

Audited Annual Financial Statement

For the year ended 31 December 2012

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 2012

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Management report for the financial year 2012 to the Annual General Meeting of 11 April 2013

Comments on the financial year 2012

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 13.366 million euros in 2012, an increase of 1.016 million euros over the financial year.

This performance consolidates the profit of the previous financial year, resulting 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.

Swiss Life (Luxembourg) S.A. continued this year its investments on large scale IT-projects in order to improve even further the service provided to its customers. The Colis project, aimed at improving the service level provided to corporate customers has reached an important milestone during the last quarter of 2012, enabling the sales department to issue offers to clients. The new clients are being managed on this new system since beginning of 2013. Colis, as well as the other IT projects, will enable the Company to materialize its ambition of developing its portfolios and improving quality of service over the coming years.

The level of inflows in 2012 was considerably increasing compared to gross premiums recorded at the end of 2011 (+35%) thanks to an increased collaboration with our main partners and a continuous investment in our sales force.

Quality of premiums collected remains a priority for the Company, which meant that the net profit for 2012 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 8.22% in 2012.

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 19.44%, reaching 13.414 million euros by the financial year end.

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2.1 Personal business relating to Investment Funds:

2012 inflows (2 028.903 million euros versus 1 489.710 million euros in 2011) were up by 36.19% compared with gross premiums collected in 2011.

The level of collections for the year was very high. It should be noted that the 2012 financial year enjoyed the benefit of the increased development of new markets for the private clients business.

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 6.575 billion euros at the end of 2012, versus 5.283 billion euros in 2011, i.e. a growth of 24.46% in 2012.

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 26% compared with the previous financial year, rising from 145.312 million euros to 183.097 million euros.

This growth was mainly linked to the group's insurance portfolio.

The volume of benefits paid decreased by 16.59%, mainly due to the low level of risk claims for the year and to the small number of group contracts redeemed.

Variances in technical provisions relating to the two business lines had a combined impact of 67.85 million euros in 2012.

Annual result: despite the extreme market volatility in 2012, the impact of financial transactions on the Company's annual accounts was positive. The impact of ordinary income on the Company's own portfolio was also positive for the year.

The Company's own portfolio totalled 746.959 million euros on the balance sheet date, versus 664.638 million euros for the previous year.

Investment income for the above-mentioned portfolio recorded a gain of 1.158 million euros further to some strategic desinvestments.

Operating expenses were and still are a day-to-day priority at Swiss Life. In 2012, thanks to strict monitoring of costs, the Company was able to contain the increase of its operating expenses while significantly increasing its investments to renew its IT infrastructure.

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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 the net wealth tax for which the Company is individually liable. The increase over the financial year also corresponds to the increase in the tax base used to calculate the said tax.

3. Perspectives

In 2012, 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 Private Clients:

2012 was noteworthy for the continued strong performance of Swiss Life (Luxembourg) S.A., highlighted by the success of the French, Spanish and Portuguese markets, together with the ongoing development of solutions for a number of new markets to meet the growing demand of our partners and clients.

While business development and profitability remain a prime objective, Swiss Life Group continues to place regulatory and tax compliance at the heart of its core strategy forming a fundamental base for all its products and solutions.

Outlook for the Pension business – Corporate Clients:

In 2012, Swiss Life (Luxembourg) S.A. confirmed its position as a leader in Group insurance in Luxembourg. The Company won the HR One Award 2012 for being the best insurer in the field of Group insurance for the ninth year. We take great pride in this award. It rewards the ongoing 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 specialists' 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 maintain its growth ambitions and to reinforce the profitability of its business lines in the Grand Duchy or in markets worldwide.

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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 shares over the 2012 financial year.

6. Research and Development

The Company did not carry out any research and development activities over the 2012 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 exposures as well as risk capitals are assessed based on the methodology implemented within Swiss Life Group and used as part of the Swiss Solvency Test.

The Company did not 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 forecasted by the tariff rates; additional technical provisions are therefore established in line with recent prospective survival tables.
- Expense risk is also evaluated and an additional provision is built to face expected loadings deficiencies related to the portfolio administration costs of a limited number of products in the future.

The risk management framework in place at Swiss Life (Luxembourg) S.A. refers to the monitoring role performed by the asset-liability committee, the issuance of monthly financial risk management reports, the elaboration of half-yearly market consistent embedded value appraisals, the holding of underwriting and compliance committees as well as the adherence to the regulatory requirements applicable for life insurance undertakings operating in the Grand Duchy of Luxembourg.

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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 13.366 million euros.

In view of the balance of 6 million euros brought forward from financial year 2012, the balance available to the General Meeting totals 19.366 million euros.

We propose the following allocation of this amount:

	EUR
- Allocation to legal reserve:	486 798
- Allocation to free reserves:	13 251 974
- Allocation to reserve unavailable for tax reasons (*):	0
- Undistributable reserve brought forward for tax purposes (**):	(872 493)
- Balance carried forward:	6 500 000

(*) 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.

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- Acknowledgements

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

This 2012 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, 22 March 2013



Audit 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 2012, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

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

Responsibility of the "Réviseur d'entreprises agréé"

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

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

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



Opinion

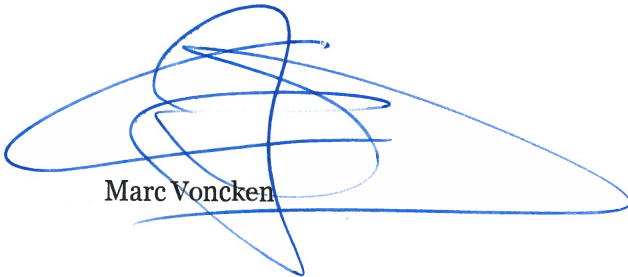
In our opinion, the annual accounts give a true and fair view of the financial position of Swiss Life (Luxembourg) S.A. as of 31 December 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the 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, Société coopérative
Represented by

Luxembourg, 22 March 2013

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Marc Voncken

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Balance sheets as at 31 December 2012 and 31 December 2011

(expressed in euros)

Assets

	Notes	31/12/2012	31/12/2011
Subscribed capital unpaid	10	6 000 000	6 000 000
Intangible assets	3(b), 4	3 216 865	1 702 661
Investments			
Other financial investments	3(e), 6		
<i>Shares and other variable yield</i>			
<i>transferable securities and units in unit trusts</i>	3(f)	17 712 227	13 304 433
<i>Debt securities and other fixed income transferable securities</i>	3(g)	729 107 731	651 166 801
<i>Other loans</i>	7	135 148	162 749
<i>Deposits with credit institutions</i>		4 014	4 009
		746 959 120	664 637 992
Investments for the benefit of life insurance policyholders who bear the investment risk	3(h)	6 765 159 544	5 449 214 985
Reinsurer' share of technical provisions			
Life insurance provision		1 355 878	1 517 117
Debtors	3(i), 8		
Debtors arising out of direct insurance operations			
<i>Policyholders</i>		11 321 392	6 122 137
Debtors arising out of reinsurance operations			
<i>due on claims</i>		0	937 038
<i>other debtors</i>		2 554 517	1 659 744
Other debtors		1 100 993	1 676 026
		14 976 902	10 394 945
Other assets			
Tangible assets and stocks	3(c), 5	263 900	350 317
Cash at bank and in hand		30 901 889	34 743 214
		31 165 789	35 093 531
Prepayments and accrued income			
Accrued interest and rent		15 902 987	13 667 393
Deferred acquisition costs	3(j), 9	1 832 485	2 634 069
Other prepayments and accrued income		928 942	732 396
		18 664 414	17 033 858
Total Assets		7 587 498 512	6 185 595 089

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

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Balance sheets as at 31 December 2012 and 31 December 2011

(expressed in euros)

Liabilities

	Notes	31/12/2012	31/12/2011
Capital and reserves	10		
Subscribed capital		23 000 000	23 000 000
Reserves			
<i>Legal reserve</i>	11	1 813 202	1 195 674
<i>Other reserves</i>		24 778 317	15 539 103
Profits brought forward		6 000 000	3 506 178
Profit for the financial year		13 366 279	12 350 564
		68 957 798	55 591 519
Subordinated liabilities			
Subordinated loan	8	10 000 000	13 000 000
Technical provisions	3(k), 12		
Provision for unearned premiums		1 803 981	1 477 703
Life insurance provision		677 726 803	609 873 540
Claims outstanding		14 255 205	8 650 243
Provision for bonuses and rebates		17 769 403	16 064 276
		711 555 392	636 065 762
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 12	6 765 159 544	5 449 214 985
Provisions for other risks and charges	3(l)		
Provisions for taxation		2 913 553	1 820 044
Other provisions		1 037 771	331 000
		3 951 324	2 151 044
Deposits received from reinsurers		1 355 878	1 517 117
Creditors	3(m), 8, 13		
Creditors arising out of direct insurance operations		10 200 937	14 936 800
Creditors arising out of reinsurance operations			
<i>Payable reassigned premiums</i>		6 468 276	5 863 678
Other creditors, including tax and social security		9 173 077	6 756 930
		25 842 290	27 557 408
Accruals and deferred income	3(n)	676 286	497 254
Total liabilities		7 587 498 512	6 185 595 089

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 2012 and 31 December 2011

(expressed in euros)

	Notes	31/12/2012	31/12/2011
Technical account - Life insurance business	14		
Earned premiums, net of reinsurance			
Gross premiums written	15	2 212 000 180	1 635 021 922
Outward reinsurance premiums	14	-6 307 037	-5 607 953
Change in the provision for unearned premiums, net of reinsurance		-328 633	15 395
		2 205 364 510	1 629 429 364
Investment income			
Income from other investments		29 419 744	25 596 756
Gains on the realisation of investments		60 780 452	8 465 703
		90 200 196	34 062 459
Unrealised gains on investments	3(h)	285 124 018	93 868 949
Other technical income, net of reinsurance		2 409 549	2 281 556
Claims incurred, net of reinsurance			
Claims paid			
<i>Gross amount</i>		-1 041 237 076	-410 044 504
<i>Reinsurers' share</i>		678 756	937 038
Changes in the provision for claims			
<i>Gross amount</i>		-5 616 886	2 369 672
		-1 046 175 206	-406 737 794
Changes in other technical provisions, net of reinsurance			
Life insurance provision			
<i>Gross amount</i>		-1 375 850 940	-1 042 907 205
<i>Reinsurers' share</i>	14	-161 239	-255 725
		-1 376 012 179	-1 043 162 930
Bonuses and rebates, net of reinsurance		-14 257 661	-12 853 120
Net operating expenses			
Acquisition costs	16	-12 585 386	-10 694 656
Change in deferred acquisition costs		-801 609	-945 536
Administrative expenses	3(p)	-12 499 409	-9 738 175
Reinsurance commissions and profit participation	14	1 875 761	1 659 744
		-24 010 643	-19 718 623
Investment charges			
Investment management charges, including interest		-5 175 639	-3 941 176
Value adjustments on investments	3(q)	-52 536	-138 038
Losses on the realisation of investments		-4 379 238	-17 890 581
		-9 607 413	-21 969 795
Unrealised losses on investments	3(h)	-99 026 783	-243 602 408
Other technical charges, net of reinsurance		-56 775	-200 832
Allocated investment return transferred to the non-technical account	3(o)	-537 391	-166 183
Balance on the technical account - Life insurance business		13 414 222	11 230 643

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 2012 and 31 December 2011

(expressed in euros)

	Notes	31/12/2012	31/12/2011
Non-technical account			
Balance on the technical account - life insurance business		13 414 222	11 230 643
Allocated investment return transferred from the life insurance technical account	3(o)	537 391	166 183
Other Income	21	0	1 222 115
Tax on profit or loss on ordinary activities		-213 611	-17 926
Profit on ordinary activities after tax		13 738 002	12 601 015
Other taxes, not shown under the preceding items		-371 723	-250 451
Profit for the financial year		13 366 279	12 350 564

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

Notes to the annual accounts

As at 31 December 2012

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.

The preparation of the annual accounts requires management and Board of Directors to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. Actual results could differ significantly from these estimates.

Notes to the annual accounts

As at 31 December 2012 (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 2012 (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 the last available value at the balance sheet date 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

As at 31 December 2012 (Cont.)

(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 2012 (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 2012 (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 01/01/2012	0	0	2 407 049	0	2 407 049
Additions during the year			2 090 477		2 090 477
Disposals during the year					0
Gross Book value 31/12/2012	0	0	4 497 526	0	4 497 526
Accumulated depreciation 01/01/2012	0	0	-704 388	0	-704 388
Depreciation during the year			-576 273		-576 273
Accumulated depreciation 31/12/2012	0	0	-1 280 661	0	-1 280 661
Net book value 31/12/2012	0	0	3 216 865	0	3 216 865
Net book value 31/12/2011	0	0	1 702 661	0	1 702 661

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 01/01/2012	151 747	404 255	646 508	308 928	1 511 438
Additions during the year			5 416	2 154	7 570
Disposals during the year					0
Gross Book value 31/12/2012	151 747	404 255	651 924	311 082	1 519 008
Accumulated depreciation 01/01/2012	-104 447	-387 015	-469 250	-200 409	-1 161 121
Depreciation during the year	-16 851	-17 240	-34 804	-25 092	-93 987
Accumulated depreciation 31/12/2012	-121 298	-404 255	-504 054	-225 501	-1 255 108
Net book value 31/12/2012	30 449	0	147 870	85 581	263 900
Net book value 31/12/2011	47 300	17 240	177 258	108 519	350 317

Notes to the annual accounts

As at 31 December 2012 (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 2012 was EUR 17 715 163 and EUR 802 702 532 respectively (2011: EUR 13 309 560 and EUR 674 744 076 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 2012 stands at EUR 3 320 236 (2011: EUR 3 146 077) and EUR 683 744 (2011: EUR 657 060) respectively.

The balance as at 31 December 2012 for discount depreciation remaining unamortised stands at EUR - 4 080 438 (2011: EUR - 4 295 943) and for premium depreciation remaining unamortised stands at EUR 27 518 070 (2011: EUR 20 099 929).

7. Other loans

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

Notes to the annual accounts

As at 31 December 2012 (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:

	2012 Affiliated undertakings	2011 Affiliated undertakings
	EUR	EUR
Debtors		
Debtors arising of reinsurance operations	2 554 517	2 596 782
Other debtors	85 601	22 140
Creditors		
Creditors arising out of reinsurance operations	6 468 276	5 863 678
Debenture loans		
- of which subordinated loans	10 000 000	13 000 000
Other creditors	1 867 233	354 067

Two subordinated loans, of EUR 6.5 million each, have been contracted with Swiss Life Insurance Finance Ltd with anniversary dates respectively on 2 June 2013 and on 30 June 2014. A EUR 3 million early reimbursement has been done on 17 December 2012 on one of the loans. These loans are granted for a perpetual term.

The company has concluded *Service Level Agreements* with several companies of the Group, including in Luxembourg, with regard to IT services and Human Resources.

9. Deferred acquisition costs

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

	2012	2011
	EUR	EUR
Net acquisition costs, opening balance	2 634 069	3 579 271
Conversion differences (net)	25	334
Net difference in additions/depreciation during the year	-801 609	-945 536
Net acquisition costs, closing balance	1 832 485	2 634 069

Notes to the annual accounts

As at 31 December 2012 (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 31/12/2011	23 000 000	1 195 674	15 539 103	3 506 178	12 350 564
Allocation of result 2011	0	617 528	9 239 214	2 493 822	-12 350 564
Movements during the year 2012	0	0	0	0	13 366 279
As at 31/12/2012	23 000 000	1 813 202	24 778 317	6 000 000	13 366 279

As at 31 December 2012 and 31 December 2011, 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 31/12/2011	1 477 703	609 873 540	8 650 243	16 064 276	5 449 214 985	6 085 280 747
Conversion Difference	-2 355	-306 630	-11 924	-7 444	-4 291 579	-4 619 932
Opening balance 01/01/2012	1 475 348	609 566 910	8 638 319	16 056 832	5 444 923 406	6 080 660 815
Movements during financial year 2012	328 633	68 159 893	5 616 886	1 712 571	1 320 236 138	1 396 054 121
Closing balance 31/12/2012	1 803 981	677 726 803	14 255 205	17 769 403	6 765 159 544	7 476 714 936

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

Notes to the annual accounts

As at 31 December 2012 (Cont.)

13. Classification of loans according to duration

With the exception of the subordinated loans, 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:

	2012	2011
	Life Insurance	Life Insurance
	EUR	EUR
Individual premiums	2 036 867 586	1 499 080 243
Premiums under group contracts	175 132 594	135 941 679
Periodic premiums	137 431 218	125 595 776
Single premiums	2 074 568 962	1 509 426 146
Premiums for non-bonus contracts	920 715	921 514
Premiums for bonus contracts	157 305 222	120 637 718
Premiums from contracts where the investment risks are borne by the policyholders	2 053 774 243	1 513 462 690
Reinsurance balance	-3 913 759	3 266 896

15. Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 2 212 000 180 (2011: EUR 1 635 021 922), may be broken down into geographic zones according to where the contracts have been concluded:

	2012	2011
	Life Insurance	Life Insurance
	EUR	EUR
Contracts concluded in the Grand Duchy of Luxembourg	181 533 853	194 648 012
Contracts concluded in other countries of the EEA	1 867 775 337	831 640 550
Contracts concluded in other countries outside the EEA	162 690 990	608 733 360

16. Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 7 199 006 (2011: EUR 6 015 727), and are included in the acquisition costs item.

Notes to the annual accounts

As at 31 December 2012 (Cont.)

17. Personnel employed during the year

The average number of persons employed during the financial year 2012 amounts to 74 (2011: 77) and may be broken down in the following categories:

Category	2012 Number of persons	2011 Number of persons
Management	5	5
Executives	32	36
Salaried employees	37	36

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

	2012 EUR	2011 EUR
Wages and salaries	6 357 720	5 426 285
Social securities costs	743 115	797 307
- of which pensions	447 107	446 618

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 804 210 (2011: EUR 1 023 040) including employer charges.

19. Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2012 and 31 December 2011 are broken down as follows:

	2012 EUR	2011 EUR
Legal audit fees	125 408	120 750
Other assurance services	24 450	19 550
Tax related services	12 538	12 386

Notes to the annual accounts

As at 31 December 2012 (Cont.)

20. Off balance sheet commitments

At 31 December 2012 and 31 December 2011, the company has the following commitments:

	2012	2011
	EUR	EUR
Leasing of hardware	242 328	101 063
Leasing of vehicles	594 178	496 315
Building's lease agreement	4 892 022	92 779
Other contingencies	1 079 935	0

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 2012 (2011: EUR 179 100).

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 (Luxembourg) S.A. which involve certain risks and uncertainties. The reader should be aware that such statements represent projections which could differ materially from actual outcomes and results. All forward looking statements are based on the data available to Swiss Life at the time this Annual Report was compiled.