

SOLVENCY AND FINANCIAL CONDITION REPORT SFCR

Cardif Lux Vie

31 December 2019



CARDIF LUX VIE
GROUPE BNP PARIBAS

The insurer
for a changing
world

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Introduction

This Solvency and Financial Condition Report concerns the company Cardif Lux Vie. It is based on the results of the assessment under Solvency 2 standards for fiscal year 2019, as presented on 27 May 2020 by the Audit and Risks Committee to the Board of Directors. The report was approved by the Audit & Risks Committee at its meeting on 27 May 2020.

The requirements for the Solvency and Financial Condition Report are laid down in Articles 51 to 56 of the Solvency II Directive and its Delegated Acts, adopted on 10 October 2014 by the European Commission. They provide details on the content, structure and disclosure of reports:

Articles 290 to 292:	Definition of the structure, materiality and summary
Article 293:	Business and performance
Article 294:	System of governance
Article 295:	Risk profile
Article 296:	Valuation for solvency purposes
Article 297:	Capital management

The report contains narrative information in quantitative and qualitative form, supplemented, where appropriate, with quantitative templates.

The figures given for the 2018 financial year in this report are the figures for Cardif Lux Vie S.A.

Unless stated otherwise, all data presented in this report are in millions of euros.



Christian Gibot

Chief Executive Officer

Value creation overview

Business and performance

Cardif Lux Vie is a Luxembourg insurance company positioned among the major players in the market. With strong links to its customers, partners and employees, the Company delivers high-quality solutions and services in the interests of sustainable, responsible growth.

Backed by a solid shareholding structure (BNP Paribas Cardif and BGL BNP Paribas), it successfully combines local know-how and international expertise to meet the specific needs of its clients and partners.

On 21 June 2019, Cardif Lux Vie S.A. merged with and absorbed Cardif Life S.A. (the “absorbed company”), an insurance undertaking licensed in the Grand Duchy of Luxembourg, which was wholly owned by Cardif Lux Vie S.A. on the date of the merger.

The merger took effect legally and for tax purposes on 1 October 2019, with the effective date for accounting purposes being 1 January 2019.

Cardif Lux Vie’s revenue stood at €2.1 billion at 31 December 2019, down 20% from 2018.

With regard to wealth management activity, Cardif Lux Vie posted turnover of €2 billion. This activity was balanced in nature, both in terms of geographical distribution among international partners and with regard to the allocation between the General Fund and Units of Account, with the latter accounting for 66% of the inflow. Cardif Lux Vie also enhanced its specialised insurance fund product offering during 2019 and added a range of SRI (socially responsible investment) financial solutions.

On the local market, Cardif Lux Vie has enjoyed a good year, backing up its position as a major player in bancassurance with total inflows of €156.8 million (slightly down on the record level of 2018).

Cardif Lux Vie recorded net profit after tax of €38 million, a 5% increase compared with 2018.

The rate of return on assets fell by 22 basis points year-on-year to stand at 2.33% in 2019. Composed mainly of bond coupons, the performance of the Cardif Lux Vie General Fund is sensitive to the current low interest rate environment.

System of governance

Cardif Lux Vie is a public limited company with a Board of Directors and General Management.

The Board of Directors of the Company has three special committees: the Audit and Risks Committee; the ALM and Investments Committee; the Remuneration and Nomination Committee.

The Solvency II regulations, as applied within Cardif Lux Vie, define the following four key functions:

- Risk Management function;
- Compliance function;
- Audit function;
- Actuarial function.

The independence of key functions is guaranteed by a right of access to Board members for the heads of key functions in the event of a major risk or serious malfunction likely to compromise the accountability of directors or the sound management of the Company.

Risk profile

The solvency capital requirement (SCR) has risen by 24% compared with 31 December 2018, not solely as a result of the integration of the former Cardif Life entity, which naturally generated an additional capital requirement, but also because of the increase in market risk caused by a low interest rate environment.

The SCR for market risk is €513 million, up 29% on 2018 before diversification. This accounts for 87% of the overall SCR. It consists of six risk modules, most notably spread and equity risk.

The subscription risk SCR stood at €190 million at 31 December 2019, up 15% compared with 31 December 2018, principally as a result of the integration of the former Cardif Life entity.

Valuation for solvency purposes

Cardif Lux Vie's statutory financial statements are prepared in accordance with Luxembourg standards. Cardif Lux Vie prepares its balance sheet under Solvency II in accordance with Article 75 of the Solvency II Directive, i.e. principally at market value.

Capital management

The aim of Cardif Lux Vie's Capital Management Policy is to comply with regulatory solvency requirements, to cover at least 100% of the SCR defined within the framework of the own risk and solvency assessment (ORSA), and to structure own funds, seeking the best balance between share capital, subordinated debt and other own-fund items, in view of the regulatory limits and thresholds.

At 31 December 2019, the amount of own funds eligible for the SCR totalled €841 million. The amount of own funds eligible for the Minimum Capital Requirement (MCR) came to €701 million.

The SCR was €591 million and the MCR was €266 million at 31 December 2019.

The SCR and MCR coverage ratios were 151% and 264%, respectively.

A. Business and performance

A.1 Business and external environment

Cardif Lux Vie S.A. (the “Company”) is a public limited company constituted in accordance with Luxembourg law on 5 April 1994.

On 21 June 2019, Cardif Lux Vie S.A. merged with and absorbed Cardif Life S.A. (the “absorbed company”), an insurance undertaking licensed in the Grand Duchy of Luxembourg, which was wholly owned by Cardif Lux Vie S.A. on the date of the merger.

The merger took effect legally and for tax purposes on 1 October 2019, with the effective date for accounting purposes being 1 January 2019.

The Company’s registered office is situated at 23-25, Avenue de la Porte Neuve, L-2227 Luxembourg.

The Company is registered in Section B of the Luxembourg Companies Register under the number 47.240.

The Company is involved in all insurance, co-insurance and re-insurance activities in the life assurance sector.

The Company’s annual financial statements are audited by Deloitte Audit, 20 Boulevard de Kockelscheuer, L-1821 Luxembourg, under the responsibility of Ronan Richard, Certified Auditor.

Cardif Lux Vie is supervised by the Commissariat aux Assurances, 7 Boulevard Joseph II, L-1840 Luxembourg.

A.1.a High-quality shareholders

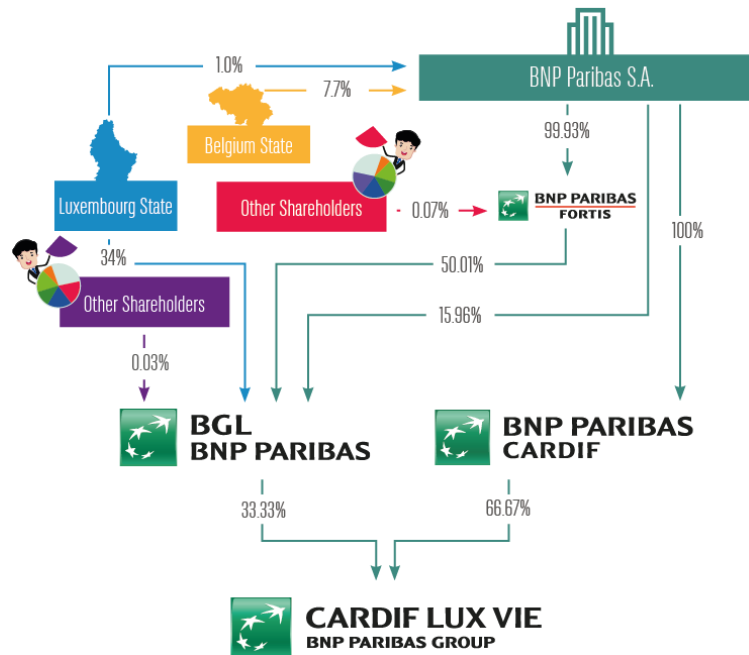
Cardif Lux Vie has a solid shareholder base with strong local and international links.

On 21 December 2018, BNP Paribas Cardif acquired the Cardif Lux Vie shares previously held by Ageas to become the majority shareholder of Cardif Lux Vie with a 66.67% stake. BGL BNP Paribas retains a 33.33% shareholding in Cardif Lux Vie.

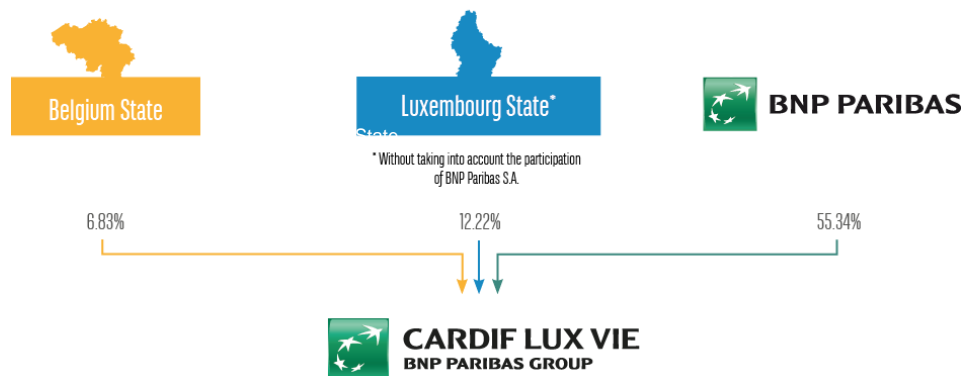
BNP Paribas Cardif is the insurance subsidiary of the BNP Paribas Group, a European leader in banking and financial services and one of the strongest banks in the world. Operating in 36 countries and firmly positioned in three regions (Europe/Middle East/Africa, Asia and Latin America) with some 100 million customers, BNP Paribas Cardif is a world specialist in personal insurance and a major player in financing the economy.

BGL BNP Paribas is one of the largest banks in the Grand Duchy of Luxembourg and is part of the BNP Paribas Group. It offers an especially wide range of financial products and bancassurance solutions to individuals, professionals, private banking clients and businesses.

ENLARGED VISION OF THE SHAREHOLDER



SCHEMATIC INDIRECT SHAREHOLDINGS



A.1.b Lines of business and geographical regions

Cardif Lux Vie is a market-leading Luxembourg life insurance company. With strong links to its customers, partners and employees, the Company delivers high-quality solutions and services in the interests of sustainable, responsible growth.

- In Luxembourg and the Greater Luxembourg Region, Cardif Lux Vie provides bancassurance and brokerage networks with life insurance solutions for savings, retirement and protection that offer high added value for private individuals and professionals.
- For high net worth clients active internationally, the Company offers sustainable, bespoke insurance solutions distributed through an open architecture via an extensive network of first-class partners. Underpinned by a comprehensive range of wealth structuring tools, planning solutions from Cardif Lux Vie lend long-term support to the company's clients and partners.

A.1.c Events after year-end

The coronavirus epidemic began in late 2019 but was not recognised by the World Health Organisation as a pandemic until 11 March 2020. Many governments and regulators adopted a broad range of measures to combat the spread of the virus, in particular imposing restrictions on travel, including quarantine, ordering the closure of workplaces and other activities, and introducing "lockdown" in some areas. These measures will continue to affect the global supply chain and demand for goods and services, and will therefore have a huge impact on world growth.

At the same time, budgets and monetary policies have been diverted and changed to support the economy. While these state interventions and their effectiveness are still evolving, uncertainty remains high with regard to the extent of damage that this epidemic will do to economies, both at local level and globally.

The epidemic may to a greater or lesser extent impact the assessment of risks, available resources and their impact on the solvency ratio in 2020 depending in particular on how the financial markets, business volume and claims develop.

The effects of this situation on Cardif Lux Vie are largely unpredictable, given the continuing spread of the pandemic. However, the impact will principally be felt in the volume of new business, claims and valuation of assets. It will be attenuated to a degree by the effects of economic mitigation measures which underpin the risk assessment, the implementation of instruments to manage risk in terms of financial and technical risk coverage, the use of rescue measures and economic support put in place by governments or foreseen in the rules regulating the insurance business.

With regard to the measures taken by Cardif Lux Vie, the EGM of 31 March 2020 resolved to increase the Company's share capital by €100,000,000 through the issue of 4,000,000 new shares at a par value of €25 per share.

On 13 January 2020, Cardif Lux Vie signed an agreement relating to the sale of its Employee Benefits business in Luxembourg to LALUX-Vie. The legal transfer of the business took effect on 11 February, following approval by the Commissariat Aux Assurances (CAA).

Cardif Lux Vie is retaining its international Employee Benefits business.

A.2 Performance of the underwriting business

The following figures are taken from the annual financial statements of Cardif Lux Vie. The income statement net of reinsurance and after tax is presented below:

<i>In millions of euros</i>	2019	2018	%
Premiums	2,127	2,662	-20%
Investment income	577	496	16%
Unit-linked insurance adjustments (capital gains)	1,908	76	2418%
Other technical income	8	9	-15%
Claims incurred	- 1,690	- 1,265	34%
Cost of life insurance provisions and other technical provisions	- 2,415	- 469	415%
Profit-sharing	- 128	- 111	16%
Acquisition and administration costs	- 99	- 88	12%
Investment expenses	- 141	- 97	46%
Unit-linked insurance adjustments (capital losses)	- 89	- 1,162	-92%
Other technical expenses	- 7	- 3	119%
Income from transferred investments	- 4	- 5	-14%
Technical result of life insurance operations	47	44	7%
Non-technical result (excluding taxes)	4	5	-14%
Pre-tax profit for the period	51	48	5%
Taxes	- 13	- 12	2%
Profit for the period	38	36	5%

A.2.a Growth in revenue

Cardif Lux Vie is reporting a slowdown in its commercial activity in the context of a low interest rate environment and uncertainty on the financial markets, recording €2.1 billion in premiums, down 20% compared with 2018.

However, Cardif Lux Vie maintained a good level of inflow of Units of Account while also meeting its targets for net inflow to the General Fund.

<i>In millions of euros</i>	2019	2018	%
Wealth Management – Unit-linked	1,297	1,561	-16.9%
Wealth Management – General Fund	681	924	-26.3%
Total Wealth Management	1,978	2,485	-20.4%
Local Market, savings	132	157	-16.1%
Local Market, protection	25	29	-12.4%
Total Local Market	157	186	-15.6%
Total Inflows	2,135	2,671	-20.1%

The €8 million difference in premiums for 2019 between the two statements above is due to ceded reinsurance premiums.

With regard to wealth management activity, Cardif Lux Vie posted turnover of €2 billion. This activity was balanced in nature, both in terms of geographical distribution among international partners and with regard to the allocation between the General Fund and Units of Account, with the latter accounting for 66% of the inflow.

Cardif Lux Vie also enhanced its specialised insurance fund activities product offering during 2019 and added a range of SRI (socially responsible investment) financial solutions.

On the local market, Cardif Lux Vie has enjoyed a good year, backing up its position as a major player in bancassurance with total inflows of €156.8 million (slightly down on the record level of 2018). Savings business decreased to €131.7 million (-16% year-on-year) with Protection stabilising at €25.1 million. In 2019 Cardif Lux Vie launched a new supplementary pension offer for professionals and the self-employed (RCPI), and also completely overhauled its Loan Insurance and Programmed Retirement Savings product range. Finally, Cardif Lux Vie commenced a realignment of its strategy in order to focus its individual life insurance activity on the future.

A.2.b Growth in profit for the period

Cardif Lux Vie recorded net profit after tax of €38 million, a 5% increase compared with 2018. This takes into account the integration of Cardif Life and the investments needed to support the Company's transformation plan as well as to secure operational activity and to improve quality of service.

The Company's income from insurance activity increased by 14% year on year to €114 million (2018: €100 million). This figure includes higher protection income as a result of lower claims and growth of 22% in assets under management in the savings business thanks to net positive inflows, the contribution of assets from Cardif Life and performance of the financial markets.

General expenses for the Company amounted to €65 million (2018: €56 million), comprising acquisition fees, administration fees, investment management charges and claim charges, were up by 16% year-on-year. These fees include the absorption of Cardif Life, the investments needed to support the Company's transformation plan, as well as to secure operational activity and improve quality of service to clients and partners.

Litigation and pre-litigation in respect of third parties reduced the result by €2 million.

Cardif Lux Vie ended the financial year with a technical result for its insurance business of €47 million, an increase of 7% from 2018.

The Company recorded a fall in its non-technical result linked to its return on equity. This was mainly due to a decrease in the rate of return on its assets in 2019.

Pre-tax profit stood at €51 million in 2019, up 5% from 2018.

A.3 Performance of investment activities

A.3.a Composition of investments

Assets representing the unit-linked liabilities of Cardif Lux Vie amounted to €19.5 billion at 31 December 2019 (2018: €15.1 billion). These break down as follows:

<i>In millions of euros, at</i>	31 December 2019	31 December 2018
Internal funds	18,253	13,906
External funds	1,273	1,157
Total unit-linked investments	19,526	15,063

At 31 December 2019, the net carrying amount of **investments for which the investment risk is not borne by the policyholder** was €9.036 billion (2018: €8.29 billion) including accrued interest of €99.3 million (2018: €95 million). These are reported as **investments other than unit-linked investments**.

Cardif Lux Vie's asset allocation, excluding assets covering unit-linked liabilities, was as follows:

<i>Market value in millions of euros*, at</i>	31 December 2019	31 December 2018
Equities	147	166
Listed equities	285	231
Sovereign bonds	2,399	2,158
Corporate bonds	5,507	4,533
Structured bonds	136	148
Investment funds	1,476	1,528
Other investments	5	3
Derivatives	7	-
Deposits	6	-
Investments (excluding investments representing unit-linked liabilities)	9,968	8,767

The main part of these investments was carried by the General Fund in euros: a net carrying amount of €9.0 billion in 2019, including accrued coupons (2018: 8.24 billion euros) and 9.9 billion euros at market value, including accrued coupons (2018: 8.71 billion euros), of which the breakdown is given below.

<i>In millions of euros*, at</i>	31 December 2019		31 December 2018	
	<i>Net carrying amount</i>	<i>Market value</i>	<i>Net carrying amount</i>	<i>Market value</i>
Fixed-rate bonds	6,836	7,426	5,930	6,266
Floating-rate and inflation-linked bonds	582	606	523	544
Equity-linked bonds	0	0	20	19
Equities and similar	683	911	705	767
Real estate	264	296	242	272
Short term	329	329	532	532
Diversification assets (fixed rate)	304	359	289	313
Derivatives	6	7	289	313
Total	9,004	9,935	8,241	8,714

* including accrued coupons

The market value of fixed-rate investments in Cardif Lux Vie's General Fund portfolio in euros grew slightly to 78.4% at the end of 2019, versus 75.5% at the 2018 year-end. The proportion of the portfolio made up of floating-rate bonds remained stable at 6.1% at the end of 2019 compared with 6.2% at the end of 2018. Short-term investments, which accounted for 6.1% of the portfolio at the end of 2018, fell to 3.3% at the end of 2019.

Beta equity exposure (convertible, equity-linked, other equity-backed securities and diversified) rose to 9.2% at the end of 2019, as against 9% a year earlier.

The real estate allocation was stable, at 3.1% at the end of 2018 compared with 3.0% at the end of 2019.

A.3.b Financial performance

The **rate of return on unit-linked investments** was 11.04% in 2019, progressing sharply from 2018 (-5.56%). The change is due to the relative performance of the financial markets for each year.

The **rate of return on assets** in Cardif Lux Vie's **General Fund** was 2.33% in 2019, despite a sharp fall in bond yields recorded in the markets. By way of illustration, in 2019 the 10-year risk-free rate (10-year swap rate) averaged around 0.7% below the average level in 2018.

The rate of return on assets in Cardif Lux Vie's General Fund was 22bp lower in 2019, compared with 2018. This variation is due to a 23bp drop in the recurring yield, which is made up from dividends, coupons and amortisation of premiums/discount. The extraordinary yield, which includes the results of sale of assets and foreign exchange was stable at 0.11% at the end of 2019.

The difference between the rate of return on the General Fund assets and the gross rate used for customers is allocated to the profit-sharing reserve.

A.4 Performance of other activities

There are no other activities to review.

A.5 Other information

There is no other specific information.

B. System of governance

B.1 General information about the system of governance

Cardif Lux Vie is a public limited company with a Board of Directors.

B.1.a Board of Directors

Cardif Lux Vie is a public limited company with a Board of Directors.

The Board of Directors is invested with the greatest powers to complete or instruct any act of administration or disposal in the interests of the Company. It ensures that the business runs smoothly and debates and decides on matters that concern the Company. It is also responsible for strategic decision-making.

It draws up and approves the various mandatory reports. In addition, it approves the Company's policies, including but not limited to the Risk Management Policy, Internal Control Policy, Internal Audit Policy and where necessary the Outsourcing Policy, in accordance with Article 71-3 of the Luxembourg law on the insurance sector of 7 December 2015.

The Board of Directors may perform or commission audits and inspections as it sees fit and monitors the quality of information given to shareholders.

Prior to Board meetings, directors receive information enabling them to discharge their duties in the appropriate manner. They may also be sent important and urgent information at any time, particularly between Board meetings.

At the same time, each Board member may request all documents and information that they believe necessary to carry out their mandate.

The Chairman presides over the work of the Board and oversees the proper functioning of the Company's committees.

In 2019, the Board of Directors of Cardif Lux Vie met five times.

B.1.b Special committees of the Board of Directors

The Board of Directors of the Company has three special committees: the Audit and Risks Committee; the ALM and Investments Committee; the Remuneration and Nomination Committee.

The committees are composed of at least three directors appointed by the Board of Directors and the Chief Executive Officer.

- **Audit and Risks Committee**

Responsibilities:

- Review of the financial reports and all financial and actuarial documentation, in particular documents submitted to any government or public authority,
- Review of the Company's internal control system with regard to finance, accounting, law, compliance and ethics as drawn up by the Board,
- Auditing of the Company's accounts and financial statements in general,
- Monitoring of risk management policies, procedures and systems.

Role:

- To oversee the Company's financial reporting process and internal control system independently and objectively,

- To obtain a written statement from the Company's independent auditor at least once a year declaring that its independence has not been compromised,
 - To analyse and evaluate the performance of the independent auditor and internal audit,
 - To prepare the review relating to subjects to be audited at the Company, to be carried out by the Board of Directors,
 - To prepare the Board of Directors' review of the ORSA report.
 - To approve the Compliance activity report.
- ***The responsibilities of the ALM and Investments Committee are:***
 - To monitor the credit, market and liquidity risk of the Company's portfolio,
 - To verify the Company's asset/liability matching,
 - To perform checks and ensure that investment limits are adhered to,
 - To conduct an annual review of the results and performance of the Company's portfolio,
 - To review and update the investment criteria at least once every two years,
 - To inform the Board of Directors of any significant event that might in particular have an effect on the portfolio,
- ***The responsibilities of the Remuneration and Nomination Committee are:***
 - To advise the Board of Directors and/or approve the Company's employee remuneration policy,
 - To decide on the remuneration of members of the Executive Committee.

B.1.c Effective managers

Christian GIBOT and Bénédicte BURGUN are the two effective managers nominated by the Board of Directors. Christian Gibot is CEO of Cardif Lux Vie.

The two effective managers work jointly on reaching important decisions regarding the day-to-day management, whereby Christian GIBOT has special responsibility for strategy and commercial activity and Bénédicte BURGUN has special responsibility for finance.

Each of the two effective managers has all of the powers to act with regard to third parties that the law and the articles of association confer on executive officers, in particular the power to act as sole signatory on matters of day-to-day management of the Company.

Christian GIBOT has exclusive power to delegate his day-to-day management powers as long as the delegation of powers is accompanied by rigorous procedures and suitable controls.

B.1.d Operational governance bodies

The managerial governance of Cardif Lux Vie is supported by operational governance bodies and a system of delegation of powers.

Cardif Lux Vie's Executive Committee is responsible for authorising strategic decisions and monitoring the results and financial equilibrium of the Company, as well as any action plans to be implemented, significant commercial transactions, development and transformation projects, and human resources matters.

For risk management, the Executive Committee is assisted by operational committees (see B.1.f).

The delegation of powers is organised principally around three panels of authorised persons (panels A, B and C). Each authorised person can bind Cardif Lux Vie with regard to third parties for ongoing transactions (i.e. usual transactions for the Company, concluded at normal market conditions) within the scope of their powers. A specific delegation of powers relates to transactions involving management of assets and human resources.

The list of members in each panel may be updated over time and according to requirements. The members of panels B and C are appointed by Christian GIBOT. The Company is bound by the individual signature of one of the effective managers or by the joint signature of two representatives acting within the scope of the powers delegated to them.

Before binding the Company, the authorised persons must ensure that the norms, standards, procedures, authorisations and governance of BNP Paribas and BNP Paribas Cardif have been upheld.

The authorised persons must avoid reaching a decision if they find themselves in a conflict of interest.

B.1.e Key functions

The Solvency II regulations, as applied within Cardif Lux Vie, define the following four key functions:

- The Risk Management function, provided by the Chief Risk Officer, assists the Board of Directors and other functions with implementing the risk management system. It monitors and ensures that the risk profile matches the risk appetite defined by the Board of Directors. It reports on risk exposure and advises the Board of Directors on any questions in relation to risk management.
- The general role of the Compliance function, provided by the head of the Compliance Department, is to give the effective manager and the Board of Directors reasonable assurance that non-compliance, regulatory and reputational risks are duly monitored, controlled and mitigated.
- The Audit function, provided by the Chairman of the Audit and Risks Committee, is in charge of assessing the adequacy and effectiveness of the internal control system, as well as other elements of the system of governance.
- The Actuarial function, provided by the Chief Actuary, is responsible for coordinating the calculation of technical provisions, ensuring the appropriateness of methodologies, the underlying models and the assumptions used to determine them, and assessing the adequacy and quality of the data used. It is also in charge of the calculations for producing regulatory solvency reports.

Like the effective managers, each person responsible for these key functions must be declared to the Commissariat aux Assurances (CAA) upon his or her appointment.

The Audit and Risk Management functions are vertically integrated with the corresponding functions of the BNP Paribas Group. This organisational structure helps to reinforce the independence of these functions.

A governance system sets out the operating procedures of these double linkages for each function: in the event of disagreement between the effective manager of Cardif Lux Vie and the head of the Group function concerned, the Board of Directors adjudicates.

The independence of key functions is guaranteed by a right of access to Board members for the heads of key functions in the event of a major risk or serious malfunction likely to compromise the accountability of directors or the sound management of the Company.

B.1.f Remuneration policy

Cardif Lux Vie's remuneration policy is based on the remuneration policy of the BNP Paribas Group.

This is based on the principles of fairness and non-discrimination and involves an annual review of fixed and variable remuneration.

The method of determining individual variable remuneration includes an evaluation of the long-term quantitative and qualitative performance measured against the targets set, and an assessment of the professional conduct of each individual in terms of upholding values, teamwork and following compliance rules, the Code of Conduct and procedures.

The Board of Directors of Cardif Lux Vie is responsible for the remuneration of Executive Committee members.

B.1.g Conflicts of interest

In 2019, no conflict of interest was reported by Cardif Lux Vie's directors.

B.2 Fit and proper requirements

The Board of Directors appoints the effective managers and the heads of key functions in view of their expertise and experience, evaluated according to their professional qualifications, know-how and experience in the insurance industry or other financial sectors.

The effective manager is appointed not only on the basis of his/her expertise and experience gained during his/her career, but also according to the qualities deemed necessary. For example, the effective manager must have solid experience in insurance and financial markets, strategy, system of governance and risk analysis, and actuarial and financial analysis, as well as a thorough understanding of the regulations applicable to insurance undertakings.

The effective managers and the heads of the key functions of Cardif Lux Vie possess – both individually and collectively – the necessary expertise, experience, skills, understanding and personal qualities, particularly in terms of professionalism and integrity, to discharge their duties in relation to each of Cardif Lux Vie's core businesses and ensure effective governance and supervision.

B.3 Risk management system

B.3.a Comprehensive risk management framework

Risk management is a process used to identify, measure, monitor, manage and account for risks originating from the external environment and those intrinsic to the Company. The aim is to guarantee the solvency, business continuity and development of the Company while maintaining satisfactory levels of risk and profitability.

Cardif Lux Vie's risk management is organised around its Chief Risk Officer (CRO):

- a comprehensive risk and risk-taking strategy,
- risk governance organised around the four key functions under Solvency II,
- risk management processes and tools that are available even at the operational level.

The main duties of the CRO are as follows:

- to advise the Board of Directors and effective manager on risk governance, policy and management strategy,
- to sit on risk or approval committees and if necessary review risk management decisions, tools and processes which are not directly within his/her remit,
- to produce the internal and statutory risk and solvency reports,
- to review the Solvency II models and tools,
- to act as an integral part of the internal control system (see B.4).

B.3.b Roles, responsibilities and key risk management process

Risk strategy process

The Risk department advises the Executive Committee and the Board of Directors on strategy and proposes the allocation of risk appetite. It allocates risks according to tolerances in line with the risk preferences set by the Board of Directors. It ensures that the risk profile corresponds to the risk appetite. It maps the major risks to which Cardif Lux Vie is exposed each year.

Independent review of the Risk process

The Risk department is responsible for advising all levels of management on decisions involving risk, while:

- ensuring the consistency of governance with the risk management framework;
- performing an independent review of the risk assessment;
- proposing any risk mitigation actions required.

Independent review of risk modelling

Cardif Lux Vie uses projections to assess risk and solvency ratios under Solvency II regulations, prepare its economic balance sheet, review asset/liability management and perform stress tests. These key models and tools are integrated into the overall technical architecture at the BNP Paribas Cardif level and shared using a common international platform.

The adaptation of products and strategic modelling choices in the projection models used at Cardif Lux Vie are the responsibility of the Actuarial department. The Risk department carries out an independent review of the projection model.

Specific committees are set up to monitor developments, while detailed process documentation is used to explain the results generated by the models, to identify the limitations of the methodological choices made, and to follow up on these.

Stress tests

In order to benefit from dynamic risk management and monitoring, Cardif Lux Vie has developed a system of stress tests.

Stress tests are an integral part of risk management. They seek to identify the performance of statutory results, solvency and value indicators in different hypothetical environments, so as to better understand the nature of the risks to which the Company is exposed and to better anticipate critical situations.

Appropriate stress tests are carried out at different stages of the risk management cycle: when implementing the risk appetite; when taking, assessing, mitigating and monitoring risk; lastly, when reporting risk.

Following the stress tests, action plans are defined to realign the risk exposure with risk appetite, if necessary.

Capital management

Cardif Lux Vie monitors its capital to ensure an optimised and sufficient capital structure able to fulfil the prudential requirements and provide sufficient financial resilience.

Capital management is the joint responsibility of the Finance Department and Actuarial Department. To ensure that it has a sufficient level of capital, the Company applies the following principles:

- Maintaining the capital at an appropriate level taking into account the business, risk profile, growth, strategic initiatives and regulatory requirements;
- Optimising the prudential capital structure according to the different types of capital in accordance with the regulatory limits;
- Forecasting capital requirements and defining their allocation.

Own Risk and Solvency Assessment (ORSA)

Under the Solvency II Directive, Cardif Lux Vie conducts an annual forward-looking assessment of its solvency and risks, with:

- The definition and evaluation of a capital requirement specific to the risk profile;

- The level of capital that the Company wishes to hold to cover this specific requirement, beyond the regulatory capital requirement;
- The prospective solvency ratios in the context of the medium-term plan;
- The resilience of these ratios in the case of stress tests.

According to the levels of solvency ratios observed and the projections made during the ORSA, capital adjustments may be applied.

Solvency II reporting

Under the Solvency II Directive, Cardif Lux Vie must allow the Commissariat aux Assurances access both to this report and the regular supervisory report.

Risk culture

Sound risk management is one of the principles of the BNP Paribas Group, which has always prioritised a culture of risk control and management.

The Actuarial Department is involved in coordinating risk culture initiatives by developing and maintaining a solvency training programme and raising awareness of operational risk (particularly fraud, incident detection and reporting, and risk mapping). The Permanent Control Department is included in this management.

B.3.c Management of risk categories

Management of underwriting risk

Underwriting risk is the risk of loss associated with sudden and unforeseen fluctuations in benefits. Depending on the type of activity, this risk is the result of statistical, macroeconomic or behavioural changes, as well as phenomena linked to public health or disasters.

The system of governance put in place to prevent and monitor underwriting risks is based on documents and tools that define the principles, methodologies and best practices to be followed by the Product Actuarial Department. Premiums are calculated in view of the target profitability and cost of capital set by the Board of Directors.

Reinsurance is an additional element of the underwriting risk management policy, especially in limiting individual exposure and outsourcing risks that do not feature among Cardif Lux Vie's risk preferences or as part of its risk appetite.

Periodic monitoring of these risks is carried out by the Local Risk Committee.

Market, liquidity and credit risk management

Market risk is the risk of loss associated with adverse movements in the financial markets. These adverse movements are mainly reflected in price variations (exchange rates, bonds, equities and commodities, derivatives, real estate, etc.) and are the result of fluctuations in interest rates, spreads, volatility or correlation.

Liquidity risk is the risk of being unable to honour expected or unexpected future liquidity demands arising from insurance obligations, owing to the impossibility of selling the assets within a suitable timeframe.

Credit risk is the risk of loss associated with the credit quality of issuers, counterparties or any other debtor to whom the Company is exposed.

Market and credit risks factor in concentration risk, which corresponds to all exposures for which the risk of loss would be significant.

The investment policy guides the investments of Cardif Lux Vie in accordance with the prudent person principle defined in Article 132 of the Solvency II Directive, Article 114 of the Law of 7 December 2015 on the insurance sector, and Article 53 of Commissariat aux Assurances Regulation No. 15/03 of 7 December 2015. The system

of governance covers all key asset management and risk monitoring processes, thus ensuring respect for cross-cutting requirements. The investment rules are formalised in the management agreements.

Investments are made according to the strategic asset allocation defined in the context of asset-liability management (ALM). This allocation, determined by the liabilities incurred, is in line with the risk appetite defined by the Board of Directors.

Operational risk management

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, computer malfunctions or external, accidental or natural events. These external events may be human or natural in origin.

This risk must be managed, in the sense that it must be kept within acceptable limits through avoidance, mitigation or transfer measures.

The aims of Cardif Lux Vie's operational risk management are:

- to reduce the likelihood of occurrence of an operational risk event jeopardising:
 - o Cardif Lux Vie's reputation;
 - o the trust that its customers, partners and employees have in the Company;
 - o the quality of its products and services;
 - o the efficiency of the processes it manages;
- to put in place a system providing reasonable assurance of risk management to the effective manager, the Board of Directors and the regulator.

These processes rely in particular on the incident reporting framework and risk mapping approach. This makes risk identification more systematic and allows risks to be addressed through appropriate controls or action plans.

B.4 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is an ongoing risk management process coordinating and consolidating all processes relating to the identification, quantification, management and oversight of risks and how these are reported. An annual ORSA report has been produced since 2015.

B.4.a Risk profiling

At Cardif Lux Vie, risk profiling is based on the risk appetite statement which sets limits on the nature, quantity and quality of the long-term risks that the Company is ready to take as part of its strategy.

Risk appetite defines the volatility threshold of performance indicators that the Company's shareholders do not want to exceed.

The risk profile is the level of risk of the Company's obligations according to predefined metrics. It is measured at least annually and must be updated following major events (e.g. deterioration in market conditions, acquisition of portfolio, etc.) to ensure that it matches the risk appetite.

The risk metrics used are:

- the maximum deviation accepted in 90% of cases of actual pre-tax profit compared with the budget;
- monitoring of the target solvency ratio in the current prudential environment.

B.4.b ORSA report

The report prepared in 2019 was approved by the Board of Directors after being signed off by the Local Risk Committee. It was sent to the Commissariat aux Assurances.

B.5 Internal control system

B.5.a Organisation of internal control

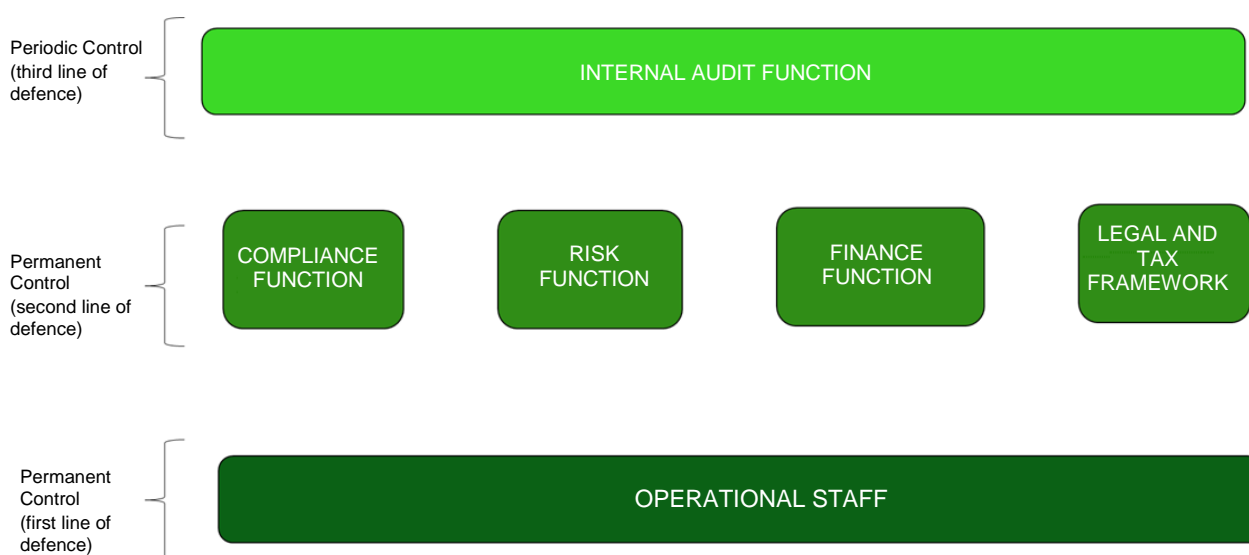
Cardif Lux Vie's internal control and operational risk management policy is established in accordance with the regulatory provisions and standards of the BNP Paribas Group, which apply to it given the nature of its activities.

Cardif Lux Vie has set up an internal control and operational risk management system and framework which are designed to be consistent with best practice in this area, especially as regards the new prudential regime established by the Solvency II Directive.

The internal control system covers all types of operational risk to which Cardif Lux Vie may be exposed. It is based on the rules, framework, processes and controls implemented by the management and all employees.

It consists of Permanent Control and Periodic Control, two complementary and coordinated systems which are separate and independent from each other.

- Permanent Control involves ongoing efforts to manage risk and monitor the implementation of corrective actions. This is carried out firstly by operational staff and their management, and secondly by independent functions within BNP Paribas Cardif.
- Periodic Control is responsible for the “ex-post” verification of the functioning of Cardif Lux Vie, including the effectiveness and quality of the Permanent Control system. This audit process is carried out by the Internal Audit function, which operates independently.



Main parties responsible for internal control

- The effective manager, under the supervision of the Board of Directors, is responsible for the Company's entire internal control system;
- Operational staff, regardless of their position within the Company, and particularly line managers, are primarily responsible for their own risk management and are key players in the permanent control process. They are responsible for “level 1” checks;
- The independent permanent control functions carry out “second-level” checks:
 - o compliance with legislative and regulatory provisions, ethical and professional standards and guidance from the Board of Directors and effective manager is permanently monitored by the Compliance function;

- the Risk function reviews operational risks, underwriting, credit and market risk to ensure that these are consistent and compatible with internal policies and profitability targets, as well as permanently monitoring operational risk;
- the Finance function is responsible for producing and checking accounting statements and for quality control;
- other functions are key players in permanent control in their specific areas of responsibility (Legal & Tax Department, Actuarial Department, etc.).
- Periodic control (level 3) is carried out by the General Inspectorate of the BNP Paribas Group;
- Lastly, the Board of Directors conducts internal audits.

The Board of Directors reviews and approves the strategies and policies for risk taking, management, monitoring and mitigation and examines the system of governance. The heads of the Compliance, Risk, Actuarial and Internal Audit functions report to the effective manager and the Board of Directors on the performance of their duties.

The heads of key functions have a direct right of access to the Board of Directors in the event of major risk or serious malfunction likely to compromise the accountability of directors or sound business management.

B.5.b Key internal control procedures

Procedures are one of the key elements of the permanent control system.

Cardif Lux Vie follows the system deployed by the BNP Paribas Group, adapted if necessary to the specific needs of the insurance business.

The written guidelines of the BNP Paribas Group document the organisations and procedures to be applied, as well as the checks to be performed. These procedures constitute the basic reference framework for internal control.

B.6 Internal Audit function

The Internal Audit function is in charge of periodically monitoring the activities of Cardif Lux Vie. It aims to give the effective manager and the Board of Directors an independent assessment of the quality and effectiveness of the system of governance and internal control. It makes recommendations to improve its quality and compliance.

Internal Audit is outsourced to the General Inspectorate – Luxembourg Hub. The outsourcing relationship is documented in a framework agreement between Cardif Lux Vie and BGL BNP Paribas.

The typical assignments carried out by the Internal Audit function follow a multi-year audit plan designed to cover the entire scope according to an audit cycle. The audit plan is based on a Risk Assessment conducted each year by the General Inspectorate – Luxembourg Hub. Special audits can be carried out if necessary. These assignments are carried out in accordance with the specific arrangements defined in the reference texts published by the General Inspectorate of the BNP Paribas Group. The effective manager of Cardif Lux Vie, the Chairman of the Board of Directors of Cardif Lux Vie, the Chairman of the Audit and Risks Committee and the head of the General Inspectorate (Cardif, Group or Luxembourg Hub) can initiate the audit and define its scope.

The Internal Auditors work independently across the entire auditable scope of Cardif Lux Vie. They can examine any topic and have free access to all documents, assets and personnel working directly or indirectly for Cardif Lux Vie. Similarly, they are free to issue their conclusions independently. They must remain independent, objective and impartial in their investigations and cannot be directly involved in operational management. They rely on a set of internal audit procedures maintained by the General Inspectorate of the BNP Paribas Group.

The head of Internal Audit is the chairman of the Cardif Lux Vie Audit & Risks Committee. He/she ensures the independence of this key function.

The head of Internal Audit regularly reports to the Board of Directors of Cardif Lux Vie on its work.

B.7 Actuarial function

The Actuarial function is assumed by the Actuarial Department of Cardif Lux Vie. The head of this department reports directly to the effective manager of Cardif Lux Vie and thus represents the Actuarial key function.

For each of the product lines marketed by Cardif Lux Vie, the Actuarial Department is in charge of identifying, monitoring, quantifying and rationalising the underwriting and asset/liability management (ALM) risks. It organises its work in two units:

- *Product Actuarial unit*
- *Risk Monitoring & ALM Actuarial unit*

The **Product Actuarial unit** is in charge of the introduction of new products. It guarantees the quality of the business written (product approval, pricing and monitoring of the new business plan, approval of the technical bases). It not only ensures that the level of valuation methods and reserves are appropriate under local Luxembourg GAAP, but also handles underwriting risk reporting. Finally, the unit provides an opinion on the adequacy of the level of risk (reinsurance) as part of its underwriting activities.

The **Risk Monitoring & ALM Actuarial unit** is responsible for the calculation of Solvency II technical provisions, ensuring that the methods, underlying models and assumptions used are appropriate. It oversees the implementation and monitoring of behavioural rules (redemption rules) during prospective studies, monitors and quantifies underwriting and market risks as part of its prudential closing activities, and assesses the adequacy and quality of the data used to calculate technical provisions and in the implementation of behavioural rules. With regard to provisions in accordance with IFRS and accounting standards, it calculates the provisions for future management charges (PGG), liabilities adequacy test (LAT) and the provision for deferred profit-sharing bonuses. As part of its assets and liabilities monitoring (ALM) it is responsible for the implementation of the strategic asset allocation and work relating to liquidity risk. Finally, it is responsible for coordinating and writing the regulatory narrative reports (RSR: regular supervisory report, SFCR: solvency and financial conditions report, AFR: actuarial function report), and supplies information to the Actuarial function regarding the reliability and adequacy of the Solvency II calculation of technical provisions.

Drawing together these responsibilities, the Actuarial Department thus has an overview of underwriting and ALM risks throughout the product life cycle.

To perform its functions, the Actuarial Department adheres to a strict and progressive system of governance at the BNP Paribas Cardif Group level. This technical and decision-making framework enables the owner of the actuarial function to manage situations previously approved by the Group Actuarial function.

For any underwriting business not covered by this framework, the system of governance requires formal approval from the Group Actuarial function at the appropriate level and – depending on the issue – from the other departments involved. It identifies the cases in which this approval must be obtained, and imposes a consensus among the managers involved in order to obtain approval.

Regarding the prudential and statutory closing processes and risk monitoring, the system of governance determines the methods and models to be used depending on the nature and materiality of the risks, defines the relevant indicators, and establishes the Group reporting requirements. Cardif Lux Vie's compliance with the system of governance is audited annually or semi-annually, depending on the relevant points. It includes completeness checks and random checks.

Pursuant to Solvency II, insurance undertakings must produce annual and quarterly quantitative reports (QRT: quantitative reporting templates), annual narrative reports (RSR: regular supervisory report) for the supervisor, SFCR (solvency and financial conditions report) for the public, and AFR (actuarial function report).

The Actuarial Department is the process owner for the coordination and production of these reports and statements. It directs the work and the Finance Department is one of the principal contributors.

B.8 Outsourcing

B.8.a Outsourced activities

Cardif Lux Vie outsources certain key activities, particularly in relation to IT infrastructure and fund accounting.

B.8.b Governance of outsourcing

The outsourcing framework is governed by a specific governance system within the BNP Paribas Cardif Group and Cardif Lux Vie.

Approved by the Board of Directors, Cardif Lux Vie's outsourcing policy defines the rules for any additional services, including:

- a definition of additional services;
- an explanation of the importance of risk management and the control framework;
- guidelines for monitoring, control and management of outsourced activities during the production phase.

Organisation of subcontracting

Outsourcing at Cardif Lux Vie is overseen by the Chief Operating Officer (COO). The COO is in charge of:

- drafting the outsourcing policy,
- drafting the governance systems and procedures relating to outsourcing,
- permanently monitoring the outsourcing process and overseeing monitoring campaigns,
- compliance advice for the outsourcing of critical or important functions or activities,
- implementing a reversibility scenario with an escalation procedure so that the process can be referred back to Cardif Lux Vie,
- enforcing compliance by implementing the documented security requirements, including aspects such as the business continuity plan (BCP) and disaster recovery plan (DRP), regardless of the different levels of delegation or outsourcing,
- the contribution to regulatory reports.

The COO Office endeavours to involve Cardif Lux Vie's Compliance and Permanent Control functions as soon as possible to ensure that the regulatory, operational risk and business continuity aspects are fully taken into account in the outsourcing project.

Supervisory body

The Outsourcing Committee (or Outsourcing Local Committee) monitors and oversees the risks associated with outsourcing at Cardif Lux Vie. It reviews the risk analysis prepared at each major milestone for each outsourcing project.

The Outsourcing Committee is composed of managers from the various functions involved in outsourcing (Legal & Tax, Compliance, Finance, Risk, Actuarial, Global Security, Operational Risk/Permanent Control, Permanent, IT, etc.) and the Operational Risk Manager (ORM).

Delegation principles

Since Cardif Lux Vie is a subsidiary of the BNP Paribas Cardif Group, it must apply the delegation principles defined in the Group's Outsourcing operating procedure. These principles define the required level of approval for risk analyses performed on outsourcing projects or existing services, as well as the reporting requirements.

The criteria taken into account are:

- the criticality of the service,
- the operational risk associated with the delegated activity.

B.8.c Monitoring system

An annual risk assessment is conducted on risks associated with additional services.

Additional services are also periodically reviewed and documented in a due diligence report.

Major events in 2019

A Critical Outsourcing Arrangement (COA) was approved in 2019.

B.9 Adequacy of the system of governance

In light of the above, the system of governance of Cardif Lux Vie is considered adequate given the nature, scale and complexity of its inherent business risks.

B.10 Other information

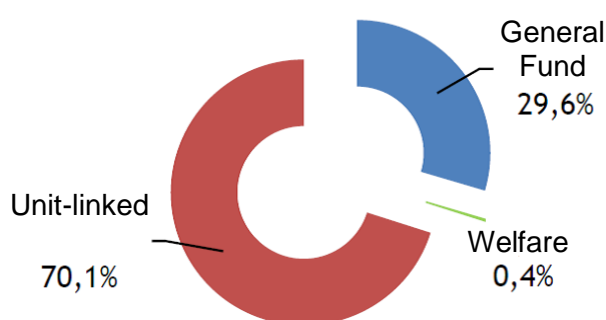
There is no other material information.

C. Risk profile

As an insurer, Cardif Lux Vie accepts risks in accordance with its risk preferences and overall strategic framework. Risks are accepted according to the system of governance and related policies and are monitored by the Local Risk Committee.

Cardif Lux Vie's portfolio mainly consists of savings (invested in unit-linked products or General Fund) and protection insurance. The breakdown of assets under management (or provisions under Luxembourg GAAP) is shown below:

Technical provisions Luxembourg GAAP – 31.12.2019



This entails the management of several risk categories, both in terms of underwriting and in terms of investment and day-to-day management of these contracts.

Cardif Lux Vie's Solvency Capital Requirement (SCR) is calculated using the standard formula proposed by the European Insurance and Occupational Pensions Authority (EIOPA). It corresponds to the sum of the net BSCR (Basic Solvency Capital Requirement), the operational SCR and the tax adjustment. The BSCR is based on a bottom-up approach, i.e. its calculation is divided into risk modules, which in turn are divided into sub-modules. The capital requirements for each of the different risks are aggregated via a correlation matrix.

The information contained in this chapter covers the nature of the risks to which Cardif Lux Vie may be exposed, the valuation techniques applied, significant risk concentrations, the mitigation techniques used and the procedures for monitoring their effectiveness.

The risk classification applied by the BNP Paribas Cardif Group changes in line with the regulatory requirements and methods. It is based on the following main categories:

- underwriting risk,
- market risk,
- counterparty risk,
- liquidity risk,
- operational risk,
- other risks.

C.1 Underwriting risk

C.1.a Definition

Underwriting risk is the risk of loss associated with sudden and unforeseen fluctuations in benefits. Depending on the type of activity, this risk is the result of statistical, macroeconomic or behavioural changes, as well as phenomena linked to public health or disasters.

C.1.b Risk exposure

Cardif Lux Vie's underwriting SCR amounted to €190 million at 31 December 2019 (2018: 165 million euros). The underwriting SCR is composed of the Life and Health modules and breaks down as follows:

<i>In millions of euros, net amount, at</i>	31 December 2019	31 December 2018
SCR Life Underwriting	190	165
SCR Health Underwriting	-	-
TOTAL UNDERWRITING RISK SCR	190	165

The **Life module**, like biometric risks, redemptions and management fees for savings and protection contracts, aggregates several risk sub-modules as defined by Solvency II.

Cardif Lux Vie's main risk sub-modules are:

- The **expense risk** sub-module, which assesses the impact of a 10% increase in costs and a 1% rise in inflation.

Cardif Lux Vie's expense risk could result from a miscalculation, higher cost inflation than expected, lower management fees on assets under management due to a contraction in business, spending overruns, regulatory developments and company-wide changes.

- The **redemption risk** sub-module, which assesses the impact of a change in redemptions using the most sensitive of the following events:
 - o a permanent 50% rise or fall in redemption rates,
 - o a sizeable redemption of 40%.

Cardif Lux Vie is sensitive to the impact of sizeable redemptions mainly originating from unit-linked contracts where the future profits largely depend on the duration of the liabilities in the portfolio.

- The biometric risk sub-modules (**mortality risk, longevity risk and disability risk**) assess the impact of a deterioration or improvement in the life expectancy of policy holders. Since the portfolio is mainly composed of savings contracts, these biometric risks have a low impact on the Life Underwriting SCR.

C.1.c Concentration

Given Cardif Lux Vie's Wealth Management business, the underwriting risk exhibits a **significant degree of concentration**. To limit this risk, Cardif Lux Vie has introduced a policy for the selection and management of material contracts.

In protection insurance, the reinsurance policy limits "peak" risks (high individual exposures).

C.1.d Risk management and monitoring

Risk management and mitigation

The risk monitoring and management system for underwriting risk is based on a system of governance and documented processes. Risk underwriting is consistent with the specific delegation rules, involving several levels – both within Cardif Lux Vie and at the BNP Paribas Cardif Group level – depending on the assessment of the maximum acceptable loss, the estimated capital requirement under Solvency II, and the estimated return on the contracts in question.

Past experience and market analysis are used to regularly update the databases used for risk pricing, taking into account various parameters (type of credit for borrower insurance, coverage, insured population, etc.). Premiums are calculated in view of the target profitability and return on equity set by the Board of Directors of Cardif Lux Vie.

This risk is managed via contractual clauses, where permitted by the regulatory and commercial framework. These include medical screening for high-value policies, or repricing clauses in the event of changes in taxation or an increase in claims, and limitations on the duration of coverage.

Reinsurance is an additional element of the underwriting risk management system. Its objective is to protect Cardif Lux Vie against three main risks:

- “peak” risk, associated with exposure to an individual risk exceeding a predefined threshold, referred to as the “retention amount”,
- catastrophe risk, associated with risk exposure for a single rare event with a severe financial impact (concentration risk),
- new product risk, associated with insufficient pooling, lack of control over technical bases, or uncertainty regarding the data of policy holders.

In savings, underwriting risk is managed by monitoring and managing inflows to the General Fund so as to limit dilution effects on the rate of return on the assets.

In addition, Cardif Lux Vie limits its exposure to the risk associated with the existence of a minimum guaranteed rate in its contracts.

Risk monitoring

The periodic monitoring of underwriting risk is carried out by the Local Risk Committee as part of its ALM and actuarial governance.

C.1.e Stress tests and sensitivity analyses

During pricing, product approval requires a systematic analysis of adverse scenarios (stress tests) or extremely adverse scenarios (crash tests). These analyses are carried out over the same time horizon as the central scenario.

Sensitivity tests were carried out on the Cardif Lux Vie SCR coverage ratio as at 31 December 2019, with the following results:

Coverage ratio at	31 December 2019
Central scenario	151%
10% rise in costs	142%
25% increase in withdrawals from the Savings portfolio	168%
25% decrease in withdrawals from the Savings portfolio	137%

If the minimum SCR coverage envisaged in Cardif Lux Vie's Capital Management Policy is not met, corrective action may be taken to adjust own funds.

For this purpose, Cardif Lux Vie's Capital Management Policy notably allows partial or total retention of the dividend and the issuance of subordinated debt.

C.2 Market risk

C.2.a Definition

Market risk is the risk of loss associated with adverse movements in the financial markets. These adverse movements are mainly reflected in price variations (exchange rates, bonds, equities and commodities, derivatives, real estate, etc.) and are the result of fluctuations in interest rates, spreads, volatility or correlation.

C.2.b Cardif Lux Vie investments

The composition of the Cardif Lux Vie investment portfolio and its sensitivity to market risk are as follows for each major category of insurance liability:

Investment portfolio covering the liabilities of the General Fund, protection business and own funds

The investment portfolio of the general assets (General Fund, protection business and own funds) is mainly composed of bonds (81%) and investment funds (15%), as shown below.

In millions of euros at	31 December 2019		31 December 2018	
	Market value	%	Market value	%
Real estate	-	-	-	-
Equities	147	1%	166	2%
Listed equities	285	3%	231	3%
Bonds	8,042	81%	6,839	78%
Government bonds	2,399	24%	2,158	25%
Corporate bonds	5,507	55%	4,533	52%
Structured bonds	136	1%	148	2%
Guaranteed securities	-	-	-	-
Collective funds	1,476	15%	1,527	17%
Equity funds	570	6%	488	6%
Bond funds	359	4%	313	4%
Money market funds	329	3%	532	6%
Asset allocation funds	-	-	-	-
Real estate funds	149	1%	132	2%
Hedge funds/Infrastructure/Private Equity	56	1%	48	1%
Other	12	0%	15	0%
Derivatives	7	0%	-	-
Other investments	5	0%	4	0%
Deposits	6	0%	-	-
TOTAL GENERAL FUND INVESTMENTS	9,968	100%	8,767	100%

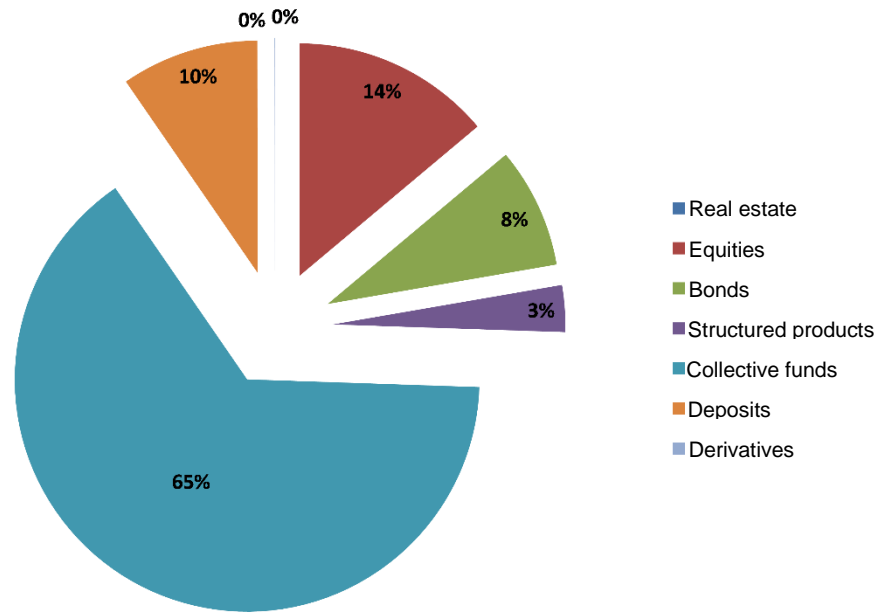
For these general assets, the market risk is mainly borne by Cardif Lux Vie, which guarantees the liability commitments for its policyholders. Through its prudent person policy, Cardif Lux Vie invests in asset classes enabling it to at least meet its obligations towards policyholders.

The general assets investment portfolio is exposed to the following risks: interest rate risk, equity risk, credit risk, issuer concentration risk, exchange rate risk and real estate risk. These risk exposures are described below.

Investment portfolio covering unit-linked liabilities

The investment portfolio representing unit-linked contracts is mainly composed of collective investment funds (65%), as illustrated below:

Breakdown of investments of contracts where the risk is borne by the policyholder



For this portfolio of unit-linked contracts, the prudent person policy also applies during the selection of investment assets by policyholders. Here, the market risk is mainly borne by policyholders; however, a fall in assets under management will have an impact on Cardif Lux Vie's revenue.

The unit-linked investment portfolio is exposed to the following risks: interest rate risk, equity risk, bond risk, foreign exchange risk and real estate risk. These risk exposures are described below.

C.2.c Risk exposure

The market SCR totalled €513 million at 31 December 2019 (2018: €397 million).

<i>Net Solvency Capital Requirement, in millions of euros at</i>	31 December 2019	31 December 2018
Interest rate risk	41	27
Equity risk	222	162
Real estate risk	45	38
Credit spread risk	242	197
Concentration risk	0	2
Exchange rate risk	71	57
Diversification effect	- 108	- 85
TOTAL MARKET SCR RISK	513	397

The six risk sub-modules comprising the market SCR are:

- **the interest rate risk sub-module**, which seeks to quantify the capital requirement necessary to absorb the impact on the balance sheet of a rise or fall in the interest rate term structure. The capital requirement is equal to the maximum impact of a rise or fall in the interest rate term structure. For each maturity, upward or downward shocks are expressed in proportion to the interest rates.

The capital charge for this sub-module is high in relation to the exposure to fixed-income instruments because of the current low interest rate environment.

The interest rate shocks applied to assets are largely absorbed by adjusting the liability discounting rate. As a result, the asset duration gap, shorter than for liabilities, generates most of the SCR of this sub-module. It originates from the prudence required when setting the asset investment horizon, given the option of surrendering liabilities at any time. It is essential therefore that any acceleration in liability cash flows can be met.

In addition, guaranteed minimum rate exposure is minor and only has a limited impact on the SCR of the interest rate risk sub-module.

The absorption capacity of liabilities with regard to other shocks (equities, real estate, credit spread) is solely derived from the adjustment of profit-sharing. It is therefore proportionally lower than in the case of interest rate shocks.

- **the equity risk sub-module**, which represents 36% of the market SCR before diversification at 31 December 2019 (2018: 34%). This sub-module is significant, taking into account the unit-linked investment portfolio which is mainly invested in investment funds and the shock level applied of 39% for equities listed in a European Economic Area or OECD member state and 49% for other equities.

To avoid pro-cyclical behaviour, this shock is corrected by a symmetrical adjustment mechanism or “dampener”: it attenuates equity shock when the markets are at their lowest, and increases it when the markets reach a peak, i.e. when a fall is highly probable. On 31 December 2019, the dampener was -0.08% (2018: -6.3%), and the shocks applied were 38.92% or 48.92% depending on the type of share (2018: 32.7% and 42.7% respectively).

- **the real estate risk sub-module**, which measures the impact of a fall in real estate markets on asset value. It consists of an immediate 25% reduction in the market value of real estate assets. The capital charge is consistent with Cardif Lux Vie’s exposure.

- **the credit spread risk sub-module**, which represents 39% of the market SCR before diversification at 31 December 2019 (2018: 41%).

This sub-module is intended to quantify the capital requirement corresponding to the risk of widening credit spreads (actuarial difference between a bond rate and the equivalent risk-free government bond rate). The spread shock depends on the duration and rating of fixed income products. It only covers corporate bonds and

bonds issued by non-European States, considering that bonds issued by European States are not subject to spread risk. Like interest rate risk, it varies according to the composition of the fixed income portfolio.

- **the currency risk sub-module**, which quantifies the capital cost of a 25% fall in foreign currencies against the euro. Cardif Lux Vie's exposure is due to securities denominated in foreign currencies and held by the General Fund, and unit-linked investments.

- **the concentration risk sub-module**, which is covered in the next section.

C.2.d Concentration

The asset dispersion rules are laid down by the asset management government system. These rules are integrated into the General Fund management agreements and specify the dispersion ratios by issuer for each fixed income instrument and rating category.

C.2.e Risk management and monitoring

Risk management and mitigation

Cardif Lux Vie has the management tools necessary to calibrate its strategic asset allocation and to measure its asset-liability adjustment risks.

The **investment policy** dictates the framework applicable to asset management. It defines the principles used to match the structure of the asset portfolios with obligations towards policy holders upon the sale of insurance contracts, while maximising the expected return on investment compared with the risk limit set.

For each portfolio, the investment policy is governed by a **management agreement** which specifies the investment limits for each asset class.

The **asset-liability review** is used to project the expected cash flows for the assets and liabilities of the General Fund. They can be used to adjust the asset duration based on the profile of the different liabilities.

Exposure to market risk is also monitored through **specific and targeted studies**, such as the quarterly review of bond issuers, or the review of securities with an unrealised capital loss.

Furthermore, Cardif Lux Vie is exposed to **exchange rate risk** on its foreign currency investments. The foreign exchange position essentially consists of securities denominated in foreign currency financed by the purchase of the investment currency. The Cardif Lux Vie policy consists of hedging exposures to liquid currencies while maintaining a limited sensitivity of the solvency ratio to exchange rate movements.

Risk monitoring

Periodic monitoring of market risks is carried out by the Local Risk Committee as part of the actuarial and ALM governance and the Asset Management governance.

C.2.f Stress tests and sensitivity analyses

Stress tests are regularly reviewed as part of the asset-liability review. These test the ability of Cardif Lux Vie to honour its commitments in adverse market situations, taking into account the impact of such situations on policyholder behaviour.

In addition, specific stress tests can be performed at the request of the regulators.

Sensitivity tests were carried out on the Cardif Lux Vie SCR coverage ratio as at 31 December 2019, with the following results:

Coverage ratio at	31 December 2019
Central scenario	151%
25% fall in equities (with Dampener adjustment)	127%

If the minimum SCR coverage envisaged in Cardif Lux Vie's Capital Management Policy is not met, corrective action may be taken to adjust own funds.

For this purpose, Cardif Lux Vie's Capital Management Policy notably allows partial or total retention of the dividend and the issuance of subordinated debt.

C.3 Counterparty risk

C.3.a Definition

Counterparty risk is the risk of loss due to the effects of a change in credit quality of issuers, counterparties or any other debtor to whom the Company is exposed. Among the debtors, the risks associated with financial instruments (including banks in which the Company holds deposits) and the risks associated with insurance receivables (collection of premiums, reinsurance balances, etc.) are divided into two categories: asset credit risk and liability credit risk.

C.3.b Risk exposure

The counterparty SCR totalled €19 million at 31 December 2019 (2018: €16 million). Of this, 92% relates to default risk exposures arising from reinsurance operations and cash deposits with credit institutions.

<i>In millions of euros at</i>	31 December 2019	31 December 2018
TOTAL COUNTERPARTY RISK SCR	19	16

C.3.c Concentration

The **exposure to reinsurers** at 31 December 2019 mainly concerns two reinsurers. These are the most significant reinsurance treaties. The risk of default on these treaties is reduced by a cash deposit guarantee for the share of obligations in euros. This guarantee is recognised as collateral under Solvency II.

C.3.d Risk management and mitigation

Counterparty risk on **reinsurers** is managed through careful counterparty selection, the negotiation of guarantees and regular monitoring of the main exposures.

C.4 Liquidity risk

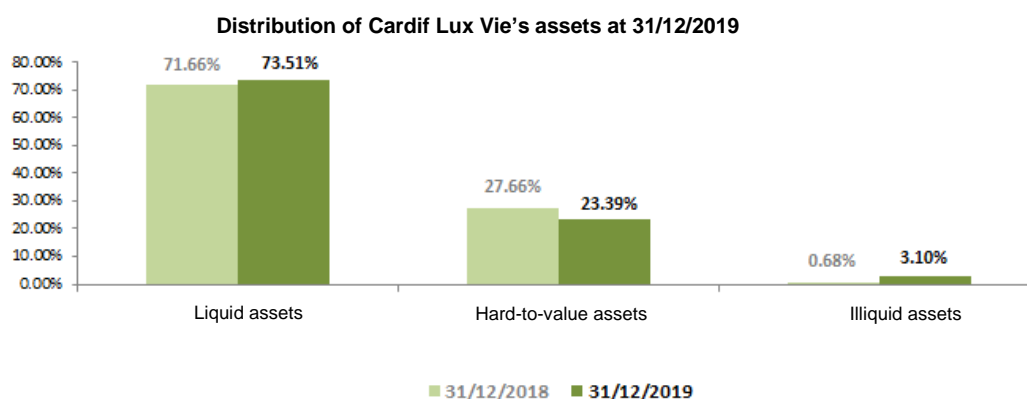
C.4.a Definition

Liquidity risk is the risk of being unable to honour expected or unexpected future liquidity demands arising from insurance obligations towards policy holders, owing to the impossibility of selling the assets within a suitable timeframe.

C.4.b Risk exposure

Liquidity risk exposure is reviewed at least annually. It is assessed on the one hand by monitoring the portfolio composition, and on the other hand through the Actuarial Department's review of the cash flow projections for the assets and liabilities of Cardif Lux Vie's General Fund.

- **General Fund:** The distribution of assets based on the liquidity of the financial instruments (liquid assets, hard to value assets and illiquid assets) was as follows, over the past two years:



The classification of assets depends on their type and rating. The General Fund includes 3.1% of strategic investments (real estate assets held directly) reclassified as illiquid assets.

The share of liquid assets is predominant. This level of liquidity can accommodate a significant change in the payment rate of the mathematical provisions.

- **Unit-linked investments:** exposure to risky and illiquid assets (alternative assets and private equity funds) as a percentage of the unit-linked assets is as follows, over the past two years:

	31 December 2019	31 December 2018
Alternative assets	18.31%	16.77%
including Private Equity Funds	1.50%	2.02%

The exposure to illiquid assets has risen slightly over the past two years and is below the warning thresholds and limits set by the Cardif Lux Vie Board of Directors. These are limits for acceptance of liquidity risk on unit linked investments.

C.4.c Risk management and mitigation

Liquidity risk is managed centrally by the Actuarial Department and Asset Management Department at Cardif Lux Vie.

- **Management and mitigation of liquidity risk at asset level**

Approval of assets and surveillance of composition of the General Fund

- **Approval of assets:** On the one hand, depending on the type of financial instrument, investment limits are set in the asset management agreement for the General Fund. On the other hand, when choosing the investment vehicles, Cardif Lux Vie takes into account elements of legal security, taxation if necessary, market risk, counterparties and liquidity. Each of these aspects is considered as part of a global approach to diversification and adaptation of the investment vehicles based on the commitments to be covered. Particular attention is paid to less liquid assets, taking into account their specific risks.
- **Surveillance of the composition of the General Fund:** The distribution of assets in the General Fund based on the liquidity (liquid assets, hard to value assets and illiquid assets) and compliance with the investment limits set in the management agreement is monitored quarterly by the LRC (Local Risk Committee) and is then presented to the Audit & Risk Committee.

Approval of illiquid assets and surveillance of composition of the internal funds

The aim is to limit the part of the assets that are invested in risky and illiquid assets: alternative assets and private equities.

- **Approval:** Management of liquidity risk for internal funds involves a rigorous process of approving the private equity assets and illiquid funds. These assets are first analysed by the Legal and Finance departments and then approved by a finance officer (CFO or Investment Compliance Officer) and legal officer (legal director or legal officer with responsibility for finance). They are also approved by the Commitments Committee.
- **Surveillance:** A quarterly monitoring of the exposure to unit linked assets is presented to the LRC and to the Audit & Risk Committee. This is done on the basis of the acceptance limits, mentioned above.

- **Management and mitigation of liquidity risk at liability level**

Monitoring of redemption rates

The regular monitoring of changes in redemption rates is intended to anticipate the policyholders' behaviour and thus optimise the allocation of assets and the management of liquidity. The contracts include an option to redeem at any time, backed by a capital guarantee for contracts invested in the General Fund. The redemption rate is monitored each quarter by the LRC and is then presented to the Audit & Risk Committee.

The redemption risk is still mitigated by the implementation of exit penalties for General Fund contracts.

Monitoring of the concentration of General Fund liabilities

The aim is to limit the concentration of liabilities on a small number of policyholders who may generate a liquidity risk in the case of large-scale redemptions. The concentration of the insurance liability is monitored each quarter by the LRC and is then presented to the Audit & Risk Committee.

C.4.d Sensitivity

Asset-liability matching studies are carried out in order to measure the liquidity spreads on the General Fund. The liquidity gaps were analysed with (central scenario) or without new business premiums over a 40-year projection horizon. The studies carried out show that Cardif Lux Vie is not subject to a risk of illiquidity of the assets in a central scenario.

Under new business assumptions, surplus liquidity is maintained throughout the projection due to the volume of inflows.

C.5 Operational risk

C.5.a Definition

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, computer malfunctions or external, accidental or natural events.

External events do not include counterparty defaults, apart from counterparty fraud, nor changes in the financial markets which are events linked to market and liquidity risks.

Incidents attributed to credit and market risk are not included in the operational risks, in the same way as the consequences of these risks on reputation.

Operational risk covers fraud, HR risks, legal risks, risks of non-compliance, tax risks, risks associated with information systems and the provision of inappropriate financial services (conduct risk), the risk of failure of operational processes, including the underwriting process, model risk, and the possible financial consequences associated with reputational risk management.

Cardif Lux Vie has set up an internal control and operational risk management system and framework which are designed to be consistent with best practice in this area, especially as regards the new prudential regime established by the Solvency II Directive.

C.5.b Indicators of operational risk

These indicators are monitored quarterly by the Local Risk Committee of Cardif Lux Vie.

There is a focus on the major indicators: number of incidents declared, amount of loss (in relation to operational risk), client complaints, number of security incidents, etc.

C.5.c Risk exposure

The amount of SCR exposed to operational risk totalled €47 million at 31 December 2019 (2018: €50 million).

<i>In millions of euros, at</i>	31 December 2019	31 December 2018
SCR linked to operational risk calculated on the basis of mathematical provisions	47	41
SCR linked to operational risk calculated on the basis of earned premiums	39	50
TOTAL OPERATIONAL RISK SCR	47	50

C.5.d Main risk management or mitigation techniques

To manage operational, compliance and reputational risk, Cardif Lux Vie relies on both aspects of its general internal control system: permanent control and periodic control.

C.6 Other material risks

The main residual risk considered material for Cardif Lux Vie (liquidity risk) is described in the section on liquidity risk.

C.7 Other information

There is no other specific information.

D. Valuation for solvency purposes

Cardif Lux Vie prepares its balance sheet under Solvency II in accordance with Article 75 of the Solvency II Directive.

D.1 Assets

The balance sheet assets of Cardif Lux Vie were as follows:

<i>In millions of euros, at 31 December</i>	<i>Reference</i>	Solvency II balance sheet 2019	Financial statements 2019	Solvency II balance sheet 2018	Financial statements 2018
Deferred acquisition costs		-	-	-	-
Other intangible assets	A	-	11	-	13
Deferred tax assets	B	-	-	-	-
Installations and equipment held for own use		2	2	2	2
Investments (excluding investments representing unit-linked liabilities)	C	9,968	9,036	8,767	8,289
Investments representing unit-linked liabilities	C	19,526	19,526	15,063	15,063
Loans and mortgages		-	-	0	0
Policy advances		1	1	0	0
Share of assignees and retrocessionaires in technical provisions	D	7	7	6	6
Deposits with ceding undertakings		-	-	-	-
Receivables arising from insurance operations		23	23	26	26
Receivables arising from reinsurance operations		3	3	3	3
Other receivables (excluding insurance)	E	139	140	151	154
Cash and cash equivalents		190	190	150	150
Other assets		8	8	10	10
ASSETS		29,867	28,947	24,179	23,717

Letters A to E refer to the valuation methods described below. No specific comment is required for the other items as regards the valuation methods used to prepare the financial statements.

Reconciliation with the financial statements and asset valuation methods:

<i>In millions of euros, at 31 December</i>	<i>Reference</i>	2019 amounts	2018 amounts
Recognition at fair value of goodwill and intangible assets	A	- 11	- 13
Tax effect on restatements	B	-	-
Recognition at fair value of financial assets	C	932	478
Valuation of the reinsurers' share in technical provisions	D	-	-
Recognition at fair value of other receivables	E	- 1	- 3
TOTAL RESTATEMENTS		920	462

In accordance with Article 75 a) of the Directive, assets are valued “at the amount for which they could be exchanged between knowledgeable willing parties in an arm’s length transaction”.

Investments representing unit-linked liabilities are valued at the market price in the financial statements according to the same valuation methods as those adopted for Solvency II.

A. Other intangible assets

Intangible assets have a zero carrying amount. As long as they are identifiable and there is an active market for similar assets, they are measured at their market value.

B. Deferred tax assets

Deferred taxes are determined according to the method described in paragraph D.5 (Other information). Deferred tax assets are recognised for all deductible temporary differences and tax losses that can be carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and tax losses can be utilised.

C. Financial investments

Financial assets are classified in the balance sheet according to the Complementary Identification Codes (CIC) defined by EIOPA.

Financial investments are valued at the market price in order to determine their current value. The market price reflects the last known listed value for the period or the value at which an investment may be disposed of, estimated prudently and in good faith.

The market value of financial assets is determined either using prices obtained directly from market data, or prices resulting from valuation techniques calibrated to reflect the current market conditions.

- **Equities issued by holdings** are unlisted and valued according to the share of adjusted net equity (according to the adjusted equity method – AEM).
- **Equities** (other than from holdings¹), **bonds, investment funds and other investments** are mainly valued using quoted prices in an active market, at the “Quoted Market Price (QMP)” for identical assets, or at the “Quoted Market Price for Similar Assets (QMPS)”, for similar assets. The characteristics of an active market include the existence of transactions that take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In the absence of prices quoted in an active market, the Company uses valuation techniques (see paragraph D.4).
Investments representing **unit-linked liabilities** are primarily valued using prices quoted in an active market for identical assets (“Quoted Market Price (QMP)”). In the absence of prices quoted in an active market, the Company uses valuation techniques (see paragraph D.4).

¹i.e. “other than shares issued by companies which are holdings within the meaning of the Solvency II Directive”.

The distribution of investments by valuation method was as follows:

In millions of euros, at	31 December 2019				31 December 2018			
	Total	Quoted price (identical or similar assets)	Alternative valuation method	Adjusted equity method	Total	Quoted price (identical or similar assets)	Alternative valuation method	Adjusted equity method
Equities	147	-	-	147	166	-	-	166
Listed equities	285	285	-	-	231	231	-	-
Sovereign bonds	2,399	2,399	-	-	2,158	2,158	-	-
Corporate bonds	5,507	5,507	-	-	4,533	4,533	-	-
Structured bonds	136	136	-	-	148	148	-	-
Investment funds	1,476	1,238	238	-	1,528	1,329	199	-
Derivatives	7	-	7	-	-	-	-	-
Deposits with credit institutions	6	6	-	-	-	-	-	-
Other investments	5	5	-	-	3	3	-	-
Investments (excluding investments representing unit- linked liabilities)	9,968	9,576	245	147	8,767	8,403	199	166
Investments representing unit- linked liabilities	19,526	17,003	2,523	-	15,063	13,238	1,825	-

D. Share of assignees and retrocessionaires in technical provisions

The valuation method of ceded technical provisions follows the same principles as the technical provisions described in paragraph D.2. At 31 December 2019, ceded technical provisions amounted to €6.8 million (2018: €6.2 million).

E. Other receivables

The receivable relating to advance taxes paid by Cardif Lux Vie for clients resident in Italy for tax purposes is valued at fair value by discounting recoverable financial flows expected from the Italian tax authorities at the risk-free rate plus the issuer spread on the valuation date.

D.2 Technical provisions

D.2.a Summary of technical provisions by line of business under Solvency II

In millions of euros, at	31 December 2019			31 December 2018		
	BEL – Best estimate of liabilities	Risk margin	Total	BEL – Best estimate of liabilities	Risk margin	Total
Health similar to non-life	-	-	-	-	-	-
Health similar to life	-	-	-	-	-	-
Health	-	-	-	-	-	-
Life (excluding health, index-linked and unit-linked)	9,050	32	9,082	8,076	32	8,108
Index-linked and unit-linked contracts	19,337	113	19,450	14,900	89	14,989
Life (non-health)	28,387	145	28,532	22,975	122	23,097
TOTAL TECHNICAL PROVISIONS	28,387	145	28,532	22,975	122	23,097

The best estimate of liabilities (BEL) changes to reflect growth in the portfolio.

D.2.b Reconciliation with the financial statements

In millions of euros, at 31 December	2019 Solvency II balance sheet	2019 Financial statements	2018 Solvency II balance sheet	2018 Financial statements
Gross technical provision – Non-life excluding health	-	-	-	-
Gross technical provision – Health similar to non-life	-	-	-	-
<i>Best estimate</i>	-	-	-	-
<i>Risk margin</i>	-	-	-	-
Gross technical provision – Health similar to life	-	-	-	-
<i>Best estimate</i>	-	-	-	-
<i>Risk margin</i>	-	-	-	-
Gross technical provision – Life (excluding health, unit-linked or index-linked)	9,082	8,333	8,108	7,757
<i>Best estimate</i>	9,050	-	8,076	-
<i>Risk margin</i>	32	-	32	-
Gross technical provision – UL or index-linked	19,450	19,526	14,989	15,063
<i>Best estimate</i>	19,337	-	14,900	-
<i>Risk margin</i>	113	-	89	-
SUBTOTAL TECHNICAL PROVISIONS INCLUDING BEST ESTIMATE OF LIABILITIES	28,532	27,859	23,097	22,820

The main reason for the difference between the accounting technical provisions and Solvency II provisions is because the calculations include the following items:

- unrealised capital gains,
- future profit-sharing,
- risk margin.

D.2.c Valuation principles for technical provisions

In accordance with Article 101 of the Law of 7 December 2015 on the insurance sector, developed by the CAA, and Article 75 b) of the Solvency II Directive, *“the value of technical provisions shall correspond to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking”*.

The technical provisions are equal to the sum of the best estimate of liabilities (BEL) and risk margin (RM).

The BEL corresponds to the probable value of cash inflows and outflows of the portfolio at 31 December 2019, discounted with the risk-free interest rate term structure, minus the credit risk and plus the volatility adjustment.

The risk margin is calculated using “method 2” of the simplifications proposed in Guideline 61 of the Guidelines on the Valuation of Technical Provisions (EIOPA-BoS-14/166). This methodology is based on the projection of risk sub-modules in proportion to certain indicators known as “drivers” to calculate the future reference SCR.

D.2.d Valuation methods for technical provisions – General

Projection models

Cash flows are projected over a time horizon of 40 years using Group or local deterministic and stochastic models. The projected cash flows are estimated using the best estimate of assumptions, particularly with regard to the rules on mortality, redemptions, disability claims, inflation, fees and claims expense. Where financial guarantees and options exist, including profit-sharing, stochastic calculations are made to assess these in accordance with the structure of risk-neutral economic scenarios.

D.2.e Valuation methods for technical provisions- Savings and Protection

Contract boundaries

The contract boundary is defined as the date on which the insurer has the unilateral right to terminate the contract, to reject premiums or to amend the premiums in such a way as to reflect risk. An analysis is required of the general terms and conditions of contracts, partner agreements and local regulations to define the frontier of each risk and generation of contracts.

D.2.f Level of uncertainty associated with the value of technical provisions

The main factors of uncertainty identified for technical provisions originate from two sources: process risks and model risks.

Process risks

Process risks are mitigated through checks carried out at each stage of the Solvency II calculation process. The system of governance identifies specific checks regarding data quality, which have been implemented throughout the process. The BNP Paribas Cardif Group also carries out checks on the calculations of Cardif Lux Vie.

Model risks

The value of technical provisions is based on long-term cash flow projections and requires the formulation of assumptions and the use of models. This requires judgement to be exercised and the use of information available at the calculation date. The value of technical provisions therefore involves a degree of uncertainty.

D.2.g Interest rate term structure

Cardif Lux Vie uses the risk-free interest rate term structure published by EIOPA, to which Volatility Adjustment (VA) is added.

However, the Company has elected not to apply the following transitional measures:

- matching adjustment,
- transitional measure on interest rates,
- transitional deduction measure.

The EUR Volatility Adjustment for the euro interest rate published by EIOPA and used for calculations at 31 December 2019 is a maximum of 0.07% (2018: 0.24%).

D.3 Other liabilities

The valuation of other liabilities in the Cardif Lux Vie balance sheet is explained below:

In millions of euros, at 31 December 2019	Reference	2019 Solvency II balance sheet	2019 Financial statements	2018 Solvency II balance sheet	2018 Financial statements
Provisions other than technical provisions	A	31	31	75	74
Liabilities for reinsurers' cash deposits		6	6	4	4
Deferred tax liabilities	B	51	-	46	-
Liabilities to credit institutions	C	72	71	72	71
Liabilities arising from insurance operations		193	193	166	166
Liabilities arising from reinsurance operations		3	3	3	3
Other liabilities (not linked to insurance operations)		87	87	69	69
Subordinated debt included in basic own funds	D	353	311	217	211
Other liabilities not mentioned above		1	1	2	2
LIABILITIES		797	703	654	601

Notes A to D refer to the valuation methods of other liabilities described below.

Reconciliation with the financial statements and valuation methods of other liabilities:

In millions of euros, at 31 December	Reference	2019 amounts	2018 amounts
Revaluation of employee benefit obligations	A	-	-
Tax effect on restatements	B	51	46
Revaluation of liabilities to credit institutions	C	1	1
Revaluation of subordinated debts	D	42	6
TOTAL RESTATEMENTS		94	53

In accordance with Article 75 of the Directive, other liabilities are valued “at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm’s length transaction”.

A. Provisions other than technical provisions

These provisions mainly consist of provisions for income taxes, as well as provisions for other risks and charges related to litigation and provisions for employee benefit obligations.

The restatement between the local balance sheet and Solvency II amounts relates to the revaluation of provisions for employee benefit obligations. Employee benefit obligations consist of post-employment benefits (pensions and other retirement benefits) and other long-term benefits (long-service awards). These pension liabilities are valued based on the present value of the future benefits obligation, and reduced by the fair value of the plan assets.

B. Deferred tax liabilities

Deferred tax liabilities are tax liabilities. They are determined according to the method described in paragraph D.5 under “Other information”.

C. Liabilities to credit institutions

This item is measured at fair value by discounting future financial flows at the risk-free rate plus the issuer spread on the issue date.

D. Subordinated debt

This item is measured at fair value by discounting future financial flows at the risk-free rate plus the issuer spread on the valuation date.

D.4 Alternative valuation methods

In the absence of a price quoted in an active market, the Company relies on the information available, including the financial statements, custodian statements and other sources considered relevant in order to estimate the current value of the investments.

The valuation methods generally used are as follows:

- **Hedge funds (real estate funds, commodities, hedge funds, etc.)** are generally valued based on the net asset values published by the registrars of the funds concerned.
- **Private equity funds** are usually valued based on the net asset values published by the management company, if necessary adjusted for calls for funds/distributions made since the calculation date.
- Direct investments in equities, bonds, certificates, etc. issued by unlisted companies (**Pure Private Equity**) are usually valued based on the information available, mainly taken from the financial statements or expert reports.
- **Structured products** are generally valued based on the valuations provided by the structurer.
- **Deposits** (other than cash equivalents) are valued at their nominal value, which corresponds to their fair value.
- Negotiated OTC **derivatives** are usually valued based on the valuations provided by banking counterparties.

D.5 Other information

Deferred tax is calculated based on temporary differences between the carrying amounts of assets and liabilities on the Solvency II balance sheet and their tax base.

Tax credits and tax losses that can be carried forward are recognised and valued in accordance with IFRS.

Deferred tax assets and liabilities are measured using the liability method at the tax rate assumed to apply in the period in which the asset will be realised or the liability settled, based on the tax rate and tax regulations that have been or will be adopted prior to the balance sheet date. They are not discounted.

Deferred tax assets are recorded in the balance sheet if it can be demonstrated that future taxable profits will be available within a reasonable time in order to absorb them.

Deferred tax assets and deferred tax liabilities are offset against each other if, and only if:

- they relate to taxes levied by the same tax authority and on the same taxable entity,
- there is a legally enforceable right to set off current tax assets against current tax liabilities.

E. Capital management

E.1 Own funds

E.1.a Objectives and management policy of own funds to cover the SCR/MCR

Cardif Lux Vie monitors its capital to ensure an optimised and sufficient capital structure able to fulfil the prudential requirements and provide sufficient financial resilience.

Cardif Lux Vie applies grandfathering measures relating to the classification of own funds, but has chosen target measures for the SCR calculation.

Cardif Lux Vie bases its **Capital Management Policy** on the following principles:

- Ensure a level of own funds such that following a 1 in 200 year event and absorption of 90% of the SCR, it would still be sufficient to allow Cardif Lux Vie to continue trading.
- Cover at least 100% of the SCR defined as part of the ORSA valuation (Pillar II).
- Optimise the structure of own funds by searching for the best balance between share capital, subordinated debt and other components of equity, in accordance with the limits and levels defined by the regulations.
- Capital adjustments may be initiated depending on the observed levels of solvency ratio and projections made during the ORSA.

E.1.b Significant events in 2018 and 2019

Significant events to note in 2019 comprise an equity increase of €147 million:

- Capital increase of €47 million represented by 1,880,000 shares each with a par value of €25.
- Issue of subordinated loans for a total amount of €100 million

The 2019 financial year also saw the legal merger of Cardif Lux Vie S.A. and Cardif Life S.A. with legal effect from 1 October 2019, the accounts have been merged from 1 January 2019.

The merger by absorption of Cardif Life S.A. has been realised by incorporating the assets and liabilities of Cardif Life S.A. into the Cardif Lux Vie S.A. balance sheet and cancelling the shareholding in Cardif Life S.A. recorded in the accounts of Cardif Lux Vie S.A., generating a difference corresponding to the merger fee of which €2,461,034 is allocated to the issue fee item and €3,266,000 to other reserves.

In 2018, the significant events comprised the issue of two new subordinated loans for a total amount of €87 million for a period of 10 years.

E.1.c Structure, amount and quality of own funds

Available own funds totalled €890 million at 31 December 2019 (2018: €642 million) and consist of the following elements:

<i>In millions of euros, at</i>	31 December 2019	31 December 2018
Share capital	219	172
Issue fee	2	-
Reconciliation reserve	316	254
Subordinated debt	353	217
Total equity	890	642

The reconciliation reserve of 316 million euros (2018: 254 million euros), eligible for classification as Tier 1, breaks down as follows:

<i>In millions of euros, at</i>	31 December 2019	31 December 2018
Balance sheet results and reserves	163	124
Restatements under Solvency II	153	132
<i>Impact on future profits net of taxes</i>	193	146
<i>Other restatements</i>	- 40	- 14
Expected distribution	-	2
TOTAL RECONCILIATION RESERVE	316	254

* Comparative data for Solvency II restatements have been reclassified to ensure conformity with the 2019 presentation of figures.

The impact on future profits net of taxes reflects the revaluation differences of assets and liabilities under Solvency II standards.

Own funds are classified into three tiers, depending on their availability, their subordination level in covering obligations to policy holders, and their duration.

The composition of each tier is based on transitional measures and is as follows for 2019 and 2018:

<i>In millions of euros, at</i>	31 December 2019	Unrestricted tier 1 capital	Restricted tier 1 capital	Tier 2 capital	Tier 3 capital
Share capital	219	219			
Issue fee	2	2			
Reconciliation reserve	316	316			
Subordinated debt	353		110	194	49
Total equity	890	537	110	194	49

<i>In millions of euros, at</i>	31 December 2018	Unrestricted tier 1 capital	Restricted tier 1 capital	Tier 2 capital	Tier 3 capital
Share capital	172	172			
Issue fee	-				
Reconciliation reserve	254	254			
Subordinated debt	217		77	139	
Total equity	642	425	77	139	-

E.1.d Fungibility and transferability of own funds

Not applicable

E.1.e Classification of own funds excluding transitional measures

<i>In millions of euros, at</i>	31 December 2019	<i>Tier 1 capital</i>	<i>Tier 2 capital</i>	<i>Tier 3 capital</i>
Share capital	219	219	-	
Issue fee	2	2		
Reconciliation reserve	316	316	-	
Subordinated debt	243		194	49
Total equity	780	538	194	49

<i>In millions of euros, at</i>	31 December 2018	<i>Tier 1 capital</i>	<i>Tier 2 capital</i>	<i>Tier 3 capital</i>
Share capital	172	172	-	
Issue fee				
Reconciliation reserve	254	254	-	
Subordinated debt	139	-	139	
Total equity	565	425	139	-

Subordinated debt classified as tier 1 under the transitional measures would no longer be eligible to cover the SCR and MCR under the target measures. These securities contain a clause allowing the contractual redemption of the subordinated debt at any time, subject to approval from the regulator, following regulatory changes or accounting events.

The securities not eligible outside transitional measures totalled €110 million at 31 December 2019 (2018: €77 million).

E.2 Regulatory capital requirements (SCR and MCR)

E.2.a Amounts of SCR and MCR

At 31 December 2019, the SCR and MCR were, respectively, €591 million (2018: €476 million) and €266 million (2018: €214 million). The MCR was capped at 45% of the SCR.

<i>In millions of euros, at</i>	31 December 2019	31 December 2018
Linear minimum capital requirement	393	336
Solvency capital requirement (SCR)	591	476
Minimum capital requirement – cap	266	214
Minimum capital requirement – floor	148	119
Minimum capital requirement – combined	266	214
Absolute floor of the Minimum Capital Requirement	4	4
MINIMUM CAPITAL REQUIREMENT (MCR)	266	214

E.2.b Information on the data used to calculate the MCR

The following data were used in the MCR calculation:

- the technical provisions described in paragraph D.2;
- the amounts of net premiums written for the fiscal year;
- capital at risk.

E.2.c Amount of SCR per risk module

The SCR at 31 December 2019 was €591 million (2018: €476 million). This is mainly due to the preponderance of the market SCR and the life underwriting SCR (see Section C on Risk Profile).

Deferred taxes reflect the share of future taxes on future profits from Solvency II adjustments. The loss-absorption capacity of technical provisions represents the revaluation adjustment by profit-sharing in stress scenarios.

<i>In millions of euros, at</i>	31 December 2019		31 December 2018	
	Net amount	Gross amount	Net amount	Gross amount
Market risk	513	1,091	397	860
Default risk	19	19	16	16
Life underwriting risk	190	195	165	280
Health underwriting risk	-	-	-	-
Non-life underwriting risk	-	-	-	-
Diversification	- 126	- 144	- 107	- 183
Risk linked to intangible assets	-	-	-	-
BASIC SOLVENCY CAPITAL REQUIREMENT	595	1,160	472	974
Operational risk	47		50	
Absorption capacity of technical provisions	- 565		- 502	
Absorption capacity of deferred tax	- 51		- 46	
SOLVENCY CAPITAL REQUIREMENT	591		476	

The change by risk module is described in Section C on Risk Profile.

E.2.d Coverage ratios

The SCR and MCR coverage ratios were 151% and 264% respectively at 31 December 2019 (2018: 135% and 255%).

In millions of euros, at	31 December 2019					31 December 2018
	Total	Unrestricted tier 1 capital	Restricted tier 1 capital	Tier 2 capital	Tier 3 capital	Total
Own funds eligible for the solvency capital requirement	890	538	110	194	49	642
Own funds eligible for the minimum capital requirement	701	538	110	53	-	545
Solvency capital requirement (SCR)	591					476
Minimum capital requirement	266					214
Eligible own funds as a ratio of the solvency capital requirement	151%					135%
Eligible own funds as a ratio of the minimum capital requirement	264%					255%

The SCR coverage level is consistent with Cardif Lux Vie's capital management policy.

E.2.e Information on simplified calculations

No simplified calculation has been applied.

E.2.f Use of undertaking-specific parameters (USP)

Not applicable.

E.3 Calculation option used to calculate the SCR (Article 304)

The duration was not taken into account in the assessment of equity risk, in accordance with Article 304 of Directive 2009/138/EC.

E.4 Differences between the standard formula and the internal model

Not applicable.

E.5 Amount of non-conformities with MCR and SCR

Not applicable.

E.6 Other information

There is no other specific information.

F. Acronyms

AEM	Adjusted Equity Method
ALM	Asset and Liability Management
AUM	Assets Under Management
BEL	Best Estimate of Liabilities
BSCR	Basic Solvency Capital Requirement
CAA	Commissariat aux Assurances
COO	Chief Operating Officer
CRO	Chief Risk Officer
EGM	Extraordinary General Meeting
EIOPA	European Insurance and Occupational Pensions Authority
GAAP	Generally Accepted Accounting Principles
MCR	Minimum Capital Requirement
OECD	Organisation for Economic Co-operation and Development
ORSA	Own Risk and Solvency Assessment
QMP	Quoted Market Price
QMPS	Quoted Market Price for Similar Assets
RM	Risk Margin
S2	Solvency II
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
UL	Units of account
VA	Volatility Adjustment

G. Appendix – Quantitative Reporting Templates

S.02.01.02 – Balance sheet

		Value under Solvency II
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension scheme surplus	R0050	0
Tangible assets held for own use	R0060	2,225,893
Investments (excluding assets representing unit-linked and indexed contracts)	R0070	9,967,838,044
Real estate assets (excluding assets held for own use)	R0080	0
Holdings in related undertakings, including shareholdings	R0090	146,727,035
Equities	R0100	285,377,288
Listed equities	R0110	285,377,288
Non-listed equities	R0120	0
Bonds	R0130	8,041,727,947
Government bonds	R0140	2,399,393,987
Corporate bonds	R0150	5,506,742,426
Structured securities	R0160	135,591,534
Guaranteed securities	R0170	0
Undertakings for collective investment	R0180	1,475,527,225
Derivative products	R0190	7,194,346
Deposits (other than cash equivalents)	R0200	6,019,486
Other investments	R0210	5,264,716
Assets representing unit-linked and indexed contracts	R0220	19,526,068,968
Loans and mortgages	R0230	747,576
Policy advances	R0240	747,576
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Recoverables from reinsurance contracts	R0270	6,744,777
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding life, unit-linked and indexed	R0310	6,744,777
Health similar to life	R0320	0
Life excluding health, unit-linked and indexed	R0330	6,744,777
Life, unit-linked and indexed	R0340	0
Deposits with ceding undertakings	R0350	0
Receivables arising from insurance operations and amounts receivable from intermediaries	R0360	22,572,340
Receivables arising from reinsurance operations	R0370	2,995,213
Other receivables (excluding insurance)	R0380	139,068,168
Own shares held (directly)	R0390	0
Own fund or called initial fund item(s) not yet paid	R0400	0
Cash and cash equivalents	R0410	190,419,079
Other assets not mentioned above	R0420	8,488,722
Total assets	R0500	29,867,168,780

		Value under Solvency II
		C0010
Liabilities		
Technical provisions non-life	R0510	0
Technical provisions non-life (excluding health)	R0520	0
Technical provisions calculated as a whole	R0530	0
Best estimate	R0540	0
Risk margin	R0550	0
Technical provisions health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best estimate	R0580	0
Risk margin	R0590	0
Technical provisions life (excluding unit-linked and indexed)	R0600	9,082,402,094
Technical provisions health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best estimate	R0630	0
Risk margin	R0640	0
Technical provisions life (excluding health, unit-linked and indexed)	R0650	9,082,402,094
Technical provisions calculated as a whole	R0660	0
Best estimate	R0670	9,050,485,196
Risk margin	R0680	31,916,897
Technical provisions unit-linked and indexed	R0690	19,449,708,148
Technical provisions calculated as a whole	R0700	0
Best estimate	R0710	19,336,395,316
Risk margin	R0720	113,312,832
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	31,450,651
Provisions for restatement	R0760	239,070
Reinsurers' deposits	R0770	5,614,392
Deferred tax liabilities	R0780	50,920,141
Derivative products	R0790	0
Liabilities to credit institutions	R0800	71,979,798
Financial liabilities excluding those to credit institutions	R0810	0
Liabilities arising from insurance operations and amounts due to intermediaries	R0820	193,564,749
Liabilities arising from reinsurance operations	R0830	2,529,325
Other liabilities (excluding insurance)	R0840	87,492,376
Subordinated liabilities	R0850	352,677,516
Subordinated liabilities not included in core capital	R0860	0
Subordinated liabilities included in core capital	R0870	352,677,516
Other liabilities not mentioned above	R0880	891,339
Total liabilities	R0900	29,329,469,598
Excess of assets over liabilities	R1000	537,699,182

S.05.01.02 – Premiums, claims and expenses by line of business

		Line of business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities from non-life insurance contracts and relating to health insurance obligations	Annuities from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	0	793,653,484	1,311,611,221	29,468,006					2,134,732,711
Reinsurers' share	R1420	0	0	0	7,413,154					7,413,154
Net	R1500	0	793,653,484	1,311,611,221	22,054,853					2,127,319,558
Premiums earned										
Gross	R1510	0	793,653,484	1,311,611,221	29,468,006					2,134,732,711
Reinsurers' share	R1520	0	0	0	7,413,154					7,413,154
Net	R1600	0	793,653,484	1,311,611,221	22,054,853					2,127,319,558
Claims incurred										
Gross	R1610	0	453,011,934	1,219,283,680	16,547,333					1,688,842,946
Reinsurers' share	R1620	0	0	0	2,929,583					2,929,583
Net	R1700	0	453,011,934	1,219,283,680	13,617,750					1,685,913,364
Change in other technical provisions										
Gross	R1710	0	579,256,729	1,962,886,088	1,070,263					2,543,213,080
Reinsurers' share	R1720	0	0	0	29,328					29,328
Net	R1800	0	579,256,729	1,962,886,088	1,040,935					2,543,183,752
Expenses incurred	R1900	0	37,079,958	66,584,844	6,536,980					110,201,783
Other expenses	R2500									0
Total expenses	R2600									110,201,783

S.05.02.01 – Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country
			BE	FR	GB	IT	MC	
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Premiums written								
Gross	R1410	169,641,921	124,795,621	841,115,282	108,751,186	581,174,254	94,273,459	1,919,751,722
Reinsurers' share	R1420	7,413,154	0	0	0	0	0	7,413,154
Net	R1500	162,228,767	124,795,621	841,115,282	108,751,186	581,174,254	94,273,459	1,912,338,568
Premiums earned								
Gross	R1510	169,641,921	124,795,621	841,115,282	108,751,186	581,174,254	94,273,459	1,919,751,722
Reinsurers' share	R1520	7,413,154	0	0	0	0	0	7,413,154
Net	R1600	162,228,767	124,795,621	841,115,282	108,751,186	581,174,254	94,273,459	1,912,338,568
Claims incurred								
Gross	R1610	122,525,455	239,875,912	519,247,195	31,859,830	336,013,363	132,386,585	1,381,908,340
Reinsurers' share	R1620	2,929,583	0	0	0	0	0	2,929,583
Net	R1700	119,595,873	239,875,912	519,247,195	31,859,830	336,013,363	132,386,585	1,378,978,757
Change in other technical provisions								
Gross	R1710	147,619,549	707,413,929	1,740,942,729	718,644,719	966,322,687	9,302,923	4,290,246,536
Reinsurers' share	R1720	29,328	0	0	0	0	0	29,328
Net	R1800	147,590,220	707,413,929	1,740,942,729	718,644,719	966,322,687	9,302,923	4,290,217,208
Expenses incurred	R1900	27,406,218	15,100,982	43,022,284	2,671,292	11,655,195	2,110,175	101,966,145
Other expenses	R2500							0
Total expenses	R2600							101,966,145

S.12.01.02 – Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Total (Life other than health insurance, incl. Unit-Linked)
			Contracts without options and guarantees	Contracts with options and guarantees		Contracts without options and guarantees	Contracts with options and guarantees		
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0150
Technical provisions calculated as a whole	R0010	0	0	-	-	0	-	-	0
Total recoverables from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for expected losses due to counterparty default associated with technical provisions calculated as a whole	R0020	0	0	-	-	0	-	-	0
Technical provisions calculated as a sum of best estimate and risk margin		-	-	-	-	-	-	-	-
Best estimate		-	-	-	-	-	-	-	-
Gross best estimate	R0030	8,896,858,400		19,336,395,316	0		153,626,796	0	28,386,880,512
Total recoverables from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for expected losses due to counterparty default	R0080	0	-	0	0	-	6,744,777	0	6,744,777
Best estimate minus recoverables from reinsurance/securitisation vehicles and finite reinsurance	R0090	8,896,858,400	-	19,336,395,316	0	-	146,882,019	0	28,380,135,736
Risk margin	R0100	17,758,087	113,312,832	-	-	14,158,810	-	-	145,229,729
Amount of the transitional on technical provisions		-	-	-	-	-	-	-	-
Technical provisions calculated as a whole	R0110	0	0	-	-	0	-	-	0
Best estimate	R0120	0	-	0	0	-	0	0	-
Risk margin	R0130	0	0	-	-	0	-	-	-
Technical provisions – total	R0200	8,914,616,488	19,449,708,148	-	-	167,785,606	-	-	28,532,110,242

S.22.01.21 – Impact of long-term guarantees and transitional measures

		Amount with long-term guarantees and transitional measures	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	28,532,110,242	0	0	19,319,335	0
Basic own funds	R0020	890,376,698	0	0	-14,501,093	0
Excess of assets over liabilities	R0030	537,699,182	0	0	-14,501,093	0
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0040		0	0	0	0
Eligible own funds to meet SCR	R0050	890,376,698	0	0	-14,501,093	0
Tier 1	R0060	647,978,449	0	0	-14,501,093	0
Tier 2	R0070	193,708,620	0	0	0	0
Tier 3	R0080	48,689,629	0	0	0	0
SCR	R0090	591,040,712	0	0	15,955,634	0
Eligible own funds to meet MCR	R0100	701,172,113	0	0	-14,501,093	0
Minimum capital requirement	R0110	265,968,320	0	0	7,180,035	0

S.23.01.01 – Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors, as provided for in Article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	218,704,950	218,704,950		0	
Share premium account related to ordinary share capital	R0030	2,461,035	2,461,035		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	316,533,197	316,533,197			
Subordinated liabilities	R0140	352,677,516		110,279,267	193,708,620	48,689,629
Amount equal to the value of net deferred tax assets	R0160	0				0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be included in the reconciliation reserve and that do not meet the criteria for Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in other financial undertakings	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	890,376,698	537,699,182	110,279,267	193,708,620	48,689,629
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
Legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under Article 96(3) of Directive 2009/138/EC	R0360	0			0	
Supplementary members calls other than under Article 96(3) of Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	890,376,698	537,699,182	110,279,267	193,708,620	48,689,629
Total available own funds to meet the MCR	R0510	841,687,069	537,699,182	110,279,267	193,708,620	
Total eligible own funds to meet the SCR	R0540	890,376,698	537,699,182	110,279,267	193,708,620	48,689,629
Total eligible own funds to meet the MCR	R0550	701,172,113	537,699,182	110,279,267	53,193,664	
SCR	R0580	591,040,712				
Minimum capital requirement	R0600	265,968,320				
Ratio of eligible own funds to SCR	R0620	151%				
Ratio of eligible own funds to MCR	R0640	264%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	537,699,182
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own-fund items	R0730	221,165,985
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	316,533,197
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	12,347,143
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	0
Total EPIFP	R0790	12,347,143

S.25.01.21 – Solvency capital requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation of adjustments due to matching adjustment portfolios and ring fenced funds
		C0030	C0040	C0050
Market risk	R0010	512,604,116	1,090,853,539	
Counterparty default risk	R0020	18,748,631	18,748,631	
Life underwriting risk	R0030	189,574,954	194,747,544	
Health underwriting risk	R0040	0	0	
Non-life underwriting risk	R0050		0	
Diversification	R0060	-125,760,453	-143,956,800	
Intangible asset risk	R0070		0	
Basic solvency capital requirement	R0100	595,167,248	1,160,392,914	

		Value
		C0100
Adjustment due to the aggregation of the nSCR of matching adjustment portfolios/ring fenced funds	R0120	0
Operational risk	R0130	46,793,605
Loss-absorbing capacity of technical provisions	R0140	-565,225,666
Loss-absorbing capacity of deferred taxes	R0150	-50,920,141
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement, excluding capital add-on	R0200	591,040,712
Capital add-on requirements already defined	R0210	
SCR	R0220	591,040,712

S.28.01.01 – Minimum capital requirement (MCR)

Linear formula component for non-life insurance and reinsurance obligations		C0010
MCRNL Result	R0010	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expenses and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations		C0040
MCR _L Result	R0200	393,476,728

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	6,553,126,538	
Obligations with profit participation – future discretionary benefits	R0220	798,957,303	
Index-linked and unit-linked insurance obligations	R0230	15,121,068,125	
Other life (re)insurance and health (re)insurance obligations	R0240	119,646,526	
Total capital at risk for all life (re)insurance obligations	R0250		2,942,276,899

Overall MCR calculation		C0070
Linear MCR	R0300	393,476,728
SCR	R0310	591,040,712
MCR cap	R0320	265,968,320
MCR floor	R0330	147,760,178
Combined MCR	R0340	265,968,320
Absolute floor of the MCR	R0350	3,700,000
Minimum capital requirement	R0400	265,968,320