavailable reserve for the year 2001 (unavailable reserve retained for 5 tax years following the year in which the request to set up the reserve was made) and transfer to the free reserve.

Acknowledgements

We would like to thank our customers for the unwavering trust they continue to place in us. We would also like to extend our thanks to our various partners and to all employees of the Swiss Life Group.
Finally, all our employees play a major role in our company's success, for which we thank them. Their expertise, enthusiasm and loyalty constitute the essential cornerstones underpinning our company's success.

The Board of Directors
Strassen, 19 March 2009

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Independent Auditor's report

To the Shareholders 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 2008, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Auditor’s judgment, 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 Auditor 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, these annual accounts give a true and fair view of the financial position of Swiss Life (Luxembourg) S.A. as of 31 December 2008, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers S.à r.l. — Luxembourg, 6 April 2009
Réviseur d’entreprises
Represented by

Mervyn R. Martins

Only the French version of the present Annual Report has been reviewed by the Independent Auditor. Consequently, the Independent Auditor’s report refers to the French version of the report, other versions result from a conscientious translation made under the responsibility of the Board of Directors. In case of differences between the French version and the translation, the French version prevails.

SwissLife

Balance sheets as at 31 December 2008 and 2007

(expressed in euros)

Assets

	Notes	2008	2007
Subscribed capital unpaid	10	6 000 000	7 436 806
Intangible assets	3(b), 4	103 914	75 353
Investments			
Investments in affiliated undertakings and participating interests	3(d), 5	44 621	99 526
Other financial investments	3(e), 6		
Shares and other variable yield			
transferable securities and units in unit trusts	3(f)	19 538 727	12 002 142
Debt securities and other fixed income transferable securities	3(g)	445 456 060	398 472 762
Other loans	7	277 217	264 137
Deposits with credit institutions		11 100	0
		465 327 725	410 838 567
Investments for the benefit of life insurance policyholders			
who bear the investment risk	3(h)	1 136 304 725	1 006 923 835
Reinsurer' share of technical provisions			
Life insurance provision	15	11 772 642	475 382
Debtors			
Debtors arising out of direct insurance operations	3(i), 8		
Policyholders		21 879 795	7 001 235
Intermediaries		228 762	103 194
Debtors arising out of reinsurance operations			
due on claims		826 154	728 914
deposits paid to reinsurers		0	0
other debtors	15	7 717 011	1 360 079
Other debtors		2 226 830	1 652 779
		32 878 552	10 846 201
Other assets			
Tangible assets and stocks	3(c)	754 745	479 015
Cash at bank and in hand		33 711 106	19 305 256
		34 465 851	19 784 271
Prepayments and accrued income			
Accrued interest and rent		10 193 613	9 427 193
Deferred acquisition costs	3(j), 9	5 735 219	6 177 507
Other prepayments and accrued income		464 876	712 449
		16 393 708	16 317 149
Total assets		**1 703 247 117**	**1 472 697 564**

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

Balance sheets as at 31 December 2008 and 2007

(expressed in euros)

Liabilities

	Notes	2008	2007
Capital and reserves	10		
Subscribed capital		23 000 000	15 000 000
Reserves			
Legal reserve	11	792 143	618 228
Other reserves		10 378 190	7 919 041
Profits brought forward		1 000 000	154 752
Profit for the financial year		174 672	3 478 312
		35 345 005	27 170 333
Subordinated liabilities			
Subordinated loan	8	13 000 000	6 500 000
Technical provisions	3(k), 12		
Provision for unearned premiums		872 832	702 335
Life insurance provision		443 002 477	386 942 014
Claims outstanding		11 958 153	10 653 873
Provision for bonuses and rebates		4 898 340	8 732 550
		460 731 802	407 030 772
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 12	1 136 304 725	1 006 923 835
Provisions for other risks and charges	3(l)		
Provisions for taxation		3 679 619	3 340 454
Other provisions	13	88 000	300 000
		3 767 619	3 640 454
Deposits received from reinsurers	15	11 772 642	475 381
Creditors	3(m), 8, 14		
Creditors arising out of direct insurance operations		18 994 141	6 136 318
Creditors arising out of reinsurance operations			
Payable reassigned premiums	15	19 928 481	10 086 174
Other creditors, including tax and		0	
social security		2 364 330	4 400 154
		41 286 952	20 622 646
Accruals and deferred income	3(n)	1 038 372	334 143
Total liabilities		**1 703 247 117**	**1 472 697 564**

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

Profit and loss accounts for the years ended 31 December 2008 and 2007

(expressed in euros)

	Notes	2008	2007
Technical account - Life insurance business	15		
Earned premiums, net of reinsurance			
Gross premiums written	16	487 751 685	309 197 624
Outward reinsurance premiums	15	-32 117 758	-9 537 823
Change in the provision for unearned premiums, net of reinsurance		-171 960	-36 538
		455 461 967	299 623 263
Investment income			
Income from other investments		21 884 181	19 575 796
Gains on the realisation of investments		2 036 883	7 071 708
		23 921 064	26 647 504
Unrealised gains on investments	3(h)	6 183 527	27 674 497
Other technical income, net of reinsurance		950 332	1 003 404
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		-117 929 194	-100 111 547
Reinsurers' share		826 154	728 914
Changes in the provision for claims			
Gross amount		-1 318 958	-1 844 300
		-118 421 998	-101 226 933
Changes in other technical provisions, net of reinsurance			
Life insurance provision			
Gross amount		-181 043 108	-206 979 778
Reinsurers' share	15	11 297 260	-34 499
		-169 745 848	-207 014 277
Bonuses and rebates, net of resinsurance		-3 427 090	-7 084 072
Net operating expenses			
Acquisition costs	17, 15	-15 044 220	-11 228 852
Change in deferred acquisition costs		-443 837	1 842 556
Administrative expenses	3(p)	-6 846 951	-8 174 248
Reinsurance commissions and profit participation	15	7 717 011	1 331 630
		-14 617 997	-16 228 914
Investment charges			
Investment management charges, including interest		-2 576 799	-2 462 622
Value adjustments on investments		-449 445	-158 340
Losses on the realisation of investments		-14 908 242	-3 284 632
		-17 934 486	-5 905 594
Unrealised losses on investments	3(h)	-162 111 788	-12 519 463
Other technical charges, net of reinsurance		-185 783	-149 276
Allocated investment return transferred to the non-technical account	3(o)	186 652	-1 468 383
Balance on the technical account - Life insurance business		**258 552**	**3 351 756**

	Notes	2008	2007
Non-technical account			
Balance on the technical account - life insurance business		258 552	3 351 756
Allocated investment return transferred from the life insurance technical account	3(o)	-186 652	1 468 383
Other charges, including value adjustments		-40 000	-500 000
Other Income		500 000	
Tax on profit or loss on ordinary activities		-371 786	-88 940
Profit on ordinary activities after tax		160 114	4 231 199
Extraordinary charges		0	-638 775
Extraordinary loss		0	-638 775
Other taxes, not shown under the preceding items		14 558	-114 112
Profit for the financial year		**174 672**	**3 478 312**

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

Notes to the annual accounts
as at 31 December 2008

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 objects of the company are 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 are liable to further 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

These financial statements have been prepared in conformity with the law of 8 December 1994 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 company is, in accordance with Luxembourg law, exempt from the requirement to prepare consolidated financial statements and a consolidated Management report for the year ended 31 December 2008. Therefore, in conformity with legal requirements, these accounts were presented on a non consolidated basis for approval by the shareholders at the Annual General Meeting.

3. Summary of significant accounting policies

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

(a) Translation of items expressed in foreign currencies

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

(b) Intangible assets

The intangible assets are valued at historical acquisition cost.
Intangible assets are amortised on a straight line basis at 33.33% p.a. on setup costs, 16.67% to 50% p.a. on software and 10% on goodwill.

(c) Land and buildings - 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 the impairment in value is of a permanent nature, the shares in affiliated undertakings and participating interests are valued at the lower value 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 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 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 that value quoted on a stock exchange or the value at which the investment could be sold, valued prudently and in good faith.

(i) Debtors

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

(j) Deferred acquisition costs

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

(k) Technical provisions

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

Provision for unearned premiums
Written premiums include all the amounts received or receivable with respect to insurance contracts concluded prior to the end of the accounting period.
That part of written premiums which is to be allocated to one or more subsequent financial years is deferred by way of the provision for unearned premiums, computed separately for each contract on a prorata basis.

Life insurance provision
The life insurance provision, which consists of the actuarial value of the company's liabilities net of future premiums, is calculated separately for each contract.
The technical basis and methods applied for computing the balance sheets' life insurance provision are specified in the annual actuarial report communicated to the supervisory authority.

Provision for claims outstanding
The provision for claims outstanding corresponds to the total estimated cost (including claims settlement costs) for settling all claims arising from events which have occurred up to the end of the financial year.
The provision for claims outstanding is computed separately for each claim known by the company. Claims occurred but not declared as at balance sheet date are assessed globally on a flat-rate basis.

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

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

(l) **Provisions for other risks and charges**

Provisions for other risks and charges are intended to cover losses or debts whose nature is clearly defined but are, at the balance sheet date, either likely or certain to be incurred but amounts or timing are indeterminable.
The liabilities for the employees' pension fund are included under the technical provisions item.

(m) **Creditors**

Creditors are included in liabilities at settlement value.
If the amount payable is greater than the amount received, the difference is charged 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:

	Formation expenses	Capital increase costs	Software	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR
Gross book value 01/01/2008	13 898	143 244	357 871	128 905	643 918
Additions during the year	0	0	89 241	0	89 241
Disposals during the year	0	0	0	0	0
Gross book value 31/12/2008	13 898	143 244	447 112	128 905	733 159
Accumulated depreciation 01/01/2008	-13 898	-143 244	-282 518	-128 905	-568 565
Depreciation during the year	0	0	-60 680	0	-60 680
Accumulated depreciation 31/12/2008	-13 898	-143 244	-343 198	-128 905	-629 245
Net book value 31/12/2008	**0**	**0**	**103 914**	**0**	**103 914**
Net book value 31/12/2007	**0**	**0**	**75 353**	**0**	**75 353**

5. Shares in affiliated undertakings and participating interests

The movements during the financial year in respect of shares in affiliated undertakings and participating interests are as follows:

	Participating interests
	EUR
Gross book value 01/01/2008	99 526
Additions during the year	0
Disposals during the year	54 905
Gross book value 31/12/2008	44 621
Accumulated depreciation 31/12/2007	0
Depreciation	0
Accumulated depreciation 31/12/2008	0
Net book value 31/12/2008	**44 621**
Net book value 31/12/2007	**99 526**
Actual value 31/12/2008	132 756

The current value of shares in affiliated undertakings and participating interests 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.

Following the sale of the participating interest in SLGB Management during 2008, the undertakings in which the company holds twenty per cent or more of the capital are the following:

	% holding	Book value 31/12/2008	Capital & reserve 31/12/2007	Result of financial year as at 31/12/2007
		EUR	EUR	EUR
Esofac Luxembourg S.A. 3, rue Nicolas Adames L-1114 Luxembourg Luxembourg	30%	44 621	442 521	17 979
Total		**44 621**		

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 2008, was 19 569 997 euros and 450 825 558 euros 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 2008 stands at 1 257 119 euros and 894 959 euros respectively.

The net balance for depreciation as at 31 December 2008, stands at 3 454 769 euros.

7. Other loans

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

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

The items may be broken down as follows:

	Affiliated undertakings	Undertakings linked by virtue of a participating interest
	EUR	EUR
Debtors		
Debtors arising of reinsurance operations	1 977 064	0
Other debtors	1 640 626	0
Creditors		
Creditors arising out of reinsurance operations	11 186 262	0
Debenture loans:		
- of which subordinated loans	13 000 000	0
Amounts owed to credit institutions	8 481	0
Other creditors	1 095 847	14 000

Two subordinated loans, of 6.5 million euros each, have been contracted with Swiss Life Insurance Finance Ltd with maturities respectively on 30 June 2009 and on 2 June 2013.

The company has concluded Service Level Agreements with several companies of the Group, including in Luxembourg.

9. Deferred acquisition costs

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

	EUR
Net acquisition costs, opening balance	6 177 507
Conversion differences (net)	1 549
Net difference in additions/depreciation during the year	-443 837
Net acquisition costs, closing balance	5 735 219

10. Capital and reserves

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

	Subscribed capital	Legal reserve	Other reserves	Profit brought forward	Profit for the year	Distributed dividends
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31/12/2007	15 000 000	618 228	7 919 041	154 752	3 478 312	800 000
Allocation of result 2007		173 915	2 459 149	845 248	-3 478 312	
Movements during financial year 2008	8 000 000				174 672	
As at 31/12/2008	**23 000 000**	**792 143**	**10 378 190**	**1 000 000**	**174 672**	

On 29 July 2008 Swiss Life (Luxembourg) S.A., requested the payment of the unpaid capital, amounting to 7 436 806 euros, the subscribed capital being then entirely paid.

At the Extraordinary General Meeting of 7 August 2008, the company’s subscribed capital was increased by 8 000 000 euros by issuing 8 000 new shares with no nominal value, of which 2 000 000 euros were paid up in cash.

As at 31 December 2008, the subscribed capital amounting to 23 000 000 euros, is represented by 23 000 shares with no nominal value; the paid up capital is 17 000 000 euros.

11. Legal reserve

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

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

12. Technical provisions

	Provision for unearned premiums	Life insurance provision	Provision for claims outstanding	Provision for bonuses	Technical provisions*	Total
Closing balance 31/12/2007	702 335	386 942 014	10 653 873	8 732 550	1 006 923 835	1 413 954 607
Conversion Difference	-1 463	167 181	-14 676	1 955	4 231 064	4 384 061
Opening balance 01/01/2008	700 872	387 109 195	10 639 197	8 734 505	1 011 154 899	1 418 338 668
Movements during financial year 2008	171 960	55 893 282	1 318 956	-3 836 165	125 149 826	178 697 859
Closing balance 31/12/2008	**872 832**	**443 002 477**	**11 958 153**	**4 898 340**	**1 136 304 725**	**1 597 036 527**

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

13. Other provisions

It is mainly a provision for reorganisation set up in order to implement the integration of the group and individual operations into the new Corporate Solutions and Private Placement Life Insurance transnational divisions, for which an amount of 300 000 euros had been booked end of 2007.

14. Classification of loans according to duration

With the exception of the subordinated loan having a duration of more than one year but less than five years, all loans have a duration of less than one year.

15. Results from the life insurance business

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

	2008 Life insurance
	EUR
Individual premiums	368 386 499
Premiums under group contracts	119 365 186
Periodic premiums	121 967 703
Single premiums	365 783 982
Premiums for non-bonus contracts	1 127 596
Premiums for bonus contracts	119 790 614
Premiums from contracts where the investment risks are borne by the policyholders	366 833 475
Reinsurance balance	12 277 332

The “Credit Life” business represents a premium income of 25.153 million euros in 2008 (against 6.033 million euros in 2007) and is reinsured at a rate varying from 50% to 89.9% depending on the contract.

16. Geographical breakdown of written premiums

Gross direct insurance premiums amounting to 487 751 685 euros, may be broken down into geographic zones according to where the contracts have been concluded:

	2008 Life insurance
	EUR
Contracts concluded in the Grand Duchy of Luxembourg	156 827 983
Contracts concluded in other countries of the EEA	283 117 438
Contracts concluded in other countries outside the EEA	47 806 264

17. Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to 12 094 765 euros (2007: 7 707 637 euros), and are included in the acquisition costs item.

18. Personnel employed during the year

The average number of persons employed during the financial year 2008 amounts to 70 and may be broken down in the following categories:

Category	Number of persons
Management	5
Executives	33
Salaried employees	31
Waged employees	1

The personnel costs with respect to the financial year may be broken down as follows:

	EUR
Wages and salaries	4 417 942
Social securities costs	517 232
- of which pensions	364 002

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.

Remuneration granted to the company's Management amount to 904 886 euros including employer charges.

20. Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2008 and 31 December 2007 are broken down as follows:

	2008	2007
	EUR	EUR
Legal audit charges	74 500	105 950
Other insurance services	-	-
Tax advice services	12 889	-
Other services	26 750	-

21. Off balance sheet commitments

At 31 December 2008, the company has the following commitments:

	EUR
Leasing of hardware	326 749
Leasing of vehicles	829 896
Leasing of office equipment	6 458
Building's lease agreement	1 700 304
Rent guarantee	7 050
- of which Group companies	

Moreover, Swiss Life (Luxembourg) S.A. committed itself, based on a trust agreement with Swiss Life (Liechtenstein) AG to hold, on behalf of Swiss Life (Liechtenstein) AG, a participating interest in an unquoted company. This participating interest is valued EUR 2 543 337 as at 31 December 2008.

22. Collective pension funds

Assets

	EUR
Investments	
Other financial investments	
- Shares and other variable yields transferable securities and units in unit trusts	18 088 529
- Debt securities and other fixed income transferable securities	7 943 145
Other assets	
- Cash at bank and in hand	4 562 201
Prepayments and accrued income	
- Accrued interest and rent	70 117
- Other prepayments and accrued income	
	30 663 992

Liabilities

	EUR
Technical provisions	
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders	-30 663 992
	-30 663 992

23. Tax status

Swiss Life (Luxembourg) S.A. is subject to the tax legislation in force in the Grand Duchy of Luxembourg.

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 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.

This Annual Report is a translation of the audited French document. The French text prevails.

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