



SwissLife



Financial Statements 2015

Swiss Life (Luxembourg) S.A.

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 2015

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Management report for the financial year 2015 to the Annual General Meeting of 14 April 2016 Comments on the financial year 2015

1 General considerations

The Company is proud to present the results of the financial year 2015, with a record net profit of EUR 15.576 million (EUR 12.962 million in 2014). This demonstrates the quality and stability of the Company's revenues and its ability to face an adverse economic environment.

We have achieved this strong result by increasing our asset base, maintaining the fee level and managing costs strictly. The low-interest environment strongly affects the evolution of the investment margin, as the regular interest income decreases faster than the level of the guarantees. However, Swiss Life (Luxembourg) S.A. successfully preserved a strong net margin after policyholders' participation.

Throughout the year, our project teams worked hard to improve systems and efficiency. This will continue in 2016 and we will implement a new operating model.

Significant investments into IT systems and processes were needed to respond to the challenging regulatory environment. Further business units have relocated to Luxembourg, underlining Swiss Life's trust in Luxembourg as an important European financial center.

During 2015, we implemented a new global management framework, which is steering and monitoring both business lines (Corporate Clients and Private Clients) globally from Luxembourg.

2 Analysis

The year 2015 has proven to be yet another exceptional financial year for the Company. The profit before tax increased by 18.23% to EUR 19.531 million (EUR 16.520 million in 2014) while the net profit increased by 20.17% to EUR 15.576 million (EUR 12.962 million in 2014), supported by a stable tax impact. The Company has reached the EUR 2 billion mark of Gross Written Premium (GWP) for the second year running. This outstanding performance proves the high quality and professionalism of our employees, and their commitment to satisfying our clients and partners.

The Company's own portfolio totaled EUR 1 133 million on the balance sheet date, versus EUR 981 million for the previous year. This represents an increase of 16% and is explained by the sound premium income on the non-unit linked business and surrenders under control. Our focus this year has been on efficient liquidity management, limiting the disinvestments on the portfolio and thus maximizing the yield on an exceptionally low interest-rate environment. The company recently entered into a reinsurance program for part of the liabilities linked to this portfolio, aiming at securing the guarantees taken with regards to the policyholder.

We have continued monitoring operating expenses closely. The increase compared to 2014 (+6.3%) is due to continuous investment in improving the contract management systems for both business lines, and needing to comply with the new regulations coming into force in 2016 (Solvency II) or foreseen for the coming years (PRIIPS, MIFID II...). These investments also explain the increase of intangible assets compared to 2014 (+75.8% compared to 2014).

2.1 Private Clients business line

Gross Written Premium (GWP) increased by 4.75% to EUR 1 929 million in 2015, and surrenders were kept under control, resulting in a combined net inflow of EUR 1 087 million in 2015. This strong commercial result outperforms the life insurance market in Luxembourg (-10.78% in 2015). It also confirms the appropriateness of the Company's strategic decision to favor developing the unit-linked income stream compared to the guaranteed rate products, which total income in the Luxembourgish market has decrease by 41.86% in 2015 while they have contributed significantly to the increase in the premium volume in the previous years.

The Company's main historical markets (France and Italy), and the new markets introduced last year (Greece and Finland), remained the main contributors to the income flow. This compensated for the low performance of the Iberian market in 2015, which continued to suffer from uncertainties in the tax regimes and political turmoil. The Company also seized opportunities in other markets with its international solutions. Technical provisions relating to unit-linked products, totaled EUR 10 772 million at the end of 2015, versus EUR 9 942 million in 2014; a growth of 8% in 2015. We have achieved this growth in an adverse macro environment. The market value of assets decreased significantly during the fourth quarter as world markets declined.

2.2 Corporate Clients business line

Excluding one-off effects due mainly to a single premium in Deposit Administration in 2014, GWP increased significantly. This was mainly due to regular premiums, which increased by 11%. This positive performance in income is supported by a significant decrease in claims (-49.6% compared to 2014), which were affected in 2014 by several transfers and one-off effects. As a result, the combined net inflow for 2015 amounts to EUR 109 million (+ EUR 19 million in 2014).

3 Perspectives

Swiss Life Group continues to invest substantially in Swiss Life (Luxembourg) S.A. This will develop its leadership in the Corporate Clients' segment, and position the Company as the European hub for Private Clients life insurance. Focus will remain on growth and profitability.

Outlook for business related to Private Clients

Our strategic decisions, measures and focus in 2015 will continue into 2016. The principles of growth, expertise, efficiency and compliance will drive business in our increasingly global and dynamic financial environment. We will continue to provide innovative insurance solutions that combine specialist expertise and market knowledge with greater emphasis on engaged partners.

Uncertain global economic scenarios and increasing public debt is forcing UHNWI clients to review their wealth arrangements to protect their assets. Inheritance planning is also a key concern to them.

Outlook for the Pension business – Corporate Clients

Swiss Life (Luxembourg) S.A. continued to confirm its position as group insurance leader in Luxembourg in 2015. This segment continued showing growth in regular premiums, from which we benefited and intend to benefit further.

We restructured the Corporate Clients business line in 2015 to allow it to benefit from growth opportunities in this segment. We focused on our ability to capture new clients in the international market, and relocated the business unit in charge of the Swiss Life Network to Luxembourg.

Operationally, we are finalizing migrating contracts from our older contract management systems and optimizing our process. This will improve efficiency considerably and actively help us manage our business growth.

4 Post-balance sheet events

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

5 Acquisition of own shares

Swiss Life (Luxembourg) S.A. did not acquire any of its own shares over the 2015 financial year.

6 Research and Development

The Company did not conduct any research and development activities over the 2015 financial year.

7 Branch

Swiss Life (Luxembourg) S.A. had no branch over the 2015 financial year.

8 Description and management of main risks

For business unconnected with investment funds, the main financial risks (interest rate risk, market risk, currency exchange rate risk and credit risk considering exposure concentration) are subject to a monthly report in which the related exposures and 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 use derivatives during the financial year 2015.

Asset allocation is also subject to a periodic examination. One of its objectives is to ensure that the established risk limits are observed, notably by favoring 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 in 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 asset-liability committee's monitoring role
- issuing monthly financial risk management reports
- the elaboration of half-yearly market consistent embedded value appraisals
- holding underwriting and compliance committees
- adhering to the regulatory requirements applicable for life insurance undertakings operating in the Grand Duchy of Luxembourg.

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

As a follow-up to the 2014 Private Clients Legal & Compliance Roadmap and as part of the Swiss Life Group Internal Control System (ICS) project, a series of controls have been designed and reviewed. This will ensure permanent and proper application of all internal and external legal and compliance requirements. In parallel, the same reviewing exercise is currently rolled out in the Corporate Clients business line.

Furthermore, in view of the 2015 and upcoming changes in the regulatory scenario impacting relevant streams of the insurance industry, e.g. tax reporting (FATCA, CRS), distribution (IDD, MiFID2), and products (PRIIPs), Swiss Life (Luxembourg) S.A. is highly committed to, and up-to-speed on, organizing dedicated projects. This will ensure full compliance with the 2016 and upcoming changes in legislation.

9 Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of EUR 15.576 million.

In view of the balance of EUR 7.0 million brought forward from financial year 2014, the balance available to the General Meeting totals EUR 22.576 million.

We propose the following allocation of this amount:

	EUR
– Allocation to legal reserve:	0
– Allocation to free reserves:	11 347 164
– Allocation to reserve unavailable for tax reasons (*):	4 228 415
– Undistributable reserve brought forward for tax purposes (**):	0
– Dividend payable to shareholders:	7 000 000
– Balance carried forward:	0

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

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

Acknowledgements

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

This 2015 annual report also gives us the opportunity to warmly thank the Company's employees for their support, dedication and energy in serving the ambitions and excellent results of Swiss Life (Luxembourg) S.A. over the last 30 years.

The Board of Directors

Strassen, 9 March 2016



Audit report

To the Shareholder 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 2015, 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 2015, 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, 13 April 2016

A handwritten signature in blue ink, appearing to be 'Marc Voncken', written over a faint circular stamp or watermark.

Marc Voncken





Annual accounts

Balance sheets as at 31 December 2015 and 31 December 2014

(expressed in euros)

	Notes	31.12.2015	31/12/2014
ASSETS			
Subscribed capital unpaid	11	6 000 000	6 000 000
Intangible assets	3(b), 4	9 121 238	5 189 296
Other financial investments	3(e), 6		
Shares and other variable yield transferable securities and units in unit trusts	3(f)	53 344 653	35 918 393
Debt securities and other fixed income transferable securities	3(g)	998 216 789	849 707 891
Other loans	7	117 134	134 680
Deposits with credit institutions		11 194	11 194
Investments		1 051 689 770	885 772 158
Investments for the benefit of life insurance policyholders who bear the investment risk	3(h)	10 980 364 956	10 155 082 220
Reinsurer's share of technical provisions			
Life insurance provision		185 794 600	149 526 073
Provision for bonuses and rebates		2 619 230	0
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders		33 501 911	7 027 774
Debtors arising out of direct insurance operations			
Policyholders	9	12 704 626	6 657 610
Debtors arising out of reinsurance operations			
other debtors		3 094 653	2 413 547
Other debtors		1 324 013	3 715 175
Debtors	3(i), 8	17 123 292	12 786 332
Tangible assets and stocks	3(c), 5	180 022	235 919
Cash at bank and in hand		78 029 682	94 210 908
Other assets		78 209 704	94 446 827
Accrued interest and rent		18 413 656	17 198 348
Deferred acquisition costs	3(j), 10	577 055	841 319
Other prepayments and accrued income		905 853	1 135 530
Prepayments and accrued income		19 896 564	19 175 197
TOTAL ASSETS		12 384 321 265	11 335 005 877

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

Balance sheets as at 31 December 2015 and 31 December 2014

(expressed in euros)

	Notes	31.12.2015	31/12/2014
LIABILITIES			
Subscribed capital		23 000 000	23 000 000
Reserves			
Legal reserve	12	2 300 000	2 300 000
Other reserves		63 817 519	50 855 646
Profits brought forward		7 000 000	7 000 000
Profit for the financial year		15 575 579	12 961 873
Capital and reserves	11	111 693 098	96 117 519
Subordinated liabilities	8	10 000 000	10 000 000
Technical provisions	3(k), 13		
Provision for unearned premiums		8 720 172	7 243 362
Life insurance provision		1 108 294 161	968 479 407
Claims outstanding		10 914 113	13 172 956
Provision for bonuses and rebates		25 330 876	30 362 398
Technical provisions		1 153 259 322	1 019 258 123
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 13	11 013 866 867	10 162 109 994
Provisions for taxation		2 028 830	7 082 486
Other provisions		933 394	446 654
Provisions for other risks and charges	3(l)	2 962 224	7 529 140
Creditors arising out of direct insurance operations	9	14 979 623	7 336 242
Creditors arising out of reinsurance operations		10 244 000	14 018 795
Amounts owed to credit institutions		4 385 515	0
Other creditors, including tax and social security	14	61 952 481	18 122 804
Creditors	3(m), 8	91 561 619	39 477 841
Accruals and deferred income	3(n)	978 135	513 260
TOTAL LIABILITIES		12 384 321 265	11 335 005 877

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

Profit and loss accounts for the years ended 31 December 2015 and 31 December 2014

(expressed in euros)

	Notes	31.12.2015	31/12/2014
TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS			
Gross premiums written	16	2 156 145 967	2 096 199 343
Outward reinsurance premiums	15	-111 514 769	-179 677 604
Change in the provision for unearned premiums, net of reinsurance		-1 476 810	-143 931
Earned premiums, net of reinsurance		2 043 154 388	1 916 377 808
Income from other investments		41 316 157	33 202 952
Gains on the realisation of investments		77 440 034	83 315 250
Investment income		118 756 191	116 518 202
Unrealised gains on investments	3(h)	537 793 008	1 030 698 616
Other technical income, net of reinsurance		2 639 484	2 688 049
Claims paid			
Gross amount		-981 826 426	-856 988 601
Reinsurers' share		44 768 583	20 399 577
Changes in the provision for claims			
Gross amount		2 258 843	4 382 879
Claims incurred, net of reinsurance		-934 799 000	-832 206 145
Life insurance provision			
Gross amount		-966 433 177	-2 026 424 771
Reinsurers' share	15	65 361 894	153 016 825
Changes in other technical provisions, net of reinsurance		-901 071 283	-1 873 407 946
Bonuses and rebates, net of reinsurance		-20 106 929	-24 039 611
Acquisition costs	17	-10 624 592	-13 868 259
Change in deferred acquisition costs		-264 264	-336 813
Administrative expenses	3(p)	-26 936 428	-25 342 505
Reinsurance commissions and profit participation	15	993 765	2 271 978
Net operating expenses		-36 831 519	-37 275 599
Investment management charges, including interest		-6 721 564	-5 913 464
Value adjustments on investments	3(q)	-426 107	-70 125
Losses on the realisation of investments		-80 506 244	-39 966 065
Investment charges		-87 653 915	-45 949 654
Unrealised losses on investments	3(h)	-701 241 167	-236 135 648
Other technical charges, net of reinsurance		-517 219	-748 388
Allocated investment return transferred to the non-technical account	3(o)	-1 012 028	-3 929 901
BALANCE ON THE TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS		19 110 011	12 589 783

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

Profit and loss accounts for the years ended 31 December 2015 and 31 December 2014

(expressed in euros)

	Notes	31.12.2015	31/12/2014
NON-TECHNICAL ACCOUNT			
Balance on the technical account – life insurance business		19 110 011	12 589 783
Allocated investment return transferred from the life insurance technical account	3(e)	1 012 028	3 929 901
Other charges, including value adjustments		-591 128	0
Tax on profit or loss on ordinary activities		-3 920 246	-3 539 262
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		15 610 665	12 980 422
Other taxes, not shown under the preceding items		-35 086	-18 549
PROFIT FOR THE FINANCIAL YEAR		15 575 579	12 961 873

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

Notes to the annual accounts

1 General

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

1. Insurance operations

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

2. Capitalisation operations

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

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

2 Presentation of the financial statements

Basis of preparation

These financial statements have been prepared in conformity with the law of 8 December 1994, as amended, 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.

3 Summary of significant accounting policies

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

(a) Translation of items expressed in foreign currencies

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

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

These transactions are translated into euros (EUR) in the profit and loss accounts with the monthly rate prevailing at the transaction date.

(b) Intangible assets

The intangible assets are valued at historical acquisition cost including incidental expenses.

Intangible assets are amortised on a straight line basis at the following rates:

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

(c) Tangible fixed assets

Land and buildings and tangible assets, are valued at historical acquisition cost. The acquisition cost includes expenses incidental to the purchase.

Buildings and tangible assets with limited useful economic lives are amortised on a straight line basis at the following rates:

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.

(e) Other financial investments

Other financial investments are valued at historical acquisition cost which includes incidental purchase expenses.

If the directors expect the impairment in value to be permanent in nature, the other financial investments are valued at the lower value to be attributed to them at the balance sheet date. These value adjustments may not be carried when the reasons for which they were made cease to apply.

(f) Shares and other variable yield transferable securities and units in unit trusts

Shares and other variable yield transferable securities and units in unit trusts are valued at the lower of historical acquisition cost and realisable value. The acquisition cost includes expenses incidental to the purchase. The value adjustments which correspond to the difference between the realisable value and the acquisition cost are maintained even if the reasons for which they were made cease to apply.

(g) Debt securities and other fixed income transferable securities

Debt securities and other fixed income securities are valued at historical acquisition cost, or redemption value, taking into account the following elements:

- a positive difference between the acquisition cost and redemption value is written off in instalments over the duration of the holding of the security;
- a negative difference between the acquisition cost and redemption value is released to income in instalments over the period remaining to repayment.

If the Directors expect the impairment in value to be permanent in nature, debt securities and other fixed income transferable securities are valued at the lower value to be attributed to them at the balance sheet date. These value adjustments may not be carried when the reasons for which they were made cease to apply.

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

Investments for the benefit of life insurance policyholders who bear the investment risk are valued at the market value at the balance sheet date and any difference between this value and the acquisition cost is disclosed in the technical account for life insurance in the unrealised gains or losses on investments line items.

The market value shall refer to the last available value at the balance sheet date quoted on a stock exchange or the value at which the investment could be sold, or the value resulting from generally accepted valuation models and techniques, subject to management estimates, when no quoted price on a stock exchange is available.

(i) Debtors

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

(j) Deferred acquisition costs

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

(k) Technical provisions

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

Provision for unearned premiums

Written premiums include all the amounts received or receivable with respect to insurance contracts concluded prior to the end of the accounting period.

That part of written premiums which is to be allocated to one or more subsequent financial years is deferred by way of the provision for unearned premiums, computed separately for each contract on a prorata basis.

Life insurance provision

The life insurance provision, which consists of the actuarial value of the company's liabilities net of future premiums, is calculated separately for each contract.

The technical basis and methods applied for computing the balance sheets' life insurance provision are specified in the annual actuarial report communicated to the supervisory authority.

Provision for claims outstanding

The provision for claims outstanding corresponds to the total estimated cost (including claims settlement costs) for settling all claims arising from events which have occurred up to the end of the financial year.

The provision for claims outstanding is computed separately for each claim known by the company. Claims occurred but not declared as at balance sheet date are assessed globally on a flat-rate basis.

Provision for bonuses and rebates

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

Technical provisions for life insurance contracts where the investment risk is borne by the policyholders

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

(l) Provisions for other risks and charges

Provisions for other risks and charges are intended to cover losses or debts whose nature is clearly defined but are, at the balance sheet date, either likely or certain to be incurred but amounts or timing are indeterminable.

The liabilities for the employees' pension fund are included under the technical provisions item.

(m) Creditors

Creditors are included in liabilities at settlement value.

If the amount payable is greater than the amount received, the difference is charged to the profit and loss account at the date when the debt is recognised.

If the amount payable is lower than the amount received, the difference is released to income in instalments over the remaining period of the contract.

(n) Accruals and deferred income

This item consists of both income receivable before the balance sheet date but relating to a subsequent financial year and charges that relate to the current financial year but payable in a subsequent financial year.

(o) Allocated investment return transferred to the non-technical account

The allocated investment return transferred from the technical account to the non-technical account represents the income relating to assets being part of the company's free assets.

(p) Administrative expenses

Administrative expenses specifically consist of costs arising from premium collection, portfolio administration, handling of bonuses and rebates and inward and outward reinsurance. In particular they include staff costs and depreciation provisions in respect of office furniture and equipment in so far as these need not to be shown under acquisition costs, claims incurred or investment charges.

(q) Value adjustments

Value adjustments are deducted directly from the related individual asset.

4 Intangible assets

The movements in intangible assets incurred during the financial year are summarised as follows:

EUR	Formation expenses	Capital increase costs	Software	Goodwill	Total
Gross Book value 01/01/2015	0	0	8 652 289	0	8 652 289
Additions during the year			5 678 777		5 678 777
Disposals during the year					0
Gross Book value 31/12/2015	0	0	14 331 066	0	14 331 066
Accumulated depreciation 01/01/2015	0	0	-3 462 993	0	-3 462 993
Depreciation during the year			-1 746 835		-1 746 835
Accumulated depreciation 31/12/2015	0	0	-5 209 828	0	-5 209 828
NET BOOK VALUE 31/12/2015	0	0	9 121 238	0	9 121 238
Net book value 31/12/2014	0	0	5 189 296	0	5 189 296

5 Tangible assets

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

EUR	Technical Installations	Machines	Office Furniture	Room Fitting	Total
Gross Book value 01/01/2015	151 747	404 255	745 011	311 082	1 612 095
Additions during the year		7 722			7 722
Disposals during the year					0
Gross Book value 31/12/2015	151 747	411 977	745 011	311 082	1 619 817
Accumulated depreciation 01/01/2015	-137 816	-404 255	-567 394	-266 711	-1 376 176
Depreciation during the year	-6 424	-386	-36 204	-20 605	-63 619
Accumulated depreciation 31/12/2015	-144 240	-404 641	-603 598	-287 316	-1 439 795
NET BOOK VALUE 31/12/2015	7 507	7 336	141 413	23 766	180 022
Net book value 31/12/2014	13 931	0	177 617	44 371	235 919

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 2015 was EUR 56 244 128 and EUR 1 095 612 850 respectively (2014: EUR 35 926 322 and EUR 976 603 393 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 2015 stands at EUR 5 061 395 (2014: EUR 4 490 663) and EUR 480 241 (2014: EUR 553 764) respectively.

The balance as at 31 December 2015 for discount depreciation remaining unamortised stands at EUR -3 806 300 (2014: EUR -3 158 138) and for premium depreciation remaining unamortised stands at EUR 49 469 627 (2014: EUR 37 397 460).

7 Other loans

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

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

The items may be broken down as follows:

EUR	Affiliated undertakings	
	2015	2014
DEBTORS		
Debtors arising of reinsurance operations	2 732 520	2 312 054
Other debtors	285 051	3 226 939
CREDITORS		
Creditors arising out of reinsurance operations	10 244 000	14 018 795
Debenture loans		
of which subordinated loans	10 000 000	10 000 000
Other creditors	9 568 859	6 629 374

Two subordinated loans, of EUR 6,5 million and EUR 3,5 million, have been contracted with Swiss Life Insurance Finance Ltd with anniversary dates respectively on 1 July and on 3 June of each year. 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 Debtors, creditors arising out of direct insurance operations

Debtors and creditors arising out of direct insurance operations represent amounts open as at balance sheet date and are mainly related to insurance operations which occurred close to the end of the financial period.

10 Deferred acquisition costs

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

EUR		
	2015	2014
Net acquisition costs, opening balance	841 319	1 178 131
Conversion differences (net)	407	332
Net difference in additions/depreciation during the year	-264 671	-337 144
NET ACQUISITION COSTS, CLOSING BALANCE	577 055	841 319

11 Capital and reserves

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

EUR					
	Subscribed capital	Legal reserve	Other reserves	Profit brought forward	Profit for the year
As at 31/12/2014	23 000 000	2 300 000	50 855 646	7 000 000	12 961 873
Allocation of result 2014			12 961 873	0	-12 961 873
Movements during the year 2015					15 575 579
AS AT 31/12/2015	23 000 000	2 300 000	63 817 519	7 000 000	15 575 579

As at 31 December 2015 and 31 December 2014, the subscribed capital amounting to EUR 23 000 000, is represented by 23 000 shares with no nominal value; the paid up capital amounts to EUR 17 000 000.

12 Legal reserve

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

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

13 Technical provisions

EUR	Provision for unearned premiums	Life insurance provision	Provision for claims outstanding	Provision for bonuses	Technical provisions ¹	Total
Closing balance 31/12/2014	7 243 362	968 479 407	13 172 956	30 362 398	10 162 109 994	11 181 368 117
Conversion Difference	55 724	13 851 216	94 805	33 645	168 729 900	182 765 290
Opening balance 01/01/2015	7 299 086	982 330 624	13 267 761	30 396 043	10 330 839 892	11 364 133 406
Movements during financial year 2015	1 421 086	125 963 537	-2 353 648	-5 065 167	683 026 975	802 992 783
CLOSING BALANCE 31/12/2015	8 720 172	1 108 294 161	10 914 113	25 330 876	11 013 866 867	12 167 126 189

¹ relating to life insurance where investment risks are borne by the policyholder.

14 Other creditors, including tax and social security

The significant increase of other creditors, including tax and social security (+ 242% compared to 2014) is mainly explained by:

- some significant disinvestment transactions amounted to EUR 40,676 million, initiated before the end of the period and finalized only in 2016;
- the transfer of tax liabilities from the caption “Provision for taxation” to the caption “other creditors, including tax and social security” totaled EUR 8,777 million, to take into account that even though Swiss Life (Luxembourg) S.A. is supporting the charge of its income tax, the liability is to be recognized towards its parent company, as this is the one liable towards the tax administration in the scope of the tax unity in place.

15 Results from the life insurance business

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

EUR	Life Insurance	
	2015	2014
Individual premiums	1 934 192 229	1 848 911 120
Premiums under group contracts	221 953 738	247 288 223
Periodic premiums	184 209 811	166 282 283
Single premiums	1 971 936 156	1 929 917 060
Premiums for non-bonus contracts	624 171	658 358
Premiums for bonus contracts	235 249 683	282 326 840
Premiums from contracts where the investment risks are borne by the policyholders	1 920 272 113	1 813 214 145
Reinsurance balance	-390 527	-3 989 224

16 Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 2 156 145 967 (2014: EUR 2 096 199 343), may be broken down into geographic zones according to where the contracts have been concluded:

EUR	Life Insurance	
	2015	2014
Contracts concluded in the Grand Duchy of Luxembourg	152 648 741	180 527 910
Contracts concluded in other countries of the EEA	1 547 325 543	1 560 018 204
Contracts concluded in other countries outside the EEA	456 171 683	355 653 229

17 Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 13 867 884 (2014: EUR 13 646 726), and are included in the acquisition costs item.

18 Personnel employed during the year

The average number of persons employed during the financial year 2015 amounts to 105 (2014: 105) and may be broken down in the following categories:

Category	Number of persons	
	2015	2014
Management	5	6
Executives	47	44
Salaried employees	53	55

EUR		
	2015	2014
Wages and salaries	8 461 741	9 445 804
Social securities costs	1 127 634	1 048 048
of which pensions	968 928	556 047

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 (2014: EUR 0).

Remuneration granted to the company's Management amount to EUR 956 584 (2014: EUR 1 070 859) including employer charges.

20 Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2015 and 31 December 2014 are broken down as follows:

EUR	2015	2014
Legal audit fees	276 725	295 826
Other assurance services	25 056	20 149
Tax related services	34 318	20 708

21 Off balance sheet commitments

At 31 December 2015 and 31 December 2014, the company has the following commitments:

EUR	2015	2014
Leasing of hardware	79 843	74 023
Leasing of vehicles	728 002	645 471
Building's lease agreement	3 646 803	4 199 419
Asset pledged as collateral	4 213 160	0
Other contingencies	1 005 790	1 111 975

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 2015 (2014: EUR 179 100).

The other contingencies included in the above table concern the engagement of the company towards our IT infrastructure provider.

Moreover, Swiss Life (Luxembourg) S.A. invested in asset pledged as collateral. The current value of the repurchase agreement instrument as at 31 December 2015 was EUR 4 213 160.

22 Collective pension funds

EUR	2015	2014
Investments		
Investments for the benefit of life insurance policyholders who bear the investment risk		
Shares and other variable yields transferable securities and units in unit trusts	4 709 651	0
Debt securities and other fixed income transferable securities	0	0
Other assets		
Cash at bank and in hand	627 173	0
ASSETS	5 336 824	0
Technical provisions		
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders	5 336 824	0
LIABILITIES	5 336 824	0

The collective pension fund above concerned one single contract which has been invested since the 7th January 2015.

23 Tax status

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

24 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.

The future starts here.

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