# Annual Accounts 2020

Swiss Life (Luxembourg) S.A.

# *Management report for the financial year 2020 to the Annual General Meeting of 9 April 2021*

## *Comments on the financial year 2020*

### 1 General considerations

Swiss Life (Luxembourg) S.A. ("the Company") presents the result of the financial year 2020, with another record net profit of EUR 31.5 million (EUR 29.7 million in 2019). This confirms our robustness and stability in a challenging economic environment.

A stable asset base increasing our employee benefits client basis and a good cost management led to this result. The low-interest environment still affects the evolution of the investment margin. However, the Company successfully preserved a strong net margin after policyholders' participation.

In 2020, a lot of efforts and resources have still been put into our strategic projects to improve the efficiency. This will continue throughout 2021 as the regulatory changes on European level remain very demanding.

The impacts of the Brexit will be limited for SL Luxembourg. SL Luxembourg was present in the UK market but gross written premiums do not represent a material part of the total GWP over the last years. Bottom-line impact will not be material.

The management of Swiss Life Luxembourg has assessed the risks linked to the COVID 19 crisis based on the current available information and the current Swiss Life Luxembourg lines of business. The results of this assessment (including the review of solvency ratio, the review of asset liquidity and valuation and the review of claim ratio) do not reveal material impacts for the Company in 2020. The analysis demonstrates the Company's resilience in terms of business continuity, solvency position, and compliance with regulatory requirements. The potential consequences will continue to be monitored and assessed on a regular basis.

### 2 Analysis

The year 2020 has proven to be yet another exceptional financial year for the Company. The profit before tax increased by 13% to EUR 42.0 million (EUR 37.3 million in 2019) and the net profit increased at EUR 31.5 million (+ 6% compared to EUR 29.7 in 2019).

The Company's own portfolio amounts to EUR 1 612.185 million on the balance sheet date, versus EUR 1 558.509 million for the previous year. This represents an increase of 3% explained by the assets performance and the premium income. Strategic assets allocation remains in 2020 similar as in 2019 with a diversification in real estate and infrastructure investment funds, compensating the low interest rate environment.

A close monitoring of the costs is vital for our margin management. The increase compared to 2019 (+1.4%) has been limited. The level of investments of the Company in its IT infrastructure and in the modernization of its processes has remained high.

### 2.1 Global Private Wealth business line

Gross Written Premiums increased by 1.8% to EUR 864 million in 2020 and surrenders increased by 27.7 % up to EUR 1 087 million in 2020, resulting in a combined net outflow of EUR 222 million in 2020.

Technical provisions relating to unit-linked products, totalled EUR 12 814 million at the end of 2020, versus EUR 13 044 million in 2019, i.e., a decrease of 2% in 2020, due to the bullish stock markets in 2020.

### 2.2 Global Employee Benefits business line

Gross Written Premiums decreased by 7% in 2020 explained by lower savings single premiums. But the periodic premiums increased by 6.5% due to a very good performance on risk business. The assets under control increased by 4% from EUR 1 413 to EUR 1 471 million in 2020, due to a good inflow.

## 3 Perspectives

Swiss Life Group continues to invest substantially in Swiss Life (Luxembourg) S.A. and the cross-border business. A significant cross-border competence center has been built up in Luxembourg under the new brand Swiss Life Global Solutions. More than 250 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 defined in 2019 were continued in 2020. 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' 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.

On a proposition perspective, the Company will enhance its proposition offerings by combining a portfolio of assets with the option of substantial death cover, which should bring growth and profitability.

**Outlook for the Pension business – Employee Benefits**
The Company continued to confirm its position as group insurance leader in Luxembourg in 2020 with positive outlook in 2021.

In 2021, we are concentrating our efforts to further establish the market share of our solution Swiss Life Preferred Germany, a locally compliant solution for group risk benefits targeting German multinationals. Furthermore, we would like to extend our relationships with Managing General Agents ("MGAs") to offer simple biometric solutions to our strategic markets. We are also looking to further utilize Swiss Life Network, as a key generator of fee income via stronger partnerships with the respective partners.

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 Accounts.

## 5 Acquisition of own shares

The Company did not acquire any of its own shares over the 2020 financial year.

## 6 Research and Development

The Company did not conduct any research and development activities over the 2020 financial year.

## 7 Branch

The Company had no branch over the 2020 financial year.

## 8 Description and management of main risks

The Risk Management functions are not isolated but an integral part of the overall management activities of Swiss Life (Luxembourg) S.A. as it is within Swiss Life Group. The Risk Management Function should not only analyse the developments of the past but should also provide the senior management with the analysis of future risk aspects. The Swiss Life Luxembourg Risk Management function is headed by the local Chief Risk Officer.

a) Competences
Risk monitoring (risk controlling) applies to all relevant risks and especially to the limits in place. Any limit breach requires the Company, in which the breach occurred, to immediately inform both the delegating unit or body and the risk functional line, including the Group Chief Risk Officer. The decision on further actions lies in the first place with the delegating unit or body.

b) Controls and reporting
Swiss Life (Luxembourg) S.A. has to report according to Internal Risk Reporting guideline.

c) Comprehensive system of limits
Swiss Life (Luxembourg) S.A. has set up a comprehensive system of limits to capture and reflect the nature of the underlying risks.

**Quantitative risk**
- The risk appetite is set on Board of Directors level and is expressed as Solvency II ratio limit for Swiss Life Luxembourg;
- Specific risk capital and exposure limits for units set by the Asset & Liability Committee (ALCO);
- For credit risk, rating-dependent exposure limits avoid concentration risk of counterparties.

**Qualitative risk**
- Strategic and operational risks have quantitative risk tolerance levels and thresholds.

**Actuarial**
- Insurance risk is managed through an underwriting process with limits and thresholds.

**Product Management**

- Profitability hurdle rates on unit and product level trough pricing policy;
- Local product developments exceeding certain thresholds are subject to a local and group approval process.

The main risks which are monitored by Swiss Life (Luxembourg) S.A. are:

**Business / Strategic risk**

Business or Strategic risk is the current and prospective impact on capital and earnings (various metrics) arising from the unintended risk that can result as a by-product of planning or executing the strategy such as:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans;
- Assumptions underlying the strategic plans do not materialize including changing business environments.

Strategic risks are potentially risks combining drivers from various risk categories (i.e. overarching risks) which might have a substantial impact on the achievement of strategic goals.

**Market risk**

Market risk refers to the risk of a loss due to changes in the financial position, which, directly or indirectly, arise from fluctuations in the level and/or volatility of market prices for assets, liabilities or financial instruments. Market risk includes the risk of currency rate changes.

**Credit risk**

Credit risk is the risk due to the uncertainty in counterparty's ability to meet its contractual obligations.

**Liquidity risk**

Liquidity risk means the risk that Swiss Life (Luxembourg) S.A. is unable to realise investments and other assets in order to settle their financial obligations when they fall due.

**Insurance risk**

Insurance risk refers to the risk of a loss based on deviation between the expected costs for claims and benefits and the actual costs as a result of accident, error or change of circumstances.

**Concentration risk**
Concentration risk describes the risk of a loss caused by assuming single or highly correlated risks with significant loss exposure or potential defaults.

**Operational risk**
Operational risk is the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes Outsourcing and Legal Risks.

**Reputational risk**
Reputational risk is the risk of a perceived reduction in Swiss Life (Luxembourg) S.A.'s ability to generate future profits due to a loss of credibility leading to a negative impact on shareholders' value. Reputational damage can be a consequence of internal or external events.

**Emerging risk**
Emerging risks are newly occurring or altering existing risks. By nature, Emerging Risks are difficult to quantify at an early stage and may have a major impact on the Swiss Life (Luxembourg) S.A. Generally, Emerging Risks are more important to reinsurance or liability insurance companies than to life insurance companies.

**Alternative risk Categorisation**
In addition to the above described risk categories, Swiss Life distinguishes between quantitative and qualitative risks. Quantitative risks comprise market risk, credit risk, liquidity risk, insurance risk and concentration risk. Qualitative risks comprise operational risk, strategic risk, reputational risk and emerging risk.

The risk management framework in place at Swiss Life (Luxembourg) S.A. refers to:

- The ALCO monitoring role;
- The monthly financial risk management reports;
- The elaboration of half-yearly market consistent embedded value appraisals;
- The tenue of Underwriting and compliance committees (CBAC);
- The adherence of Luxembourg regulatory requirements;
- The maintenance of Business Continuity Plan in the event of unavailability of serious IT and/or building failures.

Finally, the Company did not use derivatives during the financial year 2020.

## 9 Profit for the financial year and proposed allocation

The financial year under review resulted in a post-tax profit of EUR 31.531 million.

In view of the zero balance brought forward from financial year 2019, the balance available to the General Meeting totals EUR 31.531 million.

The allocation of the post-tax profit will be performed by circular in order to make the proposal for the General Assembly.

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

This 2020 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 35 years.

The Board of Directors

Luxembourg, 18 March 2021

**Audit report**

To the Shareholder of
**SWISS LIFE (LUXEMBOURG)**

## 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) (the “Company”) as at 31 December 2020, 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 2020;
- 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 the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 21 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. 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 |
|---|---|
| *Valuation of Unit Linked assets - Unquoted investments* | |
| Management estimates the market value of certain categories of assets in the absence of readily available market prices. As at 31 December 2020, the unquoted investments included in the unit-linked assets represent 1,171 million EUR (see Note 25 ).<br><br>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(i) in the annual accounts.<br><br>This process requires Management to exercise its judgement to:<br><br>• Assess reliability of the underlying source information, including challenging independent experts involved in the valuation exercise;<br><br>• 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.<br><br>We have performed the following procedures on the market value derived from supporting documentation such as external valuation reports and/or audited financial statements of the underlying assets, or others alternative approaches:<br><br>• Challenged Management's assessment of the reliability and independence of the experts involved;<br><br>• Assessed the adequacy of the accounting framework and related disclosures;<br><br>• Challenged the methodology and valuation model used.<br><br>Additionally, we have recomputed the market value based on the source information and the selected valuation models. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Valuation of certain technical provisions*<br><br>Life insurance provision amounting to 1,634 millions EUR as at 31 December 2020 is valued in accordance with the accounting principle described under Note 3(l) in the annual accounts.<br><br>Their valuation requires some level of judgment from Management when selecting methodologies and assumptions.<br><br>Due to the size of the life insurance provision, inappropriate methodologies and/or inadequate assumptions setting may result in significant impact on their valuation.<br><br>Additionally, inaccurate or incomplete data used in the process of computation could also result in misstatements in the valuation . | We have assessed and tested the key controls over the actuarial processes (mainly data collection and roll-forward of technical provisions) put in place by Management with respect to the valuation of the life insurance provision.<br><br>We have complemented our work by procedures which include the following :<br><br>• Involving our actuarial experts to challenge Management's methodology, methods, and assumptions taking into consideration industry available studies and benchmark, as well as recognised actuarial practices and regulatory requirements;<br><br>• Independently calculating technical reserves for a sample of policies;<br><br>• Assessing the consistency of the actuarial methods used compared to prior year;<br><br>• 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 stated 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.

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 27 May 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 26 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 1 April 2021

Electronically signed by:
Sylvia Pucar

Sylvia Pucar

# *Annual Accounts*

**Balance sheet as at 31 December 2020**

(expressed in euros)

| | Notes | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| ASSETS | | | |
| Subscribed capital unpaid | 12 | **6000000** | 6 000 000 |
| Intangible assets | 3(b), 4 | **11092736** | 10 179 946 |
| Other financial investments | 3(e), 6 | | |
| Shares and other variable yield transferable securities and units in unit trusts | 3(f) | **248 595 214** | 248 744 631 |
| Debt securities and other fixed income transferable securities | 3(g) | **1 250880 974** | 1 224 983 694 |
| Other loans | 7 | **23 287 101** | 2 492 351 |
| Deposits with credit institutions | | **1 160 504** | 744 518 |
| Deposit with ceding undertakings | 3(h),8 | **6 021 339** | 0 |
| Investments | | **1 529945132** | 1 476 965 194 |
| Investments for the benefit of life insurance policyholders who bear the investment risk | 3(i),25 | **13 176731 306** | 13 282 352 716 |
| Reinsurer' share of technical provisions | | | |
| Life insurance provision | | **379029385** | 374 566 717 |
| Provision for bonuses and rebates | | **5 616 586** | 5 088 981 |
| Technical provisions for life insurance contracts where the investment risk is borne by the policyholders | | **0** | 91 272 396 |
| Debtors arising out of direct insurance operations | | | |
| Policyholders | 10 | **20013402** | 28 233 286 |
| Intermediaries | | **300507** | 580 278 |
| Debtors arising out of reinsurance operations | | **4654793** | 3 701 875 |
| Other debtors | 9 | **14915111** | 9 768 139 |
| Debtors | 3(j), 9 | **39883813** | 42 283 578 |
| Tangible assets and stocks | 3(c), 5 | **1 535769** | 1 670 054 |
| Cash at bank and in hand | | **82 240 069** | 81 543 946 |
| Other assets | | **83 775 838** | 83 214 000 |
| Accrued interest and rent | | **18310785** | 18 386 542 |
| Deferred acquisition costs | 3(k), 11 | **274 665** | 291 084 |
| Other prepayments and accrued income | | **4038479** | 4 327 056 |
| Prepayments and accrued income | | **22 623 929** | 23 004 682 |
| **TOTAL ASSETS** | | **15 254 698 725** | 15 394 928 210 |

The accompanying notes form an integral part of these Annual Accounts.

**Balance sheet as at 31 December 2020**

(expressed in euros)

| | Notes | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| LIABILITIES | | | |
| Subscribed capital | | **23 000000** | 23 000 000 |
| Reserves | | | |
| Legal reserve | 13 | **2 300000** | 2 300 000 |
| Other reserves | | **116707313** | 107 700 010 |
| Profit or loss for the financial year | | **31 531 332** | 29 707 303 |
| Capital and reserves | 12 | **173538 645** | 162 707 313 |
| Subordinated liabilities | 9 | **9 000000** | 9 000 000 |
| Technical provisions | 3(l), 14 | | |
| Provision for unearned premiums | | **12 476 205** | 10 531 405 |
| Life insurance provision | | **1 633 929884** | 1 583 258 301 |
| Claims outstanding | | **28 382 838** | 21 350 806 |
| Provision for bonuses and rebates | | **24 974 733** | 27 983 031 |
| Technical provisions | | **1 699 763 660** | 1 643 123 543 |
| Technical provisions for life insurance policies where the investment risk is borne by the policyholders | 3(l), 14, 23 | **13 176 731 306** | 13 373 625 112 |
| Provisions for taxation | | **0** | 15 902 |
| Other provisions | | **772285** | 695 790 |
| Provisions for other risks and charges | 3(m) | **772285** | 711 692 |
| Creditors arising out of direct insurance operations | 10 | **11 425 764** | 15 774 136 |
| Creditors arising out of reinsurance operations | | **12 335 614** | 7 540 051 |
| Amounts owed to credit institutions | 22 | **56 455 403** | 73 575 801 |
| Other creditors, including tax and social security | 15 | **113 643 610** | 108 168 203 |
| Creditors | 3(n), 9 | **193 860 391** | 205 058 191 |
| Accruals and deferred income | 3(o) | **1 032438** | 702 359 |
| **TOTAL LIABILITIES** | | **15 254 698 725** | 15 394 928 210 |

The accompanying notes form an integral part of these Annual Accounts.

## Profit and loss account for the year ended 31 December 2020

(expressed in euros)

| | Notes | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| TECHNICAL ACCOUNT – LIFE INSURANCE BUSINESS | 16 | | |
| Gross premiums written | 17 | **1 105 410 185** | 1 108 444 678 |
| Outward reinsurance premiums | 16 | **–89 924 413** | –164 037 933 |
| Change in the provision for unearned premiums, net of reinsurance | | **–1 944 800** | –4 625 878 |
| Earned premiums, net of reinsurance | | **1 013 540 972** | 939 780 867 |
| Income from other investments | | **36 499 448** | 37 615 687 |
| Gains on the realisation of investments | | **163 861 393** | 181 413 933 |
| Investment income | | **200 360 841** | 219 029 620 |
| Unrealised gains on investments | 3(i) | **155 411 245** | 1 286 779 226 |
| Other technical income, net of reinsurance | | **6 507 107** | 6 677 680 |
| Claims paid | | | |
| Gross amount | | **–1 224 066 749** | –999 145 349 |
| Reinsurers' share | 16 | **162 128 081** | 82 870 011 |
| Changes in the provision for claims | | | |
| Gross amount | | **–7 032 032** | –6 250 789 |
| Claims incurred, net of reinsurance | | **–1 068 970 700** | –922 526 127 |
| Life insurance provision | | | |
| Gross amount | | **162 474 894** | –1 458 009 164 |
| Reinsurers' share | 16 | **–86 282 123** | 88 603 820 |
| Changes in other technical provisions, net of reinsurance | | **76 192 771** | –1 369 405 344 |
| Bonuses and rebates, net of resinsurance | | **–13 244 372** | –18 457 094 |
| Acquisition costs | 18 | **–7 926 241** | –7 350 286 |
| Change in deferred acquisition costs | 11 | **–16 419** | –52 441 |
| Administrative expenses | 3(q) | **–41 160 055** | –39 790 448 |
| Reinsurance commissions and profit participation | 16 | **4 404 035** | 3 115 529 |
| Net operating expenses | | **–44 698 680** | –44 077 646 |
| Investment management charges, including interest | | **–10 980 665** | –8 030 184 |
| Value adjustments on investments | 3(r) | **–791 122** | –258 618 |
| Losses on the realisation of investments | | **–263 155 266** | –40 467 073 |
| Investment charges | | **–274 927 053** | –48 755 875 |
| Unrealised losses on investments | 3(i) | **–7 835 899** | –11 427 933 |
| Other technical charges, net of reinsurance | | **–308 324** | –292 659 |
| Allocated investment return transferred to the non-technical account | 3(p) | **–2 794 044** | –1 835 945 |
| BALANCE ON THE TECHNICALACCOUNT – LIFE INSURANCE BUSINESS | | **39 233 864** | 35 488 770 |

The accompanying notes form an integral part of these Annual Accounts.

**Profit and loss account for the year ended 31 December 2020**

(expressed in euros)

| | Notes | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| NON-TECHNICAL ACCOUNT | | | |
| Balance on the technical account – life insurance business | | **39 233 864** | 35 488 770 |
| Allocated investment return transferred from the life insurance technical account | 3(p) | 2 794 044 | 1 835 945 |
| Tax on profit or loss on ordinary activities | | **–10 507 161** | –7 619 092 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAX | 24 | **31 520 747** | 29 705 623 |
| Other taxes, not shown under the preceding items | 24 | **10 585** | 1 680 |
| **PROFIT FOR THE FINANCIAL YEAR** | | **31 531 332** | 29 707 303 |

The accompanying notes form an integral part of these Annual Accounts.

# 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 annual accounts

### Basis of preparation

These Annual Accounts have been prepared in conformity with the law of 8 December 1994, as amended, on Annual Accounts 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 annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumption changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities in the next financial years. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

In the context of the “Covid-19” pandemic, since the first half of 2020, Management has paid particular attention to the possible impacts linked to the health crisis on certain significant elements of its balance sheet and its income statement, and more particularly to aspects of valuation and recoverability of investments and receivables, but also the estimation of technical provisions. Indeed, as mentioned above, forward-looking and / or estimated elements may enter into the calculation of certain items in the financial statements and be impacted by the pandemic and its related events, in particular greater volatility of the financial markets, but also a higher level of uncertainty in apprehending certain parameters relevant to the calculation of technical provisions. Based on its monitoring, Management has not identified any major impacts on the annual accounts requiring additional mention in the annual accounts.

# 3 Summary of significant accounting policies

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

### (a) Translation of items expressed in foreign currencies

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

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

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 assets and stocks

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:

| | |
|---|---|
| Technical installations | 10% – 33.3% |
| Machines | 20% – 33.3% |
| Office furniture | 10% – 33.3% |
| Room fitting | 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 the lower of historical acquisition cost which includes expenses incidental to the purchase or market value.

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 between the historical acquisition costs and the market value 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 the lower of historical cost which includes incidental purchase expenses or market value.

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) Deposit with ceding undertakings

Deposits with ceding undertakings are valued at nominal value. In case of a durable depreciation in value, value adjustments are made, so that these are valued at the lower amount to be attributed to these at the balance sheet date. These value adjustments are not continued if the reasons for which these were made have ceased to apply. The actual value of deposits with ceding undertakings corresponds to the nominal value of these deposits.

### (i) 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 (such as last available third party external report for private equity investment) subject to management estimates, when no quoted price on a stock exchange is available.

In accordance with article 79.3 of the law dated 8 December 1994 as amended, the investments for the benefit of life insurance policyholders who bear the investment risk are valued at their cost less durable impairment when no reliable information is available to determine the market value.

### (j) 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.

## (k) 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.

## (l) 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.

### (m) 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.

### (n) 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.

### (o) 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.

### (p) 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.

### (q) 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.

### (r) 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 01/01/2020 | 0 | 0 | 27 696 211 | 0 | 27 696 211 |
| Additions during the year | 0 | 0 | 4 439 932 | 0 | 4 439 932 |
| Disposals during the year | 0 | 0 | –108 539 | 0 | –108 539 |
| Gross Book value 31/12/2020 | 0 | 0 | 32 027 604 | 0 | 32 027 604 |
| | | | | | |
| Accumulated depreciation 01/01/2020 | 0 | 0 | –17 516 265 | 0 | –17 516 265 |
| Depreciation during the year | 0 | 0 | –3 418 603 | 0 | –3 418 603 |
| Accumulated depreciation 31/12/2020 | 0 | 0 | –20 934 868 | 0 | –20 934 868 |
| | | | | | |
| Net book value 31/12/2020 | **0** | **0** | **11 092736** | **0** | **11 092736** |
| Net book value 31/12/2019 | 0 | 0 | 10 179 946 | 0 | 10 179 946 |

# 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 01/01/2020 | 686 541 | 449 519 | 1 537 966 | 1 124 421 | 3 798 447 |
| Additions during the year | 0 | 21 062 | 49 788 | 0 | 70 850 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 |
| Gross Book value 31/12/2020 | 686 541 | 470 581 | 1 587 754 | 1 124 421 | 3 869 297 |
| | | | | | |
| Accumulated depreciation 01/01/2020 | –234 826 | –443 442 | –914 124 | –536 001 | –2 128 393 |
| Depreciation during the year | –22 305 | –8 901 | –92 380 | –81 549 | –205 135 |
| Accumulated depreciation 31/12/2020 | –257 131 | –452 343 | –1 006 504 | –617 550 | –2 333 528 |
| | | | | | |
| Net book value 31/12/2020 | **429 410** | **18 238** | **581 250** | **506 871** | **1 535 769** |
| Net book value 31/12/2019 | 451 715 | 6 078 | 623 841 | 588 420 | 1 670 054 |

# 6 Other financial investments

As at 31 December 2020 and 2019, the book and actual values of other financial investments were as follows:

| EUR | 2020 | | 2019 | |
|---|---|---|---|---|
| | Book value | Actual value | Book value | Actual value |
| Shares and other variable yield transferable securities and units in unit in trusts | **248 595 214** | **256 744 141** | 248 744 631 | 254 190 198 |
| Debt securities and other fixed income transferable securities | **1 250 880 974** | **1 412 268 361** | 1 224 983 694 | 1 356 147 792 |
| Total | **1 499 476 188** | **1 669 012 502** | 1 473 728 325 | 1 610 337 990 |

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 2020 stands at EUR 7 321 395 (2019: EUR 6 527 499) and EUR 592 782 (2019: EUR 570 265) respectively.

The balance as at 31 December 2020 for discount depreciation remaining unamortised stands at EUR -4 271 057 (2019: EUR -4 751 814) and for premium depreciation remaining unamortised stands at EUR 91 806 913 (2019: EUR 81 207 480).

# 7 Other loans

The other loans are composed by two kind of loans. One part is related to policy holders loans secured by insurance policy taken out by the borrower for EUR 66 969 (2019: EUR 71 998) and the other part is related to corporate loans for EUR 23 220 132 (2019: EUR 2 415 660).

# 8 Deposit with ceding undertakings

The deposit under reinsurance contracts corresponds to the provision for claims for accepted reinsurance business. It is reevaluated on a quarterly basis based on the information sent by the counterparty.

# 9 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 | |
|---|---|---|
| | 2020 | 2019 |
| DEBTORS | | |
| Debtors arising out of reinsurance operations | 3 850 229 | 3 433 728 |
| Other debtors | 2 893 897 | 2 794 138 |
| CREDITORS | | |
| Creditors arising out of reinsurance operations | 11 242206 | 6 374 182 |
| Debenture loans | | |
| of which subordinated loans | 9 000000 | 9 000 000 |
| Other creditors | 45 441 987 | 37 884 467 |

# 10 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.

# 11 Deferred acquisition costs

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

| EUR | 2020 | 2019 |
|---|---|---|
| Net acquisition costs, opening balance | **291 084** | 343 525 |
| Conversion differences (net) | **–113** | 30 |
| Net difference in additions/depreciation during the year | **–16 306** | –52 471 |
| Net acquisition costs, closing balance | **274 665** | 291 084 |

# 12 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 31/12/2019 | 23 000 000 | 2 300 000 | 107 700 010 | 0 | 29 707 303 |
| Allocation of result 2019 | 0 | 0 | 29 707 303 | 0 | –29 707 303 |
| Dividend paid to shareholders | 0 | 0 | –20 700 000 | 0 | 0 |
| Movements during the year 2020 | 0 | 0 | 0 | 0 | 31 531 332 |
| As at 31/12/2020 | **23 000 000** | **2 300000** | **116 707 313** | **0** | **31 531 332** |

As at 31 December 2020 and 31 December 2019, 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.

# 13 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.

# 14 Technical provisions

| EUR | Provision for unearned premiums | Life insurance provision | Provision for claims outstanding | Provision for bonuses | Technical provisions[1] | Total |
|---|---|---|---|---|---|---|
| Closing balance 31/12/2019 | 10 531 405 | 1 583 258 301 | 21 350 806 | 27 983 031 | 13 373 625 112 | 15 016 748 655 |
| Conversion Difference | –129 734 | –8 798 385 | –142 279 | –84 121 | –186 289 645 | –195 444 164 |
| Opening balance 01/01/2020 | 10 401 671 | 1 574 459 916 | 21 208 527 | 27 898 910 | 13 187 335 467 | 14 821 304 491 |
| Movements during financial year 2020 | 2 074 534 | 59 469 968 | 7 174 311 | –2 924 177 | –10 604 161 | 55 190 475 |
| Closing balance 31/12/2020 | **12 476 205** | **1 633 929 884** | **28 382 838** | **24 974 733** | **13 176 731 306** | **14 876 494 966** |

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

# 15 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 amounting to EUR 42 million, initiated before the end of the year and finalized only in 2021 (2019: EUR 47 million);
- the transfer of tax liabilities from the caption "Provision for taxation" to the caption "other creditors, including tax and social security" totaling EUR 44 million (2019: EUR 34 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.

# 16 Results from the life insurance business

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

| EUR | Life Insurance | |
|---|---|---|
| Direct Premium and Reinsurance Premium accepted | **2020** | 2019 |
| | **EUR** | EUR |
| Individual premiums | **867 685 966** | 854 270 206 |
| Premiums under group contracts | **237 724 219** | 254 174 472 |
| Periodic premiums | **222 071 990** | 208 450 883 |
| Single premiums | **883 338 195** | 899 993 795 |
| Premiums for non-bonus contracts | **339 888** | 374 739 |
| Premiums for bonus contracts | **242 250 783** | 305 543 849 |
| Premiums from contracts where the investment risks are borne by the policyholders | **862 819 513** | 802 526 091 |
| Reinsurance balance | **–9 674 420** | 10 551 427 |

# 17 Geographical breakdown of written premiums

Gross insurance premiums amounting to EUR 1 105 410 185 (2019: EUR 1 108 444 678), may be broken down into geographic zones according to where the contracts have been concluded:

| EUR | Life Insurance | |
|---|---|---|
| | 2020 | 2019 |
| Contracts concluded in the Grand Duchy of Luxembourg | **158186 285** | 154 964 142 |
| Contracts concluded in other countries of the EEA | **745156 768** | 629 935 409 |
| Contracts concluded in other countries outside the EEA | **202 067132** | 323 545 127 |

As from 2020, United Kingdom is classified in the other countries outside the EEA.

# 18 Commissions

Commissions paid to insurance intermediaries relating to direct insurance amount to EUR 15 543 313 (2019: EUR 15 145 399), and are included in the acquisition costs item.

# 19 Personnel employed during the year

The average number of persons employed during the financial year 2020 amounts to 157 (2019: 146) and may be broken down in the following categories:

| Category | Number of persons | |
|---|---|---|
| | 2020 | 2019 |
| Management | **9** | 8 |
| Executives | **56** | 55 |
| Salaried employees | **92** | 83 |

| EUR | 2020 | 2019 |
|---|---|---|
| Wages and salaries | **12 873 540** | 12 373 114 |
| Social securities costs | **1 696 496** | 1 538 720 |
| of which pensions | **1 483 948** | 1 363 019 |

# 20 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 (2019: EUR 0).

Remuneration granted to the Company's Management amount to EUR 2 503 202 (2019: EUR 2 225 015) including employer charges.

# 21 Fees of the Independent Auditor

The fees of the independent auditor for the years ending 31 December 2020 and 31 December 2019 are broken down as follows:

| EUR | 2020 | 2019 |
|---|---|---|
| Audit fees [1] | **344 680** | 510 408 |
| Audit-related fees | **8 395** | 948 |
| Tax fees | **9 102** | 9 349 |
| Other fees | **16 794** | 33 635 |

[1] Such fees cover the audit of the Company's statutory accounts as of and for the year ended 31 December 2020, Group reporting work and the issuance of supplementary regulatory reports as applicable and required by the Commissariat aux Assurances.

# 22 Off balance sheet commitments

At 31 December 2020 and 31 December 2019, the Company has the following commitments:

| EUR | 2020 | 2019 |
|---|---|---|
| Leasing of hardware | **63 155** | 141 436 |
| Leasing of vehicles | **486 890** | 598 116 |
| Building's lease agreement | **7 494 530** | 8 746 115 |
| Asset pledged as collateral | **56 003 984** | 71 682 136 |
| Infrastructure fund | **41 388368** | 17 435 914 |
| Real Estate fund | **10 647 530** | 3 310 636 |
| Other contingencies | **1 055 114** | 903 702 |

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 41 388 368 (2019: EUR 17 435 914) in four infrastructure funds which are Luxembourg common limited funds and has a commitment in two real estate funds amounting to EUR 10 647 530 (2019: EUR 3 310 636).

Moreover, Swiss Life (Luxembourg) S.A. invested in asset pledged as collateral. The current value of the repurchase agreement instrument as at 31 December 2020 was EUR 56 003 984 (2019: EUR 71 682 136).

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 lease agreement signed.

The Swiss Life Group is exposed to a risk linked to the expected resolution with the US Department of Justice (DOJ) inquiry concerning prior business with US clients. At the date of the approval of the annual accounts, Management of Swiss Life (Luxembourg) has made its best estimate to take into consideration the potential risk for the legal entity, considering that respective future events are not fully within the control of the Company.

# 23 Collective pension funds

| EUR | 2020 | 2019 |
|---|---|---|
| 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 | **4 846 417** | 4 650 926 |
| Other assets | | |
| Cash at bank and in hand | **17 839** | 8 126 |
| ASSETS | **4 864 256** | 4 659 052 |
| Technical provisions | | |
| Technical provisions for lilfe insurance contracts where the investment risk is borne by the policyholders | **4 864 256** | 4 659 052 |
| LIABILITIES | **4 864 256** | 4 659 052 |

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

# 24 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.

# 25 Investments for the benefit of life insurance policyholders who bear the investment risk

The investments for the benefit of life insurance policyholders who bear the investment risk amount to EUR 13 177 million as at 31 December 2020 (2019: EUR 13 282 million).

This caption also includes private equity type vehicles for a total amount of EUR 1 171 million (2019: EUR 1 413 million).

The Company determines the best estimate of the fair value based on the type of inputs available at the time of preparation of the Annual Accounts, as follows:

- Level 1: The fair value is based on independent external experts valuation reports.
- Level 2: The fair value is determined using valuation techniques that maximize the use of recent audited financial statements and other reliable financial information and rely as little as possible on entity specific estimates.
- Level 3: Typically, when one or more of the significant inputs is not based on recent audited financial statements and data, specific management assumptions are used.

As at 31 December 2020, EUR 266 million of investments for the benefit of life insurance policyholders who bear the investment risk have been valued at cost less durable impairment in accordance with the law of 8 December 1994 as amended.

As at 31 December 2020, these investments can be split as follows:

| Million EUR | 2020 | 2019 |
|---|---|---|
| Level 1 | **436** | 564 |
| Level 2 | **460** | 843 |
| Level 3 | **8** | 6 |
| Total | **904** | 1 413 |

# 26 Details on pledges to cover reinsurance treaties

| Million EUR | 2020 | | 2019 | | |
|---|---|---|---|---|---|
| | Treaty A | Treaty B | Treaty A | | Treaty B |
| | EUR Fund | | EUR Fund | External Funds | |
| a. Technical provision Lux GAAP | **287** | **94** | 286 | 91 | 90 |
| b. Technical provision SII | **298** | **102** | 288 | 88 | 94 |
| Max(a,b) | **298** | **102** | 288 | 91 | 94 |
| Pledge | **335** | **102** | 293 | 92 | 86 |

In 2020, two reinsurance treaties are covered by pledges: one treaty which is a 100% quota share treaty covering the guaranteed rate fund for Private Wealth business (Treaty A) and one treaty which is a 50% quota share treaty covering the guaranteed rate fund for Employee benefits business (Treaty B). In 2019, the Treaty A was covering the guaranteed rate fund and the external funds. A quarterly monitoring is in place to compare the value of the pledged assets to the provisions covered.

# 27 Information concerning consolidated companies

Swiss Life (Luxembourg) S.A. is included in the consolidated Annual Accounts 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 at the head office of Swiss Life (Luxembourg) S.A..

# 28 Subsequent events

No significant subsequent events occurred after the balance sheet date.

# *Caution regarding forward-looking statements*

This Annual Report contains forward-looking statements about Swiss Life (Luxembourg) S.A. which involve certain risks and uncertainties. All forward looking statements are based on the data available to Swiss Life at the time this Annual Report was compiled.

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

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