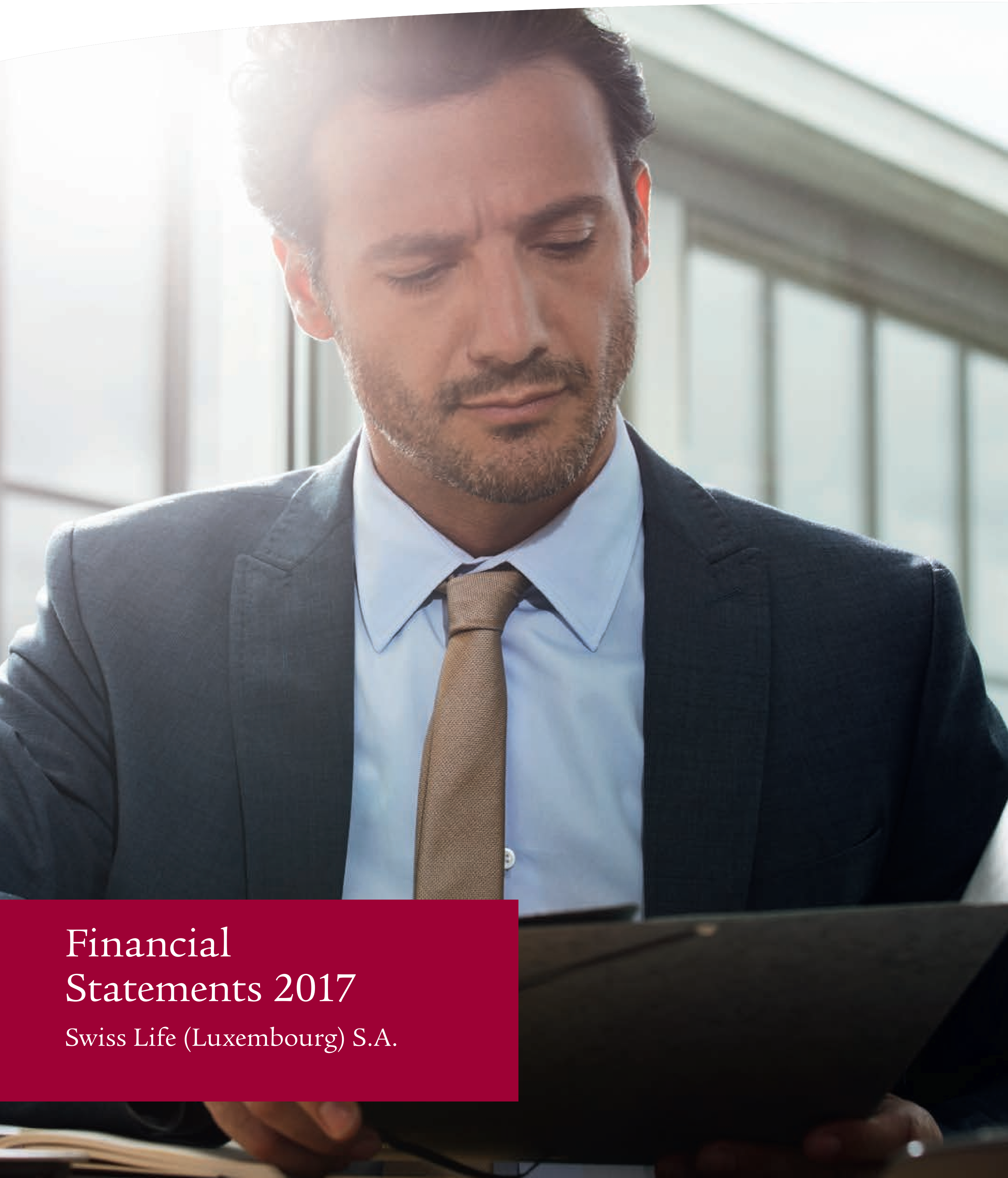

Financial Statements 2017

Swiss Life (Luxembourg) S.A.

Swiss Life (Luxembourg) S.A.
6 rue Eugène Ruppert
L-2453 Luxembourg

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

Annual Report 2017

Management report for the financial year 2017 to the Annual General Meeting of 12 April 2018
Comments on the financial year 2017

1 General considerations

Swiss Life (Luxembourg) S.A. ("the Company") presents the result of the financial year 2017, with another record net profit of EUR 18.731 million (EUR 15.620 million in 2016). This confirms our robustness and stability in a challenging economic environment.

Increasing our asset base, maintaining the fee level and a strict cost management led to this result. The low-interest environment still affects the evolution of the investment margin, as the regular interest income decreases faster than the level of the guarantees. However, the Company successfully preserved a strong net margin after policyholders' participation.

In 2017, a lot of efforts and resources have been put into our strategic projects to improve the efficiency. This will continue throughout 2018 as the regulatory changes on European level remain very demanding.

2 Analysis

The year 2017 has proven to be yet another exceptional financial year for the Company. The profit before tax increased by 26.94% to EUR 25.535 million (EUR 20.115 million in 2016) and the net profit increased at EUR 18.731 million (+ 20%compared to EUR 15.620 in 2016).

The Company's own portfolio totaled EUR 1 287 million on the balance sheet date, versus EUR 1 215 million for the previous year. This represents an increase of 6% and is explained by the premium income on the non-unit linked business and surrenders under control. Focus has been set in 2017 on a prudent but constant diversification of the investments held in the portfolio, compensating for the still exceptionally low interest rate environment.

A close monitoring of the costs is vital for our margin management. The limited increase compared to 2016 (+5.3%) is due to continuous investment in improving the contract management systems for both business lines and to the adoption of the new regulations which entered into force, or will in the coming years, such as Solvency II (with its extensive asset reporting requirements), PRIIPS, MIFID II, and IDD.

The level of investments of the Company in its IT infrastructure and in the modernization of its processes has remained high.

2.1 Private Wealth business line

Gross Written Premium (GWP) increased by 28.5% up to EUR 1 593 million in 2017 and surrenders decreased by 36.3 % to EUR 783 million in 2017, resulting in a combined net inflow of EUR 810 million in 2017.

Looking at the individual markets, we have lost market shares in most of them. It is too early to draw conclusions as we must analyze our peers. Technical provisions relating to unit-linked products, totaled EUR 11 997 million at the end of 2017, versus EUR 10 994 million in 2016, i.e., a growth of 9% in 2017.

2.2 Employee Benefits business line

GWP increased by 6.77% driven mainly by single premium, with regular premiums decreasing by 2.6%. In the meantime, the overall level of claims increased by 24.7% compared to 2016. As a result, the combined net inflow for 2017 amounts to EUR 87 million (EUR 101 million in 2016).

3 Perspectives

Swiss Life Group continues to invest substantially in Swiss Life (Luxembourg) S.A. and the cross-boarder business. A significant competence has been built up in Luxembourg under the new brand Swiss Life Global Solutions. More than 200 experts worldwide are offering their skills to corporates and individuals. However, focus will always remain on growth and profitability.

Outlook for business related to Private Wealth

Our strategic decisions, measures and focus in 2017 will continue into 2018. 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. With key partners, we will enter into strategic agreements, to foster cooperation and provide know-how.

The need of the Global Private Wealth Solutions's clients in respect of inheritance planning and asset protection by combining life insurance with sophisticated asset management remains unbroken. The uncertain global economic and political situation forces the wealthy individuals to review their situation and to start engineering their wealth according to their needs.

Outlook for the Pension business - Employee Benefits

The Company continued to confirm its position as group insurance leader in Luxembourg in 2017 with positive outlook in 2018.

With the migration of all contracts to the new contract management system, we are concentrating our efforts to new markets and products such Swiss Life Preferred Germany, a locally compliant solution for group risk benefits targeting German multinationals. Furthermore, we are launching a fully digital solution for group risk for international plans. With the support of Swiss Life Network, we will further benefit from growth opportunities in this segment and focus on our ability to capture new clients in the international market.

Operationally, we are shifting our focus on ensuring compliance with the various new regulations coming to force this year such GDPR and IDD. With the support of our contract management systems we aim in improving efficiency as well as the clients' experience.

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

The Company did not acquire any of its own shares over the 2017 financial year.

6 Research and Development

The Company did not conduct any research and development activities over the 2017 financial year.

7 Branch

The Company had no branch over the 2017 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 2017.

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.

9 Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of EUR 18.731 million.

In view of the zero balance brought forward from financial year 2016, the balance available to the General Meeting totals EUR 18.731 million.

We propose the following allocation of this amount:

	EUR
– Allocation to legal reserve:	0
– Allocation to free reserves:	18 730 910
– Allocation to reserve unavailable for tax reasons (*):	0
– Undistributable reserve brought forward for tax purposes (**):	0
– Dividend payable to shareholders:	0
– 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 once again thank our clients for the trust and loyalty they have shown the Company over many years.

This 2017 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 32 years.

The Board of Directors

Strassen, 21 March 2018

Audit report

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

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Swiss Life (Luxembourg) S.A. (the Company) as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company's annual accounts comprise:

- The balance sheet as at 31 December 2017;
- The profit and loss account for the year then ended; and
- The notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

The non-audit services that we have provided to the Company, in the period from 1 January 2017 to 31 December 2017, are disclosed in the Note 20 to the annual accounts.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
1 - Valuation of unit-linked assets – Unquoted investments	
Management estimates the value of certain categories of assets in the absence of readily available market price. As at 31 December 2017, these unquoted assets included in the caption "investments for the benefit of life insurance policyholders who bear the investment risk" amount to EUR 1 270 million. Reliable information as well as adequate valuation methods are required for Management to ensure that these assets are valued in accordance with the accounting principle described under note 3(h) to the annual accounts. This process requires Management to exercise their judgement to: • assess reliability of the underlying source information, including challenging independent experts involved in the valuation exercise; • select appropriate valuation models and techniques.	We have gained an understanding of the process implemented by the Company with respect to the valuation of these unquoted assets and have assessed the appropriateness of the methodology used, including its compliance with the accounting principles adopted by the Company. Our procedures have mainly consisted in assessing and challenging: • the reliability of the source information (external valuation reports, audited financial statements and other relevant information); • the reliability and independence of the experts used by Management; • the adequacy of the accounting framework; • the adequacy of valuation model used. Additionally, we have recomputed the value based on the source information and the selected valuation models.

Key audit matter	How our audit addressed the Key audit matter
2 – Valuation of some technical reserves	
Life insurance provisions amounting to EUR 1,331 million as at 31 December 2017 are valued in accordance with the accounting principle as described in the note 3 (k) to the annual accounts. Their valuation requires some level of judgment from Management when selecting methodologies and assumptions. Due to the size of the life insurance provisions, inappropriate methodologies and/or inadequate assumptions setting may result in significant impact on their valuation. Additionally, inaccurate or incomplete data used in the process of computation could also result in misstatements in the valuation.	We have gained an understanding of the actuarial processes (including data collection and roll-forward of technical provisions) put in place by Management to ensure an appropriate valuation of the life insurance provisions. We have complemented our work by procedures which included the following: • Involving our internal actuarial experts to challenge Management's methodology, methods, and assumptions taking into consideration recognised actuarial and market practices; • Assessing the consistency of the actuarial methods used compared to prior year; • Independently calculating technical reserves for a sample of insurance policies; • Testing the completeness and the accuracy of a sample of data through a reconciliation with the source documentation.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The Management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 13 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 23 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 11 April 2018

Sylvia Pucar

Annual accounts

Balance sheets as at 31 December 2017 and 31 December 2016

(expressed in euros)

	Notes	31.12.2017	31.12.2016
ASSETS			
Subscribed capital unpaid	11	**6 000 000**	6 000 000
Intangible assets	3(b), 4	**7 330 137**	7 654 444
Other financial investments	3(e), 6		
Shares and other variable yield transferable securities and units in unit trusts	3(f)	**83 375 456**	71 506 261
Debt securities and other fixed income transferable securities	3(g)	**1 104 377 532**	1 039 363 525
Other loans	7	**71 998**	107 134
Deposits with credit institutions		**740 575**	735 095
Investments		**1 188 565 561**	1 111 712 015
Investments for the benefit of life insurance policyholders who bear the investment risk	3(h)	**12 185 442 805**	11 204 185 618
Reinsurer' share of technical provisions			
Life insurance provision		**267 769 230**	241 962 768
Provision for bonuses and rebates		**4 811 653**	3 538 892
Technical provisions for life insurance contracts where the investment risk is borne by the policyholders		**91 400 480**	45 944 726
Debtors arising out of direct insurance operations			
Policyholders	9	**21 044 179**	18 342 514
Intermediaries		**–82 856**	36 324
Debtors arising out of reinsurance operations			
other debtors		**1 064 502**	5 826 910
Other debtors		**6 748 564**	2 998 428
Debtors	3(i), 8	**28 774 389**	27 204 176
Tangible assets and stocks	3(c), 5	**2 023 033**	666 076
Cash at bank and in hand		**98 395 674**	103 197 326
Other assets		**100 418 707**	103 863 402
Accrued interest and rent		**16 569 424**	17 868 547
Deferred acquisition costs	3(j), 10	**398 626**	470 413
Other prepayments and accrued income		**848 314**	1 096 010
Prepayments and accrued income		**17 816 364**	19 434 970
TOTAL ASSETS		**13 898 329 325**	12 771 501 011

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

Balance sheets as at 31 December 2017 and 31 December 2016

(expressed in euros)

	Notes	31.12.2017	31.12.2016
LIABILITIES			
Subscribed capital		**23 000 000**	23 000 000
Reserves			
Legal reserve	12	**2 300 000**	2 300 000
Other reserves		**95 013 450**	79 393 098
Profits brought forward		**0**	0
Profit for the financial year		**18 730 910**	15 620 352
Capital and reserves	11	**139 044 360**	120 313 450
Subordinated liabilities	8	**0**	10 000 000
Technical provisions	3(k), 13		
Provision for unearned premiums		**3 315 608**	7 589 078
Life insurance provision		**1 331 702 154**	1 250 588 072
Claims outstanding		**14 056 698**	22 242 079
Provision for bonuses and rebates		**34 944 053**	22 014 718
Technical provisions		**1 384 018 513**	1 302 433 947
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	3(k), 13, 22	**12 276 843 285**	11 250 130 344
Provisions for taxation		**29 566**	733 830
Other provisions		**479 097**	560 058
Provisions for other risks and charges	3(l)	**508 663**	1 293 888
Creditors arising out of direct insurance operations	9	**20 400 588**	17 789 743
Creditors arising out of reinsurance operations		**6 886 525**	8 626 916
Other creditors, including tax and social security	14	**70 103 610**	60 911 798
Creditors	3(m), 8	**97 390 723**	87 328 457
Accruals and deferred income	3(n)	**523 781**	925
TOTAL LIABILITIES		**13 898 329 325**	12 771 501 011

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

Profit and loss accounts for the years ended 31 December 2017 and 31 December 2016

(expressed in euros)

	Notes	31.12.2017	31.12.2016
TECHNICAL ACCOUNT – LIFE INSURANCE BUSINESS	15		
Gross premiums written	16	**1 827 403 186**	1 459 517 298
Outward reinsurance premiums	15	**–175 155 856**	–115 328 321
Change in the provision for unearned premiums, net of reinsurance		**4 273 470**	1 131 094
Earned premiums, net of reinsurance		**1 656 520 800**	**1 345 320 071**
Income from other investments		**34 727 496**	34 875 692
Gains on the realisation of investments		**87 590 518**	47 697 089
Investment income		**122 318 014**	**82 572 781**
Unrealised gains on investments	3(h)	**606 902 268**	592 339 187
Other technical income, net of reinsurance		**4 226 931**	4 133 852
Claims paid			
Gross amount		**–935 374 942**	–1 360 554 001
Reinsurers' share	15	**104 771 567**	49 613 865
Changes in the provision for claims			
Gross amount		**8 185 382**	-11 327 967
Claims incurred, net of reinsurance		**–822 417 993**	**–1 322 268 103**
Life insurance provision			
Gross amount		**–1 096 883 426**	–359 898 279
Reinsurers' share	15	**72 534 977**	69 530 644
Changes in other technical provisions, net of reinsurance		**–1 024 348 449**	**–290 367 635**
Bonuses and rebates, net of resinsurance		**–23 872 933**	–15 342 952
Acquisition costs	17	**–12 688 933**	–11 262 866
Change in deferred acquisition costs		**–71 787**	–106 642
Administrative expenses	3(p)	**–28 678 081**	–27 242 169
Reinsurance commissions and profit participation	15	**2 590 846**	1 785 065
Net operating expenses		**–38 847 955**	**–36 826 612**
Investment management charges, including interest		**–8 135 527**	–8 565 635
Value adjustments on investments	3(q)	**–299 576**	–726 410
Losses on the realisation of investments		**–37 046 075**	–65 445 928
Investment charges		**–45 481 178**	**–74 737 973**
Unrealised losses on investments	3(h)	**–408 674 596**	–262 487 271
Other technical charges, net of reinsurance		**–136 928**	–284 848
Allocated investment return transferred to the non-technical account	3(o)	**–1 971 284**	–381 986
BALANCE ON THE TECHNICAL ACCOUNT – LIFE INSURANCE BUSINESS		**24 216 697**	**21 668 511**

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

Profit and loss accounts for the years ended 31 December 2017 and 31 December 2016

(expressed in euros)

	Notes	31.12.2017	31.12.2016
NON-TECHNICAL ACCOUNT			
Balance on the technical account – life insurance business		**24 216 697**	21 668 511
Allocated investment return transferred from the life insurance technical account	3(o)	1 971 284	381 986
Other Income		245 515	24 440
Other charges, including value adjustments		–898 957	–1 960 000
Tax on profit or loss on ordinary activities		**–6 796 233**	–4 470 360
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		**18 738 306**	**15 644 577**
Other taxes, not shown under the preceding items		**–7 396**	–24 225
PROFIT FOR THE FINANCIAL YEAR		**18 730 910**	**15 620 352**

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%

Where the Company considers that intangible fixed assets have suffered a durable decline in value in excess of the accumulated amortization recognized, an additional write-down is recorded to reflect this impairment. These value adjustments are reversed if the reasons for which the value adjustments were made have ceased to apply.

(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 01/01/2017	0	0	17 387 948	0	17 387 948
Additions during the year			2 019 424		2 019 424
Disposals during the year					0
Gross Book value 31/12/2017	0	0	19 407 372	0	19 407 372
Accumulated depreciation 01/01/2017	0	0	–9 733 504	0	–9 733 504
Depreciation during the year			–2 343 731		–2 343 731
Extraordinary value adjustments during the year					0
Accumulated depreciation 31/12/2017	0	0	–12 077 235	0	–12 077 235
NET BOOK VALUE 31/12/2017	**0**	**0**	**7 330 137**	**0**	**7 330 137**
Net book value 31/12/2016	0	0	7 654 444	0	7 654 444

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 01/01/2017	262 228	449 169	871 039	598 570	2 181 006
Additions during the year	404 367	350	655 151	497 355	1 557 223
Disposals during the year					0
Gross Book value 31/12/2017	666 595	449 519	1 526 190	1 095 925	3 738 229
Accumulated depreciation 01/01/2017	–151 585	–413 591	–639 436	–310 316	–1 514 928
Depreciation during the year	–42 117	–11 562	–82 165	–64 424	–200 268
Accumulated depreciation 31/12/2017	–193 702	–425 153	–721 601	–374 740	–1 715 196
NET BOOK VALUE 31/12/2017	**472 893**	**24 366**	**804 589**	**721 185**	**2 023 033**
Net book value 31/12/2016	110 643	35 578	231 603	288 254	666 078

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 2017 was EUR 83 474 134 and EUR 1 204 237 836 respectively (2016: EUR 72 061 787 and EUR 1 158 983 570 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 2017 stands at EUR 5 382 501 (2016: EUR 5 352 753) and EUR 623 039 (2016: EUR 480 436) respectively.

The balance as at 31 December 2017 for discount depreciation remaining unamortised stands at EUR -5 563 741 (2016: EUR -3 671 648) and for premium depreciation remaining unamortised stands at EUR 51 861 450 (2016: EUR 51 869 240).

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	
	2017	2016
DEBTORS		
Debtors arising of reinsurance operations	**1 058 059**	5 539 879
Other debtors	**5 851 315**	2 072 326
CREDITORS		
Creditors arising out of reinsurance operations	**6 886 525**	8 626 916
Debenture loans		
of which subordinated loans	**0**	10 000 000
Other creditors	**23 224 739**	15 412 285

- The significant decrease of debtors arising of reinsurance operations (-81% compared to 2016) is mainly explained by low reinsured claim while year end 2016 was impacted by important losses in pooled business and taken in charge by the reinsurer (EUR 4 million);
- The significant increase of other debtors (+182% compared to 2016) and other creditors (+51% compared to 2016) is still explained by the development of the cross-border business.

Two subordinated loans, of EUR 6,5 million and EUR 3,5 million, which granted by Swiss Life International Holding Ltd as at December 31, 2016 have been reimbursed. The repayment of the nominal value of both loans amounting to EUR 10 million was executed with value date November 14, 2017. The amount of interests accrued from January 1, 2017 until November 14, 2017 on these loans has been settled with value date November 17, 2017.

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	2017	2016
Net acquisition costs, opening balance	**470 413**	577 055
Conversion differences (net)	**–241**	62
Net difference in additions/depreciation during the year	**–71 547**	–106 704
NET ACQUISITION COSTS, CLOSING BALANCE	**398 626**	470 413

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 31/12/2016	23 000 000	2 300 000	79 393 098	0	15 620 352
Allocation of result 2016			15 620 352		–15 620 352
Dividend paid to shareholders					
Movements during the year 2017					18 730 910
AS AT 31/12/2017	**23 000 000**	**2 300 000**	**95 013 450**	**0**	**18 730 910**

As at 31 December 2017 and 31 December 2016, 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 31/12/2016	7 589 078	1 250 588 072	22 242 079	22 014 718	11 250 130 344	12 552 564 291
Conversion Difference	–162 895	–18 670 928	–588 825	–202 888	–220 476 666	–240 102 202
Opening balance 01/01/2017	7 426 183	1 231 917 144	21 653 254	21 811 830	11 029 653 678	12 312 462 089
Movements during financial year 2017	–4 110 575	99 785 010	–7 596 556	13 132 223	1 247 189 607	1 348 399 709
CLOSING BALANCE 31/12/2017	**3 315 608**	**1 331 702 154**	**14 056 698**	**34 944 053**	**12 276 843 285**	**13 660 861 798**

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

14 Other creditors, including tax and social security

The significant amount of other creditors, including tax and social security is mainly explained by:

- some significant disinvestment transactions amounted to EUR 41,979 million, initiated before the end of the period and finalized only in 2018 (2016: EUR 34,836 million);
- the transfer of tax liabilities from the caption “Provision for taxation” to the caption “other creditors, including tax and social security” totaled EUR 20,748 million (2016: EUR 13,247 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	
	2017	2016
Individual premiums	**1 598 650 772**	1 245 787 117
Premiums under group contracts	**228 752 414**	213 730 181
Periodic premiums	**186 969 702**	191 894 360
Single premiums	**1 640 433 484**	1 267 622 938
Premiums for non-bonus contracts	**492 572**	555 809
Premiums for bonus contracts	**266 287 528**	247 786 625
Premiums from contracts where the investment risks are borne by the policyholders	**1 560 623 086**	1 211 174 864
Reinsurance balance	**4 741 534**	5 601 253

16 Geographical breakdown of written premiums

Gross direct insurance premiums amounting to EUR 1 827 403 186 (2016: EUR 1 459 517 298), may be broken down into geographic zones according to where the contracts have been concluded:

EUR	Life Insurance	
	2017	2016
Contracts concluded in the Grand Duchy of Luxembourg	**173 691 290**	157 653 808
Contracts concluded in other countries of the EEA	**1 217 629 239**	1 047 388 434
Contracts concluded in other countries outside the EEA	**436 082 657**	254 475 056

17 Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 13 657 411 (2016: EUR 12 087 907), and are included in the acquisition costs item.

18 Personnel employed during the year

The average number of persons employed during the financial year 2017 amounts to 133 (2016: 123) and may be broken down in the following categories:

Category	Number of persons	
	2017	2016
Management	**7**	7
Executives	**54**	51
Salaried employees	**72**	65

EUR	2017	2016
Wages and salaries	**10 955 716**	9 695 506
Social securities costs	**1 441 443**	1 134 404
of which pensions	**1 213 635**	956 180

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 Euro 0, including employer charges (2016: EUR 0).

Remuneration granted to the company's Management amount to EUR 1 582 126 (2016: EUR 1 472 260) including employer charges.

20 Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2017 and 31 December 2016 are broken down as follows:

EUR	2017	2016
Legal audit fees	**376 134**	326 014
Other assurance services	**24 937**	24 937
Tax related services	**14 367**	20 620

21 Off balance sheet commitments

At 31 December 2017 and 31 December 2016, the company has the following commitments:

EUR	2017	2016
Leasing of hardware	**226 740**	303 983
Leasing of vehicles	**1 081 879**	801 795
Building's lease agreement	**6 525 989**	7 832 489
Infrastructure fund	**6 208 934**	10 047 170
Real Estate fund	**8 459 142**	0
Other contingencies	**779 646**	1 027 998

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 and had exercised its return option as at November 29th 2016. This participating interest is thus valued EUR 0 as at 31 December 2017 (2016: EUR 39 824).

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

Swiss Life (Luxembourg) S.A. has an uncalled commitment amount of EUR 6 208 934 (2016: EUR 10 047 170) in an infrastructure fund which is a Luxembourg common limited fund and has a commitment in a real estate fund amount to EUR 8 459 142.

Finally, the Building lease agreement is due to the move of the company to its new premises in the Cloche d'Or, effective 1 January 2017, and the related new lease agreement signed.

22 Collective pension funds

EUR	2017	2016
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	**4 587 275**	4 914 782
Debt securities and other fixed income transferable securities	**0**	0
Other assets		
Cash at bank and in hand	**19 144**	153 542
ASSETS	**4 606 419**	5 068 324
Technical provisions		
Technical provisions for lilfe insurance contracts where the investment risk is borne by the policyholders	**4 606 419**	5 068 324
LIABILITIES	**4 606 419**	5 068 324

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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