

Situation as at 31 March, 2020

GENERAL FUND OF CARDIF LUX VIE

HIGH-QUALITY SHAREHOLDERS, GUARANTEE OF SOLIDITY AND STABILITY

1. SOLIDITY OF BNP PARIBAS CARDIF, INSURANCE ACTIVITY OF BNP PARIBAS GROUP

The fundamentals of BNP Paribas Cardif are very solid. In 2019, BNP Paribas Cardif continued to record growth, posting a record pre-tax profit of € 1.7 billion, up 16% compared with 2018, and turnover of close to € 30 billion across all of its global activities. As at the 2019 year-end, BNP Paribas Cardif's assets under management totalled € 260 billion, a year-on-year rise of 9%.

The BNP Paribas Cardif model, with its diversification across business lines, distribution channels and geographical regions, is a key strength during this period of uncertainty:

- balance of income between savings and protection business lines,
- offerings distributed via 500 partners in a range of sectors, which enabled 48% of turnover in 2019 to be recorded outside of BNP Paribas Group.
- a presence in 34 countries with strong positions in three zones (Europe, Asia and Latin America), and more than half of turnover being realised on international markets.



**BNP PARIBAS
CARDIF**

€ 1.7 BILLION
Net earnings before tax

€ 30 BILLION
Turnover

€ 260 BILLION
*Assets under management at
BNP Paribas Cardif*

2. BGL BNP PARIBAS RECORDS SOLID RESULTS IN 2019

The Bank has recorded very good results for 2019, supported by commercial activity holding up well (9% increase in bank loans to retail and corporate customers, 9% growth in assets under management in private banking, 5% rise in the international leasing business) and by the dynamic activity of Cardif Lux Vie and full integration of ABN Amro Luxembourg.

Net banking income totalled € 1,515 million, an increase of 5% compared with 2018 (€ 1,447 million). The Group share of consolidated net profit was € 345 million in 2019, up by 2% compared with 2018.

The Bank's solvency ratio was 22.7% (according to Basel III standards), well above the minimum level required. **With a Group share of regulatory capital of € 6 billion, BGL BNP Paribas is well positioned to accompany and support its clients' projects and investments.**



€ 1.5 BILLION
Net banking income

€ 345 MILLION
Group share of consolidated net profit

22.7%
Solvency ratio

3. HIGH LEVEL OF SHAREHOLDER EQUITY AT CARDIF LUX VIE, PROVIDING OUR CLIENTS WITH REAL SECURITY

Cardif Lux Vie is owned at 67% by BNP Paribas Cardif (in turn wholly owned by BNP Paribas), rated A- stable by S&P, and at 33% by BGL BNP Paribas (in which BNP Paribas holds a 66% stake and the Luxembourg government a 34% stake), rated A+ by S&P and A2 by Moody's.

This shareholder structure is a guarantee of solidity for Cardif Lux Vie. It enables us to support our development over the long term in the context of controlled risk.

In terms of capital management, the main policy pursued by BNP Paribas Group, the principal shareholder in Cardif Lux Vie, is to preserve capital at Group level and to let this capital filter down to its subsidiaries where needed.

On this basis, **our shareholders carried out a capital increase at the end of March** in order to take account of the impact of market fluctuations and our ambitions in relation to developing our solvency ratios.

This capital increase has enabled us to continue to comply with our solvency targets as approved by the Group and the Commissariat Aux Assurances (CAA).



€ 44.6 BILLION
Net banking income

€ 8.2 BILLION
Group share of net income

12.1%
Common equity tier 1 ratio

4. CARDIF LUX VIE POSTS GOOD RESULTS FOR 2019

As at 31 December 2019, Cardif Lux Vie recorded a **very strong increase in its assets under management**, which totalled € 27.9 billion (+22.1% year-on-year). The Company's pre-tax profit¹ was € 50.8 million (a year-on-year rise of 4.6%) with turnover of € 2.1 billion (-20% year-on-year). **In a context of economic and financial instability, Cardif Lux Vie maintained a good level of inflow of Unit Linked of Account while also performing well in terms of intake to the General Fund.**

"Cardif Lux Vie had an excellent year in terms of its assets under administration and earnings before taxes. We have stepped up our efforts to improve our operational efficiency, with the constant striving of providing our policyholders with high-quality products and services. Our ambitions in terms of CSR commitment have also been at the heart of our strategy, notably with the systematic integration of ESG criteria into our investments.

In the current context of the health crisis, we are trialling today new ways of working within our Company and we are developing new ways to support all of our partners. With our shared flexibility and agile approach, we will continue, as always, to act in the best interest of our clients. I am convinced that we will emerge from this crisis stronger than ever thanks to the unwavering solidarity and commitment of our employees."

Christian Gibot, CEO of Cardif Lux Vie.



€ 27.9 BILLION
Assets under management

€ 50.8 MILLION
Pre-tax profit¹

€ 2.1 BILLION
Turnover

1 - Profit before tax in accordance with Luxembourg GAAP standards, or pre-tax profit of €56 million in accordance with IFRS for consolidated groups.

SOLIDITY OF THE GENERAL FUND OF CARDIF LUX VIE

1. DYNAMIC AND PRUDENT MANAGEMENT FOR A LIQUID AND SOLID GENERAL FUND

EXPERIENCED, FLEXIBLE AND REACTIVE MANAGEMENT OF ASSETS

The Asset Management team at Cardif Lux Vie is composed of experienced managers who have been operating on the markets for more than a decade. Consequently, they lived through the crises of 2008/2009 and 2012. **This team can also rely on the support functions of BNP Paribas Cardif** (Middle Office, Risk Management, IT and Reporting).

Reflecting our most recent half-yearly communication (cf. Letter from the Manager for the second half of 2019), **our positioning in high-risk asset classes at the start of 2020 was prudent.** We therefore reduced our exposure to equities at the very beginning of the year before the dramatic correction subsequently set in. We also reduced our sensitivity to certain cyclical issuers that were still present in our portfolio, while also lowering our exposure to those with weaker ESG ratings. **We made up for these sales by buying core government securities** (Austria, Netherlands, Germany etc.).

This meant that we entered the crisis in a **generally favourable position with less than 8% sensitivity to equities** and very limited exposure to the most cyclical and the most poorly rated credit issuers. In terms of sectors, we are indeed entirely absent from the Automotive, Tourism and Aviation sectors and very underweight in Oil and Gas, which account for only 0.5% of our total portfolio.



"The Asset Management team at Cardif Lux Vie is composed of experienced managers who have been operating on the markets for more than a decade."



Consequently, as the equity markets fell and credit spreads widened, we were able to embrace the opportunities to switch to government securities, which were purchased at very low yield levels.

“We were able to embrace the opportunities to switch to government securities, which were purchased at very low yield levels.”

A BALANCED, DIVERSIFIED AND LIQUID FUND

84% of the Cardif Lux Vie portfolio is composed of high-quality bonds (average rating of A), and it has been stable for several years. Taking into account the relative attractiveness of credit securities, the portfolio of non-government bonds, which is extremely diversified, accounts for around 60% of exposure. Our size, being smaller than the major general funds, enables us to have limited exposure to the issues in which we are invested, a key factor in ensuring that our assets offer a good level of liquidity. Other than bond exposure, which we actively manage, we are also invested in several other asset classes such as equities (around 7.7%), real estate (approx. 3%), high yield (2.2%), emerging debt (1.2%), private equity and infrastructure (0.7%).



“Our size, being smaller than the major general funds, enables us to have limited exposure to the issues in which we are invested.”

With regard to shares, **we invest both directly and via funds (trackers and actively managed funds), mainly in Europe.** Our real estate assets are mainly focused on health (41%) and office premises (44%), with retail space only accounting for 10% (of which more than 30% in the food sector). Our exposure to the hospitality sector is weak, accounting for just 2.2% of the total real estate assets in the portfolio.

The limited scale of our general fund compared with the total amounts issued on the bond markets, coupled with our good allocation of maturities, enables us to guarantee a very good level of liquidity in our portfolio, which is also regularly reviewed by our risk teams. The results of this study are one of the main elements used in our asset/liability management.



“The limited scale of our general fund compared with the total amounts issued on the bond markets, coupled with our good allocation of maturities, enables us to guarantee a very good level of liquidity in our portfolio.”

For illustrative purposes, **maturities of less than three years within our bond portfolio represent close to 13% of the total portfolio** (of which 4% mature in around less than a year).

2. CONTINUED OPERATIONS DURING LOCKDOWN

The Asset Management Department acted quickly to implement its business continuity plan as soon as the first government measures were announced in Luxembourg and in France (for the Asset Management support teams within BNP Paribas Cardif) in order to ensure that management activity continued and that employees were protected. Asset management teams were deployed without delay across several sites (registered offices of Cardif Lux Vie in Luxembourg and of BNP Paribas Cardif in Nanterre and backup sites) and also set up for remote working. IT plans have also been put in place to ensure that processes can continue and to guarantee a high-quality level of operations.



“IT plans have also been put in place to ensure that processes can continue and to guarantee a high-quality level of operations.”

3. A SECURITIES FUND THAT IS ALWAYS LIQUID

A FUND WITH ROOM FOR MANOEUVRE

Over recent years, throughout the phase of low interest rates, Cardif Lux Vie's policy has always been to manage its risks prudently so that it can cope with the volatility of the financial markets over the longer term.

We have therefore maintained **a solid profit sharing reserve in proportion to our exposure** while developing in a context of very low rates and positive net inflows.

Furthermore, and despite the fall in risky assets, our portfolio continues to have unrealised capital gains, with the equities segment continuing to display unrealised gains of more than 10%.

A FUND WITH UNCHANGED CONTRACTUAL TERMS DESPITE THE CRISIS

For our policyholders, the current situation does not change anything in relation to the guarantee that Cardif Lux Vie provides: the General Fund's capital guarantee is not affected and the capital continues to be guaranteed on a 100% basis at all times, without subtraction of the management fees.

By way of a reminder, as a Luxembourg company managing a fund that is not reinsured in France, Cardif Lux Vie is not subject to the Sapin II Law.

As previously stated, as a result of the limited scale of our exposure compared with the total amounts issued on the bond market and our diversification in terms of credit risk coupled with a comfortable monetary asset position that is valued on a daily basis by our managers, **our funds have excellent liquidity in euros. Investments may be redeemed at any time.**



"Cardif Lux Vie's policy has always been to manage its risks prudently so that it can cope with the volatility of the financial markets over the longer term."

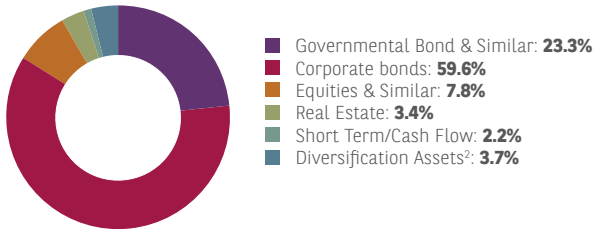


"The General Fund's capital guarantee is not affected and the capital continues to be guaranteed on a 100% basis at all times."

MANAGEMENT OF THE CARDIF LUX VIE GENERAL FUND AS AT 31 MARCH 2020

Capitalisation of the General Fund in market value: 9.233 billion EUR¹.

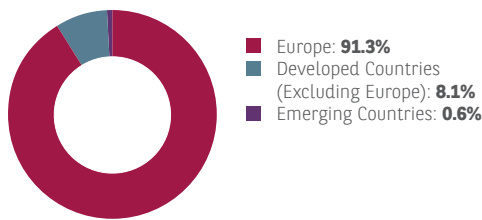
COMPOSITION OF THE CARDIF LUX VIE'S GENERAL FUND



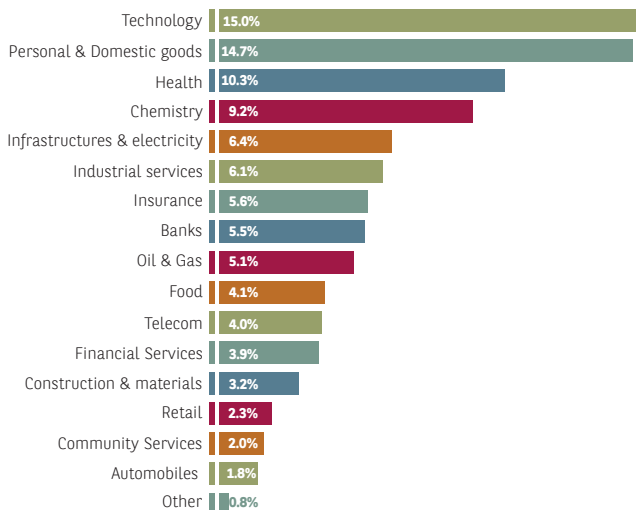
COMPOSITION OF THE EQUITIES COMPARTMENT

Share risk exposure around 8% (beta).

Equities compartment detail by geographic zone



Equities compartment detail by sector



COMPOSITION OF THE BOND COMPARTMENT

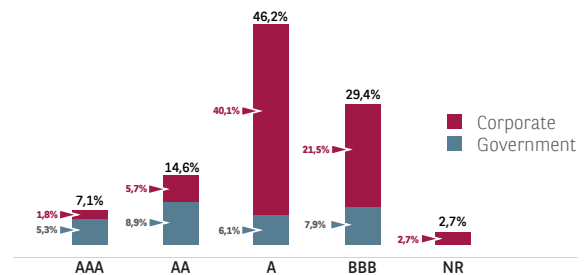
The global sensitivity to the rates of our portfolio is close to 4.8.

Bond compartment detail by rating

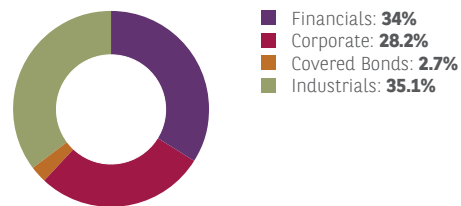
the bond portfolio has an excellent quality rating with an average rating of "A".

Rating³ of the Government State Bonds in portfolio at 31/03/2020:

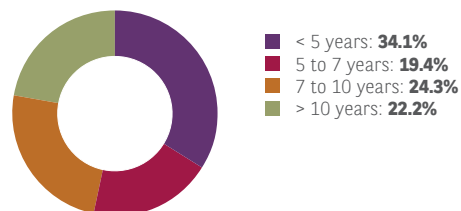
AAA: Luxembourg, Germany, Netherlands and European agencies
AA: Finland, France, Belgium and Austria
A: Slovakia, Spain, Poland, Ireland and Czech Republic
BBB: Italy and Mexico



Bond compartment detail by issuers



Repayment schedule of the bond compartment



1- Including the transfert in January 2020 of the Employee Benefits activities in Luxembourg.
 2- Emerging debt, high yield and alternative Funds.
 3- Median rating of the 3 agencies Standard & Poor's, Fitch and Moody's.