CARDIF LUX VIE
GROUPE BNP PARIBAS

SOLVENCY AND FINANCIAL CONDITION REPORT

CARDIF LIFE

RESULTS as at 31 December 2018

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Summary

THIS DOCUMENT

The purpose of the Solvency and Financial Condition Report (SFCR) is to provide information required by the Solvency II regulatory framework and in particular the capital position of Cardif Life at 31 December 2018. The report sets out different aspects of the Company's business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices.

WHO WE ARE

We are a life insurance company registered in Luxembourg and operate across Europe under the "Free Provision of Services" agreement. Established in 1996 under the name ABN AMRO Life S.A., part of the ABN AMRO Banking Group, we have developed a strong network of local premium partners in selected countries and it has generated consistent profits over time. BGL BNP Paribas S.A. and ABN AMRO Bank N.V. announced on 20 February 2018 that they have signed an agreement concerning the acquisition by BGL BNP Paribas S.A. of all the outstanding shares in ABN AMRO Bank (Luxembourg) S.A. and its fully subsidiary ABN AMRO Life S.A.. BGL BNP Paribas S.A. transferred the activities of ABN AMRO Life S.A. to Cardif Lux Vie S.A. immediately following the acquisition. The acquisition by Cardif Lux Vie of all of the shares issued by ABN AMRO Life S.A. was finalised on 3 September 2018. Consequently, with effect from 3 September 2018, ABN AMRO Life S.A. has been renamed Cardif Life, and operates under the Cardif Lux Vie brand.

WHAT WE DO

We provide tailor-made solutions for wealth structuring, asset protection and optimisation to both individuals and corporate structures. We enable our customers to manage their financial future by protecting helping to save for retirement or investing money to deliver growth over time. Thanks to our open architecture, which makes it possible for clients to choose their preferred asset manager and custodian bank, we are a preferred counterpart for clients and third party partners looking for Luxemburg wealth insurance solutions. Since 3 September 2018, the Company is not writing new business from new clients, apart for commitments stipulated before the acquisition date, in light of the merger by acquisition into Cardif Lux Vie planned in 2019, subject to regulatory approval.

OUR SOLVENCY POSITION AND BUSINESS PERFORMANCE

Our key business performance and solvency measures as at 31 December 2018 were:

In euros, at	December 31, 2018	December 31, 2017
Earned premiums, net of reinsurance	100 427 884	193 340 024
Assets under Management	2 499 216 630	2 727 766 384
Solvency II Own Funds	32 403 177	37 491 783
Solvency II Capital Requirement	24 829 885	23 014 346
Solvency II Coverage ratio	131%	163%

The Solvency II coverage ratio is the eligible Own Funds divided by the Solvency Capital Requirement (SCR). This calculation complies with current regulatory requirements.
The decrease in gross written premiums and assets under management compared to the prior exercise is due to the fact that, after the acquisition of the Company by Cardif Lux Vie, we are not writing any new business from new clients, while continuing to support our existing client base. This transitory phase will persist until the merger by acquisition into Cardif Lux Vie, planned for 2019.
The Solvency II Coverage ratio has decreased over the year 2018 due to the decrease in own funds that was not offset by a corresponding decrease in the capital requirement.
Further details on our business and performance can be found in Section A: Business and Performance.

OUR SYSTEM OF GOVERNANCE

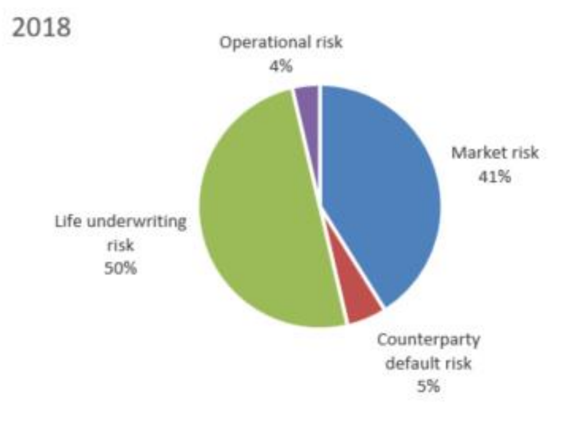
The role of the Board of Directors (BoD) is to lead the Company and oversee its system of governance. The Board leads the Company on a daily basis and defines all necessary strategic decisions. It additionally determines and approves the various reporting information required. The role of executive management is to deliver the strategy within the framework and standards set by the Board. It is the Board's responsibility to ensure we have an appropriate governance framework in place to continue to support our day-to-day operations and protect the interests of our stakeholders. We adopt a 'three lines of defence' governance approach and are working towards the alignment of our system of governance to the BNP Paribas Cardif Group framework. Before the appointment of a director, an executive officer or a key function holder, the Board of Directors analyses the elements that justify their competences and repute ensuring they possess the necessary skills for a sound and prudent management of the company.
Further details on our system of governance can be found in Section B: System of Governance.

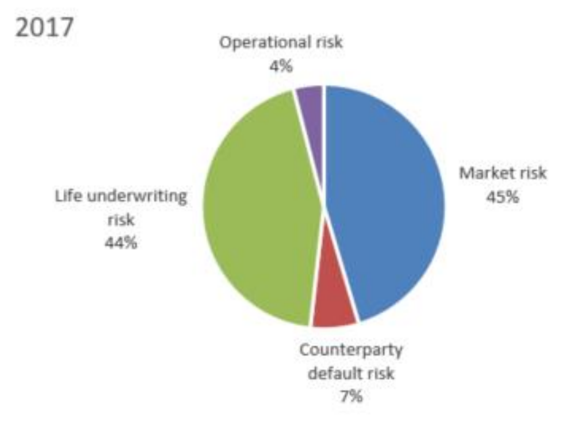
OUR RISK PROFILE

The Company is exposed to a number of risks through the normal course of its business, including:

- underwriting risk, in particular lapse and expense risk;
- investment risk, in particular in relation to the equity portfolio;
- counterparty and operational risk.

The chart below shows a breakdown of the Company's SCR by major risk types, before diversification.





Further details on our risk profile can be found in Section C: Risk Profile.

VALUATION FOR SOLVENCY PURPOSES

Assets, technical provisions, and other liabilities are valued on the Company's Solvency II balance sheet according to Solvency II regulations. The principle that underlies the valuation methodology for Solvency II purposes is the amount for which assets could be exchanged, and liabilities transferred or settled, by knowledgeable and willing third parties in an arm's length transaction. Technical provisions are calculated as the sum of Best Estimate Liabilities (BEL) plus Risk Margin (RM). The BEL represents the value of our best estimate of future cash flows on the in-force business and is calculated without any deduction for the amounts recoverable from reinsurance contracts.
The chart below shows the breakdown between BEL and RM across line of business, and a comparison with the prior exercise.

	December 31, 2018			December 31, 2017
In euros, at	Best Estimate Liabilities	Risk Margin	Total	Total
Life (excluding health and index-linked and unit-linked)	591 056	549	591 605	599 788
Index-linked and unit-linked insurance	2 478 515 773	10 073 510	2 488 589 283	2 710 534 050
TOTAL TECHNICAL PROVISIONS	**2 479 106 829**	**10 074 059**	**2 489 180 888**	**2 711 133 838**

Further details on the valuation for solvency purposes can be found in Section D: Valuation for solvency purposes.

OUR CAPITAL MANAGEMENT STRATEGY

The primary objective of capital management is to optimise the balance sheet between risk and return, whilst maintaining capital in accordance with risk appetite and regulatory requirements.
The Company's capital management strategy aims to ensure a level of own funds such that following a 1 in 200 years shock, it would still be sufficient to continue operating, cover as a minimum the 100% of the SCR as defined in the ORSA and optimise the structure of the own funds, looking for the best possible balance between ordinary share capital and other elements of the own funds, in agreement with the defined regulatory limits and risk levels.
Further details on our capital management strategy can be found in Section E: Capital Management.

DIRECTOR'S CERTIFICATE

The Directors acknowledge their responsibility for the proper preparation of the SFCR in all material respects in accordance with the CAA rules and Solvency II Regulations.
The Board is satisfied that to the best of its knowledge and belief:

(a) throughout the financial year to 31 December 2018, the firm has complied in all material respects with the requirements of the CAA rules and Solvency II Regulations as applicable to the firm; and

(b) it is reasonable to believe that in respect of the period from 31 December 2018 to the date of the publication of the SFCR, the firm has continued so to comply and that it will continue in future.

Jacques Faveyrol

Chief Executive Officer

Introduction

This report has been written in conjunction with a number of teams within the Company, including Finance and Compliance. The whole exercise was coordinated by the Finance team.

The requirements with regard the regular reporting to the supervisor are specified in the delegated acts, adopted on 10 October 2014 by the European Commission. These provide details on the report content, structure and disclosure. Notably:

Art. 304: Elements of the regular supervisory reporting

Art. 307: Business and performance

Art. 308: System of governance

Art. 309: Risk profile

Art. 310: Valuation for solvency purposes

Art. 311: Capital management

The report is based on quantitative results as at 31 December 2018, which are additionally included in the annual «Quantitative Reporting Templates» as defined by EIOPA.

Unless otherwise stated, all numbers of this report are presented in Euros.

A. Business and Performance

A.1 Business and external environment

Cardif Life Société Anonyme (hereafter "Cardif Life" or the «Company») operates under the form of public limited company ("societé anonyme") under the Luxembourgish law. Cardif Life is a Luxembourg-based life insurance company providing tailor-made solutions for wealth structuring, asset protection and optimisation to both individuals and corporate structures. Cardif Life mainly provides "Private Wealth Insurance" to wealthy clients (individuals with over EUR 1 million investable assets), primarily resident in Europe under the 'Freedom of Provision of Services Directive', and as well outside of Europe. Its current main markets are Belgium, Italy and France. Cardif Life's main activity is offering Unit-Linked insurance solutions.

Cardif Life, formerly ABN AMRO Life S.A., was incorporated in Luxembourg on 29 October 1998 as a limited company.

BGL BNP Paribas S.A. and ABN AMRO Bank N.V. announced on 20 February 2018 that they have signed an agreement concerning the acquisition by BGL BNP Paribas S.A. of all the outstanding shares in ABN AMRO Bank (Luxembourg) S.A. and its fully subsidiary ABN AMRO Life S.A.. BGL BNP Paribas S.A. transferred the activities of ABN AMRO Life S.A. to Cardif Lux Vie S.A. immediately following the acquisition.

The acquisition by Cardif Lux Vie of all of the shares issued by ABN AMRO Life S.A. was finalised on 3 September 2018. Consequently, with effect from 3 September 2018, ABN AMRO Life S.A. has been renamed Cardif Life, and operates under the Cardif Lux Vie brand.

Since the acquisition, the Company has not been writing new business from new clients; this will persist until the merger by acquisition of the Company by Cardif Lux Vie planned in 2019.

The company's registered office is located at 23-25 avenue de la Porte-Neuve, L-2227 Luxembourg City, Grand Duchy of Luxembourg.

Cardif Life is registered at the Luxembourg "registre de commerce" du Luxembourg in section B number 66.958.

The Company's financial statements are audited by Deloitte Audit, 560, rue de Neudorf L-2220 Luxembourg, under the responsibility of Jérôme Lecoq, "Réviseur d'entreprises agréé".

Cardif Life is supervised by the Commissariat aux Assurances, located at 7 boulevard Joseph II L1840.

The purpose of the company is to make all transactions in the Grand Duchy of Luxembourg and abroad in relation to life insurance and reinsurance, in particular:

1. insurance and reinsurance operations, with or without counter-reinsurance: in the event of death; in case of life; insurance mixed transactions relating to the guarantees provided in addition to life insurance, which, following an illness or accident, particularly in the event of invalidity, provides a non-compensatory benefit complementary to the main benefit;
2. capitalization transactions;
3. the management of group retirement funds; and more generally, all financial, securities or real estate transactions, including management of funds and portfolios, directly related to the above object. In addition, the Company may take all interests and shareholdings in any other companies or insurance companies likely to favour social activities, including the creation of special companies, contributions, mergers, subscriptions or purchases of shares, of bonds or other securities, acquisition of social rights, or by any treaty of union or other agreements.

A.1.a Quality shareholders

Cardif Life is owned by a solid shareholder benefitting by its local and international strong business activity.

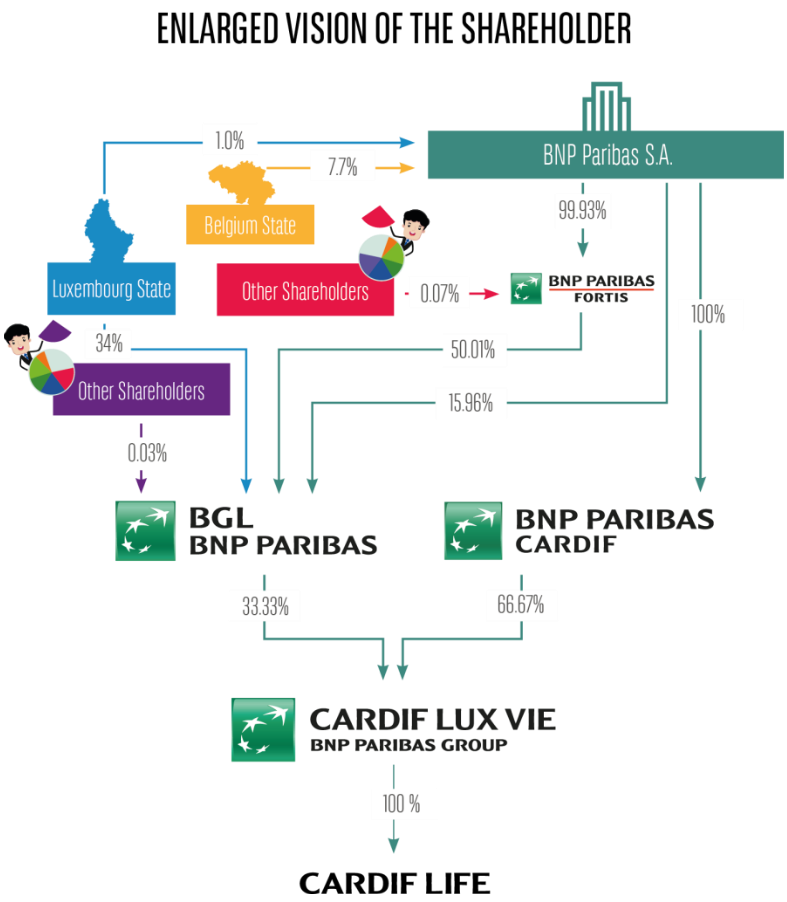
Cardif Life is owned at 100% by Cardif Lux Vie.

Cardif Lux Vie is an insurance company that operates locally as well as internationally providing services in relation to wealth management, retail and employee benefits business. Cardif Lux Vie is owned at 66.67% by BNP Paribas Cardif S.A. and at 33.33% by BGL BNP Paribas S.A.

BNP Paribas Cardif is the insurance arm of the BNP Paribas Group, a European leader in banking and financial services and one of the most solid banks in the world. With strong presence in 36 countries (Europe/Middle East/Africa, Asia and Latin America), with nearly 90 million clients, BNP Paribas Cardif is now a worldwide retail insurer.

BGL BNP Paribas positions itself among the top banking institutions in Luxembourg. The bank proposes to its retail clients, professionals, private banking and other firms a big variety of products. In Luxembourg, BGL BNP Paribas is number one in terms of professionals and small medium-sized business clients and occupies the second position for retail clients. BGL is also leader in Bancassurance.

The current shareholding is presented below:



A.1.b Lines of business and geographical zones.

Life insurance is a key skill and product in the financial planning toolbox for structuring wealth, asset protection, privacy/confidentiality, tax and inheritance and death risk coverage. In addition to the tax advantages it offers in different European countries, life insurance particularly fits complex needs.

The main features of the life insurance Unit-Linked contracts offered by Cardif Life are as follows:

- the Life Insurance policies may or may not include an additional death cover. The mortality risk is fully covered by A-rated reinsurers (according to Standard & Poor's rating scale);
- Luxembourg insurance law provides for the highest level of privacy for clients;
- life insurance products can be used for wealth and succession planning purposes. They can be pledged and underlying assets may include non-quoted assets.

Besides the above-mentioned Unit-Linked business, there is a small and shrinking portfolio of life insurance contracts. These policies are no longer sold and the existing portfolio is slowly being redeemed. This part of the business is fully hedged with cash equivalents and high-rated bonds with aligned duration and positive yield margin.

A.2 Underwriting performance

The figures presented below are taken form Cardif Life's financial statement.

Cardif Life's after tax and net of reinsurance income statement is as follows:

In euros, at	2018	2017	%
Earned premiums, net of reinsurance	100 427 884	193 340 024	-48%
Investment income	89 802 112	120 840 933	-26%
Unit-linked adjustments (unrealised gains) on unit-linked contracts	62 006 659	62 152 431	0%
Other technical income	218 713	130 536	68%
Claims incurred, net of reinsurance	- 187 852 228	- 224 562 015	-16%
Life insurance reserves and other technical reserves	228 546 803	- 20 564 916	-1211%
Profit sharing	-	-	0%
Acquisition and administration costs	- 8 782 653	- 6 963 859	26%
Investments expenses	- 115 100 784	- 80 340 443	43%
Unit-linked adjustments (unrealised losses) on unit-linked contracts	- 169 086 817	- 40 771 762	315%
Other technical expenses	- 8 854	- 23 826	-63%
Investment income transferred	25 028	- 112 814	-122%
Life insurance technical income	**195 863**	**3 124 290**	**-94%**
Non Technical result (before taxes)	- 25 028	112 814	-122%
Life insurance gross technical result	**170 836**	**3 237 103**	**-95%**
Tax on profit	- 43 252	- 840 951	-95%
Life insurance net technical result	**127 583**	**2 396 152**	**-95%**

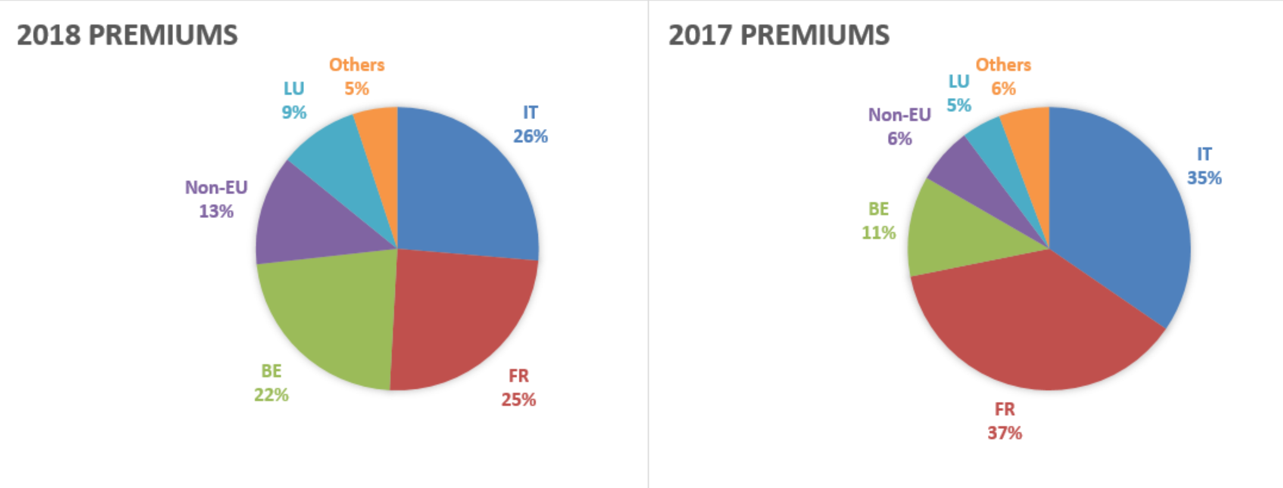
A.2.a Turnover

Cardif Life's business mix is described in the table below, detailing the amount of premiums by product type for the last two underwriting years; in particular, the main business, i.e. Unit-Linked, recorded a decrease by 48% in written premiums in 2018.

In euros, at	2018	BP 2018	%
Unit-Linked	99 963 040	274 556 716	-64%
Life Insurance (net of reinsurance)	464 844	443 284	5%
Total Net premiums	**100 427 884**	**275 000 000**	**-63%**

The reason underlying the decrease in premiums over 2018 is that Cardif Life is only accepting additional premiums from existing customers, while not underwriting any new business. This is in line with the recently-announced acquisition of the business by Cardif Lux Vie, which has channelled all new business towards them in the interim phase preceding the incorporation of Cardif Life into Cardif Lux Vie.

The above table is visually represented below spread by geographical zone and year.



The chart shows that Italy and France remain the top two markets for the Company although now covering just above 50% of the total written premiums compared to almost three quarters in 2017; Belgium, non-EU countries and Luxembourg are the other main markets, all increasing in relative size due to the decrease of Italy and France.

A.2.b Analysis of the results

Cardif Life profit before taxes reached to EUR 170 836 in 2018 versus EUR 3.1 million in 2017. Net Profit 2018 (after tax) amounted to EUR 127 583. This can be explained as follows:

- decrease of insurance revenues (EUR 1.2 million) due to lowering of assets under management and exceptional penalty fees in 2017;
- decrease of other revenues (EUR 0.7 million) on the retrocessions stemming from ABN AMRO banking revenues linked to ABN AMRO Life contracts;
- increase of charges (EUR 1.0 million) on administrative expenses, mainly in connection with the Cardif Lux Vie-related integration costs (alignment with BNP Paribas Cardif's methods and standards).

A.3 Investment performance

A.3.a Investment allocation

The assets representing Cardif Life's commitments for its Unit-Linked business decreased to EUR 2 499.2 million as at 31 December 2018, broken down as follows by fund type:

In euros, at	December 31, 2018	December 31, 2017
Internal funds	2 354 549 599	2 583 420 788
External funds	48 418 805	51 836 431
Group contracts	96 248 226	92 509 165
Total Unit-Linked assets	**2 499 216 630**	**2 727 766 384**

The same information is illustrated below by asset class:

	31 December 2018		31 December 2017	
Assets Classification In euro, at	In Euro	In %	In Euro	In %
Traditional Asset Classes	1 800 793 782	72,05%	2 117 566 263	77,63%
Bonds	757 031 123	30,29%	819 658 569	30,05%
Equities	613 155 888	24,53%	743 487 023	27,26%
Cash and Equivalent	278 496 220	11,14%	363 762 736	13,34%
Multistrategy	152 110 552	6,09%	190 657 934	6,99%
Specific Asset Classes	698 422 848	27,95%	610 200 121	22,37%
Non listed stocks & Private Bonds	517 478 591	20,71%	522 504 604	19,16%
Hedge Funds	113 381 779	4,54%	36 149 126	1,33%
Structured Products	47 543 939	1,90%	26 757 375	0,98%
Real Estate Funds	1 897 692	0,08%	1 238 886	0,05%
Private Equity Funds	254 765	0,01%	1 913 800	0,07%
Other Assets	17 866 082	0,71%	21 636 331	0,79%
Total	**2 499 216 630**	**100,00%**	**2 727 766 384**	**100%**

The investments for which investment risk is not borne by the underwriters represents EUR 10.6 million in Solvency II terms.

In euros, at	December 31, 2018	December 31, 2017
Equity	0	0
Corporate Bonds	786 062	823 112
Government Bonds	301 065	308 790
Deposits with credit institutions	9 533 769	3 513 953
Investments (other than assets held for unit-linked contracts)	**10 620 896**	**4 645 855**

A.3.b Financial results

The return on investment of unit-linked assets was -5.0% in 2018 down from 2.3% in 2017. The variation is due to the performance of the financial market in each year. The return on investment on guaranteed rate is 1.2 % in 2018.

A.4 Performance of other activities

There are no other activities to be commented in terms of performance.

A.5 Other Information

No additional information

B. System of Governance

B.1 Overview of the system of governance

Cardif Life operates under the form of “société anonyme” (S.A.) and is run by the Board of Directors and the Chief Executive Officer (CEO), supported by the Deputy CEO. From a Shareholders’ perspective, the Board of Directors represents all shareholders and operates in the interest of the Company under any circumstances.

The Board of Directors meets at least four times a year; this may increase should the circumstances or other unforeseen events require the Board to meet more frequently. The Board of Directors is supported in its decision making process by the Risk Management Function Holder, which has both an advisory and a control-related function.

B.1.a Board of Directors

Cardif Life operates as a public limited company (“societé anonyme”), run by a Board of Directors and a CEO, supported by the Deputy CEO.

The company is bound for the acts of the day-to-day management by the sole signature of the management delegate on a daily basis, or of a director or their delegates. For activities other than those of the day-to-day management, the company is bound only by the joint signature of the CEO and the Deputy CEO. The mortgages, privileges, rights of rescission and foreclosures, before or after payment, are signed on behalf of the company by an administrator.

With respect to third parties, the company is bound by the joint signatures of two directors, or by the signature of the person to whom the day-to-day management of the company has been delegated, as part of that management, or by the joint signature or the individual signature of any persons to whom such power of signature will have been delegated by the Board of Directors, but only within the limits of that power.

The Board of Directors holds the widest powers to perform or delegate the performance of all required executive and administrative decisions in the interest of the Company. The Board leads the Company on a daily basis and defines all necessary strategic decisions. It additionally determines and approves the various reporting information required.

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

As part of the transition towards the acquisition of the Company, the Board of Directors temporarily looks after items that would be otherwise discussed in dedicated committees.

As part of the Board meetings agenda, a number of topics related to audit & risk and remuneration are treated. An ALM Committee is deemed not required given the rather reduced size of the portfolio of investible assets, also considering the SII proportionality principle.

Essentially, the following committees are embedded in the Board of Directors in the interim phase until the merge by acquisition of the Company:

- ***The Audit & Risk Committee:***
  - Ensures risk monitoring through the quarterly risk dashboard;
  - Independently controls the financial reporting process and the Company’s internal control system;

- ***The Remuneration Committee:***
    - Validates the Company staff remuneration policy;

Determines the remuneration of the Executive Committee;

B.1.c Chief Executive Officer

The Chief Executive Offer (CEO) is the General Manager of Cardif Life and is supported by the Deputy CEO.

The CEO is in charge of all Company's operations following its strategic plan.

B.1.d Operational governance bodies

The Cardif Life's management governance, which lies under the responsibility of the CEO, is based on the operational governance and delegation process.

The Cardif Life's Management Committee is in charge of approving the strategic decisions, of monitoring the Company's financial results as well as of setting up the action plan, any significant commercial initiatives, development projects, transformation as well as what it relates to human resources.

With regard to the risk management, the Management Committee makes use of the risk dashboard to support its decision-making process.

The system of delegation of powers is mainly organized around two colleges of delegates (Colleges A and B). As per the CEO's powers, they can engage Cardif Life with third parties for day-to-day transactions (that is, normal corporate transactions, concluded under normal market conditions).

B.1.e Key functions

In 2018 the names of the key function holders (that is the persons in charge of the key functions) were notified to the CAA ("Commissariat Aux Assurances") as part of the regular annual reporting to the regulator.

Key function	Department
Audit	Internal audit
Compliance	Compliance
Actuarial	Actuarial & Risk Management
Risk Management	Actuarial & Risk Management

The Audit and Compliance functions are integrated vertically with the corresponding functions of the BNP Paribas Group.

The governance system specifies for each of the above-mentioned function their rights and obligations. In case of disagreement between the General Director of Cardif Life and the Group function holder, the decision is taken by the Board of Directors.

The key functions' independence is ensured by the having access to the Board of Directors should any major risk or issues compromise the administrators' responsibility or the proper management of the firm.

B.1.f Remuneration policy

The Cardif Life's remuneration policy is in line with the general BNP Paribas remuneration policy.

The latter is based on the principles of equality and non-discrimination, and is assessed annually in terms of both fix and variable remuneration.

The method of determining the variable individual compensations includes the assessment of quantitative and qualitative performance measured against the objectives set, the assessment of each person's professional behaviour with regard to respect for values, team spirit, compliance with the rules, internal processes and the code of conduct.

B.1.g Material transactions

No conflict of interest in 2018 has occurred.

BGL BNP Paribas S.A. and ABN AMRO Bank N.V. announced on 20 February 2018 that they have signed an agreement concerning the acquisition by BGL BNP Paribas S.A. of all the outstanding shares in ABN AMRO Bank (Luxembourg) S.A. and its fully subsidiary ABN AMRO Life S.A.. BGL BNP Paribas S.A. transferred the activities of ABN AMRO Life S.A. to Cardif Lux Vie S.A. immediately following the acquisition.

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Since the acquisition, the Company has not been writing new business from new clients, apart for commitments stipulated before the acquisition date; this will persist until the merger by acquisition of the Company by Cardif Lux Vie planned in 2019, subject to regulatory approval.

B.2 Fit and proper requirement

Before the appointment of a director, an executive officer or a key function holder, the Board of Directors analyses the elements that justify their competences and repute.

In case of nomination of a new director, the Board of Directors also ensures that, collectively, they possess the necessary skills for a sound and prudent management of the company.

The CEO is designated not only as a result of his experience-based skills, acquired during his or her career, but also based on those skills deemed necessary to hold such function. The CEO must have acquired a robust experience in terms of insurance, financial markets, strategy, governance, risk assessment, actuarial and financial analysis as well as of the regulation applicable to insurance companies.

The Chief Executive Officer and the key function holders have, individually as well as collectively, the necessary expertise, experience, competences, business understanding, professionalism and integrity to properly perform their duties and at the same time ensure the proper governance and oversight of the company.

B.3 Risk Management system

B.3.a Overview of the risk management system

Cardif Life takes care of the management of its risks in compliance with the Solvency II directive.

In order to adequately monitor risks, Cardif Life has implemented the below risk dashboard, reported quarterly. The risk dashboard framework has been designed by the Risk Management department before the acquisition of the Company by Cardif Lux Vie and, hence, its Key Risk Indicators and relevant results are currently under review by Cardif Life in light of the progressive move towards the risk monitoring framework of the BNP Paribas Group.

The key risk indicators are defined to ensure full coverage of the spectrum of Cardif Life's risk taxonomy. Each risk indicator is rated and rating is compared to the relevant risk appetite defined for each risk. More details on each risk indicator are presented below in the risk-specific part of this section.

Ultimate responsibility for the timely and appropriate identification, mitigation and reporting of risks lies with the Chief Executive and the Risk Management Function Holder of the Company.

B.3.b Roles, responsibilities and procedures with regard to the management of the key risks

- **Risk strategy**

Cardif Life takes care of the sound management of its risks in compliance with the Solvency II directive, of the risk governance charter and the moderate risk profile of the BNP Paribas Group.

End responsibility for the timely and appropriate identification, mitigation and reporting of risks lies with the Company's Managing Director and Board of Directors.

Cardif Life is committed to a moderate risk profile and manages its risks in line with the Solvency II requirements, the applicable laws and regulations. The Company has set up initiatives to progressively move towards the moderate risk profile strategy defined by the BNP Paribas Group.

Cardif Life has implemented the "three lines of defence" approach, with a first line of control performed by the business lines and operations, the second line by Risk and Compliance and the third line by Internal Audit.

The moderate risk profile is illustrated by the Risk Dashboard, prepared on a quarterly basis and presented during the Management Committees. The items flagged in red (high-risk) are presented to the Board of Directors for acknowledgement and potential action required. The Risk Dashboard allows to ensure that Cardif Life has implemented an adequate system of internal control in line with its defined risk appetite.

- **Stress testing**

Stress testing is performed as part of the risk assessment process; this aims to:

- identify how the Company performance and solvency moves as a result of a plausible but severe downside scenario and the potential outcomes in relation to Solvency II.
- define and implement the relevant action to prevent downside scenarios and to place the Company in a position to promptly react to unfavourable scenarios.

A series of stress testing is performed as part of the ORSA assessment on an annual basis, where a number of scenarios are chosen and their outcome analysed.

- **Capital Management**

Cardif Life's capital management is based on the following principles:

- ensure an amount of capital that allows Cardif Life to meet the regulatory requirements and, in parallel, to give the ability to meet its financial obligations when they fall due (going-concern approach). As per the risk appetite, the coverage ratio for Cardif Life should not drop below 120%.
- cover as a minimum 100% of the ORSA SCR (Pillar II).
- manage the own funds depending on their volatility:
  - tier 1 Own funds, which correspond to the total Company's own funds (net of foreseeable dividends), excluding intangible assets and goodwill;
  - the future profits under Solvency II.

- **Solvency reports**

Under Solvency II, the insurance companies should produce the quantitative reporting templates (QRT), the Regular Supervisory Reports for a review from the supervisor and a SFCR (Solvency and Financial Condition Report) for the public. The Finance department is responsible for coordinating and producing these templates and reports. The Finance department drives the realisation of these works with contribution from the other Cardif Life departments and external consultants.

- **Risk culture**

The communication processes are vital for:

- developing an internal risk culture and improving the employees' risk awareness, which, in turn, may raise alert on any potential risk;
- providing a sufficiently good level of information to shareholders within the BNP Paribas Cardif Group (communication through the Board of Directors at least annually on the cartography of risks, evaluation of risks and capital needs, ORSA);
- improving the reputation of Cardif Life in respect to the public opinion with regard to risk management best practice;

Cardif Life plays a crucial role in the adoption of a proper risk culture by maintaining and further developing an educational program on Solvency topics along with the other functions.

B.3.c Underwriting risk management

Although the Company is in not accepting new business from new clients, underwriting risk management at Cardif Life still applies to premium additions from existing contracts, which are regularly monitored as part of the Client Acceptance and Review Committee, one of the two operating committees of the Company.

The Client Acceptance and Review Committee performs a series of analyses on the funds' origin and the various elements of the contract additions, as well as reviews the KYC material. The Client Acceptance and Review Committee meets on an on-demand basis.

B.3.d Market & credit risk management

The prudent person principle drives the Company's investments in line with article 132 of the EU Solvency II Directive, with article 114 of the Law of 7 December 2015 of the insurance sector and with article 53 of the CAA Regulation 15/03 of 7 December 2015. The governance covers the whole of the key asset management processes and of the risk monitoring, as well ensuring transversal requirements are met. The investment rules are formalised in line with the asset investment policy approved by the Commissariat Aux Assurances, as defined in the circular letter 15/3 regarding the life insurance products' investment rules in relation to Unit-Linked.

Notably, the governance covers:

- Cardif Life's internal committee in charge of making decision in terms of the investment process (i.e. the Audit & Risk Committee, whose functions are temporarily held by the Board of Directors);
- the assets investment management terms and conditions, the asset managers' roadmaps, the authorizations of the underlying assets. These include scope, authorized assets, management constraints, risk management, management of multi-reference accounting impacts (Local GAAP, Consolidated, IFRS);
- the decision-making process in relation to investments' approval in the Unit-Linked contracts;
- the process of post monitoring of compliance with regulatory ratios and management mandates with respect to the Unit-Linked contracts.

B.3.e Operational risk management

The operational risk is contingent to underwriting, market and credit risk. Operational risk occurs as well in case of failure of internal procedures or in case of events stemming from the external environment.

For this reason, the operational risk is tackled by the Company from two different perspectives:

- the operational risk assessment in relation to a decision making process triggered by the other main risks (underwriting, market and credit) on the one side,
- the regular monitoring of the operational risks related to procedures and processes, as well as their relevant risk mitigation techniques on the other side.

Non-compliance and reputation risk are defined in line with the law, the regulations and the professional ethics in order to ensure the reputation of the Company, its shareholders and its clients is preserved.

B.3.f Other risk reporting processes.

In addition to these measures, no other specific risk reporting process is in place.

B.4 Internal risk and solvency assessment

B.4.a Risk profile definition process

The risk profile definition is based on the Company's risk appetite, which relates to the limit, from a qualitative and quantitative perspective, beyond which the Company is not willing to undertake risks in the context of its risk strategy. The risk appetite defines the threshold of volatility of its performance indicators that the Company's shareholders would not want to breach.

The risk profile is also defined under specific operational objectives, the risk limits. The risk limits are operational rules in relation to risk taking on a very detailed level, in compliance with the global risk appetite requirements of the firm.

The risk profile is the level of risk of the Company's commitments towards policyholder in line with predefined indicators, as described in the risk dashboard. The risk profile is measured through the risk dashboard as a minimum on a quarterly basis and whenever an important event takes place (worsening of the market conditions, new business, etc.), in order to verify this is still in line with the approved risk appetite.

The key risk indicators are defined to ensure full coverage of the spectrum of Cardif Life's risk taxonomy. Each risk indicator is rated and rating is compared to the relevant risk appetite defined for each risk. Ultimate responsibility for the timely and appropriate identification, mitigation and reporting of risks lies with the Chief Executive and the Risk Management Function Holder of the Company.

B.4.b ORSA report

In 2018 an ORSA report has been submitted to the Board of Directors for approval, and subsequently submitted to the CAA. The ORSA report is reviewed by the Board of Directors at least on an annual basis.

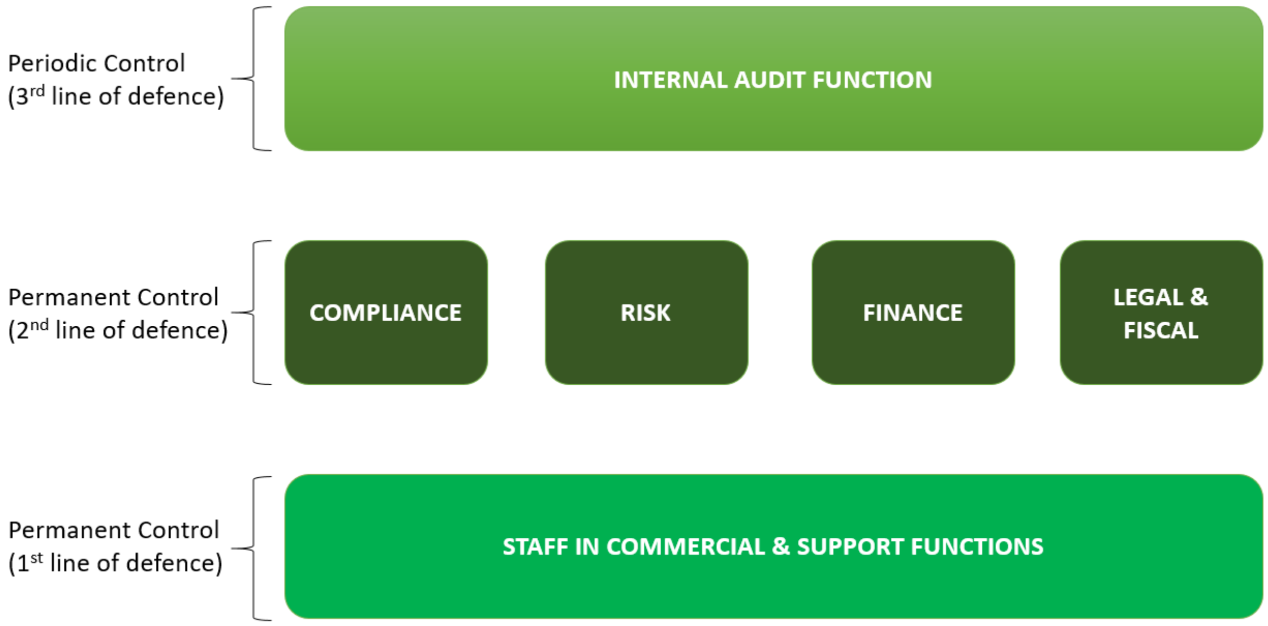
B.5 Internal control system

B.5.a Overview of the internal control system

Cardif Life is in a transition phase progressively dropping the internal control management system implemented as part of the ABN AMRO Group and adopting the new internal control system of Cardif Lux Vie.

Cardif Life, since the official announcement of its acquisition, is progressively moving towards Cardif Lux Vie's internal control system.

Being part of BNP Paribas Cardif, Cardif Life is organised in line with the Group rules and principles.



- **Organisation of the first line of defence**
    - Staff in commercial & support functions

Those in charge of the staff in commercial and support function are the first level of Control. They have the obligation to set up, at their respective level, all necessary risk monitoring processes in relation of what lies within their responsibility.

- **Organisation of the second line of defence**

The teams in the second line of defence in charge of operational risk management and the permanent control system are the following :

- Compliance

As a key function in terms of regulations and particularly Solvency II, the general scope of the Compliance function is to provide Cardif Life's Board of Directors, the Executive Director and the BNP Paribas Cardif Group Compliance function reasonable assurance that non-compliance, regulatory and reputation risks are properly monitored, controlled and mitigated.

- Risk management

In accordance with the Solvency II requirements, the risk management is an integrated key function of the risk management system exercised under the responsibility of the Risk Management Function Holder.

- Internal Control

The Finance department sets up, by adapting them to the insurance field, internal control procedures and plans.

- **The third line of defence**

The third line of defence is run by the independent and specialized Internal Audit Key Function, which ensures the "ex post" verification of the proper functioning of the Insurance Group, in particular the efficiency and quality of the internal permanent control system. Its scope of practice and operating principles are defined in the Internal Audit Policy of the BNP Paribas Cardif Insurance Group.

B.6 Internal Audit function

Internal audit is run by the independent and specialized Internal Audit Key Function, as mentioned in B.1.e.

The Audit Key Functions provide independent assurance on the quality and effectiveness of the internal control system and other elements of the governance system, thereby contributing to the continuous improvement of risks. Additionally, the role of Audit Key Function is to ensure the "ex post" verification of the proper functioning of the Insurance Group, in particular with regard to the efficiency and quality of the internal permanent control system. Its scope of practice and operating principles are defined in the Internal Audit Policy of the BNP Paribas Cardif Insurance Group.

No internal audit exercise took place during 2018 in light of the expected merger by acquisition of the Company by Cardif Lux Vie.

B.7 Actuarial function

Taking into account its size and specificities, Cardif Life outsources the actuarial calculations to HeptaConsult, an actuarial consultancy firm. It requires the following skills and knowledge from the outsourcing of actuarial calculations under Solvency II:

- preferably to be a PSA ('Professionnel du Secteur de l'Assurance') in Luxembourg;
- to demonstrate a proven experience and solid references in the provision of all services and tasks included in the key actuarial function under Solvency II, the risk management and related services (such as pricing, regulatory technical file for insurance products, …) to life insurance companies;
- to have an excellent knowledge of market practice in the Life Insurance sector in Luxembourg;
- to have a dedicated team based in Luxembourg with a good track record in the relationship with the CAA.

The Cardif Life Finance team is in charge of the completion of the QRTs, both on a quarterly and on an annual basis, as well as of other quantitative reporting requirements for internal and external purposes.

HeptaConsult provides, on a regular basis, the following tasks and services:

- quantitative tasks related to Solvency II;
- drafting the related actuarial report as defined by the regulation applicable in Luxembourg by the CAA;
- actuarial calculation of the reconciliation reserve and economic balance sheet, based on LuxGAAP (including Solvency II adjustment on reinsurance, the best estimates of technical provisions under Solvency II and related deferred tax);
- calculation of the Solvency II capital requirements (SCR and MCR) and their detailed analytical review in close collaboration with Cardif Life;
- analysis and review of company assumptions in close collaboration with Cardif Life;
- support with the ORSA, mainly by performing quantitative assessments based on the company's business plan (using different stress scenarios);
- documentation of the processes described above, in particular the description of how the calculations are carried out with full audit trail (i.e. which inputs from which sources, the assumptions made and why, the reconciliation with the annual statements, the methodology used and its rational, the functions and roles involved in the process, the adequate reference to delegated acts from EIOPA, etc.);
- active support to the Solvency II RSR and SFCR reports.

No pricing activity is held by the actuarial function since the Company is currently not writing new business.

HeptaConsult liaises directly with the Head of the Actuarial function, who is the key function holder. The key function is a company direction.

B.8 Outsourcing

In the context of the daily activities, Cardif Life makes use of outsourcing for certain important functions, in particular in the domains described below.

Outsourcing consists of transferring in whole or in part the functions, activities and operational tasks of the company to one or more external providers belonging or not to BNP Paribas Group.

Cardif Life outsources the following activities:

- non-core activities partially outsourced: non-core IT services like management and maintenance of desktops, telephones, printers, etc. These activities are considered as non-critical since the core IT systems for the management of life insurance contracts and their representative assets are hosted and managed within Cardif Life.
- key activity outsourced to BNP Paribas Group: Internal Audit is outsourced to BGL BNP Paribas. This brings to Cardif Life economy of scale and further strengthens the independence of the Audit function. As required by Luxembourg regulation, the internal auditor has a direct and independent access to Cardif Life's Board of Directors. He also reports to the Chairman of the Board of Directors who is the person responsible for this key function.
- key activity outsourced to an external party: the actuarial function is outsourced to the Actuarial and Consulting firm HeptaConsult. The activity remains under the responsibility of Cardif Life's Risk Management Function Holder.

The applicable outsourcing policy and procedure is the same as the one of the BNP Paribas Group. They comply with article 49 of the Solvency II Directive and in particular:

- Cardif Life remains entirely responsible for the obligations concerning the outsourced activities;
- Cardif Life aims to organise its outsourcing activities in order not to unduly impact:
    - the quality of the system of governance;
    - the control by the regulator;
    - the operational risk;
    - the continuous and satisfactory service delivery to the policyholders.

B.9 Adequacy of the system of governance

The merger by acquisition of Cardif Life by Cardif Lux Vie is planned for 2019; as a result, Cardif Life is progressively working towards adopting Cardif Lux Vie's system of governance, which is deemed adequate in relation to the nature, scale and magnitude of the risks undertaken by Cardif Life.

B.10 Other information

No other particular information.

C. Risk Profile

As an insurer, Cardif Life accepts risks in accordance with its risk preferences as part of its overall strategy. These risks are governed by governance-related policies and are monitored by the Audit & Risk Committee, whose functions are temporarily held by the Board of Directors.

Cardif Life's portfolio mainly consists of Unit-Linked contracts (99.9%), in addition to an immaterial traditional life insurance component.

The Solvency Capital Requirement (SCR) of Cardif Life is valued using the Standard Formula principles as prescribed by EIOPA.

As part of the results related to the prospective solvency of the Company, the results presented throughout section C have been produced in the scenario where the Company is not writing any new business.

The following sections describe the risk profile of Cardif Lux Life in accordance with the Delegated Acts Article 309. For each risk, the following information is addressed:

- Risk exposure;
- Risk concentration;
- Risk management and mitigation;
- Stress testing and sensitivity analysis.

C.1 Underwriting risk

C.1.a Definition

The underwriting risk is linked to the life insurance business and it represents a large stake (52% as of 31 December 2018) of the Company's total Solvency Capital Requirements before diversification and adjustments.
Underwriting risk includes, in particular:

- the risk of wrong or inaccurate calculation of actuarial and financial assumptions in:
  - the business model, i.e. the orientations given to the company business such as the choice of target markets and products. Business and strategic risks are relevant risks for the company given the economic environment and the private wealth management industry;
  - the pricing of individual or group of policies. Errors lead to competitiveness or profitability risk. The portfolio is very sensitive to the level of expenses as an increase in costs would reduce future profits;
  - the pricing of supplementary life cover, including the reinsurance of such cover. For Cardif Life, the mortality risk is negligible as it is fully covered by A-rated reinsurers;
  - the best estimates of technical provisions or solvency capital requirements.
- the risk of collecting less premiums or having more policies redeemed (redemption risk or lapse risk) than expected due to an insufficient commercial dynamism or unfavourable market conditions (included tax changes). This risk is linked to the quality of the commercial service delivery. The portfolio is very sensitive to redemption risk (partial and total redemptions).
- the risk of wrong commercial development or decisions, such as making commercial offers that do not meet the clients or markets' needs.
- the mortality risk: the life insurance policies may or may not include an additional life cover. The mortality risk is fully covered by A-rated reinsurers.

In summary, the main underwriting risks for the Company are the redemption risk (or "lapse" risk) of insurance policies (67% of the total life underwriting risk) and the risk on the maintenance costs of the portfolio of policies (29% of the total underwriting risk). The company performed, therefore, stress testing and sensitivity analysis for these material risks and events, which are presented later in the relevant section of this document.

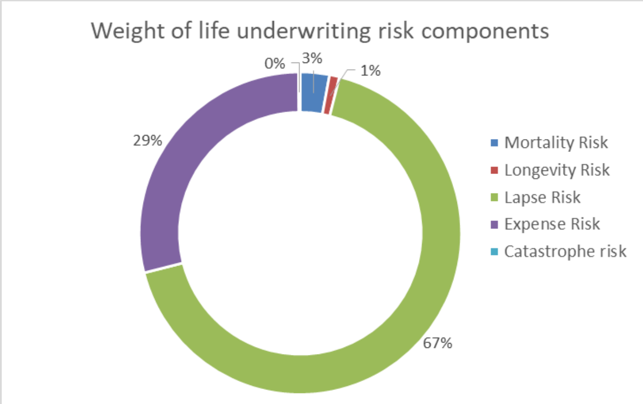
C.1.b Risk exposure

The exposure on underwriting risk can be apprehended both in quantitative terms and by source of risk through the underwriting SCR:

In euros, at	December 31, 2018	December 31, 2017	2018/2017
Life sub-modules	20 346 343	17 918 359	14%
Diversification	- 2 875 871	- 2 346 275	23%
Life underwriting SCR	**17 470 472**	**15 572 084**	**12%**

The Cardif Life underwriting risk is composed exclusively by the life underwriting part.

The life underwriting risk module can be decomposed as follows as at 31 December 2018:



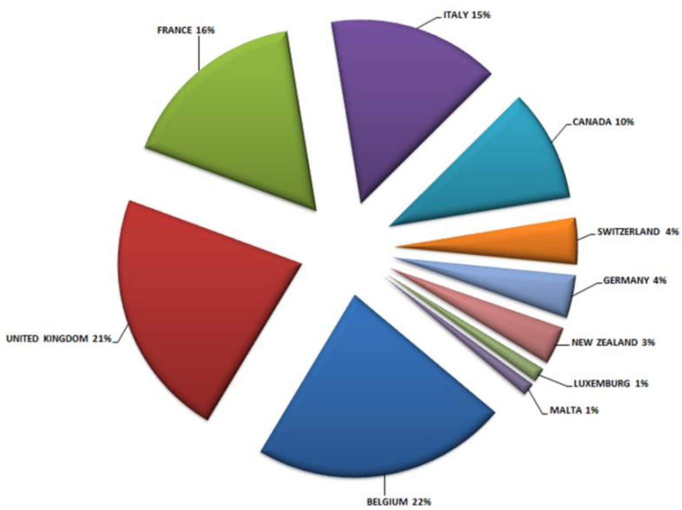
Cardif Life's life underwriting risk SCR represents EUR 17.5 million as at 31 December 2018 and has increased by 12% compared to 31 December 2017.

The increase of the life underwriting risk SCR has occurred throughout its sub-modules, as per the table below:

	December 31, 2018							December 31, 2017	
	Absolute value before shock		Absolute value after shock					Absolute value after shock	
In euros, at	Assets	Liabilities	Assets	Liabilities	Net solvency capital requirement	Liabilities	Gross solvency capital requirement	Net solvency capital requirement	Gross solvency capital requirement
Mortality risk	2 499 087 497	2 122 034 684	2 499 087 497	2 122 628 074	**593 390**	2 122 628 074	**593 390**	**344 608**	344 608
Longevity risk	2 499 087 497	358 772 679	2 499 087 497	358 976 595	**203 916**	358 976 595	**203 916**	**31 619**	31 619
Lapse risk					**13 659 152**		**13 659 152**	**12 054 485**	12 054 485
Lapse up	*2 499 087 497*	*2 122 034 684*	*2 499 087 497*	*2 129 507 023*	**7 472 339**	2 129 507 023	**7 472 339**	***8 986 196***	8 986 196
Lapse down	*2 499 087 497*	*358 772 679*	*2 499 087 497*	*361 348 495*	**2 575 817**	361 348 495	**2 575 817**	***1 641 244***	1 641 244
Mass lapse	*2 499 087 497*	*2 122 034 684*	*2 499 087 497*	*2 135 693 836*	**13 659 152**	2 135 693 836	**13 659 152**	***12 054 485***	12 054 485
Morbidity risk	2 499 087 497	2 480 807 363	2 499 087 497	2 480 807 363	**-**	2 480 807 363	**-**	**-**	-
Expense risk	2 499 087 497	2 480 807 363	2 499 087 497	2 486 661 305	**5 853 942**	2 486 661 305	**5 853 942**	**5 457 920**	5 457 920
Revision risk	2 499 087 497	2 480 807 363	2 499 087 497	2 480 807 363	**-**	2 480 807 363	**-**	**-**	-
Catastrophe risk	2 499 087 497	2 122 034 684	2 499 087 497	2 122 070 995	**36 310**	2 122 070 995	**36 310**	**29 727**	29 727
Diversification within underwriting risk module					**- 2 875 967**		**- 2 875 967**	**- 2 346 275**	- 2 346 275
TOTAL SCR UNDERWRITING RISK					**17 470 743**		**17 470 743**	**15 572 084**	**15 572 084**

C.1.c Risk concentration

The underwriting risk is concentrated on a few main markets from a geographical perspective, as per the chart below by first applicant country of law as at 31/12/2018:



The underwriting risk shows a significant individual concentration in a few markets. The premiums breakdown is regularly presented to the Management Committee for discussion. The concentration risk is low as no new policies are underwritten by the Company since its acquisition by Cardif Lux Vie.

C.1.d Risk management and mitigation

The premiums breakdown by geographical area and the pricing are regularly monitored as part of the Management Committee. The current monitoring activities are deemed adequate in light of the non-materiality of new premiums since the acquisition of the Company in September 2018.

The regular monitoring of the lapse rate has the objective of anticipating policyholders' behaviour as well as optimising asset allocation and liquidity. For this specific risk, the Company's risk mitigation technique consists in introducing surrender penalties in the first few years of the contract.

C.1.e Stress testing and sensitivity analysis

Since the acquisition of the Company, no new premiums have been underwritten or are planned in future periods. Nevertheless, Cardif Life has run stress testing on its existing portfolio of contracts.

Cardif Life ran a series of stress tests as part of the 2018 ORSA process, based on figures as at Q3 2018. The impacts were as follows:

In million euros, at	Own Funds	SCR	Coverage ratio	Delta
Base - Q3 2018	28.2	20.5	138%	-
Expenses +15%	24.1	21.5	112%	-26%
Lapses +30%	28.7	16.3	176%	38%
Lapses -15%	27.7	23.4	118%	-20%
No client 1	27.3	19.9	137%	0%
No client 2	25.9	20.0	130%	-8%
No clients 1 & 2	24.7	19.2	129%	-9%

As can be seen in the table above, the stress runs impact either the own funds or the SCR depending on the stress type applied. These analysed the impact of effect of a plausible but severe downside and potential outcomes to Solvency II.

C.2 Market risk

Cardif Life mainly holds assets on its balance sheet on behalf of and at the risk of the policyholders. For what it relates to the rest of the portfolio (life insurance contracts), this represents a non-significant portion of the Company's total assets (< 0.1%) and its assets are fully matching the corresponding liabilities.

Overall, Cardif Life holds a globally balanced portfolio of fixed-income and equity, including investments in other currencies. All market risks represent 43% of the total solvency capital requirements before diversification and adjustments as at 31 December 2018.

C.2.a Definition

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations of market prices of assets, liabilities and financial instruments.

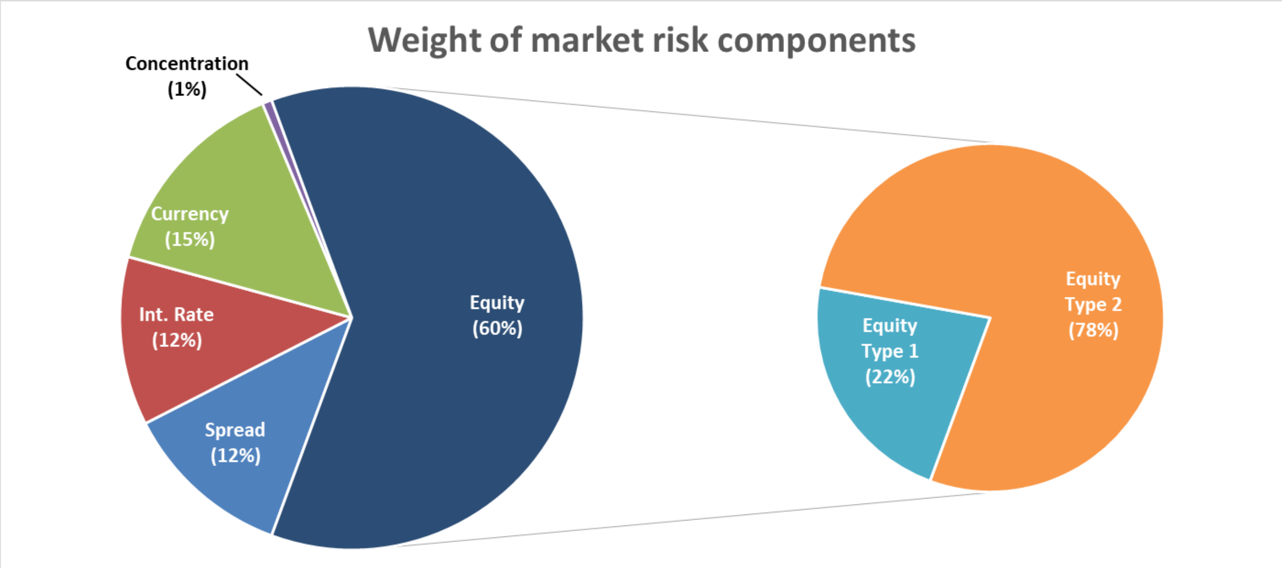
C.2.b Portfolio composition

The Cardif Life's asset portfolio composition and its sensitivity to market risk are described below by asset class:

	31 December 2018		31 December 2017	
In euros, at	In Euro	In %	In Euro	In %
Property	-	0%	-	0%
Equities	918 097 808	37%	869 282 604	32%
Government bonds	102 749 178	4%	54 711 298	2%
Corporate bonds	479 041 864	19%	543 249 705	20%
Structured notes	53 955 179	2%	24 467 979	1%
Collective funds	667 820 941	27%	866 355 524	32%
Deposits	275 610 310	11%	363 799 252	13%
Others	1 941 349	0%	5 900 021	0%
TOTAL INVESTMENTS IN REPRESENTATION OF UL CONTRACTS	**2 499 216 630**	**100%**	**2 727 766 384**	**100%**

For the above unit-linked portfolio, the "prudent person principle" applies as well to the selection of the relevant investment portfolio of the policyholder. For this product type, market risk is mainly borne by the policyholder, with a lighter impact for Cardif Life in terms of revenue in case of lowering of the market values.

C.2.c Risk exposure



Equity risk is the risk that the value of an asset or liability will change due to fluctuations in the level or volatility of the market prices for equities. It is the main market risk representing 61% (in 2018) of the total market risk before the diversification effect.

Interest rate risk is the risk that the value of an asset or liability will change due to a change in interest rates or interest rate volatility. Before diversification effect, it amounts to 12% (in 2018) of the total market risk.

Credit spread risk results from the sensitivity of the value of assets and liabilities to changes in the level or in the volatility of credit spreads over the risk-free interest rate (government bonds). Before diversification effect, it amounts to 12% (in 2018) of the total market risk.

Currency risk amounts to 15% (in 2018) of the total market risk before diversification effect.

Concentration risk arises from large investment in individual counterparties and single name exposures. Concentration risk is low thanks to the diversification of asset managers and investment profiles.

For Cardif Life, market risk may apply to:
- Unit-linked investment funds as a decrease of their market value leads to a reduction of management fees;
- The non-compliance with the clients' risk and investment profile and/or with the regulatory investment limits;
- The non-hedging of the interest risk on the (very small and decreasing) portfolio of insurance contracts with interest rate guarantee.

The market risk exposure can be presented both from a quantitative perspective and by risk module under the market risk SCR. The latter can be decomposed as at 31 December 2018 as follows:

	December 31, 2018							December 31, 2017	
	Absolute value before shock		Absolute value after shock					Absolute value after shock	
In euros, at	Assets	Liabilities	Assets	Liabilities	Net solvency capital requirement	Liabilities	Gross solvency capital requirement	Net solvency capital requirement	Gross solvency capital requirement
Interest rate risk	2 499 087 497	2 480 807 363	2 446 038 185	2 430 023 782	**2 265 731**	2 430 023 782	**2 265 731**	**1 874 093**	1 874 093
Equity risk					**11 282 167**		**11 282 167**	**12 710 806**	12 710 806
type 1 equities	*2 499 087 497*	*2 480 807 363*	*2 369 635 423*	*2 353 975 229*	**2 619 941**	2 353 975 229	**2 619 941**	***12 565 022***	12 565 022
type 2 equities	*2 499 087 497*	*2 480 807 363*	*2 045 442 423*	*2 036 345 620*	**9 183 330**	2 036 345 620	**9 183 330**	***193 518***	193 518
Property risk	2 499 087 497	2 480 807 363	2 499 087 497	2 480 807 363	**-**	2 480 807 363	**-**	**-**	-
Spread risk	2 499 087 497	2 480 807 363	2 386 220 285	2 370 224 418	**2 284 266**	2 370 224 418	**2 284 266**	**2 850 913**	2 850 913
Market risk concentrations	2 499 087 497	2 480 807 363	2 498 958 042	2 480 807 363	**129 455**	2 480 807 363	**129 455**	**134 417**	134 417
Currency risk	2 499 087 497	2 480 807 363	2 361 381 023	2 345 887 898	**2 787 008**	2 345 887 898	**2 787 008**	**2 506 476**	2 506 476
Diversification within market risk module					**- 4 390 972**		**- 4 390 972**	**- 4 085 697**	- 4 085 697
TOTAL SCR MARKET RISK					**14 357 656**		**14 357 656**	**15 991 008**	**15 991 008**

Equity risk is by far the largest market risk for Cardif Life as at 31 December 2018, representing about 60% of the total market risk before diversification.

C.2.d Risk concentration

Concentration risk arises from large investment in individual counterparties and single name exposures. Concentration risk is non material for Cardif Life given its portfolio composition.

C.2.e Risk management and mitigation

- Risk management and mitigation

Market risk is managed and mitigated adopting the prudent person principle. The own funds are composed of more than 90% of cash, deposit and savings, and the remainder is invested in high-quality bonds.

For what it relates to the Unit-Linked business, the implementation of the investment policy is governed, for each portfolio, by a management agreement that more precisely breaks down the investment limits according to the asset classes. The defined limits take into account regulatory constraints and strategic allocation principles.

- Risk monitoring

Market risk is regularly monitored through dedicated reports :

- Control of investment limits set by the CAA;
- Control of client and investment risk profile.

These reports as well as the risk monitoring bodies aim to quickly identify the risk segments and ensure the implementation of corrective actions.

C.2.f Stress testing and sensitivity analysis.

Cardif Life ran a series of stress tests as part of the 2018 ORSA process. These analysed the impact of effect of a plausible but severe downside and potential outcomes to Solvency II. The impacts of the stress related to market risk was as follows:

In million euros, at	Own Funds	SCR	Coverage ratio	Delta
Base - Q3 2018	28.2	20.5	138%	-
Financial crisis	16.8	20.1	120%	-18%

C.3 Counterparty Risk

C.3.a Definition

The credit or counterparty risk is the risk that counterparty is unable to meet its financial commitments.

It reflects the possible losses due to the unexpected default or deterioration in the credit standing of the counterparties and debtors of the company.

C.3.b Risk exposure

For Cardif Life, it mainly applies to its receivables from reinsurers (covering the mortality risk) and banks. Thanks to the high credit rating of these institutions, the risk represents 5% of the total solvency capital requirements before diversification and adjustments as of 31 December 2018.

C.3.c Risk concentration

The main reinsurer exposure as of December 31, 2018 is on QBE Re (Europe) Ltd. Secura Branch is the largest reinsurance treaty.

Technical provisions transferred under QBE Re (Europe) Ltd. Secura Branch is 35 521 euros.

C.3.d Risk management and mitigation

The management of the counterparty default risk is performed through a rigorous selection of the reinsurance companies, of the negotiations in terms of the level of coverage provided by each of them and through a close monitoring of the main exposures. Both, QBE Re (Europe) Ltd. Secura Branch and BGL BNP Paribas have a high credit rating.

C.3.e Stress testing and sensitivity analysis

No stress testing or sensitivity analysis performed given the low counterparty risk of the Company.

C.4 Liquidity Risk

C.4.a Definition

Liquidity risk occurs when an individual investor, business, or financial institution cannot meet its short-term debt obligations. The investor or entity might be unable to convert an asset into cash without giving up capital and/or income due to a lack of buyers or an inefficient market.

C.4.b Risk exposure

For the internal funds, the liquidity risk comes from non-liquid non-traditional assets. The Company adopts a rigorous risk acceptance policy, which includes specific liquidity percentage limits.

As the Company's portfolio is composed by over 99.9% of unit-linked contracts, where risk is borne by policyholders, market risks are limited to revenue volatility. All risks related to the remainder of the portfolio, i.e. insurance bonds including liquidity risk, are carefully monitored according to relevant procedures in place in compliance with the regulatory requirements.

C.4.c Risk management and mitigation

In line with the Circular 15/3 of the Commissariat aux assurances on investment rules for life insurance products linked to investment funds, a dedicated process is implemented in terms of acceptance of non-quoted assets. Unquoted assets refer to assets that are not quoted on a commercial market. Examples of unquoted assets are Financial Holding, Private Equity Fund, Commercial / Industry Company, Real Estate Company, Luxury goods Holding company.

As part of the unquoted assets acceptance process, the Company is exposed to the following risks:

- Risk of Accepting unwanted client and/or becoming owner of unwanted assets, from illegal / criminal activities, or companies not being in good shape;
- Risk of incorrect, incomplete and or weak set-up / structuring of the insurance policy contract and / or policy contract breaching local / foreign regulations;
- Risk of:
    - insufficient and/or inadequate follow-up and monitoring of the unquoted assets during the life of the policy;
    - incorrect value/valuation of the insurance policy premium at policy opening and closing as well as in case of partial surrender;
    - incorrect fee calculation (over- or undercharging);
    - under-performing policies.

To mitigate/prevent these risks, the Company has set a series of procedures, as follows:

- increased risk review of the policy: regular review as increased risk;
- drafting and/or controlling of the special documents before subscription, control of annual statements and valuations, verification that sufficient cash is available to cover fees and costs: high-level control at the acceptance, annual control of the valuations of the shares, annual control checking that there is still enough cash available to cover fees and costs;
- regular review of the insurance policy value, account statement, valuations, Company documents: regular review as increased risk, at least once a year, regular review of the annual account by Finance, control of the agenda points of the General meetings of the underlying company by the Legal Officer once a year and for extraordinary events.

C.4.d Stress testing and sensitivity analysis

No stress testing or sensitivity analysis performed given the low liquidity risk of the Company.

C.5 Operational Risk

C.5.a Definition

The operational risk is the risk of loss arising from inadequate or failed internal processes or from personnel and systems or from external events.

The operational risk program consists in the prevention, detection and correction of all risk and control matters generated from all businesses or operations. In addition, it aims at keeping an adequate system of Internal Controls based on regulatory requirements (local – initiated by Luxembourg regulator - and global – initiated by other jurisdictions).

The calculation of the Solvency Capital Requirement, as per the Solvency II Standard Formula approach prescribed by EIOPA, is based on all Unit-Linked management expenses. Operational risk represents 4% of Cardif Life total solvency capital requirements before diversification and adjustments as of 31st December 2018.

C.5.b Risk exposure

The amount of operational risk SCR as at 31 December 2018 is EUR 1.3 million compared to EUR 1.4 million at end 2017.

C.5.c Risk management and mitigation

Cardif Life is constantly working towards the improvement of its indicators, in particular in terms of reliability and transparency of underlying data

Cardif Life is working towards the alignment of it risk management and mitigation system to Cardif Lux Vie's standards. All Cardif Life employees are in charge of reporting any operational risk-related incident once they know about it. A log of all incidents is kept in order to improve the operational risk management on a daily basis.

In order to manage the operational, compliance and reputation risks, Cardif Life adopts its internal control procedures both on a permanent and on a periodic basis

The risk appetite related to **operational risk** is described using the key indicators and their relevant ranges.
The main indicators include: revenue optimisation, operational incidents, staff turnover, IT disruptions, etc.

C.5.d Stress testing and sensitivity analysis

No stress testing or sensitivity analysis performed given the low operational risk of the Company.

C.6 Other material risks

Other risks deemed material by Cardif Life, and approached as per the operational risk described above, include revenues and cost volatility, market and client concentration, etc..

C.7 Other Information

No additional information.

D. Valuation for solvency purposes

Cardif Life produces its financial statement in line with article 75 of the Solvency II Directive.

D.1 Assets

The assets of Cardif Life as at 31 December 2018 is composed as per table below:

In euros, as at December 31, 2018	Solvency 2 Balance sheet	Annual Financial report
Deferred acquisition costs	-	-
Other intangible assets	-	-
Deferred tax assets	-	-
Property, plant & equipment held for own use	378 656	378 656
Investments (other than assets held for index-linked and unit-linked contracts)	10 587 127	10 533 504
Assets held for index-linked and unit-linked contracts	2 499 216 630	2 499 216 630
Loans and mortgages	-	-
Loans on policies	-	-
Reinsurance recoverables	- 1 665 013	35 521
Deposits to cedants	-	-
Insurance and intermediaries receivables	1 163 810	1 163 810
Reinsurance receivables	-	-
Receivables (trade, not insurance)	952 390	952 390
Cash and cash equivalents	17 086 029	17 086 029
Other assets	114 281	131 396
TOTAL ASSETS	**2 527 833 910**	**2 529 497 936**

Reconciliation with financial statements and asset valuation methods:

In euros, as at December 31, 2018	2018
Financial assets fair value	36 508
Goodwill and intangible assets fair value	-
Valuation of insurance liabilities under Solvency II and elimination of deferred acquisition costs	- 1 700 534
Revaluation of subordinated liabilities	-
Others	-
Assets and deferred tax liabilities compensation	-
TOTAL RESTATEMENTS	**- 1 664 026**

In compliance with article 75 (a) of the Directive 2009/138/EC, «assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction».

The investments representing the assets covering the Unit-Linked business are measured at market price in the financial statement, applying the same methodology used for Solvency II purposes.

Other intangible assets

If any, intangible assets are recognised as zero. Provided that they are identifiable and there is a market for similar goods, then they are valued at market price.

Deferred tax assets

The deferred taxes are determined using the method described in paragraph D.5 ("Other information"). Deferred tax assets are recognized for all deductible temporary differences and tax losses carried forward to the extent that it is probable that the reporting entity will have future taxable profits, which the above-mentioned temporary difference could be offset with.

Financial Investments

Financial assets are classified as assets in the financial statement according to the Complementary Identification Code (CIC code, as defined by EIOPA). Financial assets are valued at market price to determine their present value. The market price represents the last known quoted value or to the value at which an investment could be sold, estimated with a prudent approach.

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

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

The current value of the investments has been determined according to the following methods:

- Transferable securities admitted to an official stock exchange listing or traded on another regulated market are valued on the basis of the last available current price. If such securities are listed on several markets, the last known price on the principal market is applied;

- Transferable securities not admitted to an official stock exchange listing or not traded on another regulated market, and transferable securities admitted to an official stock exchange listing or traded on another regulated market, but for which the last available price is not representative, are valued on the basis of their reasonably foreseeable price determined based on available information provided by the custodian banks, other price providers or in the financial statements of these investments.

As at 31 December 2018, the investments can be illustrated as follows grouped by valuation method:

In euros, at December 31, 2018	Quoted Market Price (QMP)	Valuation Methods (AVM)	Total
Property	-	-	-
Participations	-	-	-
Equities	-	-	-
Government Bonds	301 065	-	301 065
Corporate Bonds	786 062	-	786 062
Structured notes	-	-	-
Collateralised securities	-	-	-
Collective funds	-	-	-
Derivatives	-	-	-
Deposits	9 533 769	-	9 533 769
Total investments - non-UL life insurance	**10 620 896**	**-**	**10 620 896**
Investments - UL life insurance	1 979 087 894	520 128 736	
Total investments - UL life insurance	**1 979 087 894**	**520 128 736**	**2 499 216 630**

Reinsurers' share of technical provisions

The valuation method for reinsurance recoverables follows the same principles than the technical provisions described in D.2. As at 31 December 2018, the reinsurance recoverables are EUR 1.7 million.

Summary of differences on the assets

In compliance with Solvency II regulation, the assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.

Most of the assets items are already valued at their market value in LuxGAAP. This is the case of all assets representative of technical provisions invested in units. There is therefore no difference between the valuation in LuxGAAP and as per Solvency II and the Reconciliation Reserve is not impacted (see Chapter E. Capital Management).

The assets which are not valued at their market value in LuxGAAP, such as the bonds representative of insurance contracts with interest rate guarantee and own assets, are reassessed. For this purpose, the accounting data are enriched with the required market data to establish the prudential balance sheet under the Solvency II norm, such as ratings of securities, nominal amounts, classification of securities (sovereign …). The difference of value in LuxGAAP and in Solvency II is added to the Reconciliation Reserve.

These assets items are then completed with other assets of the lower part of the balance sheet such as the receivables, the excesses of social commitments regimes, etc. Their value is equivalent to the one established in accordance with the financial statements prepared in LuxGAAP.

The sole differences on the assets side of the balance sheet in LuxGAAP (financial accounts) and Solvency II are the following:

In euros, at	December 31, 2018			
	LuxGaap	Solvency II	Difference	Comment
Other financial investments: debt securities and other fixed income transferable securities	1 033 504	1 070 012	36 508	(1)
Reinsurer's share of technical provisions	35 521	- 1 665 013	- 1 700 534	(2)

(1) The difference corresponds to the unrealised gains on bonds as bonds are valued at amortized costs in LuxGAAP and at market value as per Solvency II;

(2) In LuxGAAP, the reinsurer's share of technical provision corresponds to the value of the reinsurance premiums not yet due to the reinsurer as at 31 December 2018. In Solvency II, it corresponds to the result of the best estimate of reinsurance, i.e. the difference between the present value of the capital at risk paid by the reinsurer in case of death of insured persons and the present value of the reinsurance premiums paid by the company. For the company, the best estimate of reinsurance is negative as the company is paying more premiums than it receives death capitals.

D.2 Technical provisions

D.2.a Summary of technical provisions by line of business

In euros, at	December 31, 2018			December 31, 2017		
	BEL - Best estimate of liabilities	Risk margin	Total	BEL - Best estimate of liabilities	Risk margin	Total
Life (excluding health and index-linked and unit-linked)	591 056	549	591 605	599 423	365	599 788
Insurance with profit participation	-	-	-	-	-	-
Other life insurance	591 056	549	591 605	599 423	365	599 788
Accepted Reinsurance	-	-	-	-	-	-
Index-linked and unit-linked insurance	2 478 515 773	10 073 510	2 488 589 283	2 703 778 783	6 755 267	2 710 534 050
TOTAL TECHNICAL PROVISIONS	2 479 106 829	10 074 059	2 489 180 888	2 704 378 206	6 755 633	2 711 133 838

The Best Estimate Liability gross of reinsurance as at 31 December 2018 has decreased by about 8.3% compared to its value at end-2017 mainly due to the decrease of market values over 2018.

D.2.b Reconciliation with the financial statement

n euros, at December 31, 2018	Annual financial reports	Statutory accounts (Solvency I)	Solvency II value
Technical provisions – life (excluding health and index-linked and unit-linked)	573 927	573 927	591 605
Best Estimate			*591 056*
Risk margin			*549*
Technical provisions – index-linked and unit-linked	2 499 216 630	2 499 216 630	2 488 589 283
Best Estimate			*2 478 515 773*
Risk margin			*10 073 510*
SUBTOTAL OF TECHNICAL PROVISIONS INC. BEST ESTIMATE OF LIABILITIES	2 499 790 557	2 499 790 557	2 489 180 888

The difference of EUR 10.7 million between the annual financial reports and the Solvency II value can be justified by a combination between the Present Value of the Future Profit (PVFP), positive impact of EUR 20.7 million, and the Risk Margin, negative impact of EUR 10.0 million.

D.2.c Technical provisions' valuation principles

In compliance with article 101 of the Law of 7 December 2015 on the insurance sector elaborated by the CAA, and article 75 (b) of the 2009/138/EC Solvency II Directive, the value of technical provisions shall be equal to the sum of the best estimate (corresponding to the probability-weighted average of future cash-flows, taking account of the time value of money) and the risk margin (calculated such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would require to settle the insurance and reinsurance obligations over its lifetime).

The technical provisions are equal to the amount to be held by an insurer on the balance sheet in order to settle all existing obligations towards policyholders. These obligations may lie far in the future for a life insurance contract.

The Company has calculated the best estimate or the best assessment of the technical provisions as described hereafter.

The best estimate is equal to the present value (using the risk-free interest rates curve calculated and published by EIOPA on a monthly basis) of all future cash flows, i.e. the balance of all future inflows (income) and outflows (expenses). The calculation is done contract per contract (and not per model point nor by assessment based on homogeneous groups).

In Solvency II, the result of the best estimate of reinsurance is equal to the difference between the present value of the capital at risk paid by the reinsurer in case of death of insured persons and the present value of the reinsurance premiums paid by the company. Such amount is posted at the asset side of the balance sheet. For the company, the best estimate of reinsurance is negative as the company is paying more premiums than it receives death capitals. Therefore, the adjustment of the share of the reinsurers in the technical provisions is negative.

The Technical provisions as per Solvency II also include a risk margin component. The risk margin ensures that the value of the technical provisions is equivalent to the amount an acquiring insurer would be expected to require in order to take over and meet the insurance obligations.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance obligations over the lifetime thereof. For this purpose, the company uses the simplified method based on the future Best Estimate.

D.2.d Technical provisions' valuation methods

The technical provisions’ valuation methods as well as the overall Cardif Life’s solvency approach are validated by the CEO and the Risk Management Function Holder before the quarterly, annual and ad-hoc reports are published as part of the regulatory disclosure.

- ***Projection models***

The projected cash-flows are estimated using best estimate assumptions in terms of surrenders, claims pattern, inflation and expenses.

- ***Homogeneous risk groups***

The valuation of the technical provision are made contract by contract, hence no homogeneous risk groups required.

- ***Contract boundaries***

The contract limit is defined as the date at which the insurer has the unilateral right to terminate, reject, or amend premiums or benefits payable in order to better reflect the riskiness of the contract. An analysis of the general terms and conditions of the contracts as well as the regulation is required to define the contract boundaries for each risk and generation of contracts.

- ***Assumptions on policyholders’ behaviour***

Policyholder behaviour is dealt with through the assessment of mortality and surrenders.

- ***Assumptions on management expenses***

The cost model used in 2018 is the one resulting from the analysis of management expenses in Q4 2018. The administrative costs are modelled based on the number of contracts in force, whereas the claim handling costs are based on the number of surrenders.

D.2.e Volatility of technical provisions

The main factors related to the volatility of technical provisions are mitigated by relevant controls performed at each stage of the Solvency II calculation process as well as by the continuous collaboration with Cardif Lux Vie's actuarial team. Specific controls have been identified as part of the governance around data quality, and have been implemented throughout the whole process. In addition, the Group BNP Paribas Cardif runs controls on Cardif Life's calculations in order to ensure the validation of the aggregate figures.

D.2.f Rate curves

Cardif Life adopts the EIOPA-provided risk-free curve with volatility adjustment (VA).

Cardif Life has decided not to adopt any of the following transitional measures:

- the matching adjustment;
- transitional measure on interest rate;
- transitional measure on technical provisions.

D.3 Other liabilities

In euros, at December 31, 2018	Solvency II Balance Sheet	Annual financial reports
Technical provisions incl. Best estimate of liabilities (BEL)	**2 489 180 891**	**2 499 790 557**
Provisions other than technical provisions	1 266 542	1 266 542
Provisions for pensions and other benefits	-	-
Liabilities for cash deposits of reinsurers	-	-
Deferred tax liabilities	2 326 761	-
Derivatives	-	-
Debts owed to credit institutions	-	-
Financial liabilities other than debts owed to credit institutions	-	-
Insurance & intermediaries payables	1 531 770	1 531 770
Reinsurance payables	124 455	124 455
Other debts (Not linked to insurance)	1 000 315	1 000 315
Subordinated liabilities in Basic Own Funds	-	-
Any other debts, not elsewhere shown	-	-
Other liabilities	**32 403 176**	**25 784 297**
Total Liabilities	**2 527 833 910**	**2 529 497 936**

Provisions for other risks and charges

Provisions for other risks and charges are intended to cover the identified risks inherent to the life insurance business of the company. They cover losses or debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which they will arise. These provisions are reversed when they become irrelevant.

Creditors

Creditors are recorded at their expected settlement value.

D.4 Alternative valuation methods

In absence of quoted market prices, the Company bases its valuation on the financial statements, custodian information as well as other sources deemed appropriate in order to estimate the present value of the investments.

The valuation methods typically used are as follows:

- **alternative funds** (commodities, Hedge Funds, etc.) are typically valued based on liquid prices published by their issuers.
- **private Equity funds** are typically valued based on liquid prices published by their management companies, potentially adjusted by events occurring since the calculation date.
- direct investments in equity, bonds, and etc. issued by non-quoted companies (called **Pure Private Equity**) are typically valued based on information contained in the financial statement or in expert reports.
- **deposits** (other than those comparable to treasury) are valued at their nominal value that corresponds to their correct value.

D.5 Other Information

No additional information.

E. Capital Management

E.1 Own Funds

E.1.a Strategy and policy of own funds covering the SCR/MCR

The capital monitoring activities run by Cardif Life are performed with the objective to ensure a sufficiently strong and optimised capital structure, in order to meet regulatory requirements and financial strength's objectives.

The Cardif Life's **Capital Management Policy** is based on the following principles:

- ensure a level of own funds such that following a 1 in 200 years shock, it would still be sufficient to allow Cardif Life to continue operating.
- cover as a minimum the 100% of the SCR as defined in the ORSA (Pillar II).
- optimise the structure of the own funds, looking for the best possible balance between ordinary share capital and other elements of the own funds, in agreement with the defined regulatory limits and risk levels.

The tier 1 own funds represent the Solvency II balance sheet component that is not subject to market value adjustments. They represent the part of the "certain" and good quality own funds. They are composed of:

- the ordinary share capital;
- the technical provisions in the LuxGAAP balance sheet;
- the annual result net of distributable dividends.

E.1.b Significant events of the exercise

BGL BNP Paribas S.A. and ABN AMRO Bank N.V. announced on 20 February 2018 that they have signed an agreement concerning the acquisition by BGL BNP Paribas S.A. of all the outstanding shares in ABN AMRO Bank (Luxembourg) S.A. and its fully subsidiary ABN AMRO Life S.A.. BGL BNP Paribas S.A. transferred the activities of ABN AMRO Life S.A. to Cardif Lux Vie S.A. immediately following the acquisition.

The acquisition by Cardif Lux Vie of all of the shares issued by ABN AMRO Life S.A. was finalised on 3 September 2018. Consequently, with effect from 3 September 2018, ABN AMRO Life S.A. has been renamed Cardif Life, and operates under the Cardif Lux Vie brand.

E.1.c Composition, value and quality of own funds

The **available own funds** represent EUR 32.4 million at 31 December 2018 and are composed of the following items:

In euros, at	December 31, 2018	December 31, 2017
Ordinary share capital	10 000 000	10 000 000
Share premiums	-	-
Reconciliation reserve	22 403 176	27 491 783
Subordinated liabilities	-	-
Guarantee funds	-	-
TOTAL	**32 403 176**	**37 491 783**

The reconciliation reserve represents EUR 22.4 million and is composed as follows:

In euros, at	December 31, 2018	December 31, 2017
Social elements (Capital, reserves, RAN)	15 784 297	15 656 714
Solvency II restatements	6 618 879	11 835 069
Impact on future profits net of taxes	*8 282 905*	13 043 272
Other restatements	*- 1 664 026*	- 1 208 203
Planned distribution	-	
TOTAL RECONCILIATION RESERVE	**22 403 176**	**27 491 783**

The reconciliation reserve is predominantly composed of IFRS balance sheet items and of adjustments related to Solvency II (delta between LuxGAAP and Solvency II rules). The impacts on the future profits net of tax reflect these deltas.

E.1.d Fungibility and transferability of own funds

Not applicable

E.1.e Classification of own funds without transitional measures

Not applicable as Cardif Life does not apply any transitional measure on own funds.

E.2 Capital Requirement

E.2.a Amount of SCR and MCR

The amount of SCR as at 31 December 2018 represents EUR 24.7 million, whereas the MCR represents EUR 11.1 million.

The MCR is capped at 45% of the SCR, which leads to an increase in line with the SCR.

In million euros, at	December 31, 2018	December 31, 2017
Linear minimum capital requirement	17 396 988	18 965 298
Solvency capital requirement - SCR	24 829 885	23 014 346
Minimum capital requirement cap	11 173 448	10 356 456
Minimum capital requirement floor	6 207 471	5 753 587
Combinated minimum capital requirement	11 173 448	10 356 456
Absolute floor of the minimum capital requirement	3 700 000	3 700 000
MINIMUM CAPITAL REQUIREMENT - MCR	**11 173 448**	**10 356 456**

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

The data used for the calculation of the MCR are as follows:

- technical provisions as described in section D.2;
- amount of written premiums net of reinsurance for the year 2018;
- capital at risk.

E.2.c SCR amount by risk module

The SCR has increased by 7.9% compared to 2017 predominantly due to the increase of life underwriting risk, whereas all other components are decreasing as discussed in section C.

In euros, at	December 31, 2018	December 31, 2017
Market risk	14 357 656	15 991 008
Counterparty default risk	1 845 818	2 254 258
Life underwriting risk	17 470 743	15 572 084
Health underwriting risk	-	-
Diversification	- 7 798 159	- 8 061 455
Basic Solvency Capital Requirement	**25 876 057**	**25 755 895**
Operational risk	1 280 589	1 418 880
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	- 2 326 761	- 4 160 429
SOLVENCY CAPITAL REQUIREMENT	**24 829 885**	**23 014 346**

E.2.d Coverage ratio

In euros, at	December 31, 2018					December 31, 2017
	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3	Total
Available own funds to meet the solvency capital requirement	32 403 177	32 403 177	-	-	-	37 491 783
Available own funds to meet the minimum capital requirement	32 403 177	32 403 177	-	-	-	37 491 783
Solvency capital requirement (SCR)	24 829 885					23 014 346
Minimum capital requirement	11 173 448					10 356 456
Ratio of Eligible own funds to the solvency capital requirement	131%					163%
Ratio of Eligible own funds to the minimum capital requirement	290%					362%

E.2.e Information on simplified calculations

No simplified calculations were adopted by Cardif Life

E.2.f Adoption of USP

Not applicable as Cardif Life did not make use of Undertaking Specific Parameters.

E.3 Duration-based equity risk sub-module

Cardif Life partially made use of the duration-based equity risk sub-module described in article 304 of 2009/138/EC (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0138&from=EN). This is applied specifically on two clients within the portfolio. The effect of applying the duration-based equity risk sub-module are presented below, showing the resulting capital reduction:

In euros, at December 31, 2018	**Applying duration-based equity risk sub-module**	**NOT Applying duration-based equity risk sub-module**	**Diff.**
Equity risk type 1	2 619 941	2 723 172	-4%
Equity risk type 2	9 183 330	10 623 830	-14%
Diversification	- 521 103	- 553 363	-6%
Equity risk total	**11 282 167**	**12 793 639**	**-12%**

E.4 Differences between standard formula and internal model

Not applicable as no internal model is in place at Cardif Life.

E.5 Non-compliance with MCR and SCR

Not applicable as Cardif Life has not recorded any non-compliance with MCR and SCR requirements.

E.6 Other Information

No additional information.

F. Acronyms

ALM	Asset Liability Management
AUM	Assets Under Management
BEL	Best Estimate of Liabilities
CAA	Commissariat aux Assurances
EIOPA	European Insurance and Occupational Pensions Authority
GAAP	Generally admitted accounting principles
MCR	Minimum Capital Requirement
OCDE	Organisation pour la Coopération et le Développement Economiques
ORSA	Own Risk and Solvency Assessment
QMP	Quoted Market Price
SCR	Solvency Capital Requirement

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G. Quantitative Reporting Templates (QRT)

S.02.01.01 Balance Sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0,00
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	378 655,76
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	10 620 895,93
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	1 087 126,93
Government Bonds	R0140	301 065,29
Corporate Bonds	R0150	786 061,64
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	9 533 769,00
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	2 499 216 629,91
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	-1 665 012,86
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-1 665 012,86
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	-1 665 012,86
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	1 163 810,85
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	952 389,70
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	17 086 028,89
Any other assets, not elsewhere shown	R0420	80 512,09
Total assets	R0500	2 527 833 910,27

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	591 608,12
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	591 608,12
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	591 055,90
Risk margin	R0680	552,22
Technical provisions – index-linked and unit-linked	R0690	2 488 589 282,98
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	2 478 515 773,13
Risk margin	R0720	10 073 509,85
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	1 266 542,48
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	2 326 761,04
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	1 531 769,86
Reinsurance payables	R0830	124 455,17
Payables (trade, not insurance)	R0840	1 000 315,00
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	2 495 430 734,65
Excess of assets over liabilities	R1000	32 403 175,62

S.05.01.01 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 stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming 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			99 963 040,31	741 092,85					100 704 133,16
Reinsurers' share	R1420				276 248,76					276 248,76
Net	R1500			99 963 040,31	464 844,09					100 427 884,40
Premiums earned										
Gross	R1510			99 963 040,31	741 092,85					100 704 133,16
Reinsurers' share	R1520				276 248,76					276 248,76
Net	R1600			99 963 040,31	464 844,09					100 427 884,40
Claims incurred										
Gross	R1610			187 338 045,74	116 226,91					187 454 272,65
Reinsurers' share	R1620				115 400,00					115 400,00
Net	R1700			187 338 045,74	826,91					187 338 872,65
Changes in other technical provisions										
Gross	R1710			-228 549 754,03	2 772,83					-228 546 981,20
Reinsurers' share	R1720				179,00					179,00
Net	R1800			-228 549 754,03	2 593,83					-228 547 160,20
Expenses incurred	R1900			7 720 049,72	21 480,18					7 741 529,90
Other expenses	R2500									
Total expenses	R2600									7 741 529,90

S.05.02.01 Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Country (by amount of gross premiums written)	Total for top 5 countries and home country (by amount of gross premiums written)
			BE	CH	FR	IT	MT	
		C0220	C0230	C0230	C0230	C0230	C0230	C0280
Premiums written								
Gross	R1410	9 100 011,37	22 740 929,65	7 749 935,72	24 638 251,74	26 450 936,95	3 957 308,64	94 637 374,07
Reinsurers' share	R1420	-1 171,63	-117 362,21	-38 910,76	-925,59	-95 010,87	0,00	-253 381,06
Net	R1500	9 101 183,00	22 858 291,86	7 788 846,48	24 639 177,33	26 545 947,82	3 957 308,64	94 890 755,13
Premiums earned								
Gross	R1510	9 100 011,37	22 740 929,65	7 749 935,72	24 638 251,74	26 450 936,95	3 957 308,64	94 637 374,07
Reinsurers' share	R1520	-1 171,63	-117 362,21	-38 910,76	-925,59	-95 010,87	0,00	-253 381,06
Net	R1600	9 101 183,00	22 858 291,86	7 788 846,48	24 639 177,33	26 545 947,82	3 957 308,64	94 890 755,13
Claims incurred								
Gross	R1610	19 541 398,79	60 145 124,10	6 904 243,45	13 376 327,88	29 404 344,65	8 632 525,85	138 003 964,72
Reinsurers' share	R1620	0,00	-40 500,00	0,00	0,00	-74 900,00	0,00	-115 400,00
Net	R1700	19 541 398,79	60 185 624,10	6 904 243,45	13 376 327,88	29 479 244,65	8 632 525,85	138 119 364,72
Changes in other technical provisions								
Gross	R1710	-11 126 033,99	-77 212 253,73	-2 559 979,26	-33 063 981,12	-26 562 326,02	-6 057 457,08	-156 582 031,20
Reinsurers' share	R1720	2 745,00		-2 790,00	224,00	0,00		179,00
Net	R1800	-11 128 778,99	-77 212 253,73	-2 557 189,26	-33 064 205,12	-26 562 326,02	-6 057 457,08	-156 582 210,20
Expenses incurred	R1900	129 337,41	3 766 302,38	27 452,30	2 107 558,65	967 053,82	29 512,56	7 027 217,12
Other expenses	R2500							
Total expenses	R2600							7 027 217,12

S.12.01.01 Life and Health SLT 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 or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0150
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Gross Best Estimate	R0030			2 478 515 773,13				591 055,90	2 479 106 829,02
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080							-1 665 012,86	-1 665 012,86
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			2 478 515 773,13				2 256 068,75	2 480 771 841,88
Risk Margin	R0100		10 073 509,85			552,22			10 074 062,08
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110								
Best estimate	R0120								
Risk margin	R0130								
Technical provisions - total	R0200		2 488 589 282,98			591 608,12			2 489 180 891,10

S.22.01.01 Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of the LTG measures and transitionals (Step-by-step approach)			
			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	2 489 180 891,10	0,00	0,00	233 618,69	0,00
Basic own funds	R0020	32 403 177,07	0,00	0,00	-295 195,21	0,00
Excess of assets over liabilities	R0030	32 403 177,07	0,00	0,00	-295 195,21	0,00
Restricted own funds due to ring-fencing and matching portfolio	R0040					
Eligible own funds to meet Solvency Capital Requirement	R0050	32 403 177,07	0,00	0,00	-295 195,21	0,00
Tier 1	R0060	32 403 177,07	0,00	0,00	-295 195,21	0,00
Tier 2	R0070					
Tier 3	R0080					
Solvency Capital Requirement	R0090	24 829 885,45	0,00	0,00	151 730,66	0,00
Eligible own funds to meet Minimum Capital Requirement	R0100	32 403 177,07	0,00	0,00	-295 195,21	0,00
Minimum Capital Requirement	R0110	11 173 448,45	0,00	0,00	68 278,79	0,00

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 sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	10 000 000,00	10 000 000,00			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	22 403 175,62	22 403 175,62			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
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 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	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	32 403 175,62	32 403 175,62			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	32 403 175,62	32 403 175,62			
Total available own funds to meet the MCR	R0510	32 403 175,62	32 403 175,62			
Total eligible own funds to meet the SCR	R0540	32 403 175,62	32 403 175,62	0,00	0,00	0,00
Total eligible own funds to meet the MCR	R0550	32 403 175,62	32 403 175,62	0,00	0,00	
SCR	R0580	24 829 885,45				
MCR	R0600	11 173 448,45				
Ratio of Eligible own funds to SCR	R0620	131%				
Ratio of Eligible own funds to MCR	R0640	290%				

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	32 403 175,62
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	10 000 000,00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	22 403 175,62
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

S.25.01.01 Solvency Capital Requirement - for undertakings on Standard Formula

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	14 357 655,65	14 357 655,65	
Counterparty default risk	R0020	1 845 817,53	1 845 817,53	
Life underwriting risk	R0030	17 470 742,74	17 470 742,74	
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-7 798 158,80	-7 798 158,80	
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	25 876 057,11	25 876 057,11	

Calculation of Solvency Capital Requirement

		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	1 280 589,32
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-2 326 761,04
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	24 829 885,38
Capital add-on already set	R0210	
Solvency capital requirement	R0220	24 829 885,38

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

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

Background information		Background information	
		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 expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations		C0040
MCRL Result	R0200	17 396 987,86

Total capital at risk for all life (re)insurance obligations		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		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	2 478 515 773,13	
Other life (re)insurance and health (re)insurance obligations	R0240	2 256 068,75	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation		C0070
Linear MCR	R0300	17 396 987,86
SCR	R0310	24 829 885,45
MCR cap	R0320	11 173 448,45
MCR floor	R0330	6 207 471,36
Combined MCR	R0340	11 173 448,45
Absolute floor of the MCR	R0350	3 700 000,00
Minimum Capital Requirement	R0400	11 173 448,45