



SwissLife

# Annual Report 2009

Swiss Life (Luxembourg) S.A.



# Annual Report 2009

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# Annual Report 2009

Management report for the financial year 2009  
to the Annual General Meeting of 18 May 2010

## Comments on the financial year 2009

### 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 within various transnational business lines. The positive impact of this strategy has resulted in a high level of specialisation within each business area coupled with a particular emphasis on innovation, in pursuit of profitable growth. Swiss Life (Luxembourg) S.A., the Swiss Life Group's traditional presence in Luxembourg, has interests in two of the Group's transnational business lines: Corporate Solutions (CS) and Private Placement Life Insurance (PPLI).

#### **Corporate Solutions: Employee benefits solutions for (local and multinational) corporate clients**

Corporate Solutions in Luxembourg applies a strategy of ongoing development of its expertise in order to consolidate its leading position in the local group insurance market, while investing heavily in developing solutions for large companies and multinationals.

Corporate Solutions is carrying out increasing volumes of cross-border business with companies in previously unexplored markets, both through group insurance solutions and through an international pension fund.

At the beginning of 2009 Corporate Solutions launched the first pan-European pension fund with multiple sub-funds, under the aegis of Luxembourg's insurance supervisory authority, the *Commissariat aux Assurances*. This new vehicle enables Swiss Life to offer solutions from Luxembourg that meet not only the needs of multinationals, but also those of local clients wishing in particular to transfer an internal scheme into a vehicle that is more appropriate for their requirements.

#### **Private Placement Life Insurance: Private placement life insurance for high net worth clients**

During the 2009 financial year, the transnational strategy put in place during the previous year by the PPLI business line in Luxembourg began to bear fruit.

The commercial distribution strategy was extensively restructured in Luxembourg in particular, and now mainly uses the channels of private banking, financial managers and, to a lesser extent, specialised brokers.

In terms of products, the range now focuses primarily on dedicated funds.

Moreover, collaboration with other entities in the business line worked perfectly as more than a third (38%) of turnover was generated by other sales teams, such as Dubai, Liechtenstein, Switzerland and Singapore.

Note that the company continues to manage insurance contracts of clients whose financial intermediary is based in Switzerland through a branch opened there.

In addition to the strategy put in place, the substantial growth is partly to report on timing opportunity, as this segment enjoyed a very strong recovery this year.

In response to these major changes, operating methods were further improved in order to adapt quickly and effectively to requests from new partners and to strengthen the excellent partnerships established over many years.

## 2. Insurance operations

Overall, Swiss Life (Luxembourg) S.A. posted turnover of 1 979.576 million euros in 2009.

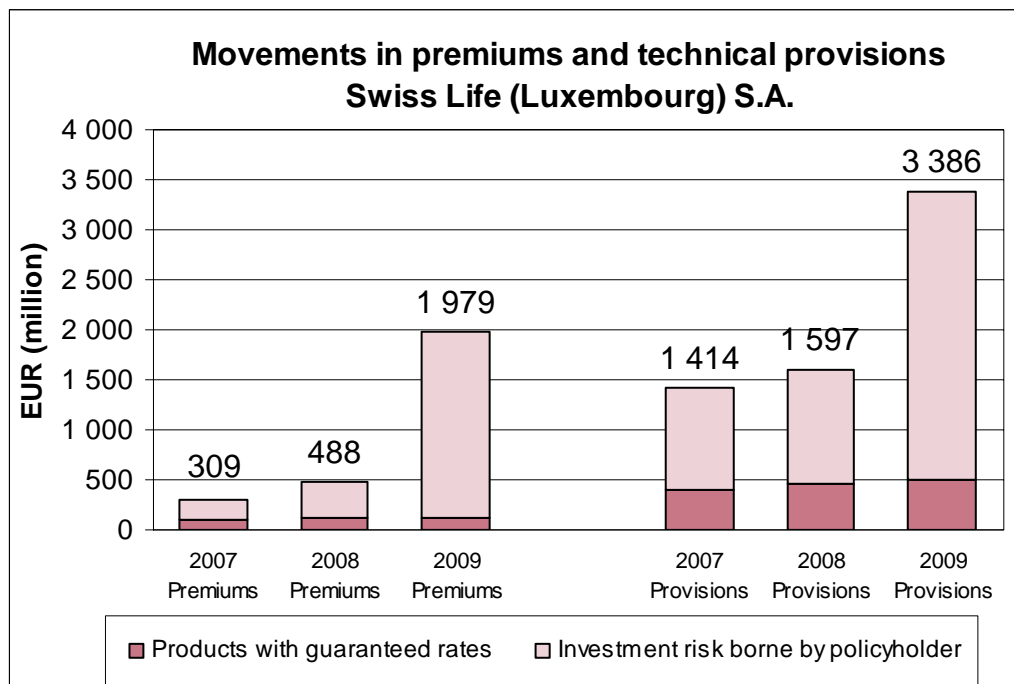
It closed the 2009 financial year with a net profit of 3.518 million euros. This strong performance is the result of the combined effects of a technical result underpinned by a favourable claim rate and gains realised on the own portfolio, despite the uncertainty and extreme volatility in the financial markets.

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

Moreover, the company did not acquire any own shares.

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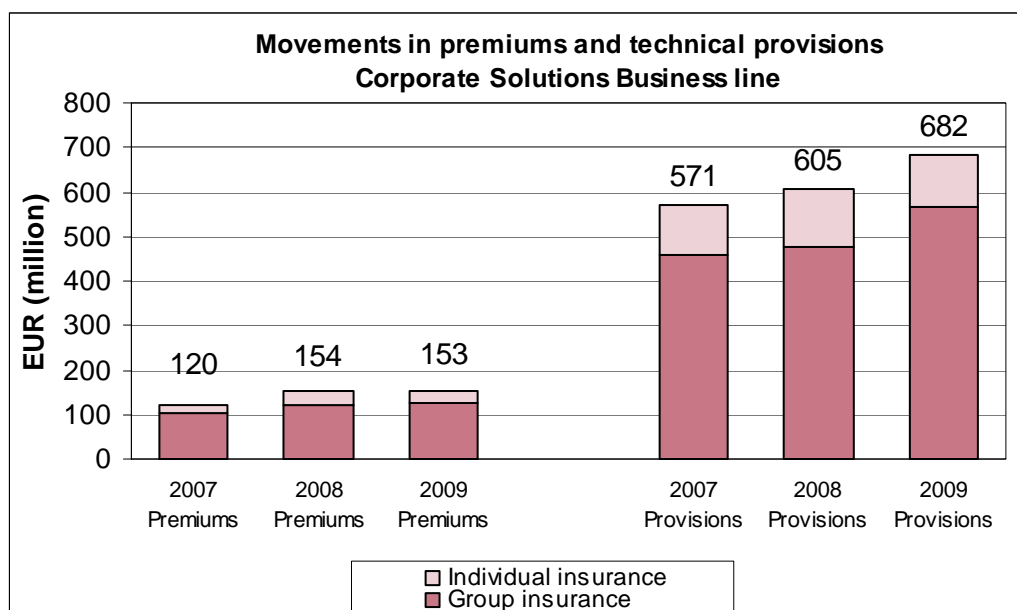
The following charts illustrate movements in premium income and technical provisions over the last three financial years, as well as the breakdown thereof between the two business lines.



In 2009, premium income in respect of products with technical rates guaranteed by the insurer rose 6% compared to 2008. Premium income on products where the investment risk is borne by the policyholder increased five-fold.

As a result of this increase in premium income, the company's overall technical provisions now stand at a total of 3.386 billion euros, more than twice the level of 2008.

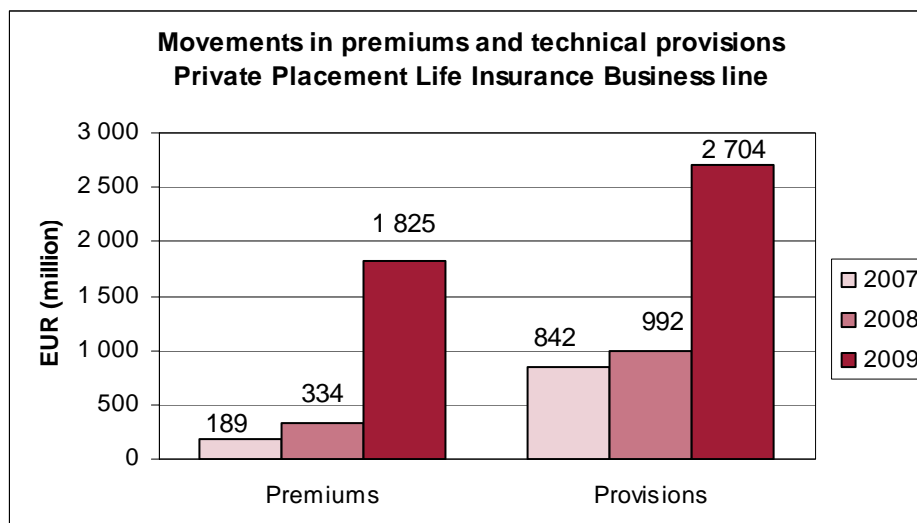
Finally, benefits paid have grown by 158% (304.250 million euros against 117.929 million euros in 2008).



Corporate Solutions' premium income from group insurance rose 5%.

The stability in total premium income is due to the "Credit Life" business which was limited to the first nine months of the financial year prior to its transfer. During 2009 a new legal entity was launched, created by the Group to support another of its transnational business lines, Payment Protection Insurance (PPI). As part of this operation, the company transferred the Credit Life business, recognised on its balance sheet until the end of September 2009, to this new legal entity.

Technical provisions increased by 13% to 681.761 million euros. The bulk of these were on contracts with guaranteed rates, at 494 million euros, an increase of 7% compared with the previous financial year. Contracts where the investment risk is borne by the policyholder also saw their technical provisions rise by 30% to reach 188 million euros.



During 2009, Private Placement Life Insurance was boosted by the contributions of the sales teams based within and outside Luxembourg. Premium income rose five-fold on the previous financial year.

Technical provisions amounted to 2 704.365 million euros, corresponding almost entirely to contracts where the investment risk is borne by the policyholder.

### 3. Description and management of main risks

Market and credit risks, examined in more detail below, are analysed and monitored 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 and controlled 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

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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, inherent in the life annuities business in particular, 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 from rates 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 financial year and proposed allocation

For the financial year under review, the company realised a profit after tax of 3 517 666 euros.

Taking into account the balance brought forward from 2008 of 165 938 euros, the balance available to the General Meeting is 3 683 604 euros.

We propose to allocate this balance as follows:

	EUR
- Allocation to legal reserve:	175 883
- Allocation to free reserve:	2 000 000
- Allocation to undistributable reserve for tax purposes (*):	160 913
- Undistributable reserve brought forward for tax purposes (**):	0
- Dividend to be paid to shareholders:	0
- Balance carried forward:	1 346 808

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

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

Note that the sum of 488 058 euros was held in the undistributable reserve during 2009.



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## 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, 11 May 2010

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## Audit report

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

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### Report on the annual accounts

We have audited the accompanying annual accounts of Swiss Life (Luxembourg) S.A., which comprise the balance sheet as at December 31, 2009, 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.

#### *Responsibility of the "Réviseur d'entreprises agréé"*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the “Réviseur d’entreprises agréé”, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the “Réviseur d’entreprises agréé” considers internal control relevant to the entity’s preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

*Opinion*

In our opinion, these annual accounts give a true and fair view of the financial position of Swiss Life (Luxembourg) S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

**Report on other legal and regulatory requirements**

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

PricewaterhouseCoopers S.à r.l.  
Represented by

Luxembourg, May 12, 2010

Paul Neyens

Only the French version of the present Annual Report has been reviewed by the “Réviseur d’entreprises agréé”. Consequently, the report of the “Réviseur d’entreprises agréé” 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 should prevail.

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## Balance sheets as at 31 December 2009 and 2008

(expressed in euros)

### Assets

	Notes	2009	2008
<b>Subscribed capital unpaid</b>	10	6 000 000	6 000 000
<b>Intangible assets</b>	3(b), 4	110 536	103 914
<b>Investments</b>			
Investments in affiliated undertakings and participating interests	3(d), 5	0	44 621
Other financial investments	3(e), 6		
<i>Shares and other variable yield</i>			
<i>transferable securities and units in unit trusts</i>	3(f)	17 577 110	19 538 727
<i>Debt securities and other fixed income transferable securities</i>	3(g)	504 891 805	445 456 060
<i>Other loans</i>	7	254 886	277 217
Deposits with credit institutions		4 119	11 100
		522 727 920	465 327 725
<b>Investments for the benefit of life insurance policyholders who bear the investment risk</b>	3(h)	2 887 643 246	1 136 304 725
<b>Reinsurer' share of technical provisions</b>			
Life insurance provision		1 769 670	11 772 642
<b>Debtors</b>	3(i), 8		
Debtors arising out of direct insurance operations			
<i>Policyholders</i>		5 554 220	21 879 795
<i>Intermediaries</i>		1 148 868	228 762
Debtors arising out of reinsurance operations			
<i>due on claims</i>		1 884 040	826 154
<i>other debtors</i>		6 140	7 717 011
Other debtors		1 723 028	2 226 830
		10 316 296	32 878 552
<b>Other assets</b>			
Tangible assets and stocks	3(c)	695 266	754 745
Cash at bank and in hand		27 176 165	33 711 106
		27 871 431	34 465 851
<b>Prepayments and accrued income</b>			
Accrued interest and rent		11 697 458	10 193 613
Deferred acquisition costs	3(j), 9	4 790 181	5 735 219
Other prepayments and accrued income		541 895	464 876
		17 029 534	16 393 708
<b>Total Assets</b>		<b>3 473 468 633</b>	<b>1 703 247 117</b>

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

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## Balance sheets as at 31 December 2009 and 2008

(expressed in euros)

### Liabilities

	Notes	2009	2008
<b>Capital and reserves</b>	10		
Subscribed capital		23 000 000	23 000 000
Reserves			
<i>Legal reserve</i>	11	800 877	792 143
<i>Other reserves</i>		11 378 190	10 378 190
Profits brought forward		165 938	1 000 000
Profit for the financial year		3 517 666	174 672
		<b>38 862 671</b>	<b>35 345 005</b>
<b>Subordinated liabilities</b>			
Subordinated loan	8	13 000 000	13 000 000
<b>Technical provisions</b>	3(k), 12		
Provision for unearned premiums		984 217	872 832
Life insurance provision		479 291 980	443 002 477
Claims outstanding		10 097 053	11 958 153
Provision for bonuses and rebates		8 140 261	4 898 340
		<b>498 513 511</b>	<b>460 731 802</b>
<b>Technical provisions for life insurance policies where the investment risk is borne by the policyholders</b>	3(k), 12	2 887 643 246	1 136 304 725
<b>Provisions for other risks and charges</b>	3(l)		
Provisions for taxation		3 880 471	3 679 619
Other provisions		263 000	88 000
		<b>4 143 471</b>	<b>3 767 619</b>
<b>Deposits received from reinsurers</b>		1 769 670	11 772 642
<b>Creditors</b>	3(m), 8, 13		
Creditors arising out of direct insurance operations		13 848 450	18 994 141
Creditors arising out of reinsurance operations			
<i>Payable reassigned premiums</i>		10 496 119	19 928 481
<i>Other creditors</i>		25 716	0
Other creditors, including tax and social security		5 094 990	2 364 330
		<b>29 465 275</b>	<b>41 286 952</b>
<b>Accruals and deferred income</b>	3(n)	70 789	1 038 372
<b>Total liabilities</b>		<b>3 473 468 633</b>	<b>1 703 247 117</b>

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

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## Profit and loss accounts for the years ended 31 December 2009 and 2008

(expressed in euros)

	Notes	2009	2008
<b>Technical account - Life insurance business</b>			
<b>Earned premiums, net of reinsurance</b>	14		
Gross premiums written	16	1 978 576 036	487 751 685
Outward reinsurance premiums	14	-27 383 780	-32 117 758
Change in the provision for unearned premiums, net of reinsurance		-108 139	-171 960
		1 951 084 117	455 461 967
<b>Investment income</b>			
Income from affiliates		116 959	0
Income from other investments		23 816 224	21 884 181
Gains on the realisation of investments		18 590 493	2 036 883
		42 523 676	23 921 064
<b>Unrealised gains on investments</b>	3(h)	124 801 423	6 183 527
<b>Other technical income, net of reinsurance</b>	15	6 060 081	950 332
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
<i>Gross amount</i>	15	-304 250 414	-117 929 194
<i>Reinsurers' share</i>	15	23 648 370	826 154
Changes in the provision for claims			
<i>Gross amount</i>		1 846 882	-1 318 958
		-278 755 162	-118 421 998
<b>Changes in other technical provisions, net of reinsurance</b>			
Life insurance provision			
<i>Gross amount</i>		-1 787 445 973	-181 043 108
<i>Reinsurers' share</i>	14, 15	-10 002 972	11 297 260
		-1 797 448 945	-169 745 848
<b>Bonuses and rebates, net of reinsurance</b>		-6 463 182	-3 427 090
<b>Net operating expenses</b>			
Acquisition costs	17	-16 642 305	-15 044 220
Change in deferred acquisition costs		-945 639	-443 837
Administrative expenses	3(p)	-8 149 204	-6 846 951
Reinsurance commissions and profit participation	14	3 965 153	7 717 011
		-21 771 995	-14 617 997
<b>Investment charges</b>			
Investment management charges, including interest		-2 938 178	-2 576 799
Value adjustments on investments	3(q)	-471 260	-449 445
Losses on the realisation of investments		-5 202 568	-14 908 242
		-8 612 006	-17 934 486
Unrealised losses on investments	3(h)	-7 468 183	-162 111 788
Other technical charges, net of reinsurance		-209 029	-185 783
Allocated investment return transferred to the non-technical account	3(o)	-55 282	186 652
<b>Balance on the technical account - Life insurance business</b>		<b>3 685 513</b>	<b>258 552</b>

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

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	Notes	2009	2008
<b>Non-technical account</b>			
Balance on the technical account - life insurance business		3 685 513	258 552
Allocated investment return transferred from the life insurance technical account	3(o)	55 282	-186 652
Other charges, including value adjustments			-40 000
Other Income		40 000	500 000
Tax on profit or loss on ordinary activities		-212 221	-371 786
<b>Profit on ordinary activities after tax</b>		<b>3 568 574</b>	<b>160 114</b>
Other taxes, not shown under the preceding items		-50 908	14 558
<b>Profit for the financial year</b>		<b>3 517 666</b>	<b>174 672</b>

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

# Notes to the annual accounts as at 31 December 2009

## 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.



## Notes to the annual accounts

### 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.

## Notes to the annual accounts

### **(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.

## Notes to the annual accounts

### (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.

## Notes to the annual accounts

### **(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.

## Notes to the annual accounts

### 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 01/01/2009	13 898	143 244	447 112	128 905	733 159
Additions during the year	0	0	74 866	0	74 866
Disposals during the year	0	0	0	0	0
Gross Book value 31/12/2009	13 898	143 244	521 978	128 905	808 025
Accumulated depreciation 01/01/2009	-13 898	-143 244	-343 198	-128 905	-629 245
Depreciation during the year	0	0	-68 244	0	-68 244
Accumulate depreciation 31/12/2009	-13 898	-143 244	-411 442	-128 905	-697 489
<b>Net book value 31/12/2009</b>	<b>0</b>	<b>0</b>	<b>110 536</b>	<b>0</b>	<b>110 536</b>
<b>Net book value 31/12/2008</b>	<b>0</b>	<b>0</b>	<b>103 914</b>	<b>0</b>	<b>103 914</b>

### 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 01/01/2009	44 621
Additions during the year	0
Disposals during the year	-44 621
Gross book value 31/12/2009	0
Accumulated depreciations 31/12/2008	0
Depreciations	0
Accumulated depreciations 31/12/2009	0
<b>Net book value 31/12/2009</b>	<b>0</b>
<b>Net book value 31/12/2008</b>	<b>44 621</b>
Actual value 31/12/2009	0

## Notes to the annual accounts

During 2009, Swiss Life (Luxembourg) S.A. sold its shares in Esufac Luxembourg S.A. realising a gain of EUR 116 959.

### 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 2009, was 17 580 628 euros and 518 160 707 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 2009 stands at 1 299 486 euros and 882 862 euros respectively.

The net balance for depreciation as at 31 December 2009, stands at 5 490 018 euros.

### 7. Other loans

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

## Notes to the annual accounts

### 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:

	<b>Affiliated undertakings</b>
	EUR
<b>Debtors</b>	
Debtors arising of reinsurance operations	1 864 463
Other debtors	96 608
<b>Creditors</b>	
Creditors arising out of reinsurance operations	10 496 119
Debenture loans	
- of which subordinated loans	13 000 000
Other creditors	663 487

Two subordinated loans, of 6.5 million euros each, have been contracted with Swiss Life Insurance Finance Ltd with maturities respectively on 2 June 2013 and on 30 June 2014.

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	5 735 219
Conversion differences (net)	601
Net difference in additions/depreciation during the year	-945 639
Net acquisition costs, closing balance	4 790 181

## Notes to the annual accounts

### 10. Capital and reserves

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

	<b>Subscribed capital</b>	<b>Legal reserve</b>	<b>Other reserves</b>	<b>Profit brought forward</b>	<b>Profit for the year</b>	<b>Distributed dividends</b>
	EUR	EUR	EUR	EUR	EUR	EUR
As at 31/12/2008	23 000 000	792 143	10 378 190	1 000 000	174 672	
Allocation of result 2008		8 734	1 000 000	-834 062	-174 672	
Movements during the year 2009					3 517 666	
<b>As at 31/12/2009</b>	<b>23 000 000</b>	<b>800 877</b>	<b>11 378 190</b>	<b>165 938</b>	<b>3 517 666</b>	

As at 31 December 2009, 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.



# Notes to the annual accounts

## 12. Technical provisions

	Provision for unearned premiums	Life insurance provision	Provision for claims outstanding	Provision for bonuses	Technical provisions *	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Closing balance 31/12/2008	872 832	443 002 477	11 958 153	4 898 340	1 136 304 725	1 597 036 527
Conversion Difference	3 246	161 173	-14 218	-794	20 878	170 285
Opening balance 01/01/2009	876 078	443 163 650	11 943 935	4 897 546	1 136 325 603	1 597 206 812
Movements during financial year 2009	108 139	36 128 330	-1 846 882	3 242 715	1 751 317 643	1 788 949 945
<b>Closing balance 31/12/2009</b>	<b>984 217</b>	<b>479 291 980</b>	<b>10 097 053</b>	<b>8 140 261</b>	<b>2 887 643 246</b>	<b>3 386 156 757</b>

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

## 13. Classification of loans according to duration

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

## 14. Results from the life insurance business

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

	<b>2009</b>
	<b>Life insurance</b>
	EUR
Individual premiums	1 853 303 768
Premiums under group contracts	125 272 268
Periodic premiums	127 879 327
Single premiums	1 850 696 709
Premiums for non-bonus contracts	1 002 723
Premiums for bonus contracts	127 286 133
Premiums from contracts where the investment risks are borne by the policyholders	1 850 287 180
Reinsurance balance	9 773 229

## 15. Credit Life portfolio transfer

The "Credit Life" portfolio has been totally transferred to Swiss Life Insurance Solutions S.A as at the end of September. This transfer has impacted the gross claims incurred by 31.574 million euros and the reinsurers' shares in claims incurred

## Notes to the annual accounts

by 20.778 million euros. This transfer has also significantly impacted the other technical income due to the portfolio transfer price, which neutralises the technical loss observed on this business.

The “Credit Life” business represented a premium income of 20.255 million euros in 2009 (25.153 million euros in 2008).

### 16. Geographical breakdown of written premiums

Gross direct insurance premiums amounting to 1 978 576 036 euros, may be broken down into geographic zones according to where the contracts have been concluded:

	<b>2009</b>
	<b>Life insurance</b>
	EUR
Contracts concluded in the Grand Duchy of Luxembourg	206 449 075
Contracts concluded in other countries of the EEA	1 679 405 474
Contracts concluded in other countries outside the EEA	92 721 487

### 17. Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to 10 558 020 euros (2008: 12 094 765 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 2009 amounts to 79 and may be broken down in the following categories:

<b>Category</b>	<b>Number of persons</b>
Management	6
Executives	39
Salaried employees	34

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

	EUR
Wages and salaries	6 766 382
Social securities costs	681 433
- of which pensions	432 575

## Notes to the annual accounts

### 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 1 165 420 euros including employer charges.

### 20. Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2009 and 31 December 2008 are broken down as follows:

	<b>2009</b>	<b>2008</b>
	EUR	EUR
Legal audit fees	106 795	74 500
Other assurance services	50 308	-
Tax advice services	9 133	12 889
Other services	21 045	26 750

### 21. Off balance sheet commitments

At 31 December 2009, the company has the following commitments:

	EUR
Leasing of hardware	229 745
Leasing of vehicles	776 563
Leasing of office equipment	3 156
Building's lease agreement	1 154 808
Other contingencies	7 050

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 2009.

# Notes to the annual accounts

## 22. Collective pension funds

### Assets

	EUR
<b>Investments</b>	
Other financial investments	
- shares and other variable yields transferable securities and units in unit trusts	21 399 449
- Debt securities and other fixed income transferable securities	8 333 609
<b>Other assets</b>	
- Cash at bank and in hand	7 107 754
<b>Prepayments and accrued income</b>	
- Accrued interest and rent	67 001
- Other prepayments and accrued income	
	<b>36 907 813</b>

### Liabilities

	EUR
<b>Technical provisions</b>	
- Technical provisions for life insurance contracts where the investment risk is borne by the policyholders	-36 907 813
	<b>-36 907 813</b>

## 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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