Audited Annual Financial Statements

for the year ended 31 December 2011

Swiss Life (Luxembourg) S.A.
25, route d'Arlon
L-8009 Strassen

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

Annual Report 2011

Content

Management report for the financial year 2011
to the Annual General Meeting of 12 April 2012

Comments on the financial year 2011

1. General considerations

In an international context of economic gloom and high levels of financial market volatility, Swiss Life (Luxembourg) S.A. achieved a profit of 12.351 million euros in 2011, an increase of 7.972 million euros over the financial year.

This performance, nearly tripling the profit of the previous financial year, resulted from the dynamic way in which existing business and prospects were managed, from prudent and effective management of financial portfolios and, lastly, from highly disciplined cost management, which remains a major focus for the Company.

In order to improve the service provided to its customers even further, Swiss Life Luxembourg embarked this year on large-scale IT projects. These projects should enable the Company to materialize its ambition of developing its portfolios and improving quality of service over the coming years.

While the level of inflows in 2011 was slightly down compared to gross premiums recorded at the end of 2010 (-9.63%) which were in particular boosted by the Scudo opportunity, gross premiums collected remained at a high level during the year.

Quality of premiums collected remains a priority for the Company, which meant that the net profit for 2011 was accompanied by an increase in profitability of portfolios for Swiss Life (Luxembourg) S.A.'s two business lines, Pensions and personal life insurance-based investment.

2. Analysis

The net profit went up by 182.09% in 2011.

Swiss Life (Luxembourg) S.A.'s two business lines both contributed positively once again to the Company's profits this year.

The technical result increased by 129.72%, reaching 11.231 million euros by the financial year end.

2.1 Personal business relating to Investment Funds:
2011 inflows (1 489.710 million euros versus 1 671.704 million euros in 2010) were down by 10.89% compared with gross premiums collected in 2010.
The level of collections for the year remained high.
It should be noted that the 2010 financial year enjoyed the benefit of positive one-off factors (such as the Scudo).

A strong collection of premiums combined with a stable rate of surrenders have ensured the reinforcement of the unit linked assets managed by Swiss Life (Luxembourg) S.A..
Technical provisions relating to unit-based products for private clients, for which the policyholder bears the market risk, totalled 5.283 billion euros at the end of 2011, versus 4.241 billion euros in 2010, i.e. growth of 24.55% in 2011.

Quality of premiums collected and strong level of assets under management together ensured that the business was highly profitable, with increased margins over the financial year.

2.2. Traditional business

Inflows increased by 5.70% compared with the previous financial year, rising from 137.473 million euros to 145.312 million euros.
This growth was mainly linked to the group's insurance portfolio.

The volume of benefits paid increased by 71.75%, relating in particular to the acquisition of a group pension fund for 40 million euros.

Variances in technical provisions relating to the two business lines had a combined impact of 65.191 million euros in 2011.

Annual result: due to extreme market volatility in 2011, the impact of financial transactions on the Company's annual accounts was negative.
The impact of ordinary income on the Company's own portfolio was stable for the year.
The Company's own portfolio totalled 664.638 million euros on the balance sheet date, versus 596.194 million euros for the previous year.
Investment income for the above-mentioned portfolio recorded a loss of 2.054 million euros further to the sale of Southern European government securities. This sale undoubtedly had an adverse effect on returns on this portfolio in the short term but reflects the Company's firm intention to maintain a sound and profitable securities portfolio.

Operating expenses were and still are a day-to-day priority at Swiss Life. In 2011, thanks to strict monitoring of costs and a well-managed restructuring of the Luxembourg business, the Company reduced its operating expenses by 17.47% while progressing with its projects to renew its IT infrastructure.

Tax expense: Swiss Life (Luxembourg) S.A. belongs to a group of companies which consolidate their individual profits for tax purposes. The tax burden for the year is mainly composed of net wealth tax for which the Company is individually liable. The increase over the financial year corresponds to the increase in the tax base used to calculate the said tax.

3. Perspectives

In 2011, Swiss Life Group, and its International Division in particular, placed the emphasis on growth and profitability of the international business led by Swiss Life (Luxembourg) S.A.

Organisational restructuring implemented by the Group this year contributed to strengthening the role of Swiss Life (Luxembourg) S.A in developing the international business and making the Grand Duchy a prime mover with regard to the Division's business.

Outlook for business related to investment funds – HNWI Branch:
2011 was noteworthy for the launch of new products intended for the UK market. This initiative further broadened the International range of life insurance-based financial and investment solutions marketed in Europe under the Freedom to Provide Services regime by Swiss Life (Luxembourg) S.A.'s High Net Worth Individual network – HNWI.

While business development and profitability remain a prime objective, Swiss Life Group has always put regulatory and tax compliance at the heart of its concerns. In 2011, Swiss Life (Luxembourg) S.A. further tightened all of its procedures covering the distribution of "tax compliant" products, rejecting any business opportunities which would fail to meet its ethical and regulatory standards.

Outlook for the Pension business – Corporate Clients Branch:
In 2011, Swiss Life (Luxembourg) S.A. confirmed its position as a leader in Group insurance in Luxembourg. The Company won the HR One Award 2011 for being the best insurer in the field of Group insurance for the eighth year. We take great pride in this award. It rewards the efforts of each of the employees of Swiss Life (Luxembourg) S.A. and their collective commitment to doing their very best with the aim of increasing the quality of services provided to their clients.

The magical combination of employees' endeavours and specialist expertise, and the renewal of business IT platforms ensure that Swiss Life (Luxembourg) S.A. can now support its partners in the efficient manner for which it is known in the market.

These are the resources which in future will enable Swiss Life (Luxembourg) S.A. to achieve its growth ambitions and to reinforce the profitability of its business lines in the Grand Duchy or in markets worldwide.

4. Post-balance sheet events

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

5. Acquisition of own shares

Swiss Life (Luxembourg) S.A. did not acquire any of its own financial portfolio securities over the 2011 financial year.

6. Research and Development

The Company did not carry out any research and development activities over the 2011 financial year.

7. Description and management of main risks

For business unconnected with investment funds, the main financial risks (interest rate risk, market risk, exchange risk and credit risk) are subject to a monthly report in which the related exposure as well as capital at risk are assessed based on the methodology implemented within Swiss Life Group and used as part of the Swiss Solvency Test.

The Company did not make use of derivatives during the financial year.
Asset allocation is also subject to a periodic examination, one of the objectives of which is to ensure that the established risk limits are observed, notably by favouring high-quality securities.

Insurance risk mainly results from biometric and expense risks.

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

8. Branch

In 2008 Swiss Life (Luxembourg) S.A. opened a branch in Switzerland.
This entity is responsible for the distribution of products marketed under the Freedom to Provide Services regime which are sold by local financial intermediaries.

9. Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of 12.351 million euros.

In view of the balance of 3.506 million euros brought forward from financial year 2010, the balance available to the General Meeting totals 15.857 million euros.

We propose the following allocation of this amount:

	EUR
- Allocation to legal reserve:	617 528
- Allocation to free reserves:	10 210 439
- Allocation to reserve unavailable for tax reasons (*):	0
- Undistributable reserve brought forward for tax purposes (**):	(971 225)
- Dividend to be paid to shareholders:	0
- Balance carried forward:	6 000 000

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

-Acknowledgements

We would like to thank our clients for the trust and loyalty which they have shown the Company over many years.

This 2011 annual report also gives us the opportunity to express our warm thanks to all the Company's employees for their support, their dedication and the energy which they have put into serving the ambitions and excellent results of Swiss Life (Luxembourg) S.A. this year.

The Board of Directors
Strassen, 28 March 2012

Audit report

To the Shareholder(s) 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 2011, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

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

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Swiss Life (Luxembourg) S.A. as of 31 December 2011, 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, 30 March 2012

Marc Voncken

Balance sheets as at 31 December 2011 and 31 December 2010

(expressed in euros)

Assets

	Notes	31/12/2011	31/12/2010
Subscribed capital unpaid	10	6 000 000	6 000 000
Intangible assets	3(b), 4	1 702 661	581 199
Investments			
Other financial investments	3(e), 6		
Shares and other variable yield			
transferable securities and units in unit trusts	3(f)	13 304 433	14 439 758
Debt securities and other fixed income transferable securities	3(g)	651 166 801	581 542 420
Other loans	7	162 749	207 384
Deposits with credit institutions		4 009	3 990
		664 637 992	596 193 552
Investments for the benefit of life insurance policyholders			
who bear the investment risk	3(h)	5 449 214 985	4 458 073 452
Reinsurer' share of technical provisions			
Life insurance provision		1 517 117	1 772 842
Debtors	3(i), 8		
Debtors arising out of direct insurance operations			
Policyholders		6 122 137	6 354 476
Intermediaries		0	111 749
Debtors arising out of reinsurance operations			
due on claims		937 038	1 770 139
other debtors		1 659 744	696 651
Other debtors		1 676 026	2 281 201
		10 394 945	11 214 216
Other assets			
Tangible assets and stocks	3(c), 5	350 317	521 741
Cash at bank and in hand		34 743 214	41 980 512
		35 093 531	42 502 253
Prepayments and accrued income			
Accrued interest and rent		13 667 393	12 750 143
Deferred acquisition costs	3(j), 9	2 634 069	3 579 271
Other prepayments and accrued income		732 396	450 071
		17 033 858	16 779 485
Total Assets		**6 185 595 089**	**5 133 116 999**

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

Balance sheets as at 31 December 2011 and 31 December 2010

(expressed in euros)

Liabilities

	Notes	31/12/2011	31/12/2010
Capital and reserves	10		
Subscribed capital		23 000 000	23 000 000
Reserves			
Legal reserve	11	1 195 674	976 760
Other reserves		15 539 103	13 539 103
Profits brought forward		3 506 178	1 346 808
Profit for the financial year		12 350 564	4 378 284
		55 591 519	43 240 955
Subordinated liabilities			
Subordinated loan	8	13 000 000	13 000 000
Technical provisions	3(k), 12		
Provision for unearned premiums		1 477 703	1 478 943
Life insurance provision		609 873 540	544 681 939
Claims outstanding		8 650 243	10 986 622
Provision for bonuses and rebates		16 064 276	7 898 215
		636 065 762	565 045 719
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 12	5 449 214 985	4 458 073 452
Provisions for other risks and charges	3(l)		
Provisions for taxation		1 820 044	3 088 570
Other provisions		331 000	936 000
		2 151 044	4 024 570
Deposits received from reinsurers		1 517 117	1 772 842
Creditors	3(m), 8, 13		
Creditors arising out of direct insurance operations		14 936 800	25 414 719
Creditors arising out of reinsurance operations			
Payable reassigned premiums		5 863 678	14 853 682
Other creditors, including tax and social security		6 756 930	6 448 141
		27 557 408	46 716 542
Accruals and deferred income	3(n)	497 254	1 242 919
Total liabilities		**6 185 595 089**	**5 133 116 999**

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

Profit and loss accounts for the years ended 31 December 2011 and 31 December 2010

(expressed in euros)

	Notes	31/12/2011	31/12/2010
Technical account - Life insurance business	14		
Earned premiums, net of reinsurance			
Gross premiums written	15	1 635 021 922	1 809 178 003
Outward reinsurance premiums	14	-5 607 953	-13 945 794
Change in the provision for unearned premiums, net of reinsurance		15 395	-491 012
		1 629 429 364	1 794 741 197
Investment income			
Income from other investments		25 596 756	24 746 446
Gains on the realisation of investments		8 465 703	15 134 122
		34 062 459	39 880 568
Unrealised gains on investments	3(h)	93 868 949	171 334 238
Other technical income, net of reinsurance		2 281 556	1 383 140
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		-410 044 504	-352 892 946
Reinsurers' share		937 038	1 770 139
Changes in the provision for claims			
Gross amount		2 369 672	-714 868
		-406 737 794	-351 837 675
Changes in other technical provisions, net of reinsurance			
Life insurance provision			
Gross amount		-1 042 907 205	-1 601 243 535
Reinsurers' share	14	-255 725	3 172
		-1 043 162 930	-1 601 240 363
Bonuses and rebates, net of resinsurance		-12 853 120	-3 793 038
Net operating expenses			
Acquisition costs	16	-10 694 656	-9 246 582
Change in deferred acquisition costs		-945 536	-1 212 993
Administrative expenses	3(p)	-9 738 175	-11 285 616
Reinsurance commissions and profit participation	14	1 659 744	696 651
		-19 718 623	-21 048 540
Investment charges			
Investment management charges, including interest		-3 941 176	-3 981 584
Value adjustments on investments	3(q)	-138 038	-221 411
Losses on the realisation of investments		-17 890 581	-3 642 597
		-21 969 795	-7 845 592
Unrealised losses on investments	3(h)	-243 602 408	-16 404 502
Other technical charges, net of reinsurance		-200 832	-300 552
Allocated investment return transferred to the non-technical account	3(o)	-166 183	20 167
Balance on the technical account - Life insurance business		**11 230 643**	**4 889 048**

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

Profit and loss accounts for the years ended 31 December 2011 and 31 December 2010

(expressed in euros)

	Notes	31/12/2011	31/12/2010
Non-technical account			
Balance on the technical account - life insurance business		11 230 643	4 889 048
Allocated investment return transferred from the life insurance technical account	3(o)	166 183	-20 167
Other Income	21	1 222 115	48 000
Tax on profit or loss on ordinary activities		-17 926	-320 896
Profit on ordinary activities after tax		12 601 015	4 595 985
Other taxes, not shown under the preceding items		-250 451	-217 701
Profit for the financial year		**12 350 564**	**4 378 284**

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

1. General

Swiss Life (Luxembourg) S.A. ("the company") is an insurance company incorporated in the Grand Duchy of Luxembourg on 27 March 1985, as a limited liability company (*société anonyme*). The purpose of the company is to engage in any insurance and reinsurance business in the "life" branch, both in the Grand Duchy of Luxembourg and abroad, on its own behalf and on behalf of third parties, as follows:

1. Insurance operations
   - in case of death
   - in case of life, with or without reinsurance
   - combined
   - regarding complementary covers providing non-indemnity benefits in the event of sickness or accident, in particular in the event of disability.

2. Capitalisation operations

3. Management of collective pension funds, and more generally, any financial, asset and real estate transactions directly connected with the objects above.

The company may also acquire any interests and shareholdings in any other companies or insurance companies which can further contribute to the company's business, and more particularly by establishing special purpose companies, investments, mergers, subscribing for and purchasing shares, bonds and other securities, purchasing interests in companies and by any partnership or other agreements of any kind whatsoever.

2. Presentation of the financial statements

Basis of preparation

These financial statements have been prepared in conformity with the law of 8 December 1994 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
as at 31 December 2011 (Cont.)

3. Summary of significant accounting policies

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

(a) Translation of items expressed in foreign currencies

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

(b) Intangible assets

The intangible assets are valued at historical acquisition cost including incidental expenses.
Intangible assets are amortised on a straight line basis at the following rates:

Formation Expenses	33.3%
Software	16.67% - 50%
Goodwill	10%

(c) 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 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.

Notes to the annual accounts
as at 31 December 2011 (Cont.)

(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 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.

Notes to the annual accounts
as at 31 December 2011 (Cont.)

(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.

Notes to the annual accounts
as at 31 December 2011 (Cont.)

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 01/01/2011	0	0	887 009	0	887 009
Additions during the year			1 520 040		1 520 040
Disposals during the year					0
Gross Book value 31/12/2011	0	0	2 407 049	0	2 407 049
Accumulated depreciation 01/01/2011	0	0	-305 810	0	-305 810
Depreciation during the year			-398 578		-398 578
Accumulated depreciation 31/12/2011	0	0	-704 388	0	-704 388
Net book value 31/12/2011	**0**	**0**	**1 702 661**	**0**	**1 702 661**
Net book value 31/12/2010	**0**	**0**	**581 199**	**0**	**581 199**

5. Tangible assets

The movements during the financial year in respect of tangible assets are as follows:

	Technical Installations	Machines	Office Furniture	Room fitting	Total
	EUR	EUR	EUR	EUR	EUR
Gross Book value 01/01/2011	151 747	404 255	646 508	308 928	1 511 438
Additions during the year					0
Disposals during the year					0
Gross Book value 31/12/2011	151 747	404 255	646 508	308 928	1 511 438
Accumulated depreciation 01/01/2011	-86 579	-292 931	-434 762	-175 425	-989 697
Depreciation during the year	-17 868	-94 084	-34 488	-24 984	-171 424
Accumulated depreciation 31/12/2011	-104 447	-387 015	-469 250	-200 409	-1 161 121
Net book value 31/12/2011	**47 300**	**17 240**	**177 258**	**108 519**	**350 317**
Net book value 31/12/2010	**65 168**	**111 324**	**211 746**	**133 503**	**521 741**

Notes to the annual accounts
as at 31 December 2011 (Cont.)

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 2011, was EUR 13 309 560 and EUR 674 744 076 respectively (2010: EUR 14 440 800 and EUR 593 224 906 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.

At the beginning of 2012, due to increasing concerns on the euro zone economic situation, a rating downgrade impacted one of the issuers in our own portfolio. Swiss Life (Luxembourg) S.A. decided, in accordance with its precautionary principles and Swiss Life Group's risk directives, to liquidate the concerned position and thus generating a loss of EUR 259 931.

The depreciation of the positive and negative differences between the acquisition cost and the redemption value (agio/disagio) in the financial year 2011 stands at EUR 3 146 077 (2010: EUR 2 123 922) and EUR 657 060 (2010: EUR 620 616) respectively.
The net balance for depreciation as at 31 December 2011, stands at EUR 15 803 986 (2010: EUR 14 777 282).

7. Other loans

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

Notes to the annual accounts
as at 31 December 2011 (Cont.)

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:

	2011 Affiliated undertakings	2010 Affiliated undertakings
	EUR	EUR
Debtors		
Debtors arising of reinsurance operations	2 596 782	2 466 790
Other debtors	22 140	177 208
Creditors		
Creditors arising out of reinsurance operations	5 863 678	14 853 682
Debenture loans		
- of which subordinated loans	13 000 000	13 000 000
Other creditors	354 067	1 389 306

Two subordinated loans, of EUR 6.5 million 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:

	2011	2010
	EUR	EUR
Net acquisition costs, opening balance	3 579 271	4 790 181
Conversion differences (net)	334	2 083
Net difference in additions/depreciation during the year	-945 536	-1 212 993
Net acquisition costs, closing balance	2 634 069	3 579 271

Notes to the annual accounts
as at 31 December 2011 (Cont.)

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
	EUR	EUR	EUR	EUR	EUR
As at 31/12/2010	23 000 000	976 760	13 539 103	1 346 808	4 378 284
Allocation of result 2010	0	218 914	2 000 000	2 159 370	-4 378 284
Movements during the year 2011	0	0	0	0	12 350 564
As at 31/12/2011	**23 000 000**	**1 195 674**	**15 539 103**	**3 506 178**	**12 350 564**

As at 31 December 2011 and 31 December 2010, the subscribed capital amounting to EUR 23 000 000, is represented by 23 000 shares with no nominal value; the paid up capital amounts to EUR 17 000 000.

11. Legal reserve

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

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

12. Technical provisions

	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 31/12/2010	1 478 943	544 681 939	10 986 622	7 898 215	4 458 073 452	5 023 119 171
Conversion Difference	14 155	2 180 607	33 293	5 728	10 094 905	12 328 688
Opening balance 01/01/2011	1 493 098	546 862 546	11 019 915	7 903 943	4 468 168 357	5 035 447 859
Movements during financial year 2011	-15 395	63 010 994	-2 369 672	8 160 333 [1]	981 046 628	1 049 832 888
Closing balance 31/12/2011	**1 477 703**	**609 873 540**	**8 650 243**	**16 064 276**	**5 449 214 985**	**6 085 280 747**

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

1 The movement during 2011includes the provision for bonuses on pooled contracts, previously included in the reinsurance results for EUR 9 430 430.

Notes to the annual accounts
as at 31 December 2011 (Cont.)

13. Classification of loans according to duration

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

	2011 Life Insurance	2010 Life Insurance
	EUR	EUR
Individual premiums	1 499 080 243	1 681 100 841
Premiums under group contracts	135 941 679	128 077 162
Periodic premiums	125 595 776	116 748 014
Single premiums	1 509 426 146	1 692 429 989
Premiums for non-bonus contracts	921 514	972 725
Premiums for bonus contracts	120 637 718	113 565 961
Premiums from contracts where the investment risks are borne by the policyholders	1 513 462 690	1 694 639 317
Reinsurance balance	3 266 896	-11 475 832

15. Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 1 635 021 922 (2010: EUR 1 809 178 003), may be broken down into geographic zones according to where the contracts have been concluded:

	2011 Life Insurance	2010 Life Insurance
	EUR	EUR
Contracts concluded in the Grand Duchy of Luxembourg	194 648 012	114 033 270
Contracts concluded in other countries of the EEA	831 640 550	1 340 312 258
Contracts concluded in other countries outside the EEA	608 733 360	354 832 475

16. Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 6 015 727 (2010: EUR 5 248 267), and are included in the acquisition costs item.

Notes to the annual accounts
as at 31 December 2011 (Cont.)

17. Personnel employed during the year

The average number of persons employed during the financial year 2011 amounts to 77 (2010: 80) and may be broken down in the following categories:

Category	2011 Number of persons	2010 Number of persons
Management	5	6
Executives	36	42
Salaried employees	36	32

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

	2011	2010
	EUR	EUR
Wages and salaries	5 426 285	7 263 247
Social securities costs	797 307	817 262
- of which pensions	446 618	518 817

18. Remuneration granted to members of the Board of Directors and to Management

Directors' fees or other remuneration to members of the Board of Directors amount to 0 Euro, including employer charges.

Remuneration granted to the company's Management amount to EUR 1 023 040 (2010: EUR 1 297 745) including employer charges.

19. Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2011 and 31 December 2010 are broken down as follows:

	2011	2010
	EUR	EUR
Legal audit fees	120 750	79 687
Other assurance services	19 550	17 000
Tax related services	12 386	5 228
Other services	-	5 450

Notes to the annual accounts
as at 31 December 2011 (Cont.)

20. Off balance sheet commitments

At 31 December 2011 and 31 December 2010, the company has the following commitments:

	2011	2010
	EUR	EUR
Leasing of hardware	101 063	226 595
Leasing of vehicles	496 315	672 311
Building's lease agreement	92 779	625 942
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 179 100 as at 31 December 2011 (2010: EUR 2 543 337).

21. Other Income

The Other income for 2011 results from the change in the accounting policy in relation to foreign currency translation.

22. Tax status

Swiss Life (Luxembourg) S.A. is subject to the tax legislation in force in the Grand Duchy of Luxembourg and included in a tax unity with its parent company.

23. Information concerning consolidated companies

Swiss Life (Luxembourg) S.A. is included in the consolidated financial statements prepared by Swiss Life Holding, a société anonyme under Swiss law, whose registered office is at CH-8022 Zurich, General-Guisan-Quai 40 (Switzerland), being the largest group of companies to which the company belongs as a subsidiary.

The consolidated accounts are available from the head office of Swiss Life (Luxembourg) S.A.

Caution regarding forward-looking statements

This Annual Report contains forward-looking statements about Swiss Life 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.