# SOLVENCY AND FINANCIAL CONDITION REPORT
# SFCR

## Cardif Lux Vie

31 December 2020

CARDIF LUX VIE
GROUPE BNP PARIBAS

The insurer
for a changing
world

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# Introduction

This Solvency and Financial Condition Report concerns the company Cardif Lux Vie. It is based on the results of the assessment under Solvency II standards for fiscal year 2020, as presented on 26 March 2021 by the Audit and Risks Committee to the Board of Directors. The report was approved by the Audit & Risks Committee at its meeting on 26 March 2021.

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

Articles 290 to 292: Definition of the structure, materiality and summary

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

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

**Christian Gibot**

Chief Executive Officer

# Value creation overview

### Business and performance

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

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

On 13 January 2020, Cardif Lux Vie signed an insurance portfolio transfer agreement for the sale of its Luxembourg Employee Benefits business to an approved life insurance company in the Grand Duchy of Luxembourg. This transfer came into force on 11 February 2020 with retroactive effect from 1 January, following approval by the *Commissariat aux Assurances*, the Luxembourg insurance supervisor, on 3 February 2020. The total amount of the mathematical provisions transferred was €269 million.

Cardif Lux Vie retained its international Employee Benefits business.

Cardif Lux Vie's revenue stood at 1.8 billion at 31 December 2020, down by 18% from 2019.

With regard to Wealth Management activity, Cardif Lux Vie posted turnover of close to €1.7 billion, 62% of which was in Units of Account. Following an early part of the year in which activity was affected by the periods of lockdown and market volatility, the Company performed well in the last quarter of the year. This period enabled us to take some concrete and dynamic actions in terms of offers (contracts, investment supports, CSR approach) and improvements to the quality of service, which are both bases for a solid development strategy in the coming years.

With inflows of €80.9 million on the local market, despite a 44% decline in the Savings business due to the difficulties associated with the health situation, Cardif Lux Vie was very successful with its Programmed Savings (+7%) and Protection (+3%) thanks to the resilience of the BNP Paribas group's Bancassurance model, the excellent collaboration with the BGL BNP Paribas network and the development of Broking.

Cardif Lux Vie recorded net profit after tax of €39.1 million, representing a 2.6% increase compared with 2019.

The rate of return on assets came to 1.99% in 2020, down by 33 basis points compared with 2019. Composed mainly of bond coupons, the performance of the Cardif Lux Vie General Fund is sensitive to the current low interest rate environment.

### System of governance

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

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

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

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

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

### Risk profile

The solvency capital requirement (SCR) increased by 1.66% relative to 31 December 2019, due mainly to the decline in the absorption capacity of the technical provisions and to the deferred tax resulting from the environment of low or even negative interest rates that has now lasted more than twenty years (Cf. EIOPA RFR).

The SCR for market risk is €494 million, down by 4% from 2019 before diversification. This accounts for 82% of the overall SCR. It consists of six risk modules, most notably spread and equity risk.

The SCR for underwriting risk stood at €184 million at 31 December 2020, down by 3% compared with 31 December 2019, due mainly to the decline in future profits in an economic environment of low interest rates (decline in risk of large-scale redemptions associated with low future profits and increase in the cost of capital guarantees in the General Fund).

**Valuation for solvency purposes**

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

**Capital management**

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

At 31 December 2020, the amount of own funds eligible for the SCR totalled €943 million. The amount of own funds eligible for the Minimum Capital Requirement (MCR) came to €753 million.

The SCR was €600 million and the MCR was €270 million at 31 December 2020.

The SCR and MCR coverage ratios were 157% and 279%, respectively.

# A. Business and performance

## A.1 Business and external environment

Cardif Lux Vie S.A. (the "Company") is a public limited company constituted in accordance with Luxembourg law on 5 April 1994. The Company is involved in all insurance, co-insurance and re-insurance activities in the life assurance sector.

The Company is registered in Section B of the Luxembourg Companies Register under number 110021.

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

- In Luxembourg and the Greater Luxembourg Region, Cardif Lux Vie provides bancassurance and brokerage networks with life insurance solutions for savings, pensions and protection that offer high added value for private individuals and professionals.
- For high net worth clients active internationally, the Company offers sustainable, bespoke insurance solutions distributed through an open architecture via an extensive network of first-class partners. Underpinned by a comprehensive range of wealth structuring tools, planning solutions from Cardif Lux Vie lend long-term support to the company's clients and partners.
- On 13 January 2020, Cardif Lux Vie signed an insurance portfolio transfer agreement for the sale of its Luxembourg Employee Benefits business to an approved life insurance company in the Grand Duchy of Luxembourg. This transfer came into force on 11 February 2020 with retroactive effect from 1 January, following approval by the *Commissariat aux Assurances*, the Luxembourg insurance supervisor, on 3 February 2020. The total amount of the mathematical provisions transferred was €269 million.
- Cardif Lux Vie retained its international Employee Benefits business.

### A.1.a High-quality shareholders

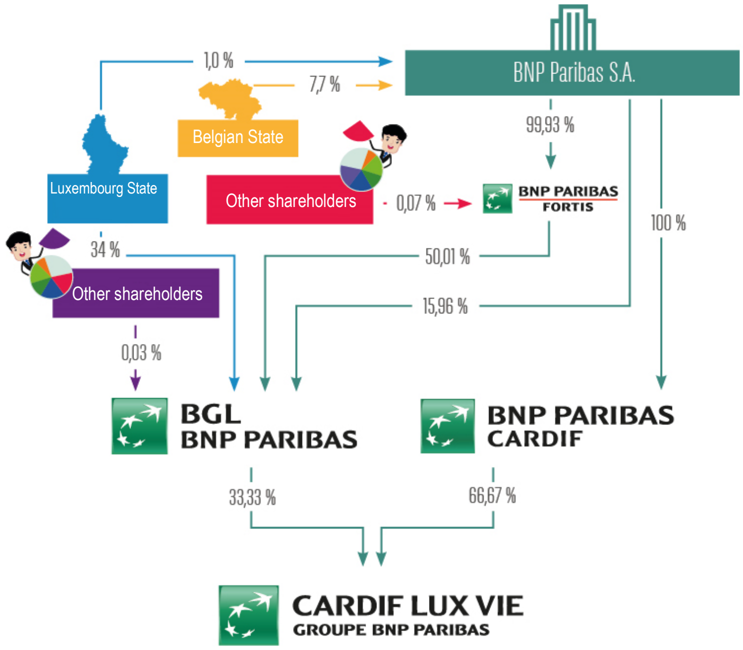
Cardif Lux Vie has a solid shareholder base with strong local and international links.

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

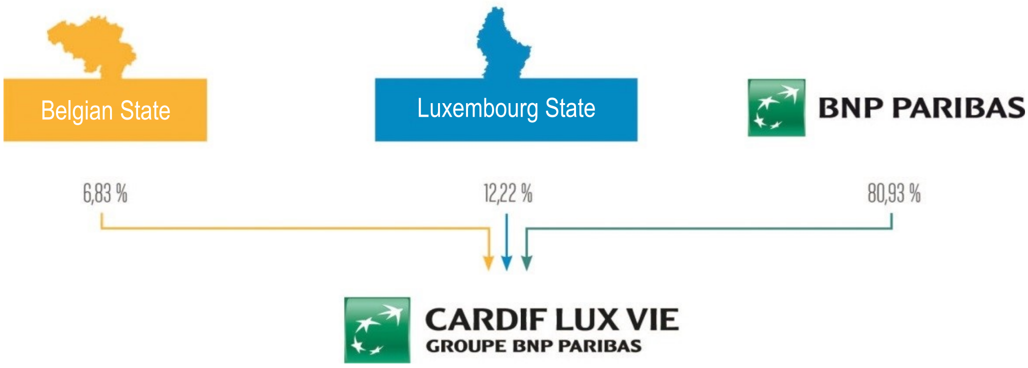
**BNP Paribas Cardif** is the insurance subsidiary of the BNP Paribas Group, a European leader in banking and financial services and one of the strongest banks in the world. Operating in 36 countries and firmly positioned in three regions (Europe/Middle East/Africa, Asia and Latin America) with some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

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

## ENLARGED VISION OF THE SHAREHOLDER




## SCHEMATIC INDIRECT SHAREHOLDINGS




### A.1.b Significant events during the period

**COVID-19**

The coronavirus epidemic, declared as a pandemic by the World Health Organisation (WHO) on 11 March 2020, and the various measures put in place by governments and regulatory bodies to combat its spread affected the global supply chain and demand for goods and services and consequently had a significant impact on world growth. At the same time, budgets and monetary policies have been more flexible to support the economy.

The accounts of Cardif Lux Vie are drawn up on a going concern basis and take account of the recommendations of the local regulator and the standards bodies on taking account of the consequences of Covid-19. The effects of this epidemic mainly concern the volume of new business, the claim payout ratio and asset valuation. They will be attenuated in part by the effects of the counter-cyclical measures which underpin the assessment of risks, the implementation of risk management instruments to hedge financial and technical risks, and the effect of economic safeguard and support measures implemented by governments or provided in the rules regulating the insurance business.

With regard to the measures taken by Cardif Lux Vie, the EGM (Extraordinary General Meeting) of 31 March 2020 decided to increase the Company's share capital by €100 million by issuing four million new shares with a nominal value of €25 each.

### A.1.c Events after year-end

The company is not aware of any important events after the end of the fiscal year that might have a notable impact on its business.

### A.1.d General information

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

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

## A.2 Performance of the underwriting business

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

| *In millions of euros* | 2020 | 2019 | % |
|---|---|---|---|
| Premiums | 1,754 | 2,127 | -18% |
| Investment income | 515 | 577 | -11% |
| Unit-linked insurance adjustments (capital gains) | 509 | 1,908 | -73% |
| Other technical income | 28 | 8 | 270% |
| Claims incurred | - 1,954 | - 1,690 | 16% |
| Cost of life insurance provisions and other technical provisions | - 70 | - 2,415 | -97% |
| Profit-sharing | - 55 | - 128 | -57% |
| Acquisition and administration costs | - 100 | - 99 | 1% |
| Investment expenses | - 202 | - 141 | 43% |
| Unit-linked insurance adjustments (capital losses) | - 352 | - 89 | 294% |
| Other technical expenses | - 30 | - 7 | 339% |
| Income from transferred investments | - 8 | - 4 | 84% |
| **Technical result of life insurance operations** | **35** | **47** | **-24%** |
| Non-technical result (excluding taxes) | 8 | 4 | 84% |
| **Pre-tax profit for the period** | **43** | **51** | **-15%** |
| Taxes | - 4 | - 13 | -69% |
| **Profit for the period** | **39** | **38** | **3%** |

### A.2.a Growth in revenue

In an environment marked by the health and economic crisis, Cardif Lux Vie confirmed the resilience of its model and reported €1.8 billion in premiums, down 18% compared with 2019.

| *In millions of euros* | 2020 | 2019 | % |
|---|---|---|---|
| Wealth Management – Unit-linked | 1,031 | 1,297 | -20.5% |
| Wealth Management – General Fund | 645 | 681 | -5.3% |
| **Total Wealth Management** | **1,676** | **1,978** | **-15.2%** |
| Local Market, savings | 63 | 132 | -52.0% |
| Local Market, protection | 18 | 25 | -29.3% |
| **Total Local Market** | **81** | **157** | **-48.4%** |
| **Total Inflows** | **1,757** | **2,135** | **-17.7%** |

*The €3 million difference in premiums for 2020 between the two tables above is due to ceded reinsurance premiums.*

With regard to Wealth Management activity, Cardif Lux Vie posted turnover of close to €1.7 billion, 62% of which was in Unit-linked. Following an early part of the year in which the activity was affected by the periods of lockdown and market volatility, the Company performed well in the last quarter. This period enabled us to take some concrete and dynamic actions in terms of offers (contracts, investment supports, CSR approach) and improvements in the quality of service, which are both bases for a solid development strategy in the coming years.

With inflows of €80.9 million on the local market, despite a 44% decline in the Savings business due to the difficulties associated with the health situation, Cardif Lux Vie was very successful with its Programmed Savings (+7%) and Protection (+3%) thanks to the resilience of the BNP Paribas group's Bankinsurance model, the excellent collaboration with the BGL BNP Paribas network and the development of Broking activity.

### A.2.b Growth in profit for the period

Cardif Lux Vie recorded net profit after tax of €39 million, an increase by 2.6% compared to 2019, in a context of health crisis and a very uneven financial environment, with markets falling in the first quarter of 2020 and bouncing back in the latter part of the year.

Cardif Lux Vie recorded a fall in revenues from its insurance business in a context of health crisis, lower volumes despite a considerable recovery in intake at the end of 2020 and a rally in the financial markets in the last quarter as well as the sale of its Employee Benefits business in Luxembourg.

The Company's general expenses were up by 3% compared with 2019 in a context of work to improve operating efficiency and reduce risks while at the same time continuing to implement the transformation plan.

The technical result was negatively affected by the recognition of provisions to cover the cost of pre-litigation or litigation against insurance underwriters and by development in the guarantees of the former shareholders.

Cardif Lux Vie ended the fiscal year with a technical result for its insurance business of €35 million, a decrease of 24% from 2019.

The Company recorded a non-technical result linked to the remuneration of its own funds of €8 million, an increase of 84% from 2019, thanks to the growth of its investments following the issues of subordinated debt at the end of 2019 and to the capital increase in the first quarter of 2020, which offset the decline in its return on assets.

Pre-tax profit came to €43 million in 2020, down by 5% relative to 2019.

The tax charge on profits of 2020 was reduced following the ruling of the administrative tribunal of 28 September 2020 acknowledging the tax deductibility of certain losses and provisions recognised in a previous financial year.

# A.3 Performance of investment activities

## A.3.a Composition of investments

**Assets representing** the liabilities of Cardif Lux Vie in Unit-Linked amounted to €19.8 billion at 31 December 2020 (2019: €19.5 billion). The breakdown is as follows:

| *In millions of euros, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Internal funds | 18,321 | 18,042 |
| Specialised Insurance Fund | 221 | 212 |
| External funds | 1,247 | 1,273 |
| **Total unit-linked investments** | **19,790** | **19,526** |

At 31 December 2020, the net carrying amount of **investments for which the investment risk is not borne by the policyholder** was €8.86 billion (2019: €9.04 billion) including accrued interest not yet due (€82.3 million; 2019: €99.3 million). These are reported as **investments other than unit-linked investments.**

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

| *Market value in millions of euros*, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Equities | 146 | 147 |
| Listed equities | 261 | 285 |
| Sovereign bonds | 2148 | 2,399 |
| Corporate bonds | 5,549 | 5,507 |
| Structured bonds | 226 | 136 |
| Investment funds | 1534 | 1476 |
| Other investments | 7 | 5 |
| Derivatives | 13 | 7 |
| Deposits | 7 | 6 |
| **Investments (excluding investments representing unit-linked liabilities)** | **9,892** | **9,968** |

** Including accrued coupons*

The main part of these investments was carried by the General Fund in euros: a net carrying amount of €8.83 billion in 2020, including accrued coupons (2019: €9 billion) and €9.86 billion at market value, including accrued coupons (2019: €9.93 billion), of which the breakdown is given below.

| | 31 December 2020 | | *31 December 2019* | |
|---|---|---|---|---|
| *In millions of euros*, at* | Net carrying amount | Market value | *Net carrying amount* | *Market value* |
| Fixed-rate bonds | 6,515 | 7,188 | 6,836 | 7,426 |
| Floating-rate and inflation-linked bonds | 693 | 727 | 582 | 606 |
| Equity-linked bonds | - | - | - | - |
| Equities and similar | 593 | 827 | 683 | 911 |
| Real estate, short term | 262 | 292 | 264 | 296 |
| Diversification assets (fixed income) | 447 | 447 | 329 | 329 |
| Derivatives | 303 | 365 | 304 | 359 |
| Fixed-rate bonds | 16 | 13 | 6 | 7 |
| **Total** | **8,829** | **9,859** | **9,004** | **9,934** |

* including accrued coupons

The market value of fixed-rate investments in Cardif Lux Vie's General Fund portfolio in euros declined slightly to 73% at the end of 2020, compared with 75.5% at the end of 2019. The proportion of the portfolio made up of floating-rate bonds increased to 7.4% at the end of 2020 compared with 6.1% at the end of 2019. The proportion of short-term investments increased to 4.5% in 2020 as against 3% in 2019.

Beta equity exposure (convertibles, equity-linked, other equity-backed securities and diversified) fell to 8.4% at the end of 2020, as against 9.2% a year earlier.

The real estate allocation remained stable in 2020, at 3%.

### A.3.b Financial performance

The **rate of return on unit-linked investments** was 1.68% in 2020, down sharply from 2019 (11.04%) in a context of health crisis. The change is due to the relative performance of the financial markets for each year.

**The rate of return on the assets of the General Fund** of Cardif Lux Vie came to 1.99% in 2020, as a result of the marked fall in reinvestment rates, lower contribution of dividends on equities and the impact of the contraction of the long-term swap rates that serve as the reference for most of our variable rate securities. By way of illustration, in 2020 the 10-year risk-free rate (10-year swap rate) averaged around 0.15% below its average level in 2019. Also, euro zone countries' spreads against the German Bund narrowed significantly, particularly those of the lowest rated ones (Italy, Greece, Portugal and Spain) while those on corporate bonds contracted sharply following the marked widening of the end of the first quarter of 2020, returning to close to their year-end 2019 levels.

The rate of return on the assets of the Cardif Lux Vie General Fund was thus 33 bps less than in 2019. This change was mainly due to a decline in the so-called recurring return, which consists of dividends, coupons and the amortisation of premiums/discount, whereas the exceptional return, consisting of gains and losses on the sale of assets and on foreign exchange, made a negative contribution of around one basis point in 2020.

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

## A.4 Performance of other activities

There are no other activities to review.

## A.5 Other information

There is no other specific information.

# B. System of governance

## B.1 General information about the system of governance

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

### B.1.a Board of Directors

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

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

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

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

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

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

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

In 2020, the Board of Directors of Cardif Lux Vie met five times.

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

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

Each Committee reports on its activity to the Board of Directors.

- ***Audit and Risks Committee***

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

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

  - To obtain a written statement from the Company's independent auditor at least once a year declaring that its independence has not been compromised,
  - To analyse and evaluate the performance of the independent auditor and internal audit,
  - To prepare the review relating to subjects to be audited at the Company, to be carried out by the Board of Directors,
  - To prepare the Board of Directors' review of the ORSA report.
  - To approve the Compliance activity report.

- ***The responsibilities of the ALM and Investments Committee are:***
  - To monitor the credit, market and liquidity risk of the Company's portfolio,
  - To verify the Company's asset/liability matching,
  - To perform checks and ensure that investment limits are adhered to,
  - To conduct an annual review of the results and performance of the Company's portfolio,
  - To review and update the investment criteria at least once a year,
  - To inform the Board of Directors of any significant event that might in particular have an effect on the portfolio,

- ***The responsibilities of the Remuneration and Nomination Committee are:***
  - To advise the Board of Directors and/or approve the Company's employee remuneration policy,
  - To decide on the remuneration of members of the Executive Committee.

### B.1.c Effective managers

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

The two effective managers work jointly on reaching important decisions regarding the day-to-day management, with Christian Gibot being more particularly in charge of strategy and commercial activity and Bénédicte BURGUN of financial aspects.

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

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

### B.1.d Operational governance bodies

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

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

For risk management, the Executive Committee is assisted by operational committees (see B.3).

The delegation of powers is organised principally around three panels of authorised persons (panels A, B and C). Each authorised person can bind Cardif Lux Vie with regard to third parties for ongoing transactions (i.e.

usual transactions for the Company, concluded at normal market conditions) within the scope of their powers. A specific delegation of powers relates to transactions involving management of assets and human resources.

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

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

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

### B.1.e Key functions

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

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

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

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

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

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

### B.1.f Remuneration policy

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

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

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

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

### B.1.g Conflicts of interest

In 2020, no conflict of interest was reported by Cardif Lux Vie's directors.

## B.2 Fit and proper requirements

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

The effective managers are appointed not only on the basis of their skills founded on the experience gained during their career, but also according to the qualities deemed necessary. For example, they must have solid experience in insurance and financial markets, strategy, system of governance and risk analysis, actuarial and financial analysis, as well as a thorough understanding of the regulations applicable to insurance undertakings.

The skills and integrity of the effective managers and those responsible for key functions are re-examined each year as part of the professional evaluation process.

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

## B.3 Risk management system

### B.3.a Comprehensive risk management framework

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

The risk management framework relies on an integrated organisation based on:

- The Effective Managers;
- The four key functions (Risk management, Actuarial function, Compliance and Audit);
- Effective written documentation;
- A comprehensive set of committees in place allowing information and points of view to be aligned while taking account of the Risk, Capital and Solvency aspects.

The Chief Risk Officer heads up the Risk management function. The risks department exercises permanent second-level control of credit risk, market risk, underwriting risk and operational risk.

The CRO is responsible for advising the Board of Directors and the effective managers on risk governance, policy and management strategy. He sits on the risk approval committees and when necessary gives a second opinion on decisions having a significant impact on Cardif Lux Vie's risks. He produces the internal and statutory risk and solvency reports. He is an integral part of the internal control system (see B.5).

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

### Risk strategy process

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

### Independent review of the Risk process

The Risk department is responsible for advising all levels of management on decisions involving risk, while:
- ensuring the consistency of governance with the risk management framework;
- performing an independent review of the risk assessment;
- proposing any risk mitigation actions required.

### Independent review of risk modelling

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

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

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

### Stress tests

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

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

Appropriate stress tests are carried out at the various stages of the risk management cycle depending on needs and on the economic context in particular and when reporting risks.

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

### Capital management

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

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

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

### Own Risk and Solvency Assessment (ORSA)

Under the Solvency II Directive, Cardif Lux Vie conducts an annual forward-looking assessment of its solvency and risks, with:
- The definition and evaluation of a capital requirement specific to the risk profile;

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

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

#### Solvency II reporting

Under the Solvency II Directive, Cardif Lux Vie submits this report annually to the Commissariat aux Assurances as well as submitting the regular supervisory report in accordance with CAA circular 17/11.

#### Risk culture

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

The Risks Department and the Actuarial Division play a role in coordinating risk culture initiatives by raising awareness of operational risk (particularly fraud, incident detection and reporting, and risk mapping). The Permanent Control Department is integrated with the Actuarial Division.

The Actuarial Division also runs and maintains a training programme on solvency.

#### Other risk reporting processes

The risks department reports quarterly to the Executive Committee on the risks of Cardif Lux Vie. To do so, the department identifies the key monitoring indicators and puts in place a data gathering process.

The risk management function produces the ORSA report manually. (See B.4).

### B.3.c Management of risk categories

#### Management of underwriting risk

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

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

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

#### Market, liquidity and credit risk management

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

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

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

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

The investment policy guides the investments of Cardif Lux Vie in accordance with the prudent person principle defined in Article 132 of the Solvency II Directive, Article 114 of the Law of 7 December 2015 on the insurance sector, and Article 53 of Commissariat aux Assurances Regulation No. 15/03 of 7 December 2015. The system of governance covers all key asset management and risk monitoring processes, thus ensuring respect for cross-cutting requirements. The investment rules are formalised in the management agreements.

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

The liquidity policy describes the rules for identifying, measuring, managing and controlling liquidity risk.

### Operational risk management

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

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

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

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

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

### ALM risk management

ALM risk or asset and liability management risk is the risk of financial losses or reduced solvency caused by an inconsistency between the investment policy on the one hand and the underwriting and reinsurance policies on the other. This risk may relate for example to asset allocation, duration gaps, the rates charged to insureds or off-balance sheet commitments. It materialises in the form of differences between the expected financial flows and those actually observed (inflows or outflows) due to the uncertainty inherent in the modelling of the interactions between assets and liabilities.
Asset and liability management risk can lead to strategic errors, damage reputation, liquidity problems or insolvency.
This risk is managed through the production of studies which allow a strategic asset allocation to be established and validated in committees at various levels. This strategic allocation is then used to manage the investments.

### Management of compliance risk

Compliance risk is defined as the risk of sanctions (judicial, administrative or disciplinary) and the associated financial penalties resulting from non-compliance with the laws, regulations, code of conduct or standards of good practices applicable to insurance and financial activities.
This risk is covered by all the processes, tools and methods put in place by Cardif Lux Vie, and in particular by the work of the Compliance function.

### Management of model risk

Model risk results from:

- the uncertainty inherent in the model relative to the reality that it seeks to measure, which is called Model Uncertainty, or
- decisions based on models developed or deployed incorrectly, or on the inappropriate use of results of models, called Model Error.

Operational incidents linked to the use of models must be declared as operational risk incidents.

The governance bodies defines the specific committees for monitoring and validating developments and the documentation necessary for promoting understanding of the results produced by the models, identification of the limitations of the methodological options and their monitoring.

### Management of reputational risk

Reputational risk is defined as the risk of damage to the trust placed in the company by its customers, suppliers, counterparties, shareholders, employees, regulators or any other third parties whose trust, for whatever reason, is a necessary condition for the normal carrying on of the business.

This risk is contingent on all the risks incurred by Cardif Lux Vie and is covered by all the processes, tools and methods put in place.

## B.4 Own Risk and Solvency Assessment

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

### B.4.a Risk profiling

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

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

The risk profile is the level of risk of the Company's obligations according to two main metrics. The first concerns the maximum deviation accepted in 90% of cases of actual pre-tax profit compared with the budget. The second metric corresponds to the monitoring of the target solvency ratio in the current prudential environment.

The risk profile is measured at least annually and must be updated following major events (e.g. deterioration in market conditions, acquisition of portfolio, etc.) to ensure that it is in line with the risk appetite.

### B.4.b ORSA report

The report prepared in 2020 was approved by the Board of Directors after being validated by the Audit & Risks Committee. It was sent to the Commissariat aux Assurances

# B.5 Internal control system

## B.5.a Organisation of internal control

Cardif Lux Vie has set up an internal control system, the main aim of which is to ensure overall control of risks and to provide reasonable assurance that the objectives set by the undertaking in this regard are actually achieved. This system is structured around the following pillars:

- the process of identifying, assessing and reporting risks;
- the implementation of controls;
- the setting up of an organisation;
- the procedures.

Cardif Lux Vie's internal control and operational risk management policy is established in accordance with the regulatory provisions and standards of the BNP Paribas Cardif Group. It sets the rules in terms of organisation, responsibility and scope of action of the various actors involved in the internal control and enacts the principle whereby the control functions (Compliance, Internal Audit, Legal & Tax, Finance and Risk Management) operate independently.

### Scope of internal control

The internal control system covers all types of risks to which Cardif Lux Vie may be exposed (operational risk, market risk, credit and counterparty risk, liquidity risk, underwriting risk, compliance risk, etc.).

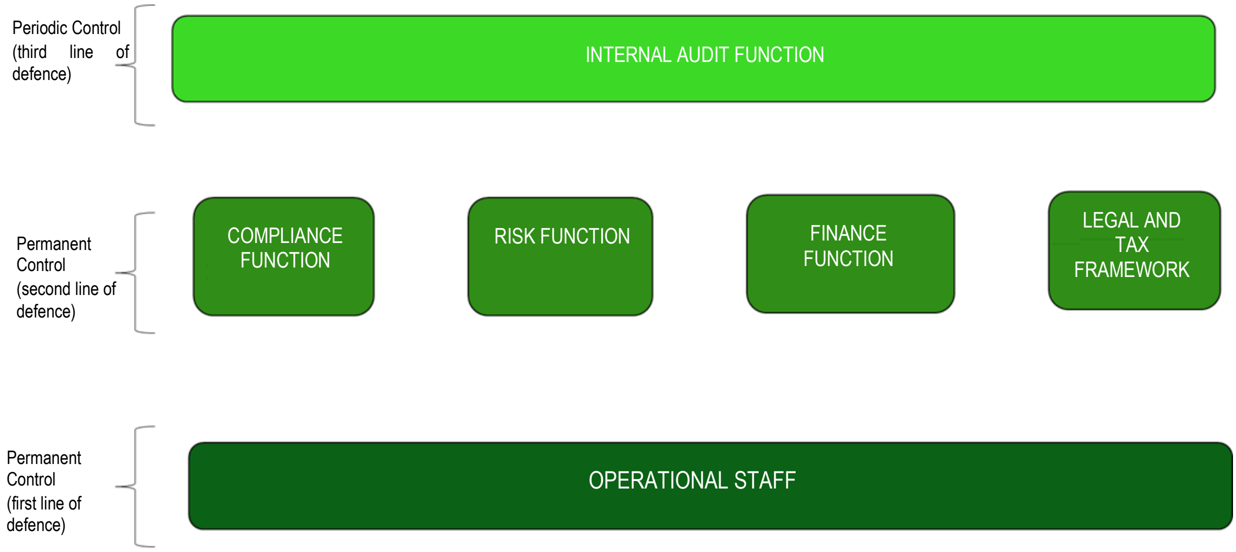
### Organisation of internal control

The effective managers, under the control of the Board of Directors, are responsible for the internal control system, which is organised around three lines of defence.

The overall system consists of a Permanent Control and a Periodic Control, which are distinct and independent of one another while at the same time being complementary and coordinated.

- Permanent Control involves ongoing efforts to manage risk and monitor the implementation of corrective actions. This is carried out by the first two lines of defence: firstly by operational staff and their management, and secondly by independent functions within Cardif Lux Vie.
- Periodic Control, carried out by the third line of defence, performs the "ex-post" verification of the functioning of Cardif Lux Vie, in particular the effectiveness and quality of the Permanent Control system. This is an audit process carried out by the Internal Audit function, which operates independently.

Main parties responsible for internal control




- Operational staff, regardless of their position within the Company, and particularly line managers, are primarily responsible for their own risk management and are key players in the permanent control process. Cardif Lux Vie also has a team of permanent controllers who do not operate the processes that they control. They are responsible for “level 1” checks;
- The independent functions of the permanent control perform second-level controls: the Risk Management, Compliance, Finance and Legal and Tax functions. The Risk Management, Compliance and Legal functions are integrated with the BNP Paribas Cardif Group. The functions performing second-level controls are responsible for the proper workings of the risk control system and its compliance with laws and regulations across a range of areas (themes and/or processes) under their responsibility. They define the general normative framework within which the risk for which they are responsible is to be managed. Vis-à-vis the operational entities, they keep a critical and independent eye on the identification and assessment of risks. They also contribute to dissemination a risk culture and an ethical culture within Cardif Lux Vie. These functions break down as follows:
  - The **Compliance** function contributes to the permanent control of compliance with legislative and regulatory provisions, ethical and professional standards and guidance from the Board of Directors and effective managers,
  - The **Risk Management** function reviews operational risks, underwriting, credit and market risk to ensure that these are consistent and compatible with internal policies and profitability targets, as well as permanently monitoring operational risk,
  - The **Finance** function is the second line of defence in managing the risks associated with accounting and financial information, including the processes and the appropriateness of the systems for managing accounting and financial information.
  - The **Legal & Tax** function is an independent second-level control function charged with managing legal risk.
- Periodic control (level 3) is carried out by the General Inspectorate of the BNP Paribas group.

The governance of the internal control system of Cardif Lux Vie is carried out through the following committees:

- The Audit & Risk Committee, which meets at least four times a year. It is responsible for monitoring the effectiveness of the risk management and permanent control mechanisms.
- The Internal Control Committee, which meets at least twice a year. It makes sure that all risks identified or suspected are reported and managed and that the actions taken to control them are monitored at all levels of the organisation.

The Board of Directors, at the proposal of the Audit & Risks Committee, reviews and approves the strategies and policies for risk taking, management, monitoring and mitigation and examines the system of governance.

The heads of the Compliance, Risk Management, Actuarial and Internal Audit functions report to the effective managers and the Board of Directors the performance of their duties. They have a direct right of access to the Board of Directors in the event of major risk or serious malfunction likely to compromise the accountability of directors or sound business management.

### B.5.b Key internal control procedures

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

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

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

## B.6 Internal Audit function

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

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

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

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

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

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

## B.7 Actuarial function

The Actuarial and Risk Management Department of Cardif Lux Vie assumes the Actuarial function. The head of this department reports directly to the effective manager of Cardif Lux Vie and thus represents the Actuarial key function.

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

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

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

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

The Actuarial and Risk Management Department thus has an overview of underwriting and ALM risks throughout the product life cycle.

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

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

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

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

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

# B.8 Outsourcing

## B.8.a Outsourced activities

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

## B.8.b Governance of outsourcing

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

Approved by the Board of Directors and revised annually, Cardif Lux Vie's outsourcing policy defines the rules for the outsourcing of important or critical activities, with, in particular:

- a definition of activities considered important or critical by nature and by risk, with their assessment criteria;
- the risk management arrangements relating to outsourcing;
- the system for monitoring, control and management of outsourced activities during the production phase.

### Organisation of subcontracting

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

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

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

### Supervisory body

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

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

### Delegation principles

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

The criteria taken into account are:
- the criticality of the service,
- the operational risk associated with the delegated activity.

## B.8.c Monitoring system

A control system is applied in the implementation phase of the service, allowing a review of the risks associated with the proposed outsourcing.

A campaign to assess the risks associated with important or critical activities already outsourced is carried out annually. A remediation plan is put in place if necessary depending on the results of this campaign.

A the end of 2020, the delegates operating on behalf of Cardif Lux Vie were as follows:

| *Name of delegate* | Activities delegated | Registered office | Intra- or Extra-Group |
|---|---|---|---|
| EFA | Accounting – valuation of investments of Internal Collective Funds | Luxembourg | Extra-Group |
| BNP Paribas Securities Services Luxembourg | Accounting – valuation of investments of Internal Collective Funds | Luxembourg | Intra-Group |
| Kneip | Provider of KIDs and PRIIPS for investment supports | Luxembourg | Extra-Group |
| CTG | IT services (workstations, help desk) | Luxembourg | Intra-Group |
| BNP Paribas Securities Services Luxembourg | IT services (IT infrastructure, network, access rights, servers, etc.) | Luxembourg | Intra-Group |
| BNP Paribas Dealing Services | Trading desk service (receipt and transmission of orders) | France | Intra-Group |
| BNP Paribas Cardif - DGA | Reporting for managed funds, macro-economic review, follow-up of orders | France | Intra-Group |
| BGL BNP Paribas S.A. | Datacentre hosting (DRP site), telephony, Local Area Network , WiFi, CFT gateway (for exchanging reports with partners), FIRCOSOFT (screening of third party AML and SWIFT payments) | Luxembourg | Intra-Group |
| BGL BNP Paribas S.A. | Performance of the Internal Audit mission | Luxembourg | Intra-Group |
| All Funds | Financial payment flows of rebates on UCITS securities | France | Extra-Group |
| BGL BNP Paribas S.A | Human resources | Luxembourg | Intra-Group |
| BNP Paribas Securities Services France | Valuation of the General Fund | France | Intra-Group |

## B.9 Adequacy of the system of governance

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

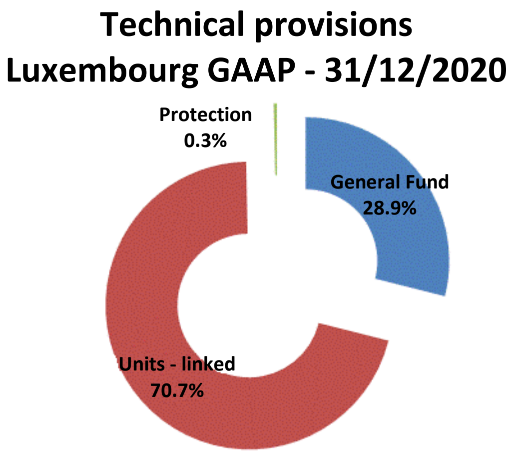
## B.10 Other information

There is no other material information.

# C. Risk profile

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

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




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

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

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

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

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

## C.1 Underwriting risk

### C.1.a Definition

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

### C.1.b Risk exposure

Cardif Lux Vie's underwriting SCR amounted to €184 million at 31 December 2020 (2019: €190 million). The decline in the SCR for Underwriting Life is mainly due to the fall in the SCR for large-scale redemptions as a result of the environment of low or even negative interest rates.

The underwriting SCR is composed of the Life and Health modules and breaks down as follows:

| *In millions of euros, net amount, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| SCR Life Underwriting | 184 | 190 |
| SCR Health Underwriting | | - |
| **TOTAL UNDERWRITING RISK SCR** | **184** | **190** |

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

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

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

  Cardif Lux Vie's expense risk could result from a miscalculation, higher cost inflation than expected, lower management fees on assets under management due to a contraction in business, spending overruns, regulatory developments and company-wide changes.
- - The **redemption risk** sub-module, which assesses the impact of a change in redemptions using the most sensitive of the following events:
  - a permanent 50% rise or fall in redemption rates,
  - a sizeable redemption of 40%.

  Cardif Lux Vie is sensitive to the impact of sizeable redemptions mainly originating from unit-linked contracts where the future profits largely depend on the duration of the liabilities in the portfolio.
- -The biometric risk sub-modules (**mortality risk, longevity risk and disability risk**) assess the impact of a deterioration or improvement in the life expectancy of policy holders. Since the portfolio is mainly composed of savings contracts, these biometric risks have a low impact on the Life Underwriting SCR.

### C.1.c Concentration

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

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

### C.1.d Risk management and monitoring

#### Risk management and mitigation

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

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

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

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

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

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

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

#### Risk monitoring

Periodic monitoring of the underwriting risks is carried out at several levels. On the one hand by means of campaigns to control compliance by the delegations in taking risks and the technical bases in force and also by analysing the technical results every quarter. Besides, the key underwriting risk monitoring indicators are included in Cardif Lux Vie's quarterly report on risks (See B.3.b).

### C.1.e Stress tests and sensitivity analyses

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

# C.2 Market risk

## C.2.a Definition

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

## C.2.b Cardif Lux Vie investments

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

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

The investment portfolio of the general assets (General Fund, protection business and own funds) is mainly composed of bonds (80%) and investment funds (16%), as shown below.

| *In millions of euros at* | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Market value | % | Market value | % |
| Real estate | - | - | - | - |
| Equities | 146 | 1% | 147 | 1% |
| Listed equities | 262 | 3% | 285 | 3% |
| Bonds | 7,924 | 80% | 8,042 | 81% |
| *Government bonds* | *2,148* | *22%* | *2,399* | *24%* |
| *Corporate bonds* | *5,549* | *56%* | *5,507* | *55%* |
| *Structured bonds* | *226* | *2%* | *136* | *1%* |
| *Guaranteed securities* | - | - | - | - |
| Collective funds | 1,534 | 16% | 1,476 | 15% |
| *Equity funds* | *506* | *5%* | *570* | *6%* |
| *Bond funds* | *365* | *4%* | *359* | *4%* |
| *Money market funds* | *447* | *5%* | *329* | *3%* |
| *Asset allocation funds* | - | - | - | - |
| *Real estate funds* | *146* | *1%* | *149* | *1%* |
| *Hedge funds/Infrastructure/Private Equity* | *60* | *1%* | *56* | *1%* |
| *Other* | *11* | *0%* | *12* | *0%* |
| Derivatives | 13 | 0% | 7 | 0% |
| Other investments | 6 | 0% | 5 | 0% |
| Deposits | 7 | 0% | 6 | 0% |
| **TOTAL GENERAL FUND INVESTMENTS** | **9,892** | **100%** | **9,968** | **100%** |

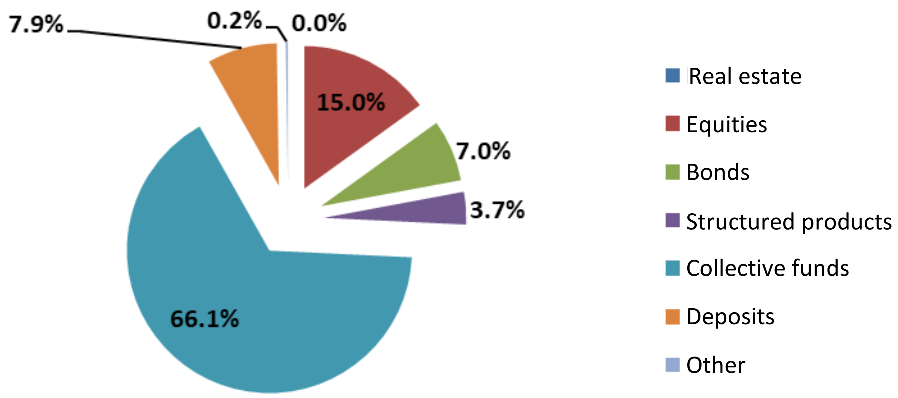
For this general asset, the market risk is mainly borne by Cardif Lux Vie, which guarantees the liability commitments for its policyholders. Through its prudent person policy, Cardif Lux Vie invests in asset classes enabling it to at least meet its obligations towards policyholders.

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

### Investment portfolio covering unit-linked liabilities

The investment portfolio representing unit-linked contracts is mainly composed of collective investment funds (66%), as illustrated below:

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




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

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

## C.2.c Risk exposure

The market SCR totalled €494 million at 31 December 2020 (2019: €513 million).

| *In millions of euros, net amount, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Interest rate risk | 19 | 41 |
| Equity risk | 212 | 222 |
| Real estate risk | 41 | 45 |
| Credit spread risk | 248 | 242 |
| Concentration risk | 2 | 0 |
| Exchange rate risk | 70 | 71 |
| Diversification effect | -99 | -108 |
| **TOTAL MARKET SCR RISK** | **494** | **513** |

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

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

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

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

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

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

**-The equity risk sub-module**, which represents 36% of the market SCR before diversification at 31 December 2020 (2019: 36%). This sub-module is significant, taking into account the unit-linked investment portfolio which is mainly invested in investment funds and the shock level applied of 39% for equities listed in a European Union or OECD member state and 49% for other equities.

To avoid pro-cyclical behaviour, this shock is corrected by a symmetrical adjustment mechanism or "dampener": it attenuates equity shock when the markets are at their lowest, and increases it when the markets reach a peak, i.e. when a fall is highly probable. On 31 December 2020, the dampener was -0.48% (2019: -0.08%), and the shocks applied were 38.52% or 48.52% depending on the type of share (2019: 38.92% and 48.92% respectively).

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

**- The credit spread risk sub-module**, which represents 42% of the market SCR before diversification at 31 December 2020 (2019: 39%).

This sub-module is intended to quantify the capital requirement corresponding to the risk of widening credit spreads (actuarial difference between a bond rate and the equivalent risk-free government bond rate). The spread shock depends on the duration and rating of fixed income products. It only covers corporate bonds and bonds issued by non-European States, considering that bonds issued by European States are not subject to spread risk. Like interest rate risk, it varies according to the composition of the fixed income portfolio.

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

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

### C.2.d Concentration

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

## C.2.e Risk management and monitoring

### Risk management and mitigation

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

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

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

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

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

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

### Risk monitoring

Market risk is monitored by controlling compliance with the management agreements on the one hand and by the asset management committees on the other.

**Periodic monitoring** of market risks is also carried out quarterly by means of a report submitted by the risk management function to the Executive Committee as part of the actuarial and ALM governance and of the Asset Management governance.

## C.2.f Stress tests and sensitivity analyses

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

The main stress tests involve scenarios of prolonged low interest rates, hikes in interest rates, widening credit spreads, falling share prices and low returns on equities.

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

## C.3 Counterparty risk

### C.3.a Definition

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

### C.3.b Risk exposure

The counterparty SCR totalled €16 million at 31 December 2020 (2019: €19 million). Of this, 91% relates to default risk exposures arising from reinsurance operations and cash deposits with credit institutions.

| *In millions of euros, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| TOTAL COUNTERPARTY RISK SCR | 16 | 19 |

### C.3.c Concentration

The **exposure to reinsurers** at 31 December 2020 mainly concerns two reinsurers. These are the most significant reinsurance treaties. The risk of default on these treaties is reduced by a cash deposit guarantee for the share of obligations in euros. The **counterparty** risk on these treaties is reduced by a cash deposit guarantee for the share of obligations in euros. This guarantee is not recognised as collateral in accordance with the provisions established by Solvency II.

### C.3.d Risk management and mitigation

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

# C.4 Liquidity risk

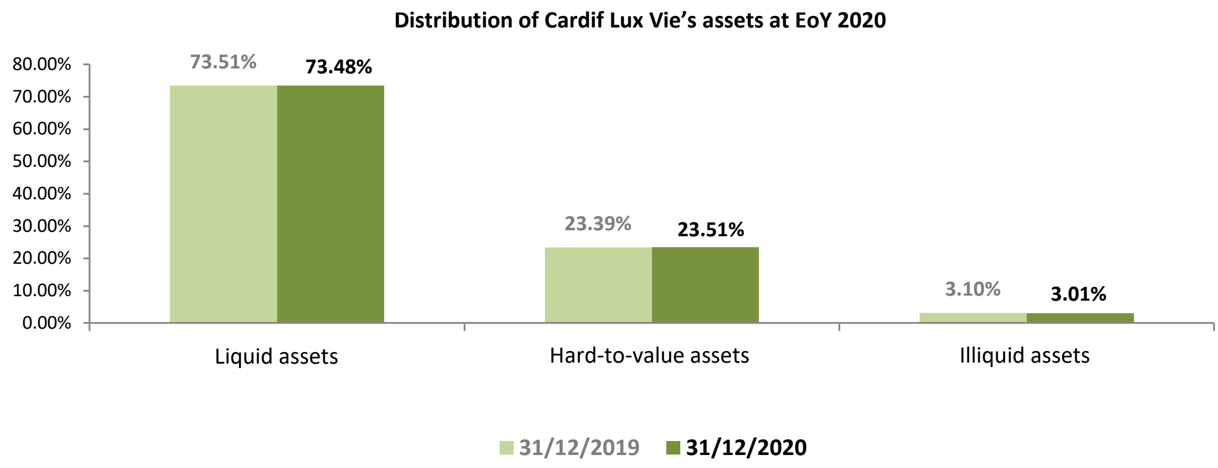
## C.4.a Definition

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

## C.4.b Risk exposure

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

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




The classification of assets depends on their type and rating. The General Fund includes 3.01% of strategic investments (real estate assets held directly) classified as illiquid assets.

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

- **Unit-linked investments:** Exposure to alternative assets as a percentage of the unit-linked assets outstanding is as follows, over the past two years. By "alternative" assets we mean complex or illiquid products such as hedge funds, structured products, private equity funds, real estate funds, derivative products and historically and marginally direct private equity lines.

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Alternative assets | 18.73% | 18.26% |
| including Private Equity Funds | 1.57% | 1.44% |

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

### C.4.c Risk management and mitigation

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

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

**Approval of assets and surveillance of composition of the General Fund**

- **Approval of assets**: On the one hand, depending on the type of financial instrument, investment limits are set in the asset management agreement for the general fund. On the other hand, when choosing the investment supports, Cardif Lux Vie takes into account elements of legal security, taxation if necessary, market risk, counterparties and liquidity. Each of these aspects is considered as part of a global approach to diversification and adaptation of the investment supports based on the commitments to be covered. Particular attention is paid to less liquid assets, taking into account their specific risks.
- **Monitoring of the composition of the General Fund**: Monitoring the distribution of assets in the General Fund based on their liquidity (liquid assets, less liquid assets and illiquid assets) and compliance with the investment limits set in the management agreement is carried out quarterly by means of a report submitted by the risk management function to the Executive Committee.
- **Liquidity studies in the context of ALM studies**: These are stress tests, the purpose of which is to measure the liquidity of the General Fund in a highly adverse scenario.

**Approval of illiquid assets and surveillance of composition of the internal funds**
The objective is to limit the proportion of assets invested in complex or illiquid assets.

- **Approval**: The management of the liquidity risk for the internal funds is carried out via a rigorous process of approval of these assets. They are submitted, after analysis by the Finance and Legal departments, either for approval by a Finance executive (CFO or Head of Investment Compliance) and an executive from Legal (Legal director or Head of Legal for finance subjects), or for approval by the Commitments Committee.

- **Monitoring**: Quarterly monitoring of the exposure of the unit-linked investments is carried out by means of a report submitted by the risk management function to the Executive Committee. This is done on the basis of the acceptance limits, mentioned above.

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

**Monitoring of redemption rates**
The regular monitoring of changes in redemption rates is intended to anticipate the policyholders' behaviour and thus optimise the allocation of assets and the management of liquidity. The contracts include an option to redeem at any time, backed by a capital guarantee for contracts invested in the General Fund. The rate of redemption is quarterly monitored via a report issued by the risk management function to the Executive Committee.

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

**Monitoring of the concentration of General Fund liabilities**
The aim is to limit the concentration of liabilities on a small number of policyholders who may generate a liquidity risk in the case of large-scale redemptions. The concentration of insurance liabilities is monitored quarterly by means of a report submitted by the risk management function to the Executive Committee.
.

### C.4.d Sensitivity

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

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

# C.5 Operational risk

## C.5.a Definition

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

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

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

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

## C.5.b Indicators of operational risk

Operational risk indicators are monitored on a monthly basis via a report submitted by the Risk department to the Executive Committee.

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

## C.5.c Risk exposure

The amount of SCR exposed to operational risk totalled €47 million at 31 December 2020 (2019: €47 million).

| *In millions of euros, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| SCR linked to operational risk calculated on the basis of mathematical provisions | 47 | 47 |
| SCR linked to operational risk calculated on the basis of earned premiums | 34 | 39 |
| **TOTAL OPERATIONAL RISK SCR** | **47** | **47** |

## C.5.d Main risk management or mitigation techniques

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

## C.6 Other material risks

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

## C.7 Other information

There is no other specific information.

# D. Valuation for solvency purposes

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

## D.1 Assets

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

| In millions of euros, at 31 December | Reference | 2020 Solvency II balance sheet | 2020 Financial statements | 2019 Solvency II balance sheet | 2019 Financial statements |
|---|---|---|---|---|---|
| Deferred acquisition costs | | . | . | . | . |
| Other intangible assets | A | - | 8 | - | 11 |
| Deferred tax assets | B | . | - | . | - |
| Installations and equipment held for own use | | 2 | 2 | 2 | 2 |
| Investments (excluding investments representing unit-linked liabilities) | C | 9,892 | 8,858 | 9,968 | 9036 |
| Investments representing unit-linked liabilities | C | 19,790 | 19,790 | 19,526 | 19,526 |
| Loans and mortgages | | - | - | - | - |
| Policy advances | | 1 | 1 | 1 | 1 |
| Share of assignees and retrocessionaries in technical provisions | D | 7 | 7 | 7 | 7 |
| Deposits with ceding undertakings | | - | - | - | - |
| Receivables arising from insurance operations | | 16 | 16 | 23 | 23 |
| Receivables arising from reinsurance operations | | 3 | 3 | 3 | 3 |
| Other receivables (excluding insurance) | E | 170 | 169 | 139 | 140 |
| Cash and cash equivalents | | 295 | 295 | 190 | 190 |
| Other assets | | 8 | 8 | 8 | 8 |
| **ASSETS** | | **30,184** | **29157** | **29,867** | **28,947** |

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

**Reconciliation with the financial statements and asset valuation methods:**

| In millions of euros, at 31 December | Reference | 2020 amounts | 2019 amounts |
|---|---|---|---|
| Recognition goodwill at fair value | A | 8 | 11 |
| Tax effect on restatements | B | - | - |
| Recognition at fair value of financial assets | C | 1,034 | 932 |
| Valuation of the reinsurers' share in technical provisions | D | 0 | 0 |
| Recognition at fair value of other receivables | E | 1 | 1 |
| **TOTAL RESTATEMENTS** | | **1,028** | **920** |

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

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

A. Other intangible assets

Intangible assets are initially recognised at zero value. Providing they are identifiable and there is an active market for similar assets, they are subsequently measured at their market value.

B. Deferred tax assets

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

C. Financial investments

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

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

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

- **Equities issued by holdings** are unlisted and valued according to the share of adjusted net equity (according to the adjusted equity method – AEM).
- **Equities** (other than from holdings[1]), **bonds, investment funds and other investments** are mainly valued using quoted prices in an active market, at the “Quoted Market Price (QMP)” for identical assets, or at the “Quoted Market Price for Similar Assets (QMPS)”, for similar assets. The characteristics of an active market include the existence of transactions that take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In the absence of prices quoted in an active market, the Company uses valuation techniques (see paragraph D.4).

  Investments representing **unit-linked liabilities** are primarily valued using prices quoted in an active market for identical assets (“Quoted Market Price (QMP)”). In the absence of prices quoted in an active market, the Company uses valuation techniques (see paragraph D.4).

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

The distribution of investments by valuation method was as follows:

| In millions of euros, at | 31 December 2020 | | | | 31 December 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Quoted price (identical or similar assets) | Alternative valuation method | Adjusted equity method | Total | Quoted price (identical or similar assets) | Alternative valuation method | Adjusted equity method |
| Equities | 147 | - | - | 147 | 147 | - | - | 147 |
| Listed equities | 261 | 261 | - | - | 285 | 285 | - | - |
| Sovereign bonds | 2148 | 2148 | - | - | 2,399 | 2,399 | - | - |
| Corporate bonds | 5,549 | 5,543 | - | - | 5,507 | 5,507 | - | - |
| Structured bonds | 226 | 226 | - | - | 136 | 136 | - | - |
| Investment funds | 1,534 | 1,310 | 224 | - | 1,476 | 1,238 | 238 | - |
| Derivatives | 13 | - | 13 | - | 7 | - | 7 | - |
| Deposits with credit institutions | 7 | 7 | - | - | 6 | 6 | - | - |
| Other investments | 6 | 6 | - | - | 5 | 5 | - | - |
| **Investments (excluding investments representing unit-linked liabilities)** | **9,832** | **9,503** | **237** | **147** | **9,968** | **9,576** | **245** | **147** |
| **Investments representing unit-linked liabilities** | **19,790** | **17,310** | **2,480** | **-** | **19,526** | **17,003** | **2,523** | **-** |

## D. Share of assignees and retrocessionaires in technical provisions

The valuation method of ceded technical provisions follows the same principles as the technical provisions described in paragraph D.2. At 31 December 2020, ceded technical provisions amounted to €7.8 million (2019: €6.8 million).

## E. Other receivables

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

# D.2 Technical provisions

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

| *In millions of euros, at* | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | BEL– Best estimate of liabilities | Risk margin | Total | BEL– Best estimate of liabilities | Risk margin | Total |
| Health similar to non-life | - | - | - | - | - | - |
| Health similar to life | - | - | - | - | - | - |
| **Health** | **-** | **-** | **-** | **-** | **-** | **-** |
| Life (excluding health, index-linked and unit-linked) | 9,091 | 41 | 9,132 | 9,050 | 32 | 9,082 |
| Index-linked and unit-linked contracts | 19,648 | 100 | 19,748 | 19,337 | 113 | 19,450 |
| **Life (non-health)** | **28,739** | **141** | **28,880** | **28,387** | **145** | **28,532** |
| **TOTAL TECHNICAL PROVISIONS** | **28,739** | **141** | **28,880** | **28,387** | **145** | **28,532** |

The change in the Best Estimate of Liabilities (BEL) is explained not just by the increase in liabilities in the financial statements (mainly in units of account) but also by the current environment of low interest rates which increases future commitments (by the effect of discounting to present value with the interest rate curve and the cost of capital guarantees on the General Fund).

## D.2.b Reconciliation with the financial statements

| *In millions of euros, at 31 December* | 2020 Solvency II balance sheet | 2020 Financial statements | 2019 Solvency II balance sheet | 2019 Financial statements |
|---|---|---|---|---|
| Gross technical provision – Non-life excluding health | - | - | - | - |
| Gross technical provision – Health similar to non-life | - | - | - | - |
| *Best estimate* | - | - | - | - |
| *Risk margin* | - | - | - | - |
| Gross technical provision – Health similar to life | - | - | - | - |
| *Best estimate* | - | - | - | - |
| *Risk margin* | - | - | - | - |
| Gross technical provision – Life (excluding health, unit-linked or index-linked) | 9,132 | 8,192 | 9,082 | 8,333 |
| *Best estimate* | *9,091* | - | *9,050* | - |
| *Risk margin* | *41* | - | *32* | - |
| Gross technical provision – UL or index-linked | 19,748 | 19,790 | 19,450 | 19,526 |
| *Best estimate* | *19,648* | - | *19,337* | - |
| *Risk margin* | *100* | - | *113* | - |
| **SUBTOTAL TECHNICAL PROVISIONS INCLUDING BEST ESTIMATE OF LIABILITIES** | **28,880** | **27,982** | **28,532** | **27,859** |

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

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

### D.2.c Valuation principles for technical provisions

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

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

The BEL corresponds to the probable value of cash inflows and outflows of the portfolio at 31 December 2020, discounted with the risk-free interest rate term structure, minus the credit risk and plus the volatility adjustment.

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

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

**Projection models**

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

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

**Contract boundaries**

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

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

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

**Process risks**

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

**Model risks**

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

### D.2.g Interest rate term structure

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

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

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

The EUR Volatility Adjustment for the euro interest rate published by EIOPA and used for calculations at 31 December 2020 is a maximum of 0.07% (2019: 0.07%).

## D.3 Other liabilities

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

| *In millions of euros, at 31 December* | *Reference* | 2020 Solvency II balance sheet | 2020 Financial statements | 2019 Solvency II balance sheet | 2019 Financial statements |
|---|---|---|---|---|---|
| Provisions other than technical provisions | A | 51 | 50 | 31 | 31 |
| Liabilities for reinsurers' cash deposits | | 6 | 6 | 6 | 6 |
| Deferred tax liabilities | B | 20 | - | 51 | - |
| Liabilities to credit institutions | C | 46 | 45 | 72 | 71 |
| Liabilities arising from insurance operations | | 170 | 170 | 193 | 193 |
| Liabilities arising from reinsurance operations | | 3 | 3 | 3 | 3 |
| Other liabilities (not linked to insurance operations) | | 65 | 65 | 87 | 87 |
| Subordinated debt included in basic own funds | D | 359 | 311 | 353 | 311 |
| Other liabilities not mentioned above | | 0 | 0 | 1 | 1 |
| **LIABILITIES** | | **720** | **650** | **797** | **703** |

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

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

| *In millions of euros, at 31 December* | *Reference* | 2020 amounts | 2019 amounts |
|---|---|---|---|
| Revaluation of employee benefit obligations | A | 1 | 0 |
| Tax effect on restatements | B | 20 | 51 |
| Revaluation of liabilities to credit institutions | C | 1 | 1 |
| Revaluation of subordinated debts | D | 48 | 42 |
| **TOTAL RESTATEMENTS** | | **70** | **94** |

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

A. Provisions other than technical provisions

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

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

B. Deferred tax liabilities

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

C. Liabilities to credit institutions

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

D. Subordinated debt

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

## D.4 Alternative valuation methods

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

The valuation methods generally used are as follows:

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

## D.5 Other information

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

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

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

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

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

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

# E. Capital management

## E.1 Own funds

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

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

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

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

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

### E.1.b Significant events in 2020

The events to be highlighted in 2020 were a €100 million increase in own funds due to a capital increase of €100 million represented by four million shares, each with a nominal value of €25.

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

**Available own funds** totalled €943 million at 31 December 2020 (2019: €890 million) and consisted of the following elements:

| *In millions of euros, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Share capital | 319 | 219 |
| Issue premium | 2 | 2 |
| Reconciliation reserve | 262 | 317 |
| Subordinated debt | 359 | 353 |
| **Total equity** | **943** | **890** |

The reconciliation reserve of 262 million euros (2019: 317 million euros), eligible for classification as Tier 1, breaks down as follows:

| *In millions of euros, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance sheet results and reserves | 202 | 163 |
| Restatements under Solvency II | 60 | 153 |
| *Impact on future profits net of taxes* | *102* | *102* |
| *Other restatements* | *- 42* | *- 43* |
| Expected distribution | - | - |
| **TOTAL RECONCILIATION RESERVE** | **262** | **317** |

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

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

The composition of each tier is based on transitional measures and is as follows for 2020 and 2019:

| *In millions of euros, at* | 31 December 2020 | *Unrestricted tier 1 capital* | *Restricted tier 1 capital* | *Tier 2 capital* | *Tier 3 capital* |
|---|---|---|---|---|---|
| Share capital | 319 | 319 | | | |
| Issue premium | 2 | 2 | | | |
| Reconciliation reserve | 262 | 262 | | | |
| Subordinated debt | 359 | | 116 | 194 | 50 |
| **Total equity** | **943** | **584** | **116** | **194** | **50** |

| *In millions of euros, at* | 31 December 2019 | *Unrestricted tier 1 capital* | *Restricted tier 1 capital* | *Tier 2 capital* | *Tier 3 capital* |
|---|---|---|---|---|---|
| Share capital | 219 | 219 | | | |
| Issue premium | 2 | 2 | | | |
| Reconciliation reserve | 317 | 317 | | | |
| Subordinated debt | 353 | | 110 | 194 | 49 |
| **Total equity** | **890** | **538** | **110** | **194** | **49** |

## E.1.d Fungibility and transferability of own funds

Not applicable

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

| *In millions of euros, at* | **31 December 2020** | *Tier 1 capital* | *Tier 2 capital* | *Tier 3 capital* |
|---|---|---|---|---|
| Share capital | 319 | 319 | | |
| Issue premium | 2 | 2 | | |
| Reconciliation reserve | 262 | 262 | | |
| Subordinated debt | 243 | | 194 | 50 |
| **Total equity** | **827** | **584** | **194** | **50** |

| *In millions of euros, at* | **31 December 2019** | *Tier 1 capital* | *Tier 2 capital* | *Tier 3 capital* |
|---|---|---|---|---|
| Share capital | 219 | 219 | | |
| Issue premium | 2 | 2 | | |
| Reconciliation reserve | 316 | 316 | | |
| Subordinated debt | 242 | | 194 | 49 |
| **Total equity** | **780** | **538** | **194** | **49** |

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

All these securities not eligible outside transitional measures totalled €116 million at 31 December 2020 (2019: €110 million).

# E.2 Regulatory capital requirements (SCR and MCR)

## E.2.a Amounts of SCR and MCR

At 31 December 2020, the SCR and MCR were, respectively, €600 million (2019: €591 million) and €270 million (2019: €266 million). The MCR was capped at 45% of the SCR.

| *In millions of euros, at* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Linear minimum capital requirement | 407 | 393 |
| Solvency capital requirement (SCR) | 600 | 591 |
| Minimum capital requirement – floor | 270 | 266 |
| Minimum capital requirement – cap | 150 | 148 |
| Minimum capital requirement – combined | 270 | 266 |
| Absolute floor of the Minimum Capital Requirement | 4 | 4 |
| **MINIMUM CAPITAL REQUIREMENT (MCR)** | **270** | **266** |

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

The following data were used in the MCR calculation:

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

## E.2.c Amount of SCR per risk module

The SCR at 31 December 2020 was €600 million (2019: €591 million). This is mainly due to the preponderance of the market SCR and the life underwriting SCR (see Section C on Risk Profile).

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

| *In millions of euros, at* | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Net amount | Gross amount | Net amount | Gross amount |
| Market risk | 494 | 1,063 | 513 | 1,091 |
| Default risk | 16 | 16 | 19 | 19 |
| Life underwriting risk | 184 | 184 | 190 | 195 |
| Health underwriting risk | - | - | - | - |
| Non-life underwriting risk | - | - | - | - |
| Diversification | - 121 | - 136 | -126 | -144 |
| Risk linked to intangible assets | - | - | - | - |
| **BASIC SOLVENCY CAPITAL REQUIREMENT** | **574** | **1,127** | **596** | **1,161** |
| Operational risk | 47 | - | 47 | - |
| Absorption capacity of technical provisions | - 554 | - | -565 | - |
| Absorption capacity of deferred tax | - 20 | - | -51 | - |
| **SOLVENCY CAPITAL REQUIREMENT (SCR)** | **600** | **-** | **591** | **-** |

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

### E.2.d Coverage ratios

The SCR and MCR coverage ratios were 157% and 279% respectively at 31 December 2020 (2019: 151% and 264%).

| *In millions of euros, at* | 31 December 2020 | | | | | 31 December 2019 |
|---|---|---|---|---|---|---|
| | Total | Unrestricted tier 1 capital | Restricted tier 1 capital | Tier 2 capital | Tier 3 capital | Total |
| Own funds eligible for the solvency capital requirement | 943 | 584 | 116 | 194 | 50 | 890 |
| Own funds eligible for the minimum capital requirement | 753 | 584 | 116 | 54 | - | 701 |
| Solvency capital requirement (SCR) | 600 | | | | | 591 |
| Minimum capital requirement | 270 | | | | | 266 |
| Eligible own funds as a ratio of the solvency capital requirement | 157% | | | | | 151% |
| Eligible own funds as a ratio of the minimum capital requirement | 279% | | | | | 264% |

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

### E.2.e Information on simplified calculations

No simplified calculation has been applied.

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

Not applicable.

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

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

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

Not applicable.

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

Not applicable.

## E.6 Other information

There is no other specific information.

# F. Acronyms

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

# G. Appendix- Quantitative Reporting Templates

## S.02.01.02 – Balance sheet

| | | Value under Solvency II |
|---|---|---|
| | | C0010 |
| **Assets** | | |
| Goodwill | R0010 | |
| Deferred acquisition costs | R0020 | |
| Intangible assets | R0030 | 0 |
| Deferred tax assets | R0040 | 0 |
| Pension scheme surplus | R0050 | 0 |
| Tangible assets held for own use | R0060 | 1,982,593 |
| Investments (excluding assets representing unit-linked and indexed contracts) | R0070 | 9,891,812,442 |
| Real estate assets (excluding assets held for own use) | R0080 | 0 |
| Holdings in related undertakings, including shareholdings | R0090 | 146,379,029 |
| Equities | R0100 | 261,353,590 |
| Listed equities | R0110 | 261,353,590 |
| Non-listed equities | R0120 | 0 |
| Bonds | R0130 | 7,923,710,778 |
| Government bonds | R0140 | 2,148,276,339 |
| Corporate bonds | R0150 | 5,549,063,248 |
| Structured securities | R0160 | 226,371,191 |
| Guaranteed securities | R0170 | 0 |
| Undertakings for collective investment | R0180 | 1,533,956,828 |
| Derivative products | R0190 | 13,115,092 |
| Deposits (other than cash equivalents) | R0200 | 7,202,831 |
| Other investments | R0210 | 6,094,293 |
| Assets representing unit-linked and indexed contracts | R0220 | 19,790,485,673 |
| Loans and mortgages | R0230 | 746,464 |
| Policy advances | R0240 | 746,464 |
| Loans and mortgages to individuals | R0250 | 0 |
| Other loans and mortgages | R0260 | 0 |
| Recoverables from reinsurance contracts | R0270 | 7,769,512 |
| Non-life and health similar to non-life | R0280 | 0 |
| Non-life excluding health | R0290 | 0 |
| Health similar to non-life | R0300 | 0 |
| Life and health similar to life, excluding life, unit-linked and indexed | R0310 | 7,769,512 |
| Health similar to life | R0320 | 0 |
| Life excluding health, unit-linked and indexed | R0330 | 7,769,512 |
| Life, unit-linked and indexed | R0340 | 0 |
| Deposits with ceding undertakings | R0350 | 0 |
| Receivables arising from insurance operations and amounts receivable from intermediaries | R0360 | 15,821,167 |
| Receivables arising from reinsurance operations | R0370 | 2,969,895 |
| Other receivables (excluding insurance) | R0380 | 169,501,088 |
| Own shares held (directly) | R0390 | 0 |
| Own fund or called initial fund item(s) not yet paid | R0400 | 0 |
| Cash and cash equivalents | R0410 | 295,086,856 |
| Other assets not mentioned above | R0420 | 7,906,077 |
| **Total assets** | R0500 | **30,184,081,766** |

| | | Value under Solvency II |
|---|---|---|
| | | C0010 |
| **Liabilities** | | |
| Technical provisions non-life | R0510 | 0 |
| Technical provisions non-life (excluding health) | R0520 | 0 |
| Technical provisions calculated as a whole | R0530 | 0 |
| Best estimate | R0540 | 0 |
| Risk margin | R0550 | 0 |
| Technical provisions health (similar to non-life) | R0560 | 0 |
| Technical provisions calculated as a whole | R0570 | 0 |
| Best estimate | R0580 | 0 |
| Risk margin | R0590 | 0 |
| Technical provisions life (excluding unit-linked and indexed) | R0600 | 9,132,092,535 |
| Technical provisions health (similar to life) | R0610 | 0 |
| Technical provisions calculated as a whole | R0620 | 0 |
| Best estimate | R0630 | 0 |
| Risk margin | R0640 | 0 |
| Technical provisions life (excluding health, unit-linked and indexed) | R0650 | 9,132,092,535 |
| Technical provisions calculated as a whole | R0660 | 0 |
| Best estimate | R0670 | 9,090,793,698 |
| Risk margin | R0680 | 41,298,837 |
| Technical provisions unit-linked and indexed | R0690 | 19,748,181,925 |
| Technical provisions calculated as a whole | R0700 | 0 |
| Best estimate | R0710 | 19,648,001,819 |
| Risk margin | R0720 | 100,180,105 |
| Other technical provisions | R0730 | |
| Contingent liabilities | R0740 | 0 |
| Provisions other than technical provisions | R0750 | 51,241,586 |
| Provisions for restatement | R0760 | 245,819 |
| Reinsurers' deposits | R0770 | 5,614,392 |
| Deferred tax liabilities | R0780 | 19,925,765 |
| Derivative products | R0790 | 0 |
| Liabilities to credit institutions | R0800 | 45,809,417 |
| Financial liabilities excluding those to credit institutions | R0810 | 0 |
| Liabilities arising from insurance operations and amounts due to intermediaries | R0820 | 169,579,906 |
| Liabilities arising from reinsurance operations | R0830 | 3,396,043 |
| Other liabilities (excluding insurance) | R0840 | 64,707,548 |
| Subordinated liabilities | R0850 | 359,291,235 |
| Subordinated liabilities not included in core capital | R0860 | 0 |
| Subordinated liabilities included in core capital | R0870 | 359,291,235 |
| Other liabilities not mentioned above | R0880 | 441,891 |
| **Total liabilities** | R0900 | **29,600,528,062** |
| **Excess of assets over liabilities** | R1000 | **583,553,705** |

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

| | | Line of business for: life insurance obligations | | | | | | Life reinsurance obligations | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities from non-life insurance contracts and relating to health insurance obligations | Annuities from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0300 |
| **Premiums written** | | | | | | | | | | |
| Gross | R1410 | 0 | 542,042,114 | 1,039,013,652 | 176,139,515 | | | | | 1,757,195,281 |
| Reinsurers' share | R1420 | 0 | 0 | 0 | 3,297,596 | | | | | 3,297,596 |
| Net | R1500 | 0 | 542,042,114 | 1,039,013,652 | 172,841,919 | | | | | 1,753,897,685 |
| **Premiums earned** | | | | | | | | | | |
| Gross | R1510 | 0 | 542,042,114 | 1,039,013,652 | 176,139,515 | | | | | 1,757,195,281 |
| Reinsurers' share | R1520 | 0 | 0 | 0 | 3,297,596 | | | | | 3,297,596 |
| Net | R1600 | 0 | 542,042,114 | 1,039,013,652 | 172,841,919 | | | | | 1,753,897,685 |
| **Claims incurred** | | | | | | | | | | |
| Gross | R1610 | 0 | 832,965,354 | 1,105,494,269 | 12,939,734 | | | | | 1,951,399,357 |
| Reinsurers' share | R1620 | 0 | 0 | 0 | 1,565,488 | | | | | 1,565,488 |
| Net | R1700 | 0 | 832,965,354 | 1,105,494,269 | 11,374,246 | | | | | 1,949,833,868 |
| **Change in other technical provisions** | | | | | | | | | | |
| Gross | R1710 | 0 | 291,269,403 | 264,416,705 | 151,432,187 | | | | | 707,118,294 |
| Reinsurers' share | R1720 | 0 | 0 | 0 | 1,845 | | | | | 1,845 |
| Net | R1800 | 0 | 291,269,403 | 264,416,705 | 151,430,341 | | | | | 707,116,449 |
| **Expenses incurred** | R1900 | 0 | 32,323,607 | 70,381,276 | 7,692,350 | | | | | 110,397,232 |
| **Other expenses** | R2500 | | | | | | | | | 0 |
| **Total expenses** | R2600 | | | | | | | | | 110,397,232 |

## S.05.02.01 – Premiums, claims and expenses by country

| | | Home country | Top 5 countries (by amount of gross premiums written) – life obligations | | | | | Total Top 5 and home country |
|---|---|---|---|---|---|---|---|---|
| | | | BE | FR | GB | IT | MC | |
| | | C0220 | C0230 | C0230 | C0230 | C0230 | C0230 | C0280 |
| **Premiums written** | | | | | | | | |
| Gross | R1410 | 105,740,232 | 54,032,789 | 718,552,043 | 48,989,077 | 667,537,031 | 48,158,803 | 1,643,009,974 |
| Reinsurers' share | R1420 | 3,297,596 | 0 | 0 | 0 | 0 | 0 | 3,297,596 |
| Net | R1500 | 102,442,636 | 54,032,789 | 718,552,043 | 48,989,077 | 667,537,031 | 48,158,803 | 1,639,712,379 |
| **Premiums earned** | | | | | | | | |
| Gross | R1510 | 105,740,232 | 54,032,789 | 718,552,043 | 48,989,077 | 667,537,031 | 48,158,803 | 1,643,009,974 |
| Reinsurers' share | R1520 | 3,297,596 | 0 | 0 | 0 | 0 | 0 | 3,297,596 |
| Net | R1600 | 102,442,636 | 54,032,789 | 718,552,043 | 48,989,077 | 667,537,031 | 48,158,803 | 1,639,712,379 |
| **Claims incurred** | | | | | | | | |
| Gross | R1610 | 390,738,343 | 346,485,594 | 602,974,908 | 22,563,536 | 392,992,205 | 41,048,327 | 1,796,802,912 |
| Reinsurers' share | R1620 | 1,565,488 | 0 | 0 | 0 | 0 | 0 | 1,565,488 |
| Net | R1700 | 389,172,855 | 346,485,594 | 602,974,908 | 22,563,536 | 392,992,205 | 41,048,327 | 1,795,237,424 |
| **Change in other technical provisions** | | | | | | | | |
| Gross | R1710 | 303,452,874 | 395,896,024 | 297,409,637 | 52,822,801 | 340,939,982 | 14,717,505 | 1,405,238,824 |
| Reinsurers' share | R1720 | 1,845 | 0 | 0 | 0 | 0 | 0 | 1,845 |
| Net | R1800 | 303,451,029 | 395,896,024 | 297,409,637 | 52,822,801 | 340,939,982 | 14,717,505 | 1,405,236,979 |
| **Expenses incurred** | R1900 | 18,940,151 | 14,159,422 | 47,426,078 | 3,016,269 | 12,619,796 | 1,876,959 | 98,038,674 |
| **Other expenses** | R2500 | | | | | | | 0 |
| **Total expenses** | R2600 | | | | | | | 98,038,674 |

# S.12.01.02 – Life technical provisions

| | | Insurance with profit participation | Index-linked and unit-linked insurance | | | Other life insurance | | | Total (Life other than health insurance, incl. Unit-Linked) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Contracts without options and guarantees | Contracts with options and guarantees | | Contracts without options and guarantees | Contracts with options and guarantees | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0150 |
| **Technical provisions calculated as a whole** | R0010 | 0 | 0 | - | - | 0 | - | - | 0 |
| **Total recoverables from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for expected losses due to counterparty default associated with technical provisions calculated as a whole** | R0020 | 0 | 0 | - | - | 0 | - | - | 0 |
| **Technical provisions calculated as a sum of best estimate and risk margin** | | - | - | - | - | - | - | - | - |
| **Best estimate** | | - | - | - | - | - | - | - | - |
| **Gross best estimate** | R0030 | 8,775,535,484 | | 19,648,001,819 | 0 | | 315,258,214 | 0 | 28,738,795,518 |
| Total recoverables from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for expected losses due to counterparty default | R0080 | 0 | - | 0 | 0 | - | 7,769,512 | 0 | 7,769,512 |
| Best estimate minus recoverables from reinsurance/securitisation vehicles and finite reinsurance | R0090 | 8,775,535,484 | | 19,648,001,819 | 0 | | 307,488,702 | 0 | 28,731,026,006 |
| **Risk margin** | R0100 | 28,452,236 | 100,180,105 | | | 12,846,601 | | - | 141,478,942 |
| **Amount of the transitional on technical provisions** | | - | - | - | - | - | - | - | - |
| Technical provisions calculated as a whole | R0110 | 0 | 0 | - | - | 0 | - | - | 0 |
| Best estimate | R0120 | 0 | - | 0 | 0 | - | 0 | 0 | - |
| Risk margin | R0130 | 0 | 0 | - | - | 0 | - | - | - |
| **Technical provisions – total** | R0200 | 8,803,987,721 | 19,748,181,925 | | | 328,104,815 | - | - | 28,880,274,460 |

## S.22.01.01 – Impact of long-term guarantees and transitional measures

| | | Amount with long-term guarantees and transitional measures | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of volatility adjustment set to zero | Impact of matching adjustment set to zero |
|---|---|---|---|---|---|---|
| | | C0010 | C0030 | C0050 | C0070 | C0090 |
| **Technical provisions** | R0010 | 28,880,274,460 | 0 | 0 | 28,562,519 | 0 |
| **Basic own funds** | R0020 | 942,844,940 | 0 | 0 | -21,439,026 | 0 |
| Excess of assets over liabilities | R0030 | 583,553,705 | 0 | 0 | -21,439,026 | 0 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0040 | | 0 | 0 | 0 | 0 |
| **Eligible own funds to meet SCR** | R0050 | 942,844,940 | 0 | 0 | -21,439,026 | 0 |
| Tier 1 | R0060 | 699,383,277 | 0 | 0 | -21,439,026 | 0 |
| Tier 2 | R0070 | 193,698,524 | 0 | 0 | 0 | 0 |
| Tier 3 | R0080 | 49,763,139 | 0 | 0 | 0 | 0 |
| **SCR** | R0090 | 600,467,611 | 0 | 0 | 18,649,307 | 0 |
| **Eligible own funds to meet MCR** | R0100 | 753,425,362 | 0 | 0 | -19,760,589 | 0 |
| **Minimum capital requirement** | R0110 | 270,210,425 | 0 | 0 | 8,392,188 | 0 |

# S.23.01.01 – Own funds

| | | Total | Tier 1 – unrestricted | Tier 1 – restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sectors, as provided for in Article 68 of Delegated Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 318,704,950 | 318,704,950 | | 0 | |
| Share premium account related to ordinary share capital | R0030 | 2,461,035 | 2,461,035 | | 0 | |
| Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings | R0040 | 0 | 0 | | 0 | |
| Subordinated mutual member accounts | R0050 | 0 | | 0 | 0 | 0 |
| Surplus funds | R0070 | 0 | 0 | | | |
| Preference shares | R0090 | 0 | | 0 | 0 | 0 |
| Share premium account related to preference shares | R0110 | 0 | | 0 | 0 | 0 |
| Reconciliation reserve | R0130 | 262,387,720 | 262,387,720 | | | |
| Subordinated liabilities | R0140 | 359,291,235 | | 115,829,572 | 193,698,524 | 49,763,139 |
| Amount equal to the value of net deferred tax assets | R0160 | 0 | | | | 0 |
| Other items approved by supervisory authority as basic own funds not specified above | R0180 | 0 | 0 | 0 | 0 | 0 |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | 0 | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in other financial undertakings | R0230 | 0 | 0 | 0 | 0 | 0 |
| **Total basic own funds after deductions** | R0290 | 942,844,940 | 583,553,705 | 115,829,572 | 193,698,524 | 49,763,139 |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | 0 | | | 0 | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings, callable on demand | R0310 | 0 | | | 0 | |
| Unpaid and uncalled preference shares callable on demand | R0320 | 0 | | | 0 | 0 |
| Legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | 0 | | | 0 | 0 |
| Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC | R0340 | 0 | | | 0 | |
| Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC | R0350 | 0 | | | 0 | 0 |
| Supplementary members calls under Article 96(3) of Directive 2009/138/EC | R0360 | 0 | | | 0 | |
| Supplementary members calls other than under Article 96(3) of Directive 2009/138/EC | R0370 | 0 | | | 0 | 0 |
| Other ancillary own funds | R0390 | 0 | | | 0 | 0 |
| **Total ancillary own funds** | R0400 | 0 | | | 0 | 0 |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | R0500 | 942,844,940 | 583,553,705 | 115,829,572 | 193,698,524 | 49,763,139 |
| Total available own funds to meet the MCR | R0510 | 893,081,801 | 583,553,705 | 115,829,572 | 193,698,524 | |
| Total eligible own funds to meet the SCR | R0540 | 942,844,940 | 583,553,705 | 115,829,572 | 193,698,524 | 49,763,139 |
| Total eligible own funds to meet the MCR | R0550 | 753,425,362 | 583,553,705 | 115,829,572 | 54,042,085 | |
| **SCR** | R0580 | 600,467,611 | | | | |
| **Minimum capital requirement** | R0600 | 270,210,425 | | | | |
| **Ratio of eligible own funds to SCR** | R0620 | 157% | | | | |
| **Ratio of eligible own funds to MCR** | R0640 | 279% | | | | |

| | | C0060 |
|---|---|---|
| **Reconciliation reserve** | | |
| Excess of assets over liabilities | R0700 | 583,553,705 |
| Own shares (held directly and indirectly) | R0710 | 0 |
| Foreseeable dividends, distributions and charges | R0720 | 0 |
| Other basic own-fund items | R0730 | 321,165,985 |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0740 | 0 |
| **Reconciliation reserve** | R0760 | 262,387,720 |
| **Expected profits** | | |
| Expected profits included in future premiums (EPIFP) – Life business | R0770 | 10,218,853 |
| Expected profits included in future premiums (EPIFP) – Non-life business | R0780 | 0 |
| **Total EPIFP** | R0790 | 10,218,853 |

# S.25.01.01 - Solvency capital requirement

| | | Net solvency capital requirement | Gross solvency capital requirement | Allocation of adjustments due to matching adjustment portfolios and ring fenced funds |
|---|---|---|---|---|
| | | C0030 | C0040 | C0050 |
| Market risk | R0010 | 493,959,209 | 1,062,523,550 | |
| Counterparty default risk | R0020 | 16,234,668 | 16,234,668 | |
| Life underwriting risk | R0030 | 184,184,515 | 184,325,987 | |
| Health underwriting risk | R0040 | 0 | 0 | |
| Non-life underwriting risk | R0050 | 0 | 0 | |
| Diversification | R0060 | -120,638,261 | -135,590,359 | |
| Intangible asset risk | R0070 | 0 | 0 | |
| **Basic solvency capital requirement** | R0100 | 573,740,131 | 1,127,493,846 | |

| | | Value |
|---|---|---|
| | | C0100 |
| Adjustment due to the aggregation of the nSCR of matching adjustment portfolios/ring fenced funds | R0120 | 0 |
| Operational risk | R0130 | 46,653,244 |
| Loss-absorbing capacity of technical provisions | R0140 | -553,753,715 |
| Loss-absorbing capacity of deferred taxes | R0150 | -19,925,765 |
| Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC | R0160 | 0 |
| **Solvency capital requirement, excluding capital add-on** | R0200 | 600,467,611 |
| Capital add-on requirements already defined | R0210 | 0 |
| SCR | R0220 | 600,467,611 |

# S.28.01.01 – Minimum capital requirement (MCR)

| **Linear formula component for non-life insurance and reinsurance obligations** | | C0010 |
|---|---|---|
| $MCR_{NL}$ Result | R0010 | 0 |

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

| **Linear formula component for life insurance and reinsurance obligations** | | C0040 |
|---|---|---|
| $MCR_{NL}$ Result | R0200 | 406,894,721 |

| | | 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 | 8,068,320,036 | |
| Obligations with profit participation – future discretionary benefits | R0220 | 710,333,072 | |
| Index-linked and unit-linked insurance obligations | R0230 | 19,648,001,819 | |
| Other life (re)insurance and health (re)insurance obligations | R0240 | 307,488,702 | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | 1,872,748,505 |

| **Overall MCR calculation** | | C0070 |
|---|---|---|
| Linear MCR | R0300 | 406,894,721 |
| SCR | R0310 | 600,467,611 |
| MCR cap | R0320 | 270,210,425 |
| MCR floor | R0330 | 150,116,903 |
| Combined MCR | R0340 | 270,210,425 |
| Absolute floor of the MCR | R0350 | 3,700,000 |
| **Minimum capital requirement** | R0400 | 270,210,425 |