# SOLVENCY AND FINANCIAL CONDITION REPORT
# SFCR

## Cardif Lux Vie

31 December 2023

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 Solvency II valuation for the 2023 fiscal year, presented to the Board of Directors on 2 April 2024.

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

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

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

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

**WARNING**

The figures in this report have not been audited.

The report may contain forecasts based on opinions and current assumptions about future events. The value of technical provisions is based on long-term cash flow projections and is based on the use of assumptions and models. This exercise also involves judgement and use of the information available on the calculation date. The value of technical provisions therefore involves a degree of uncertainty.

No guarantee can be given as to the realisation in practice of these forecasts, which are subject to inherent risks, uncertainties and assumptions with regard to Cardif Lux Vie and its investments, as well as to any changes in economic conditions and the general financial situation.

**Alexandre DRAZNIEKS**

Chief Executive Officer

# Summary

**Business and performance**

Cardif Lux Vie is a Luxembourg insurance company positioned among the major players in the market. With strong links to its clients, 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.

Cardif Lux Vie posted premium income of EUR 2.46 billion in 2023 (-8.4% compared to 2022), of which 57% was in unit-linked products.

Net inflows amounted to -1.01 billion euros as a result of substantial redemptions caused by the sharp rise in interest rates and the competition from banking products (e.g. term deposits) that this caused.

Cardif Lux Vie's Wealth Management business generated EUR 2.4 billion euros in turnover, 58% of which in unit-linked funds.

The year was punctuated by a sustained sales drive and concrete actions to develop the product range, both in general and unit-linked funds. The Company has responded to the new requirements of its partners and introduced competitive innovations (commercial products with boosted rates on the general fund, the launch of several Collective Internal Funds, the integration of private equity funds and structured products, specialised single-line buy & hold insurance funds, etc.).

In terms of distribution, Cardif Lux vie has extended its geographical coverage and confirmed its very strong international expertise (policy for Mexican residents, product under Luxembourg law for UK residents, etc.).

The company is continuing to roll out 100% digital services (France, Belgium and Luxembourg) and to develop APIs (In and Out). In the area of ESG (Environment, Social and Governance), Cardif Lux Vie positions itself as a facilitator of the integration of sustainable strategies with its partners, by supporting them in their efforts (Dedicated Internal Funds). The company is a forerunner in this field, having established a new standard for exchanging key data relating to Article 8 and 9 strategies, with a significantly simplified format.

Business with Luxembourg residents and retail customers in the Greater Luxembourg Region amounts to €77 million, down 8% compared with 2022. Inflows invested in Protection amounted to €7.6 million (down 36%), while the Savings business remained stable, with €41 million invested in Investment Savings and almost €28 million in Programmed Savings.

Finally, the Company has continued to place sustainability at the heart of its value proposition. The year was marked by the renewal of the LuxFLAG ESG* label for its pension insurance policies (governed by Article 111a of the LIR) and the award of the same label for its programmed savings insurance offer (governed by Article 111 of the LIR).

Cardif Lux Vie recorded net income after tax of 41.6 million euros, down 11.7% compared to 2022 in a complex geopolitical and economic environment.

The rate of return on assets was 2.49% in 2023, 34 basis points higher than in 2022.

**System of governance**

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

The Company's Board of Directors has four specialist committees: the Audit Committee, the Risk Committee, the ALM and Investment Committee and the Remuneration and Appointments Committee.

The internal control system is based on that of BNP Paribas Cardif, supplemented by Solvency II requirements.

The Solvency II rules, 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 the directors or the sound management of the Company. The heads of the key functions Risk Management, Compliance and Actuarial report to the CEO of Cardif Lux vie. The Compliance and Risk Management control functions are also integrated into BNP Paribas Cardif.

**Risk profile**

The Solvency Capital Requirement (SCR) is 11% lower than at 31 December 2022, due to reductions in the SCR for market and underwriting risks, despite an increase in the SCR for operational risk.

The SCR for market risk was therefore €403 million at 31 December 2023, down 14% on 2022 and representing 73% of the overall SCR. It consists of six risk modules, most notably equity and spread risk.

The SCR for underwriting risk was €266 million at 31 December 2023, down 6% compared with 2022, mainly due to the reduction in the risk of large-scale redemptions.

**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**

Cardif Lux Vie's Capital Management Policy aims to comply with regulatory solvency requirements and insurance coverage requirements, to provide at least 100% coverage of the SCR defined in the ORSA assessment, and to structure equity by seeking the best balance between share capital, subordinated debt and other equity elements, in compliance with the limits and levels defined by the regulations.

At 31 December 2023, the amount of own funds eligible for the SCR totalled €992 million. The amount of own funds eligible for the Minimum Capital Requirement (MCR) came to €765 million.

The SCR was €553 million and the MCR was €249 million at 31 December 2023.

The SCR and MCR coverage ratios were 179% and 308%, 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 47.240.

Cardif Lux Vie is a market-leading Luxembourg life insurance company. With strong links to its clients, 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.

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

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

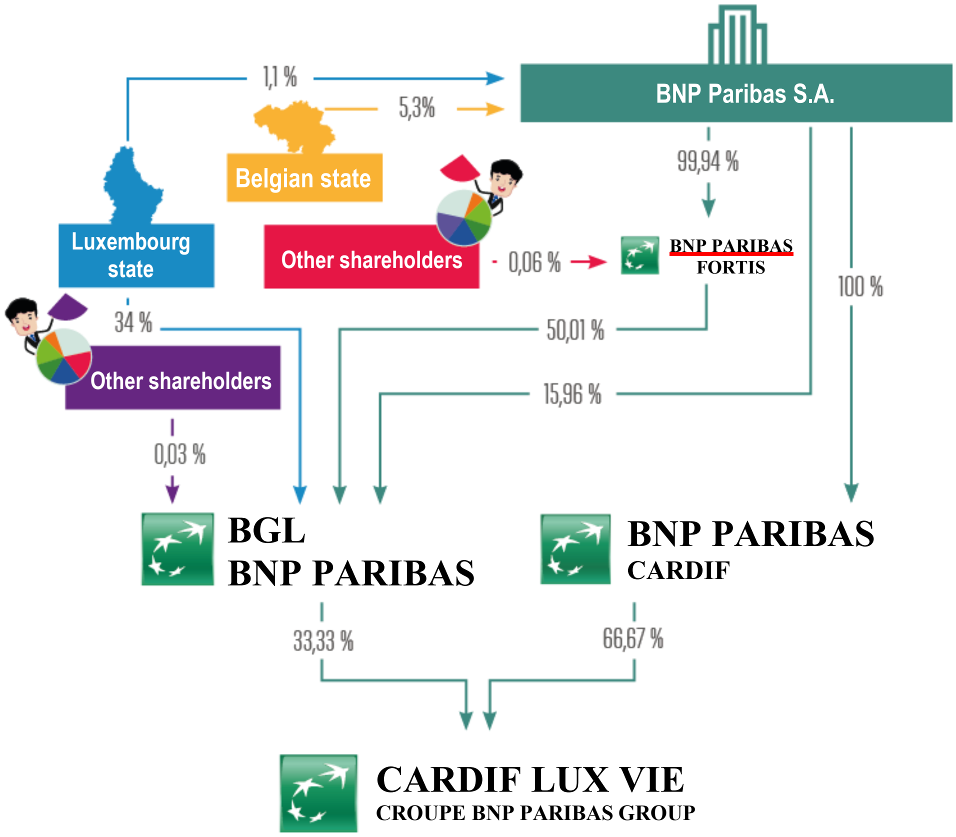
Cardif Lux Vie belongs to an insurance group supervised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR): BNP Paribas Cardif is the majority shareholder of Cardif Lux Vie with 66.67% of the shares and BGL BNP Paribas holds 33.33% of the shares of Cardif Lux Vie. BGL BNP Paribas is supervised by the Commission de Surveillance du Secteur Financier (CSSF).

The ACPR is located at 4 place de Budapest in Paris. The CSSF is located at 283, route d'Arlon, L-1150 Luxembourg.

**BNP Paribas Cardif** is the insurance subsidiary of the BNP Paribas Group, a leading bank in the European Union and a major international banking player. Present in more than 30 countries with strong positions in three regions (Europe/Middle East/Africa, Asia and Latin America), BNP Paribas Cardif relies on a unique partnership-based business model and has become a global life and health insurance specialist 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.

## A BROADER VISION OF SHARE




In 2023, the Belgian State reduced its stake in the French banking group BNP Paribas of which it was until then the largest shareholder with 7.8% of the capital. The Belgian State now holds only 5.3% of the capital of BNP Paribas, in order to remain above the 5% threshold enabling it to retain a seat on the Board of Directors.

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

There were no significant events during the period.

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

The Company has not recorded any significant events since the end of the fiscal year that would have a material 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, approved statutory auditor.

Cardif Lux Vie is an entity supervised by the Commissariat aux Assurances located at 11, rue Robert Stumper, L-2557 Luxembourg.

## A.2 Performance of the underwriting business

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

| In millions of euros | 2023 | 2022 | % |
|---|---|---|---|
| Premiums | 2,460 | 2,685 | -8% |
| Investment income | 1,943 | 682 | 185% |
| Unit-linked insurance adjustments (capital gains) | 2,114 | 125 | 1585% |
| Other technical income | 9 | 11 | -19% |
| Claims incurred | -3,482 | -3,049 | 14% |
| Cost of life insurance provisions and other technical provisions | -909 | 2,742 | -133% |
| Profit-sharing | -101 | -103 | -2% |
| Acquisition and administration costs | -102 | -106 | 4% |
| Investment expenses | -1,426 | -231 | 519% |
| Unit-linked insurance adjustments (capital losses) | -448 | -2,690 | -83% |
| Other technical expenses | -2 | -4 | -54% |
| Income from transferred investments | -11 | -14 | -25% |
| **Technical result of life insurance operations** | **43** | **49** | **-11%** |
| Non-technical result (excluding taxes) | 11 | 14 | -25% |
| **Pre-tax profit for the period** | **54** | **63** | **-14%** |
| Taxes | -13 | -16 | -21% |
| **Profit for the period** | **42** | **47** | **-12%** |

### A.2.a Growth in revenue

Cardif Lux Vie collected 2.5 billion in premiums, 57% of which were in unit-linked products (-8% compared to 2022):

| In millions of euros | 2023 | 2022 | % |
|---|---|---|---|
| Wealth Management – Unit-linked | 1,395 | 1,787 | -22% |
| Wealth Management – General Fund | 991 | 818 | 21% |
| **Total Wealth Management** | **2,386** | **2,605** | **-8%** |
| Local Market, Savings | 69 | 72 | -3% |
| Local Market, Protection | 7.6 | 11.9 | -36% |
| **Total Local Market** | **77** | **83** | **-8%** |
| **Total Inflows** | **2,463** | **2,689** | **-8%** |

*The €3 million difference in premiums for 2023 between the two tables above is due to ceded reinsurance premiums.*

Net inflows amounted to -1.01 billion euros as a result of substantial redemptions caused by the sharp rise in interest rates and the competition from banking products (e.g. term deposits) that this caused.

Cardif Lux Vie's Wealth Management business generated EUR 2.4 billion euros in turnover, 58% of which in unit-linked funds.

The year was punctuated by a sustained sales drive and concrete actions to develop the product range, both in general and unit-linked funds. The Company has responded to the new requirements of its partners and introduced competitive innovations (commercial products with boosted rates on the general fund, the launch of several Collective Internal Funds, the integration of private equity funds and structured products, specialised single-line buy & hold insurance funds, etc.).

In terms of distribution, Cardif Lux vie has extended its geographical coverage and confirmed its very strong international expertise (policy for Mexican residents, product under Luxembourg law for UK residents, etc.).

The company is continuing to roll out 100% digital services (France, Belgium and Luxembourg) and to develop APIs (In and Out). In the area of ESG (Environment, Social and Governance), Cardif Lux Vie positions itself as a facilitator of the integration of sustainable strategies with its partners, by supporting them in their efforts (Dedicated Internal Funds). The company is a forerunner in this field, having established a new standard for exchanging key data relating to Article 8 and 9 strategies, with a significantly simplified format.

Business with Luxembourg residents and retail customers in the Greater Luxembourg Region amounts to €77 million, down 8% compared with 2022. Inflows invested in Protection amounted to €7.6 million (down 36%), while the Savings business remained stable, with €41 million invested in Investment Savings and almost €28 million in Programmed Savings.

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

Cardif Lux Vie ended the fiscal year with a technical result from its insurance activities of €43.4 million, down 10.8% compared with 2022, against a backdrop of substantial redemptions caused by the sharp rise in interest rates and the competition from banking products that this generated.

The company recorded a -24.8% fall in the return on equity compared with 2022 due to the increase in subordinated loan charges, partially offset by the growth in assets under management, following the subordinated debt issue and the capital increase at the end of 2022, as well as the increase in the rate of return on its assets.

All in all, the company posted net profit after tax of €41.6 million, down 11.7% on 2022, in a complex geopolitical and economic environment.

# A.3 Performance of investment activities

## A.3.a Composition of investments

**Assets representing** the liabilities of Cardif Lux Vie in Units of Account amounted to €23.6 billion at 31 December 2023 (2022: €21.9 billion). The breakdown is as follows:

| *In millions of euros, at* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Internal funds | 21,230 | 19,885 |
| Specialised Insurance Funds | 888 | 601 |
| External funds | 1,529 | 1,390 |
| **Total unit-linked investments** | **23,647** | **21,876** |

At 31 December 2023, the net carrying amount of **investments for which the investment risk is not borne by the policyholder** was €8.03 billion (2022: €9.06 billion) including accrued interest not yet due (€67.1 million; 2022: €71.7 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 2023 | 31/12/2022 |
|---|---|---|
| Equity holdings | 152 | 166 |
| Listed equities | 181 | 273 |
| Sovereign bonds | 2,148 | 1,804 |
| Corporate bonds | 3,559 | 4,443 |
| Structured bonds | 307 | 156 |
| Investment funds | 1,519 | 1,615 |
| Other investments | 8 | 7 |
| Derivatives | 73 | 107 |
| Deposits | - | 3 |
| **Investments (excluding investments representing unit-linked liabilities)** | **7,946** | **8,574** |

* Including accrued coupons

The main part of these investments was carried by the General Fund in euros: a net carrying amount of €8.03 billion in 2023, including accrued coupons (2022: €9.05 billion) and €7.93 billion at market value, including accrued coupons (2022: €8.56 billion), of which the breakdown is given below.

| *In millions of euros*, at* | 31 December 2023 | | 31/12/2022 | |
|---|---|---|---|---|
| | Net carrying amount | Market value | Net carrying amount | Market value |
| Fixed-rate bonds | 5,732 | 5,337 | 6,597 | 5,752 |
| Floating-rate and inflation-linked bonds | 719 | 676 | 712 | 651 |
| Equity-linked bonds | - | - | - | - |
| Equities and similar | 466 | 720 | 579 | 840 |
| Real estate | 267 | 286 | 265 | 312 |
| Short term | 677 | 681 | 568 | 569 |
| Diversification assets (fixed income) | 135 | 159 | 305 | 327 |
| Derivatives | 32 | 73 | 22 | 107 |
| **Total** | **8,028** | **7,932** | **9,048** | **8,558** |

* Including accrued coupons

In market value terms, the proportion of fixed-rate investments in the Cardif Lux Vie General Fund in euros portfolio is stable at 67.3% at the end of 2023. The proportion of the portfolio made up of floating-rate bonds increased to 8.5% at the end of 2023 compared with 7.6% at the end of 2022. Short-term investments are on the rise, reaching 8.6% in 2023 compared to 6.6% in 2022.

Beta equity exposure (convertibles, equity indexed, other equity and diversified) is down to 9.1% at the end of 2023 from 9.8% at the end of 2022.

Over 2023, the property allocation is relatively stable at 3.6%.

### A.3.b Financial performance

**The rate of return on unit-linked investments** is +8.84% in 2023, up on 2022 (-10.24%). This variation is linked to the performance of the financial markets.

**The rate of return on the assets of the Cardif Lux Vie General Fund** was 2.49% in 2023.

The increase in reinvestment rates in 2023 has enabled the portfolio's bond yield to rise relative to 2022. In addition, the realisation of capital gains on equities and the coupons on our macro-hedges as interest rates rose helped to significantly boost the portfolio's overall return. By way of illustration, the 10-year risk-free rate averaged 3.05% in 2023 (10-year swap rate) compared with 1.92% in 2022. On the equity market, the Eurostoxx50 dividends reinvested rose by over 23% in 2023.

The rate of return on assets of the Cardif Lux Vie General Fund is 34 bps higher than in 2022, of which 26 bps is non-recurring (result of asset disposals and foreign exchange). The recurring yield from dividends, coupons and the amortisation of the premium/discount contributed 8 bps to this increase.

The difference between the rate of return on General Fund assets and the gross rate paid to customers is taken to the provision for bonuses.

## 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 and General Management.

### B.1.a Board of Directors

The Board of Directors determines the strategic policies and ensures their implementation. It plays a major role in the control and supervision of the company's management. It approves the financial statements and ensures the quality of the financial information provided to shareholders.

The Board of Directors is involved in the internal risk and solvency assessment process. It approves the written policies referred to in circular letter 22/15 of the Commissariat aux Assurances relating to the Board of Directors of insurance and reinsurance undertakings, as well as the various regulatory reports required.

The Board of Directors is responsible for the appointment and termination of the duties of the effective managers, whose actions it supervises. The Board of Directors may carry out or cause to be carried out such controls and verifications as it deems appropriate.

The decisions of the Board of Directors are implemented by the General Management.

The Board shall meet as often as circumstances or the interests of the Company may require. Prior to Board meetings, directors receive information enabling them to discharge their duties in the appropriate manner.

In 2023, the Board of Directors of Cardif Lux Vie met five times.

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

The Company's Board of Directors is supported by four specialist committees: the Audit Committee, the Risk Committee, the ALM and Investment Committee and the Remuneration and Appointments Committee. These committees have an advisory and supervisory role. They issue proposals, recommendations or opinions to the Board of Directors of Cardif Lux Vie within their field of competence.

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

***The Audit Committee*** meets in its normal format or as a select committee[1]. Its role is to assist the Board of Directors in the following areas: reviewing the financial statements and any other financial documentation, in particular those submitted to any government authority or to the public; reviewing the Company's internal control system in the areas of finance, accounting, legal affairs, compliance and ethics; and the auditing processes for the Company's accounting and financial statements in general.

***The Risk Committee*** is responsible for assisting the Board of Directors in monitoring the effectiveness of the risk management system and the permanent control system, as well as all matters relating to solvency and capital management. It is an independent and objective body that oversees risk management.

***The ALM and Investments Committee*** is responsible for assisting the Board of Directors in the following areas: managing the credit, market and liquidity risk of the Company's portfolio; managing the match between the Company's assets and liabilities; ensuring that investment limits are controlled and complied with, and

[1] In accordance with the CAA's Circular Letter 22/15 on the governance of insurance companies, the Audit Committee meets at least once a year in the absence of any executive person and discusses matters with the approved statutory auditor.

reviewing the performance of the Company's portfolio on an annual basis; validating the strategic allocation of the General Fund; and informing the Board of Directors of any significant event affecting the portfolio.

***The Remuneration and Appointments Committee*** is responsible for assisting the Board of Directors in the following areas: advising the Board of Directors and validating the remuneration policy for the Company's employees; determining the remuneration of Executive Committee members; preparing and analysing the 'fit and proper' grid; advising the Board of Directors on its composition; selecting and presenting independent directors; advising the Board of Directors on the appointment of key function holders as defined by Solvency II.

### B.1.c Effective managers

At 31 December 2023, the Executive Committee was made up of eight directors, including two effective managers.

Alexandre DRAZNIEKS and Bénédicte BURGUN are the two effective managers appointed by the Board of Directors. Alexandre DRAZNIEKS is Managing Director of Cardif Lux Vie.

The two effective managers act in a collegial manner with regard to taking important decisions concerning daily management, while noting that Mr. Alexandre DRAZNIEKS will be more particularly in charge of the aspects of strategy and commercial activity. The Managing Director defines the organisational structure and decision-making processes. He/she is also responsible for implementing risk management and internal control mechanisms. He/she reports regularly to the Board of Directors on his/her actions. Bénédicte BURGUN is responsible for 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.

Mr. Alexandre DRAZNIEKS has the sole power to delegate his daily management powers, provided that the delegations are accompanied by rigorous procedures and adequate control.

The Managers are responsible for the achievement of the targets set in the strategy. To this end, they organise, manage and supervise the transactions and teams for which they bear responsibility. They report to the Managing Director. They meet as the Executive Committee, which is responsible for preparing strategic decisions.

### 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.

The **Executive Committee** of Cardif Lux Vie participates in the development of strategic policies and in the decisions necessary for their implementation. It allocates resources, organizes and controls the implementation of decisions, monitors the company's results and financial balance, and examines significant business operations, development and transformation projects, as well as human resources issues. It pays particular attention to monitoring the effectiveness of internal control, internal audit and risk management systems, which are considered essential to the company's good internal governance.

At 31 December 2023, the Executive Committee comprised eight members, four of whom were women and four men.

The Executive Committee is supported by so-called "tactical" and "supervisory" committees. Tactical committees are decision-making bodies in which certain risks or sensitive issues are studied ex-ante. Supervisory committees supervise and coordinate the internal control and risk management systems. Opinions and recommendations required for risk management may be expressed by these committees.

The heads of key functions are members of the tactical and supervisory committees in accordance with their responsibilities and the tasks of these committees.

The system of delegation of powers is mainly organized around colleges of delegates. 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 concerns asset management operations.

### B.1.e Key functions

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

- The **Risk Management function**, headed by the Head of Risk Management, assists the General Management and the other functions in implementing the risk management system. It monitors the risk profile and ensures that it is in line with 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 overall mission of the **Compliance function**, managed by the Head of the Compliance Department, is to provide the effective managers and the Board of Directors with reasonable assurance that compliance, regulatory and reputational risks are properly monitored, controlled and mitigated;
- The **Audit function**, headed by the Chairman of the Risk Committee, is responsible for assessing the adequacy and effectiveness of the internal control system and other elements of the governance system. It is in charge of periodic control within Cardif Lux Vie. Its purpose is to provide General Management and the Board of Directors with an independent assessment of the quality and effectiveness of the governance and internal control system. It makes recommendations to improve its quality and compliance;
- The **Actuarial function**, headed by the Actuarial Director, is responsible for coordinating the calculation of technical reserves, ensuring the appropriateness of the methodologies, underlying models and assumptions used to determine them, assessing the sufficiency and quality of the data used to supervise this calculation and comparing the best estimates with empirical observations. It reports to the Board of Directors on the reliability and appropriateness of the calculation of technical reserves, gives an opinion on underwriting and reinsurance policies and contributes to the risk management system. It is also in charge of the calculations for producing regulatory solvency reports.

Like the effective managers, each of the persons responsible for these key functions is subject to a review of his or her integrity, experience and competence and is notified to the Commissariat aux Assurances (CAA) upon appointment.

The heads of the Risk Management and Compliance functions report to the Managing Director of Cardif Lux Vie and to the heads of the corresponding functions at BNP Paribas Cardif. This organization helps to strengthen the independence of these functions and the consistency of the systems within the BNP Paribas Cardif Group.

In the event of disagreement between the Managing Director of Cardif Lux Vie and the head of the BNP Paribas Cardif function concerned, arbitration is carried out by the Board of Directors.

In accordance with Solvency II regulations, the heads of the key functions have a right of direct access to the Board of Directors in the event of a major risk or serious malfunction likely to compromise the accountability of the directors or the proper conduct of the company.

The heads of the 4 key functions are standing invitees of the Audit Committee and the Risk Committee. The heads of the Risk Management and Actuarial functions are standing invitees on the ALM and Investment Committee.

### 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 used to determine individual variable remuneration includes the evaluation of quantitative and qualitative performance. It is established on the basis of the achievement of objectives, the contribution to risk management and the assessment of each person's professional conduct with regard to team spirit, compliance rules and the Code of Conduct.

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

### B.1.g Internal regulations of the Board of Directors

The internal regulations of the Board of Directors define the principles and rules applicable to the directors and to the conduct of the Board of Directors and Board committees of Cardif Lux Vie.

In 2023, no conflict of interest was reported by Cardif Lux Vie's directors.

### B.1.h Adequacy of the system of governance

The system of governance at Cardif Lux Vie is based on an organisational structure that is tailored to the nature, scale and complexity of the risks inherent in its business and on adequate supervision by the Board of Directors.

## B.2 Requirements for competence and integrity

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.

In addition to the skills related to their field of expertise, the managers of key functions have the managerial skills necessary to manage their function. In particular, they know how to adapt their communication according to their interlocutors in order to be understood and to emphasize the essential points.

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 Global 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 is organized by the Chief Risk Officer (CRO) and the Risk Department (RISK).

The CRO is responsible for advising the Board of Directors and General Management on risk management governance, policies and strategy. He/she is a member of the main tactical and supervisory committees and gives his/her prior opinion on decisions that have a significant impact on Cardif Lux Vie's risks in application of the "independent review" principle.

RISK exercises continuous second-level control over credit, market, underwriting and operational risks[2]. As part of this task, it is responsible for ensuring the soundness and sustainability of development projects and operating practices, as well as their overall compliance with the risk appetite set by the Board of Directors. RISK's permanent duties include providing advice on Cardif Lux Vie's risk policies, analysing the risk portfolio from a long-term perspective, ensuring the quality and effectiveness of monitoring procedures, and defining or validating risk measurement methods. It is also responsible for verifying that all the consequences in terms of risk of launching new activities or products have been adequately assessed. RISK also performs these functions for risks related to information and communication technology (ICT) and personal data protection, drawing on the expertise of BNP Paribas Cardif's teams.

RISK also has a role as an independent reviewer concerning cross-sectoral risks such as sustainability and model risk.

The risk management framework is structured around key processes or families of risks on which RISK's independent review is applied.

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

#### Risk strategy process

RISK advises the effective managers and the Board of Directors on risk management strategy, particularly through the risk appetite framework. RISK monitors and reports regularly on the risk profile and its adequacy in relation to the approved risk limits.

#### Identification of risks

RISK conducts an annual risk assessment through the **risk identification process**. All significant risks to which Cardif Lux Vie is exposed are identified, regardless of who is responsible for them. At the end of this assessment, a risk map is established. It allows the definition of the stress scenarios that will be tested as part of the ORSA process. The risk map is validated annually by the Board of Directors. It is updated on an ongoing basis and any new risks or significant changes are reported to the Board of Directors.

**Risk and Control Self Assessment (RCSA)** is a structured approach to identifying and measuring operational risks. This is a risk management exercise carried out by operational managers with the help of permanent controllers, reviewed by the contacts in the second lines of defence consisting of Compliance, Finance, and RISK. The result of the RCSA feeds into the risk identification process.

[2] Operational risk is supervised in the second line by the RISK function, which is responsible for the overall framework, and also by the Compliance, Legal and Finance functions in their respective areas.

### Independent review

RISK ensures that key risk policies are consistent with the risk management framework. It performs an independent review of the risk assessment and proposes any risk mitigation actions that might be required. This independent review is also applied to data, tools and models, methods and results.

### 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. It aims to identify the evolution of solvency and value indicators in more or less favourable hypothetical environments, in order to better understand the nature of the risks to which the Company is exposed and to better anticipate critical situations.

Stress tests are mainly carried out during the ORSA process and specifically in the event of a significant change in the risk profile.

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

### Capital management

Cardif Lux Vie's capital management policy aims to ensure a sound level and quality of capital in order to meet prudential requirements and guarantee sufficient financial resilience.

Capital management is the joint responsibility of the Finance Department and the Actuarial Department, in close interaction with RISK. 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 equity capital structure according to the different types of equity in accordance with the regulatory limits;
- Forecasting capital requirements and defining their allocation.

### Own Risk and Solvency Assessment (ORSA)

Cardif Lux Vie conducts an annual long-term assessment of its solvency and risks, including:

- The definition and evaluation of a capital requirement specific to the risk profile;
- The level of equity 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, equity capital adjustments may be applied.

Through the ORSA, Cardif Lux Vie ensures that the budget and medium-term plan are developed and tested against risk appetite indicators, for those that can be projected such as the solvency ratio or net investment.

#### Solvency II reporting

Within the framework of the Solvency II Directive, Cardif Lux Vie submits this report annually to the Commissariat aux Assurances, the regular report to the supervisor in accordance with circular letter 17/11 of the Commissariat aux Assurances and the ORSA report.

#### Risk culture

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

The Risk Department plays a coordinating role in risk culture initiatives.

Training is provided by permanent operational controllers to raise awareness of operational risks (in particular fraud, incident detection and reporting, and risk mapping).

#### Remuneration Process

The annual guidelines for the remuneration review process state that during the annual performance review, the manager should pay particular attention to the employee's professional conduct. This assessment covers compliance with the Group's values, Code of Conduct, procedures and risk management, as well as the proper application of compliance rules.

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

#### Underwriting risk management

Underwriting risk is the risk of loss in value due to sudden and unexpected fluctuations in insurance payouts that may result from inadequate pricing or provisioning assumptions due to internal or external factors including sustainability risk. 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 governance set up to prevent and control underwriting risks is based on reference documents and tools that define the principles, rules, methodologies and best practices to be followed by the actuarial teams throughout the life cycle of the policies, as well as the work to be carried out and the reports to be produced. It also specifies which practices are prohibited or accepted subject to conditions.

The underwriting of risks is governed by precise rules of delegation, involving several levels depending on the assessment of the maximum acceptable loss, the estimated Solvency II capital requirement and the estimated profitability of the policies in question.

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.

The regular monitoring of these risks by Cardif Lux Vie's effective managers is based on a series of weekly indicators on the activity (redemptions and net inflows) of the General Fund and of the Units of Account. These indicators are monitored by the Executive Committee and the various control functions.

#### 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 not being able to meet expected or unexpected future liquidity demands from insurance commitments, through the inability to sell assets in a timely manner for an acceptable amount without significant impact on market prices, and/or to have alternative financing instruments available in a timely manner. The liquidity policy describes the rules for identifying, measuring, managing and controlling liquidity risk so that it remains in line with risk appetite.

**ALM risk** is the risk of financial loss or loss of solvency caused by an inconsistency between investment policy and underwriting and reinsurance policy. This risk may relate, for example, to asset allocation, duration differences, the rates paid to policyholders or the rate at which benefits are paid. 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 to reputation, liquidity problems or insolvency. This risk is managed through the production of studies that enable the strategic allocation of assets to be set, validated in committees at various levels to ensure that it is in line with risk appetite. This strategic allocation is then used to manage the investments.

The investment policy dictates the framework applicable to Cardif Lux Vie's asset management, 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 the Regulation of the Commissariat aux Assurances N°15/03 of 7 December 2015. The implementation of the investment policy is entrusted to the Asset Management Department for the General Fund and to the Finance Department for the Units of Account and is governed, for each portfolio, by a management agreement. The latter sets out the investment limits according to the asset classes. For the General Fund, the margins for manoeuvre defined take into account the ALM recommendations and the strategic allocation adopted.

The investment policy provides for dedicated Asset Management committees. The Director of Asset Management is a member of the Executive Committee.

**Credit risk** is the risk of loss or adverse change in financial condition related to the credit quality of issuers of securities, counterparties or any other debtor to whom the Company is exposed. Among debtors, risks associated with financial instruments (including banks in which Cardif Lux Vie holds deposits) and risks associated with receivables related to the insurance business (reinsurance balances) are distinguished into two categories: credit risk on assets and credit risk on liabilities.

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

### Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, information systems failures or external events, whether deliberate, accidental or natural.

Operational risk includes the following categories: execution, delivery and process management, internal and external fraud, cyber security, business and information systems disruption, third party risk management, privacy, employment practices, workplace and property security.

Operational risk excludes risks arising from strategic decisions and reputational risks. It includes legal, tax and compliance risks. Compliance risk is defined as the risk of sanctions (judicial, administrative or disciplinary), as well as the associated financial penalties, resulting from non-compliance with laws, regulations, codes of conduct, standards of good practice applicable to insurance and financial activities (including instructions given by the Executive Committee, in particular those pursuant to a recommendation or guidance given by a supervisory authority). 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.

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:
    - the trust that its customers, partners and employees have in the Company;
    - the quality of its products and services;
    - the profitability of the activities it conducts;
    - the efficiency of the processes it manages;
- the implementation of a system that provides reasonable assurance of risk control to the effective managers, the Board of Directors and the regulator.

### Strategic risk management

**Strategic risk** includes reputation risk and emerging risks. It is the responsibility of the Board of Directors.

Strategic risk relates to the failure of strategic initiatives (acquisitions, mergers, news products, new markets etc.) resulting in losses. This risk is linked to:

- the external environment through the risk of losses associated with fluctuations in volumes, margins and costs due to external or sector-based factors or market factors more generally;
- poor implementation of the risk strategy for the development of activity.

Strategic risk includes reputation risk and emerging risks.

Emerging risks are new or evolving risks that are difficult to quantify and with regard to which the nature, timing and extent of potential losses are particularly uncertain.

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.

Reputation risk is essentially contingent on all the risks incurred by Cardif Lux Vie and is covered by all the processes, tools and methods in place, and in particular by the work of the Compliance function.

### Cross-sectoral risk factors

Cross-sectoral risk factors are underlying risks that may affect more than one of the risk categories mentioned above.

**Model risk**

The use of models may impact each risk category depending on the purpose of the models, their use, and the effectiveness of the risk management system that supports them.

Model risk is the negative consequence:

- of decisions based on models developed or deployed incorrectly, or on the inappropriate use of results of models, called **Model Error;**
- of the uncertainty inherent in the model in relation to the reality it seeks to measure, which is referred to as **model uncertainty** (e.g. market risk for economic scenario generators, underwriting risk for a pricing model).

With input from the actuarial function, RISK (at local and BNP Paribas Cardif level) is responsible for second-level control of the models: it defines and leads the governance of model risk management, which it assesses in particular through independent reviews.

**Sustainability risks**

Sustainability risks are Environmental, Social or Governance (ESG) events or conditions whose occurrence could have an actual or potential negative impact on the value of an investment or the liabilities of an insurance policy.

Cardif Lux Vie is more specifically exposed to climate change risks, either directly in its own operations or indirectly through its investment activities. There are two main types of risks related to climate change: (i) transition risks, which result from a change in the behaviour of economic and financial agents in response to the implementation of energy policies or technological changes; (ii) physical risks, which are the consequence of the direct impact of climate change on people and property via extreme weather events or long-term risks such as rising water levels or increased temperatures. In addition, liability risks may arise from both categories. They correspond to the damages that a legal entity would have to pay if it were judged responsible for global warming.

ESG risks associated with investments are monitored using dedicated risk management tools. Cardif Lux Vie defines and applies its investment policies while managing activity restriction lists according to the level of ESG risks identified. Cardif Lux Vie may therefore prohibit any investment relationship, or set up a specific framework. Controls are put in place in the pre-investment and post-investment phases. The Asset Management Risk Management team monitors controls in the event of an alert.

Cardif Lux Vie's underwriting policy also takes into account ESG risks, the occurrence of which may have an actual or anticipated negative impact on the value of liabilities.

**Conduct risk**

Conduct risk is the risk that inappropriate behaviour, i.e. behaviour contrary to the rules of conduct set forth in the Code of Conduct, by Cardif Lux Vie or one of its employees may lead to the provision of inappropriate financial services.

## 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.

The main objective is to ensure that Cardif Lux Vie identifies and assesses all the major risks inherent in its activities and then determines the corresponding capital requirements, or identifies other means of mitigating these risks, on an ongoing basis throughout the period of the Medium-Term Plan, under both normal and less favourable conditions.

The process is coordinated by the Risk Management Function.

### B.4.a ORSA process

The ORSA process is defined in a policy that is reviewed annually.

1) Definition of the Company's strategy and Medium-Term Plan;

2) A bottom-up and top-down risk analysis is used to draw up a risk map, which is updated annually and provides an integrated view of risks, initially validated by the Local Risk Committee made up of the Executive Committee and the various control functions. This risk map is then presented to the Risk Committee (a specialist committee of the Board of Directors) and incorporated into the ORSA report.

   Top-down and bottom-up approaches complement each other to cover all risks as effectively as possible. The 'top-down' approach reflects the perception of the most serious risks from the point of view of the Executive Committee and certain operational managers. Bottom-up risk mapping, based on an analysis of processes and operations, provides a more detailed view and a more accurate assessment of risks, and is an operational tool for managing risks on a day-to-day basis;

3) Risk profile analysis (using the standard formula);

4) Identification and evaluation of the global solvency requirement (GSR) taking into account the specific risk profile of Cardif Lux Vie and including the risks not considered in the standard formula;

5) Identification and assessment of the extent to which Cardif Lux Vie's risk profile deviates significantly from the assumptions underlying the calculation of the Solvency Capital Requirement (SCR) using the standard formula;

6) Identification and assessment of the solvency position, including the impact of certain stress tests and adverse scenarios, as well as the future solvency underpinned by the assumptions of the Business Plan;

7) Development of a solvency plan or other means of mitigation based on the conclusions of previous valuations;

8) ORSA report. The assessment process results in a report that is presented to the Risk Committee and then to the Board of Directors for approval. The report is then sent to the Commissariat aux Assurances;

9) Integration of the solvency plan or other means of mitigation (see point 7) into the decision-making and operational processes.

### B.4.b Frequency of ORSA

The ORSA process is carried out annually and whenever there is a significant change in the entity's risk profile. The exercise could therefore be triggered on an "ad-hoc" basis, in particular in the following cases:

- a material change in the results of Pillar 1 indicators (SCR, MCR);
- an internal company event, such as a strategic decision affecting the current Medium-Term Plan;
- an event external to the company that has an impact on the current Medium-Term Plan (e.g. economic event, legislative event).

The report prepared in 2023 was approved by the Board of Directors on 12 December 2023 after being reviewed by the Risk Committee. It was sent to the Commissariat aux Assurances.

### B.4.c Consideration of the own risk profile

As indicated above, the information collected as part of the ORSA process is integrated into the Company's decision-making process:

- Strategic decisions are integrated into the ORSA process, which takes account of the Medium-Term Plan;
- The conclusions of the ORSA are reviewed by the Board of Directors and incorporated into the strategic decision-making process, particularly with regard to equity capital management.

In addition, Cardif Lux Vie has set up a risk monitoring process that gives the General Management a continuous and up-to-date view of the Company's risk profile. Cardif Lux Vie's risk profile is determined on the basis of the risk appetite statement, which sets limits on the nature, quantity and quality of the risks that the Company is prepared to underwrite on a long-term basis as part of its strategy. The limits are approved by the Board of Directors.

The risk profile is measured using a set of metrics assessed at least quarterly to ensure that it matches the risk appetite. The governance structure in place defines the system for validating corrective measures and for reporting to the Effective Managers, the Risk Committee or the Board of Directors in the event of non-compliance with limits.

## B.5 Internal control system

### B.5.a Organisation of internal control

#### Definition, objectives and standards of internal control

Cardif Lux Vie has set up an internal control and operational risk management system designed to ensure overall control of risks and to provide reasonable assurance that the objectives set by the company are met.

The implementation of this control system is based on three lines of defence:

- operational staff are the first line of defence and deploy the risk management system for the activities under their responsibility;
- the functions of the second line of defence define the normative framework within which the risk management for which they are responsible is carried out and supervise its proper implementation;
- the third line of defence, among other things, checks the effectiveness and quality of the Permanent Control system.

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 specifies the framework of this system and constitutes the basic internal control framework. It aims to contain operational risk within acceptable limits by reducing, transferring or avoiding risks while at the same time maintaining a balance between the risks taken and the cost of managing them. Firstly, it sets out the objectives of internal control, namely:

- the development of a risk culture among staff;
- the efficiency and quality of the company's internal operations;
- the reliability of internal and external information;
- the security of operations;
- compliance with laws and regulations and with internal policies.

The policy then sets out the rules for the organization, responsibilities and scope of intervention of the various internal control players and establishes the principle that the control functions (Compliance, Legal and Tax, Finance, Risk Management and Internal Audit) operate independently.

#### Scope of internal control

One of the fundamental principles of internal control is the exhaustive nature of its scope: it applies to all risks regardless of type and to all of Cardif Lux Vie's activities. It also covers the provision of essential or important operational services or tasks that have been outsourced, subject to the regulatory conditions.

#### Fundamental principles of internal control

The internal control system at Cardif Lux Vie is based on the values and Code of Conduct of BNP Paribas and on the following additional principles:

- clearly established responsibilities: internal control is the business of every employee, regardless of level in the hierarchy or responsibilities. The exercise of a management function brings the additional responsibility of ensuring that the internal control system is properly implemented in the area being managed;
- a structured risk identification, assessment and management system (involving, among other aspects, a decision-making and delegation system, organisational principles, controls, a reporting and warning system etc.);
- independent control and supervision of risks: those responsible for operational activities bear ultimate responsibility for the risks that their activities generate, which means primary responsibility for setting

up and operating a risk identification, assessment and management system. The internal control system provides for the compulsory involvement, at the earliest possible stage, of functions that have independent control in the form of a second level of control.

This intervention takes the following forms:

- definition of overall normative framework for risk identification, assessment and management,
- definition of cases where an independent review from a function exercising second-level control and shared with the operational entity is necessary in the decision-making process,
- independent controls, known as second-level controls, carried out by the aforementioned function on the system put in place by the managers responsible for operational activities and on its operation (result of the risk identification and assessment process, relevance and compliance of risk control systems and, in particular, compliance with defined limits).

- separation of tasks: this is one of the essential elements of the risk control system. This involves assigning certain operational tasks that contribute to the same process to participants who report to different line managers or separating such tasks by other means, in particular IT;
- proportionality to risks: the internal control system must be implemented in a manner and with an intensity proportionate to the risks. This proportionality is assessed on the basis of one or more criteria, specifically:
  - intensity of risks,
  - complexity of the designed/marketed products and/or services provided.
- appropriate governance: the system is subject to governance involving the various players and covering the different aspects of internal control, both organisational and supervisory;
- a requirement for formalization and traceability: internal control is based on validated written policies and procedures. The related controls, their results, their use and the feedback from the entities to the higher levels of the group's governance are documented and traceable;
- a duty of transparency: all employees, whatever their position, have a duty to report the following transparently, i.e. spontaneously and without delay, to a higher level in their organisation:
  - any information required for proper analysis of the situation of the entity in which the employee works, and that may impact the risks or reputation of Cardif Lux Vie or the Group,
  - any issue that the employee cannot resolve alone when performing his/her role,
  - any abnormal situation that the employee observes.

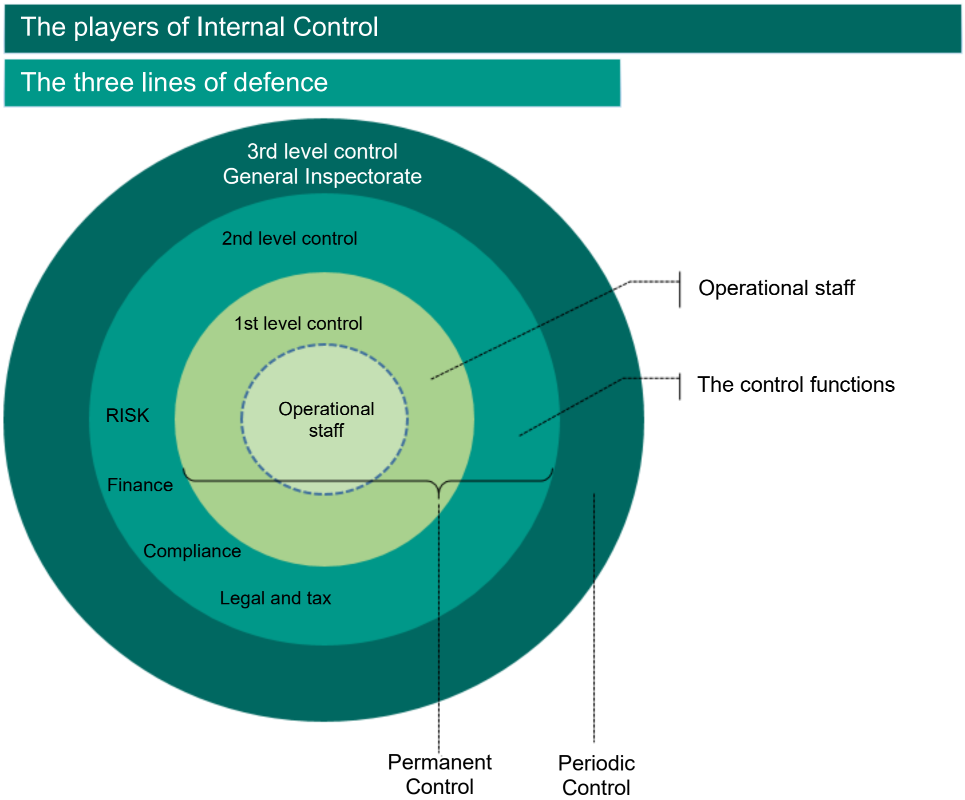
  Employees also have a right to report information in confidence, as provided for in the BNP Paribas Group's Code of Conduct and exercised within the framework of the right of ethical alert ("Whistleblowing") organised by Compliance;
- continuous adaptation of the system to changes: the internal control system must be managed dynamically by the various parties involved. This adaptation to changes of any kind, which Cardif Lux Vie must cope with, must be done according to a periodic cycle defined in advance, but also continuously as soon as events justify it.

Observance of these principles is regularly verified, particularly during actions by the periodic control team (Internal Audit).

## Organisation of internal control

Cardif Lux Vie's internal control system is organized around three lines of defence, under the responsibility of the effective managers and the supervision of the Board of Directors.

- Permanent control is the continuous implementation of the risk management system and is ensured by the first two lines of defence. Periodic control, carried out by the third line of defence, is a verification and evaluation function that takes place according to a specific audit cycle.
- The second and third line of defence functions are referred to as independent control functions. The Compliance, Risk Management, Finance, Legal and Tax, and Internal Audit functions report on the performance of their duties to the Board of Directors or its specialized committees.




## Main parties responsible for internal control

Operational staff are the first line of defence: operational staff are the first people responsible for controlling their risks and the first players in permanent control. They act within the framework defined by Cardif Lux Vie's effective managers and reviewed by its Board of Directors, and transcribed into policies and procedures.

The risk control system operated by the first line of defence forms what is known as the first-level control system. It is implemented by the employees and/or their line management. Cardif Lux Vie also has a team of permanent controllers who do not operate the processes that they control.

There are functions that provide a second level of control (second line of defence):

- The functions exercising second-level control are responsible for the proper functioning of the risk management system and its compliance with laws and regulations in a number of areas (themes and/or processes).
- In this respect, in their area of expertise and after consulting operational staff if necessary, they define the general regulatory framework within which the risk management for which they are responsible must be carried out, the terms of their intervention (thresholds, delegations, escalation, etc.), implement this system for the part that concerns them, and are responsible, in their area of expertise, for second-level permanent control. In relation to the operational entities, they keep a critical and independent eye on the identification and assessment of risks. They also contribute to dissemination of a risk culture and an ethical culture within Cardif Lux Vie.

The functions exercising second-level control are the Risk Management, Compliance, Finance, and Legal and Tax functions. The Risk Management, Compliance and Legal functions are integrated within BNP Paribas Cardif. These functions break down as follows:

- The **Compliance** function is responsible for the organization and supervision of the compliance risk management system. Alongside RISK, Human Resources and Legal, Compliance is also responsible for the second line of defence against risks relating to the rules of conduct. As such, it contributes to the ongoing monitoring of compliance with legal and regulatory provisions, professional and ethical standards, as well as the guidelines of the Board of Directors and the instructions of the General Management. The manager reports to the Chief Executive Officer of Cardif Lux Vie and to the Head of Compliance of BNP Paribas Cardif.
- The **Risk Management function** takes a second look at operational, underwriting, credit and market risks, as well as sustainability and model risks, to ensure that they are consistent and compatible with internal policies and profitability objectives. The function's missions are carried out independently of operational staff, which contributes to the objectivity of this second view. Its manager reports to the Chief Executive Officer of Cardif Lux Vie and to the Deputy Head of Risk at BNP Paribas Cardif.
- The **Finance** function also exercises second-level control through its responsibility for defining and implementing the risk management system for accounting and financial information. The manager reports directly to the Managing Director of Cardif Lux Vie.
- The **Legal and Tax function**, which is responsible for organising and supervising the legal risk management system, exercises its responsibility for preventing and managing legal risks through its advisory and control roles. Its control is exercised by monitoring the implementation of legal opinions issued to avoid or limit the effects of a major legal risk and by controlling the legal processes;

The third line of defence is exercised by the independent and specialized **Internal Audit function**, which verifies the effectiveness and quality of the **permanent control** system. This periodic control system takes the form of investigative missions, known as third-level controls, which are carried out independently by the BNP Paribas Group's General Inspectorate unit.

The **General Management**, under the supervision of the Board of Directors, is responsible for the overall internal control system.

The **Board of Directors**, acting on proposals from the Risk Committee, the Audit Committee and the ALM and Investments Committee, reviews and approves the strategies and policies governing the assumption, management, monitoring and reduction of risks.

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

Procedures are one of the key elements of the permanent control system, alongside risk identification and evaluation, checks, reporting and management of the control system.

Cardif Lux Vie is based on the system deployed by BNP Paribas Cardif.

Cardif Lux vie documents the procedures to be applied, as well as the checks to be performed. These procedures constitute the basic reference framework for internal control.

Cardif Lux Vie is responsible for:

- identifying the procedures that it needs in order to carry out the tasks for which it is responsible and exercising its responsibilities, in compliance with the applicable regulations and the group's instructions, expressed in particular through the higher-level procedures already in place;
- establishing, maintaining and preserving the set of procedures identified in this way;
- making the procedures accessible to those who need to know them, informing them of their existence or evolution, and training them if necessary;
- ensuring the proper application of these procedures.

The practical rules and procedures are detailed in BNP Paribas Cardif procedure management, which is applied locally by Cardif Lux Vie.

## 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 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 of the management of Cardif Lux Vie. 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 the key Internal Audit function is the Chairman of the Cardif Lux Vie Risk Committee and guarantees the independence of the key function. The head of the Luxembourg Hub General Inspectorate reports regularly to the Cardif Lux Vie Audit Committee on the results of the key function's work. In addition, each year it submits to the Board for approval a proposed audit plan covering a complete audit cycle and detailing the internal audit assignments to be carried out during the following calendar year. This draft audit plan is drawn up on the basis, in particular, of an assessment of the risks borne by the various activities, and by ensuring that all material activities are periodically reviewed.

The mandate of the key Internal Audit function is defined by an audit policy approved and reviewed annually by the Board of Directors of Cardif Lux Vie.

## B.7 Actuarial function

The Actuarial & Risk Management Department of Cardif Lux Vie is responsible for 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.

As part of the actuarial function, for each of the product lines marketed by Cardif Lux Vie, the Actuarial & Risk Management Department & is responsible for identifying, monitoring, quantifying and rationalizing underwriting risks and asset/liability management (ALM) risks. It organises its work in two units:

- *Product Actuarial* unit
- *Actuarial Risk Monitoring & ALM 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 ensures not only the appropriate level of valuation methods and reserves under local Lux GAAP and IFRS standards, but also the reporting of underwriting risks. Finally, the unit provides an opinion on the adequacy of the level of risk transfer (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. As part of its assets and liabilities risks 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.

As part of its responsibilities, the Actuarial & Risk Management Department has an overview of underwriting, ALM and liquidity risks throughout the product life cycle.

To carry out its functions, the Actuarial & Risk Management Department complies with a strong and evolving governance structure 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 bodies 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 & Risk Management Department is the process owner for coordinating and producing these statements and reports. It directs the work and the Finance Department is one of the principal contributors.

# B.8 Outsourcing

## B.8.a Outsourced activities

As part of its operations, Cardif Lux Vie outsources certain important and/or critical activities that are part of key operational processes. These Critical Outsourced Services (COS) include IT infrastructure, fund accounting and internal audit.

## B.8.b Governance of outsourcing

In accordance with the requirements of the Solvency II directive, Cardif Lux Vie has an outsourcing policy, which is reviewed annually.

Validated by the Board of Directors, Cardif Lux Vie's outsourcing policy defines the framework for major/critical outsourced activities (COS), including:

- a definition of the scope of activities that could be provided as an outsourced service;
- 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 requirements in terms of contractual security;
- the system for monitoring, control and management of outsourced activities during the production phase;
- relations with internal governance bodies and supervisory authorities, including the obligation to notify the CAA of outsourced activities deemed to be important and/or critical.

### Organisation of outsourcing

Defining the risk management framework for outsourcing is the responsibility of the risk management function, particularly with regard to the risk framework, while the ETO Office is responsible for the operational implementation.

The Chief Operating Officer (COO) is responsible for:

- the appraisal and management of subcontracting governance;
- permanently monitoring the outsourcing process and overseeing monitoring campaigns;
- advice on the outsourcing of activities or functions, and more specifically on outsourcing criteria and the evaluation of the COS character;
- contributing to internal and regulatory reporting on outsourcing issues.

### Supervisory body

The Outsourcing Committee (or Outsourcing Local Committee) monitors and oversees the risks associated with outsourcing at Cardif Lux Vie.

In particular, it involves the Legal & Tax, Compliance, Finance, Risk, Global Security, IT and Purchasing functions.

### 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 monitoring system is applied in the implementation phase of the service, notably as instructed by the Outsourcing Committee and 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.

At the end of 2023, the significant or critical activities operating on behalf of Cardif Lux Vie are the following:

| Activities delegated | Registered office | Intra- or Extra-Group |
|---|---|---|
| Accounting – valuation of investments of Collective Internal Funds | Luxembourg | Extra-Group |
| Provider of KIDs (PRIIPS) for investment supports | Luxembourg | Extra-Group |
| IT services (workstations, help desk) | Luxembourg | Extra-Group |
| IT services (IT infrastructure, network, access rights, servers, etc.) | Luxembourg | Intra-Group |
| Trading desk service (receipt and transmission of orders) | France | Intra-Group |
| Reporting for managed funds, macro-economic review, follow-up of orders | France | Intra-Group |
| Datacentre hosting (DRP site), telephony, Local Area Network, WiFi, CFT gateway (for exchanging reports with partners), FIRCOSOFT (AML screening of third party and SWIFT payments) | Luxembourg | Intra-Group |
| Internal Audit functions | Luxembourg | Intra-Group |
| Financial payment flows of rebates on UCITS securities | France | Extra-Group |
| Human resources and other support functions | Luxembourg | Intra-Group |
| Accounting and valuation for General Fund | France | Intra-Group |
| EMIR - Delegation to Custodian Banks for reporting to the central reference systems for the General Fund and Internal Funds | France<br>Spain<br>Switzerland<br>Luxembourg<br>Monaco<br>Belgium | Intra- and Extra-Group |
| SFTR - Delegation to the Custodian Banks for reporting to the central reference systems for the General Fund | France | Intra- and Extra-Group |

## B.9 Other information

There is no other material information.

# C. Risk profile

The SCR (Solvency Capital Requirement) represents the level of equity capital required to absorb a set of shocks after taking account of the correlation between risks. It is calibrated to cover such an event with a probability of occurrence of once every 200 years over a one-year horizon (Value at Risk at 99.5%).

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, of which Cardif Lux Vie forms part, 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 in value due to sudden and unexpected fluctuations in insurance payouts that may result from inadequate pricing or provisioning assumptions due to internal or external factors, including sustainability risk. 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 €266 million at 31 December 2023 (2022: €284 million). The fall in the Life Underwriting SCR is mainly due to the fall in the SCR caused by large-scale redemptions.

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 2023 | 31 December 2022 |
|---|---|---|
| SCR Life Underwriting | 266 | 284 |
| SCR Health Underwriting | - | - |
| **TOTAL UNDERWRITING RISK SCR** | **266** | **284** |

The **Life module**, like biometric risks, redemptions and management fees for savings and protection policies, 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 policies 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 policyholders. Since the portfolio is mainly composed of savings policies, 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 policies.

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 policies 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.). Each tariff is based on the profitability and return on equity objectives set by Cardif Lux Vie's General Management.

**Contractual clauses** make it possible to manage this risk in compliance with the regulatory and commercial framework, by means of technical and legal measures such as medical selection for products offering large sums insured, contractual repricing clauses in the event of cost increases or degradation in the rate of claims, and limits on the duration of cover.

Reinsurance is an additional element of the underwriting risk management system. Its objective is to protect Cardif Lux Vie against five main risks, subject to appropriate pricing:

- "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);
- cycle risk linked to changes in macro-economic trends (incapacity for work, disability, loss of employment);
- new product risk, associated with insufficient pooling, lack of control over technical bases, or uncertainty regarding the data of policyholders;
- financial risk, linked to the financial guarantees associated with unit-linked insurance products, such as floor guarantees, which provide for the payment of capital to beneficiaries in the event of the policyholder's death.

In the Savings business, underwriting risk is managed by monitoring and supervising the range of products and services on offer, in line with market conditions.

In addition, Cardif Lux Vie limits its exposure to the risk of inadequate investment performance in relation to the obligation to remunerate policies, i.e. the risk associated with the presence of a guaranteed minimum rate in its policies.

Finally, in view of the significant redemptions observed in 2023 on the General Fund, Cardif Lux Vie has strengthened its risk management framework. To facilitate the management of cash requirements in such situations and preserve the balance of the General Fund and its ability to recover at a later date, additional liquidity has been lent by the shareholders BNP Paribas Cardif and BGL BNP Paribas, under a shareholders' current account for a total of 200 million euros. The shareholders' current account is temporary and transitory before the General Fund returns to a more favourable situation (positive net inflows with an accretive effect or favourable trend in unrealised asset wealth). The General Fund continues to be managed under the current management agreement.

#### Risk monitoring

Periodic monitoring of the underwriting risks is carried out at several levels. Firstly, by means of control campaigns on compliance with delegations in risk taking and on the technical bases in force and finally by the quarterly analysis of technical results. Secondly, by means of a series of weekly indicators on activity (redemptions and net inflows). These indicators are monitored by the Executive Committee and the various control functions.

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

At the time of pricing, the approval of a product requires a systematic analysis of unfavourable scenarios (stress tests) or very unfavourable scenarios (crash tests) even if their probability of occurrence is low. The stress and crash tests are performed 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 (76%) and investment funds (19%), as shown below:

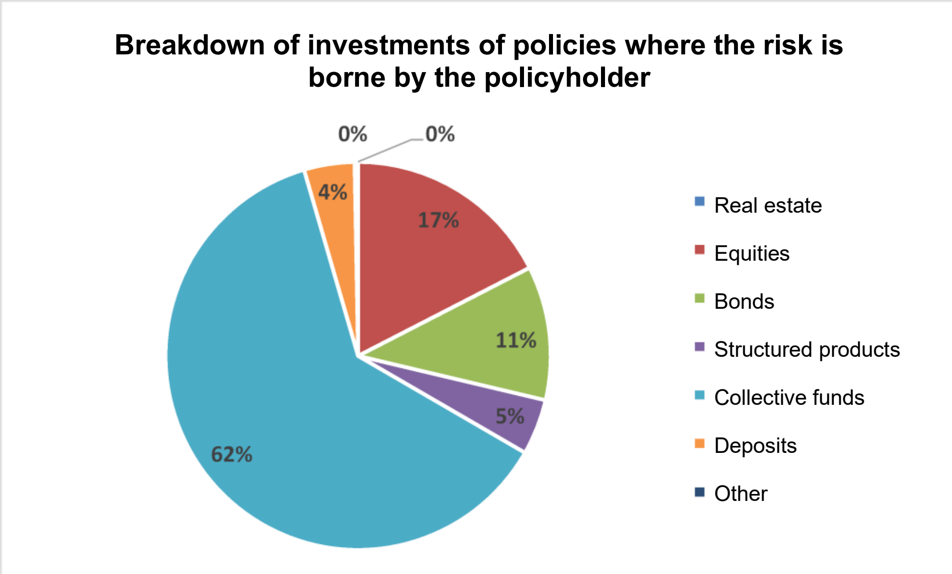
| *In millions of euros, at* | 31 December 2023 | | 31/12/2022 | |
|---|---|---|---|---|
| | Market value | % | Market value | % |
| Real estate | 0 | - | 0 | - |
| Equity holdings | 152 | 2% | 166 | 2% |
| Listed equities | 181 | 2% | 273 | 3% |
| Bonds | 6,014 | 76% | 6,403 | 75% |
| *Government bonds* | *2,148* | *27%* | *1804* | *21%* |
| *Corporate bonds* | *3,559* | *45%* | *4,443* | *52%* |
| *Structured bonds* | *307* | *4%* | *156* | *2%* |
| *Guaranteed securities* | *0* | *-* | *0* | *-* |
| Collective funds | 1,519 | 19% | 1,615 | 19% |
| *Equity funds* | *310* | *4%* | *373* | *4%* |
| *Bond funds* | *150* | *2%* | *325* | *4%* |
| *Money market funds* | *681* | *9%* | *569* | *7%* |
| *Asset allocation funds* | *0* | *-* | *0* | *-* |
| *Real estate funds* | *134* | *2%* | *145* | *2%* |
| *Alternative/Infrastructure/Private Equity funds* | *239* | *3%* | *196* | *2%* |
| *Other* | *6* | *0%* | *5* | *0%* |
| Derivatives | 73 | 1% | 107 | 1% |
| Other investments | 8 | 0% | 7 | 0% |
| Deposits | 0 | - | 3 | 0% |
| **TOTAL GENERAL FUND INVESTMENTS** | **7,946** | **100%** | **8,574** | **100%** |

For this general asset, the market risk is mainly borne by Cardif Lux Vie, which guarantees the liability commitments for its policyholders. As part of its Prudent Person policy, Cardif Lux Vie invests in asset classes that enable it at least to meet its commitments to its 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 policies is mainly composed of collective investment funds (62%), as illustrated below:




For this portfolio of unit-linked policies, 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 for Cardif Lux Vie totalled €403 million at 31 December 2023 (2022: €470 million):

| *In millions of euros, net amount, at* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Interest rate risk | 43 | 44 |
| Equity risk | 242 | 230 |
| Real estate risk | 27 | 36 |
| Credit spread risk | 122 | 202 |
| Concentration risk | 14 | 18 |
| Exchange rate risk | 93 | 97 |
| Diversification effect | -138 | -157 |
| **TOTAL MARKET SCR RISK** | **403** | **470** |

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 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 redemption of 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** represents 45% of the market SCR before diversification at 31 December 2023 (2022: 37%). This sub-module is significant, taking into account the unit-linked investment portfolio which is mainly invested in investment funds and the shock level applied of 39% for equities listed in a European Economic Area or OECD member state and 49% for other equities.

To avoid pro-cyclical behaviour, this shock is corrected by a symmetrical adjustment mechanism or “dampener”: it attenuates equity shock when the markets are at their lowest, and increases it when the markets reach a peak, i.e. when a fall is highly probable. On 31 December 2023, the dampener was 1.46% (2022: -3.02%), and the shocks applied were 40.46% or 50.46% depending on the type of share (2022: 35.98% and 45.98% 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** represents 23% of the market SCR before diversification at 31 December 2023 (2022: 32%).

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 SCR for concentration risk reflects the decrease in equity following an exposure beyond a threshold defined by the standard formula on one or more issuers.

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.

In addition, the General Fund is specifically monitored through a statistical analysis of its assets.

### 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 policies, while maximising the expected return on investment compared with the risk limit set.

The implementation of the investment policy, entrusted to the Asset Management Department, is governed for each portfolio by a **management agreement** that 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, targeted studies**, such as a review of securities with unrealised losses.

Furthermore, Cardif Lux Vie is exposed to **exchange rate risk** on its foreign currency investments. Exchange-rate risk is strictly controlled by the company's investment policy. Hedges may be put in place depending on market expectations.

#### 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 Local Risk Committee.

The asset management committees are involved in monitoring market risk.

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

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

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

Finally, since the beginning of 2021, upward and downward sensitivity tests to market risks are performed after each quarterly Solvency II closing.

# C.3 Counterparty risk

## C.3.a Definition

Counterparty risk is the risk of losses in value or of adverse changes in financial position linked to the credit quality of the issuers of securities, counterparties or any other debtor to which the Company is exposed. Among debtors, the risks associated with financial instruments (including banks in which the Company holds deposits) and the risks associated with receivables related to the insurance business (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 2023 (2022: €15 million). Of this, 92% relates to default risk exposures arising from reinsurance operations and cash deposits with credit institutions.

| *In millions of euros, from* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **TOTAL COUNTERPARTY RISK SCR** | **16** | **15** |

## C.3.c Concentration

The **exposure to reinsurers** at 31 December 2023 mainly concerns two reinsurers. These are the most significant reinsurance treaties. 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. The Actuarial Department is responsible for this monitoring.

# C.4 Liquidity risk

## C.4.a Definition

Liquidity risk is the risk of not being able to meet expected or unexpected future liquidity demands arising from insurance liabilities to policyholders, due to the inability to sell assets in an appropriate time frame for an acceptable amount without significant impact on market prices and/or to have alternative financing instruments available in an appropriate time frame.

## C.4.b Risk exposure

### General Fund

Exposure to liquidity risk is assessed over a one-year horizon mainly through the liquidity policy, validated by the Written Policies Validation Committee, under the responsibility of the Asset Management Department, and over the medium term through studies carried out by the Actuarial Department on projected cash flows on the assets and liabilities side of the General Fund.

In 2023, Cardif Lux Vie experienced an increase in redemptions without any pressure on the liquidity of the General Fund.

### Units of account

As of 31 December 2023, the exposure to alternative assets is below the warning thresholds and maximum limits set by the Board of Directors of Cardif Lux Vie. These are limits for acceptance of liquidity risk on unit-linked investments. By "alternative" assets, we mean complex or illiquid products such as hedge funds, structured products, private equity funds, real estate funds, derivatives and, historically and marginally, direct private equity lines.

## C.4.c Risk management and mitigation

Liquidity risk is managed through the approval of securities and the monitoring (in relation to the limits set) of the composition of the assets of the General Fund and the units of account, in particular the internal funds.

On the liability side, risk is managed through regular monitoring of redemptions and 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.

Finally, for the General Fund, liquidity risk is managed on the basis of studies carried out at a frequency appropriate to the risk exposure.

## C.4.d Sensitivity

Tests are conducted as part of the monitoring of liquidity risk. 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.

## C.5 Operational risk

### C.5.a Definition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, IT failures or external events, whether deliberate, accidental or natural. These external events include both man-made and natural events.

Internal events mainly involve personnel and computer systems. External events include flooding, fires, earthquakes and terrorist attacks. Credit or market events such as defaults or changes in value are not classified as operational risk.

Operational risk covers fraud, human resources risk, legal risk, compliance risk, tax risk and information systems risk. It is particularly impacted by cross-sectoral risk factors such as Environmental, Social and Governance (ESG) risk, conduct risk and model risk.

### C.5.b Risk exposure

The amount of SCR exposed to operational risk totalled €58 million at 31 December 2023 (2022: €51 million).

| *In millions of euros, at* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| SCR linked to operational risk calculated on the basis of mathematical provisions | 44 | 46 |
| SCR linked to operational risk calculated on the basis of earned premiums | 58 | 51 |
| **TOTAL OPERATIONAL RISK SCR** | **58** | **51** |

The increase in the SCR linked to operational risk between the two financial years is mainly explained by the increase in inflows to the General Fund in 2023.

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

Cardif Lux Vie relies on its general internal control and operational risk management system, which includes both permanent and periodic controls.

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

- The Risk Committee (a specialist committee of the Board), which meets at least four times a year. It is responsible for monitoring the effectiveness of the risk management and permanent control mechanisms.
- The Local Risk Committee, which meets at least four times a year. Its purpose is to provide the Executive Committee of Cardif Lux Vie with an overview of the major operational risks and the action plans in place to manage them.
- The Internal Control Committee, which meets at least twice a year. Its purpose is to assess the status of risks and the associated permanent control system and to take the necessary measures.

## C.6 Other material risks

There are no other material risks.

## 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 are composed as follows:

| *In millions of euros, at 31 December* | *Reference* | 2023 Solvency II balance sheet | 2023 Financial statements | 2022 Solvency II balance sheet | 2022 Financial statements |
|---|---|---|---|---|---|
| Deferred acquisition costs | | - | - | - | - |
| Other intangible assets | A | - | 5 | - | 4 |
| Deferred tax assets | B | - | - | - | - |
| Installations and equipment held for own use | | 2 | 2 | 1 | 1 |
| Investments (excluding investments representing unit-linked liabilities) | C | 7,946 | 8,033 | 8,574 | 9,059 |
| Investments representing unit-linked liabilities | C | 23,647 | 23,647 | 21,876 | 21,876 |
| Loans and mortgages | | - | - | - | - |
| Policy advances | | 0 | 0 | 0 | 0 |
| Share of assignees and retrocessionaries in technical provisions | D | 6 | 6 | 7 | 7 |
| Deposits with ceding undertakings | | - | - | - | - |
| Receivables arising from insurance operations | | 2 | 2 | 2 | 2 |
| Receivables arising from reinsurance operations | | - | - | - | - |
| Other receivables (excluding insurance) | E | 180 | 187 | 196 | 207 |
| Cash and cash equivalents | | 422 | 422 | 209 | 209 |
| Other assets | | 2 | 2 | 1 | 1 |
| **ASSETS** | | **32,207** | **32,306** | **30,866** | **31,366** |

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 accordance with Article 75a) 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.

| *In millions of euros, at 31 December* | *Reference* | 2023 amounts | 2022 amounts |
|---|---|---|---|
| Recognition at fair value of goodwill and intangible assets | A | - 5 | - 4 |
| Tax effect on restatements | B | - | - |
| Recognition at fair value of financial assets | C | - 87 | - 485 |
| Valuation of the reinsurers' share in technical provisions | D | - 0 | - |
| Recognition at fair value of other receivables | E | - 7 | - 11 |
| **TOTAL RESTATEMENTS** | | **- 99** | **- 500** |

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[3]), **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).

[3] 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 2023* | | | | *31 December 2022* | | | |
|---|---|---|---|---|---|---|---|---|
| | *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* |
| Equity holdings | 152 | - | - | 152 | 166 | - | - | 166 |
| Listed equities | 181 | 181 | - | - | 273 | 273 | - | - |
| Sovereign bonds | 2,148 | 2,148 | - | - | 1,804 | 1,804 | - | - |
| Corporate bonds | 3,559 | 3,559 | - | - | 4,443 | 4,443 | - | - |
| Structured bonds | 307 | 307 | - | - | 156 | 156 | - | - |
| Investment funds | 1,519 | 1,287 | 231 | - | 1,615 | 1,449 | 166 | - |
| Derivatives | 73 | - | 73 | - | 107 | - | 107 | - |
| Deposits with credit institutions | - | - | - | - | 3 | 3 | - | - |
| Other investments | 8 | - | 8 | - | 7 | - | 7 | - |
| Investments (excluding investments representing unit-linked liabilities) | 7,946 | 7,482 | 312 | 152 | 8,574 | 8,128 | 280 | 166 |
| Investments representing unit-linked liabilities | 23,647 | 20,575 | 3,071 | - | 21,876 | 19,014 | 2,862 | - |

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 2023, ceded technical provisions amounted to €5.9 million (2022: €7.0 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 2023* BEL - Best estimate of liabilities | Risk margin | Total | *31 December 2022* 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) | 6,397 | 57 | 6,455 | 6,801 | 65 | 6,867 |
| Index-linked and unit-linked policies | 23,347 | 135 | 23,482 | 21,607 | 104 | 21,711 |
| **Life (non-health)** | **29,744** | **192** | **29,936** | **28,408** | **169** | **28,577** |
| **TOTAL TECHNICAL PROVISIONS** | **29,744** | **192** | **29,936** | **28,408** | **169** | **28,577** |

The change in the Best Estimate of Liabilities (BEL) is explained by the increase in commitments in the financial statements.

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

| *In millions of euros, at 31 December* | 2023 Solvency II balance sheet | 2023 Financial statements | 2022 Solvency II balance sheet | 2022 Financial statements |
|---|---|---|---|---|
| Gross technical provision – Life (excluding health, unit-linked or index-linked) | 6,455 | 6,591 | 6,867 | 7,355 |
| *Best estimate* | *6,397* | - | *6,801* | - |
| *Risk margin* | *57* | - | *65* | - |
| Gross technical provision – UL or index-linked | 23,482 | 23,647 | 21,711 | 21,876 |
| *Best estimate* | *23,347* | - | *21,607* | - |
| *Risk margin* | *135* | - | *104* | - |
| **SUBTOTAL TECHNICAL PROVISIONS INCLUDING BEST ESTIMATE OF LIABILITIES** | **29,936** | **30,238** | **28,577** | **29,231** |

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

- unrealized capital gains or losses;
- 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 2023, 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 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

**Policy boundaries**

The policy boundary is defined as the date on which the insurer has the unilateral right to terminate the policy, 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 policies, partner agreements and local regulations to define the frontier of each risk and generation of policies.

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

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

**Process risks**

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

**Model risks**

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

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

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

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

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

The Volatility Adjustment for the euro interest rate published by EIOPA and used for calculations at 31 December 2023 is a maximum of 0.20% (2022: 0.19%).

## 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* | 2023 Solvency II balance sheet | 2023 Financial statements | 2022 Solvency II balance sheet | 2022 Financial statements |
|---|---|---|---|---|---|
| Provisions other than technical provisions | A | 57 | 56 | 59 | 58 |
| Liabilities for reinsurers' cash deposits | | 4 | 4 | 4 | 4 |
| Deferred tax liabilities | B | 45 | - | 40 | - |
| Liabilities to credit institutions | C | - | - | 518 | 518 |
| Liabilities arising from insurance operations | | 247 | 247 | 200 | 200 |
| Liabilities arising from reinsurance operations | | 2 | 2 | 2 | 2 |
| Other liabilities (not linked to insurance operations) | | 690 | 690 | 326 | 326 |
| Subordinated debt included in basic equity capital | D | 462 | 441 | 436 | 441 |
| Other liabilities not mentioned above | | 2 | 2 | 2 | 2 |
| **LIABILITIES** | | **1,509** | **1,442** | **1,587** | **1,551** |

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* | 2023 amounts | 2022 amounts |
|---|---|---|---|
| Revaluation of employee benefit obligations | A | 1 | 1 |
| Tax effect on restatements | B | 45 | 40 |
| Revaluation of liabilities to credit institutions | C | - | - |
| Revaluation of subordinated debts | D | 21 | - 5 |
| **TOTAL RESTATEMENTS** | | **67** | **36** |

In accordance with Article 75 of the Directive, other liabilities are valued "*at the amount for which they could be exchanged 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:

- **Alternative 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's capital monitoring aims to ensure that the capital structure is optimized and sufficient to meet the local prudential requirements of the Triangle of Security and to guarantee 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:

- Comply with regulatory requirements;
- 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;
- Depending on the levels of the solvency ratio observed and the projections carried out as part of the ORSA, corrective actions to adjust equity may be initiated;
- Take into account the coverage of insurance commitments (Triangle of Security).

### E.1.b Significant events of the fiscal year

There was no increase in equity in 2023.

A dividend of €136.52 million is expected to be distributed, broken down as follows:

- 16.56m for allocation of 2023 profits;
- 27.84m in respect of the wealth tax reserve for 2019 and 2018 previously set aside and no longer available;
- 92.12m in retained earnings.

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

**Available own funds** totalled €1,087 million at 31 December 2023 (2022: €1,139 million) and consisted of the following items:

| *In millions of euros, at* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Share capital | 399 | 399 |
| Issue premium | - | - |
| Reconciliation reserve | 226 | 304 |
| Subordinated debt | 462 | 436 |
| **Total Own funds** | **1,087** | **1,139** |

The reconciliation reserve of 226 million euros (2022: 304 million euros), eligible for classification as Tier 1, breaks down as follows:

| *In millions of euros, at* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Balance sheet results and reserves | 90 | 185 |
| Restatements under Solvency II | 136 | 120 |
| *Impact on future profits net of taxes* | *156* | *119* |
| *Other restatements* | *- 20* | *1* |
| Expected distribution | 137 | - |
| **TOTAL RECONCILIATION RESERVE** | **226** | **304** |

The impact on future profits net of taxes reflects the revaluation differences of assets and liabilities under Solvency II standards. Other restatements mainly reflect the revaluation of subordinated debt and the cancellation of intangible assets under Solvency II.

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

The composition of each tier is based on transitional measures and is as follows for 2023 and 2022:

| *In millions of euros, at* | 31 December 2023 | *Unrestricted tier 1 capital* | *Restricted tier 1 capital* | *Tier 2 capital* | *Tier 3 capital* |
|---|---|---|---|---|---|
| Share capital | 399 | 399 | | | |
| Issue premium | - | - | | | |
| Reconciliation reserve | 226 | 226 | | | |
| Subordinated debt | 462 | | 91 | 323 | 48 |
| **Total Own funds** | **1,087** | **626** | **91** | **323** | **48** |

| *In millions of euros, at* | 31 December 2022 | *Unrestricted tier 1 capital* | *Restricted tier 1 capital* | *Tier 2 capital* | *Tier 3 capital* |
|---|---|---|---|---|---|
| Share capital | 399 | 399 | | | |
| Issue premium | - | - | | | |
| Reconciliation reserve | 304 | 304 | | | |
| Subordinated debt | 438 | | 80 | 311 | 47 |
| **Total Own funds** | **1,139** | **703** | **80** | **311** | **47** |

### 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 2023 | Tier 1 capital | Tier 2 capital | Tier 3 capital |
|---|---|---|---|---|
| Share capital | 399 | 399 | | |
| Issue premium | - | - | | |
| Reconciliation reserve | 226 | 226 | | |
| Subordinated debt | 371 | | | |
| **Total Own funds** | **997** | **626** | **323** | **48** |

| In millions of euros, at | 31 December 2022 | Tier 1 capital | Tier 2 capital | Tier 3 capital |
|---|---|---|---|---|
| Share capital | 399 | 399 | | |
| Issue premium | - | - | | |
| Reconciliation reserve | 304 | 304 | | |
| Subordinated debt | 359 | | 311 | 47 |
| **Total Own funds** | **1,062** | **704** | **311** | **47** |

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 €91 million at 31 December 2023 (2022: €80 million).

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

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

At 31 December 2023, the SCR and MCR were, respectively, €553 million (2022: €623 million) and €249 million (2022: €280 million). The MCR was capped at 45% of the SCR.

| *In millions of euros, at* | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Linear minimum capital requirement | 324 | 320 |
| Solvency capital requirement (SCR) | 553 | 623 |
| Minimum capital requirement – floor | 249 | 280 |
| Minimum capital requirement – cap | 138 | 156 |
| Minimum capital requirement – combined | 249 | 280 |
| Absolute floor of the Minimum Capital Requirement | 4 | 4 |
| **MINIMUM CAPITAL REQUIREMENT (MCR)** | **249** | **280** |

### 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 premiums written net of reinsurance for the fiscal year;
- the capital at risk.

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

The SCR at 31 December 2023 was €553 million (2022: €623 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 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | Net amount | Gross amount | Net amount | Gross amount |
| Market risk | 403 | 846 | 470 | 940 |
| Default risk | 16 | 16 | 15 | 15 |
| Life underwriting risk | 266 | 618 | 284 | 746 |
| Health underwriting risk | - | - | - | - |
| Non-life underwriting risk | - | - | - | - |
| Diversification | - 145 | - 310 | -157 | -358 |
| Risk linked to intangible assets | - | - | - | - |
| **BASIC SOLVENCY CAPITAL REQUIREMENT** | **541** | **1,171** | **611** | **1,344** |
| Operational risk | 58 | - | 51 | - |
| Absorption capacity of technical provisions | - 631 | - | -732 | - |
| Absorption capacity of deferred tax | - 45 | - | -40 | - |
| **SOLVENCY CAPITAL REQUIREMENT (SCR)** | **553** | **-** | **623** | **-** |

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 179% and 308% respectively at 31 December 2023 (2022: 176% and 299%).

| *In millions of euros, at* | 31 December 2023 | | | | | 31 December 2021 |
|---|---|---|---|---|---|---|
| | Total | Unrestricted tier 1 capital | Restricted tier 1 capital | Tier 2 capital | Tier 3 capital | Total |
| Own funds eligible for the solvency capital requirement | 992 | 625 | 91 | 277 | - | 1,093 |
| Own funds eligible for the minimum capital requirement | 765 | 625 | 91 | 50 | - | 838 |
| Solvency capital requirement (SCR) | 553 | | | | | 623 |
| Minimum capital requirement | 249 | | | | | 280 |
| Eligible own funds as a ratio of the solvency capital requirement | 179% | | | | | 176% |
| Eligible own funds as a ratio of the minimum capital requirement | 308% | | | | | 299% |

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 |
| BEL | Best Estimate of Liabilities |
| GSR | Global solvency requirement |
| BSCR | Basic Solvency Capital Requirement |
| CAA | Commissariat aux Assurances |
| 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 |
| SCR | Solvency Capital Requirement |
| UC | Units of account |
| VA | Volatility Adjustment |

# G. Appendix - Quantitative Reporting Templates

## S.02.01.02 - Balance sheet

| | | Solvency II Value |
|---|---|---|
| | | C0010 |
| **Assets** | | |
| Goodwill | R0010 | |
| Deferred acquisition costs | R0020 | |
| Intangible assets | R0030 | 0 |
| Deferred tax assets | R0040 | 0 |
| Pension benefit surplus | R0050 | 0 |
| Property, plant & equipment held for own use | R0060 | 1 686 455 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 7 946 247 620 |
| Property (other than for own use) | R0080 | 0 |
| Holdings in related undertakings, including participations | R0090 | 152 145 263 |
| Equities | R0100 | 181 095 904 |
| Equities - listed | R0110 | 181 095 904 |
| Equities - unlisted | R0120 | 0 |
| Bonds | R0130 | 6 013 742 163 |
| Government Bonds | R0140 | 2 147 747 242 |
| Corporate Bonds | R0150 | 3 558 802 609 |
| Structured notes | R0160 | 307 192 313 |
| Collateralised securities | R0170 | 0 |
| Collective Investments Undertakings | R0180 | 1 518 580 929 |
| Derivatives | R0190 | 72 918 280 |
| Deposits other than cash equivalents | R0200 | 0 |
| Other investments | R0210 | 7 765 081 |
| Assets held for index-linked and unit-linked contracts | R0220 | 23 646 528 589 |
| Loans and mortgages | R0230 | 77 113 |
| Loans on policies | R0240 | 77 113 |
| Loans and mortgages to individuals | R0250 | 0 |
| Other loans and mortgages | R0260 | 0 |
| Reinsurance recoverables from: | R0270 | 5 896 909 |
| 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 health and index-linked and unit-linked | R0310 | 5 896 909 |
| Health similar to life | R0320 | 0 |
| Life excluding health and index-linked and unit-linked | R0330 | 5 896 909 |
| Life index-linked and unit-linked | R0340 | 0 |
| Deposits to cedants | R0350 | 0 |
| Insurance and intermediaries receivables | R0360 | 2 490 054 |
| Reinsurance receivables | R0370 | 63 885 |
| Receivables (trade, not insurance) | R0380 | 180 294 026 |
| Own shares (held directly) | R0390 | 0 |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | 0 |
| Cash and cash equivalents | R0410 | 422 041 541 |
| Any other assets, not elsewhere shown | R0420 | 1 621 285 |
| **Total assets** | R0500 | **32 206 947 478** |

| | | Valeur Solvabilité 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 index-linked and unit-linked) | R0600 | 6 454 528 842 |
| 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 and index-linked and unit-linked) | R0650 | 6 454 528 842 |
| Technical provisions calculated as a whole | R0660 | 0 |
| Best Estimate | R0670 | 6 397 384 335 |
| Risk margin | R0680 | 57 144 508 |
| Technical provisions – index-linked and unit-linked | R0690 | 23 481 531 732 |
| Technical provisions calculated as a whole | R0700 | 0 |
| Best Estimate | R0710 | 23 346 838 554 |
| Risk margin | R0720 | 134 693 179 |
| Other technical provisions | R0730 | |
| Contingent liabilities | R0740 | 0 |
| Provisions other than technical provisions | R0750 | 56 543 357 |
| Pension benefit obligations | R0760 | 201 425 |
| Deposits from reinsurers | R0770 | 4 127 339 |
| Deferred tax liabilities | R0780 | 45 294 700 |
| Derivatives | R0790 | 0 |
| Debts owed to credit institutions | R0800 | 17 374 |
| Financial liabilities other than debts owed to credit institutions | R0810 | 0 |
| Insurance & intermediaries payables | R0820 | 246 914 554 |
| Reinsurance payables | R0830 | 1 766 106 |
| Payables (trade, not insurance) | R0840 | 690 442 435 |
| Subordinated liabilities | R0850 | 462 256 454 |
| Subordinated liabilities not in Basic Own Funds | R0860 | 0 |
| Subordinated liabilities in Basic Own Funds | R0870 | 462 256 454 |
| Any other liabilities, not elsewhere shown | R0880 | 2 191 196 |
| **Total liabilities** | R0900 | **31 445 815 516** |
| **Excess of assets over liabilities** | R1000 | **761 131 962** |

## S.04.05.21 - Premiums, claims and expenses by country

| | | Home country | Top 5 countries (by amount of gross premiums written) - life insurance | | | | | Total top 5 countries and home country |
|---|---|---|---|---|---|---|---|---|
| | | | FR | IT | BE | PT | ES | |
| | | C0030 | C0040 | C0040 | C0040 | C0040 | C0040 | C0040 |
| Gross Written Premium | R1020 | 190 882 302 | 1 267 515 220 | 691 474 947 | 171 499 271 | 20 351 028 | 13 944 043 | 2 355 666 811 |
| Gross Earned Premium | R1030 | 190 882 302 | 1 267 515 220 | 691 474 947 | 171 499 271 | 20 351 028 | 13 944 043 | 2 355 666 811 |
| Claims incurred | R1040 | 275 928 035 | 1 225 806 007 | 1 201 109 487 | 285 592 504 | 28 595 331 | 73 344 294 | 3 090 375 657 |
| Gross Expenses Incurred | R1050 | 14 202 252 | 63 852 660 | 13 372 107 | 11 678 914 | 1 034 205 | 1 599 443 | 105 739 581 |

## 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 stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0300 |
| **Premiums written** | | | | | | | | | | |
| Gross | R1410 | 0 | 1 051 227 935 | 1 404 380 024 | 7 834 450 | 0 | 0 | 0 | 0 | 2 463 442 409 |
| Reinsurers' share | R1420 | 0 | 0 | 0 | 3 831 306 | 0 | 0 | 0 | 0 | 3 831 306 |
| Net | R1500 | 0 | 1 051 227 935 | 1 404 380 024 | 4 003 143 | 0 | 0 | 0 | 0 | 2 459 611 102 |
| **Premiums earned** | | | | | | | | | | |
| Gross | R1510 | 0 | 1 051 227 935 | 1 404 380 024 | 7 834 450 | 0 | 0 | 0 | 0 | 2 463 442 409 |
| Reinsurers' share | R1520 | 0 | 0 | 0 | 3 831 306 | 0 | 0 | 0 | 0 | 3 831 306 |
| Net | R1600 | 0 | 1 051 227 935 | 1 404 380 024 | 4 003 143 | 0 | 0 | 0 | 0 | 2 459 611 102 |
| **Claims incurred** | | | | | | | | | | |
| Gross | R1610 | 0 | 1 532 917 991 | 1 935 966 544 | 8 304 163 | 0 | 0 | 0 | 0 | 3 477 188 698 |
| Reinsurers' share | R1620 | 0 | 0 | 0 | 2 134 241 | 0 | 0 | 0 | 0 | 2 134 241 |
| Net | R1700 | 0 | 1 532 917 991 | 1 935 966 544 | 6 169 921 | 0 | 0 | 0 | 0 | 3 475 054 457 |
| **Expenses incurred** | R1900 | 0 | 32 318 131 | 79 498 862 | 5 807 355 | 0 | 0 | 0 | 0 | 117 624 348 |
| **Other expenses** | R2510 | | | | | | | | | 0 |
| **Total expenses** | R2600 | | | | | | | | | 117 624 348 |

## S.12.01.02 - Life technical provisions

| | | Assurance avec participation aux bénéfices | Assurance indexée et en unités de compte | | | Autres assurances vie | | | Total (vie hors santé, y compris UC) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Contrats sans options ni garanties | Contrats avec options ou garanties | | Contrats sans options ni garanties | Contrats avec options ou garanties | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0150 |
| **Technical provisions calculated as a whole** | R0010 | 0 | 0 | | | 0 | | | 0 |
| **Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole** | R0020 | 0 | 0 | | | 0 | | | 0 |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | |
| **Best Estimate** | | | | | | | | | |
| **Gross Best Estimate** | R0030 | 6 292 356 325 | | 23 346 838 554 | 0 | | 105 028 009 | 0 | 29 744 222 888 |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0080 | 0 | | 0 | 0 | | 5 896 909 | 0 | 5 896 909 |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re | R0090 | 6 292 356 325 | | 23 346 838 554 | 0 | | 99 131 100 | 0 | 29 738 325 979 |
| **Risk Margin** | R0100 | 45 553 065 | 134 693 179 | | | 11 591 442 | | | 191 837 687 |
| **Technical provisions - total** | R0200 | 6 337 909 391 | 23 481 531 732 | | | 116 619 452 | | | 29 936 060 575 |

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

| | | Amount with Long Term Guarantee measures and transitionals | 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 | 29 936 060 575 | 0 | 0 | 24 661 532 | 0 |
| **Basic own funds** | R0020 | 1 086 871 841 | 0 | 0 | -18 510 946 | 0 |
| Excess of assets over liabilities | R0030 | 761 131 962 | 0 | 0 | -18 510 946 | 0 |
| Restricted own funds due to ring-fencing and matching portfolio | R0040 | 0 | 0 | 0 | 0 | 0 |
| **Eligible own funds to meet Solvency Capital Requirement** | R0050 | 992 245 289 | 0 | 0 | -16 790 713 | 0 |
| Tier 1 | R0060 | 715 677 533 | 0 | 0 | -18 510 946 | 0 |
| Tier 2 | R0070 | 276 567 756 | 0 | 0 | 1 720 233 | 0 |
| Tier 3 | R0080 | 0 | 0 | 0 | 0 | 0 |
| **Solvency Capital Requirement** | R0090 | 553 135 511 | 0 | 0 | 3 440 465 | 0 |
| **Eligible own funds to meet Minimum Capital Requirement** | R0100 | 765 459 729 | 0 | 0 | -18 201 304 | 0 |
| **Minimum Capital Requirement** | R0110 | 248 910 980 | 0 | 0 | 1 548 209 | 0 |
| **Solvency Capital Requirement ratio** | R0120 | 179% | 0 | 0 | -4% | 0 |
| **Minimum Capital Requirement ratio** | R0130 | 308% | 0 | 0 | -9% | 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 sector as foreseen in article 68 of Delegated Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 398 704 950 | 398 704 950 | | 0 | |
| Share premium account related to ordinary share capital | R0030 | 1 | 1 | | 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 | 225 910 437 | 225 910 437 | | | |
| Subordinated liabilities | R0140 | 462 256 454 | | 91 062 146 | 322 722 285 | 48 472 023 |
| An amount equal to the value of net deferred tax assets | R0160 | 0 | | | | 0 |
| Other own fund items approved by the 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 financial and credit institutions | R0230 | 0 | 0 | 0 | 0 | 0 |
| **Total basic own funds after deductions** | R0290 | 1 086 871 841 | 624 615 387 | 91 062 146 | 322 722 285 | 48 472 023 |
| **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 |
| A 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 the Directive 2009/138/EC | R0340 | 0 | | | 0 | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | 0 | | | 0 | 0 |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | 0 | | | 0 | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the 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 | 1 086 871 841 | 624 615 387 | 91 062 146 | 322 722 285 | 48 472 023 |
| Total available own funds to meet the MCR | R0510 | 1 038 399 818 | 624 615 387 | 91 062 146 | 322 722 285 | |
| Total eligible own funds to meet the SCR | R0540 | 992 245 289 | 624 615 387 | 91 062 146 | 276 567 756 | 0 |
| Total eligible own funds to meet the MCR | R0550 | 765 459 729 | 624 615 387 | 91 062 146 | 49 782 196 | |
| **SCR** | R0580 | 553 135 511 | | | | |
| **MCR** | R0600 | 248 910 980 | | | | |
| **Ratio of Eligible own funds to SCR** | R0620 | 179% | | | | |
| **Ratio of Eligible own funds to MCR** | R0640 | 308% | | | | |

| | | C0060 |
|---|---|---|
| **Reconciliation reserve** | | |
| Excess of assets over liabilities | R0700 | 761,131,962 |
| Own shares (held directly and indirectly) | R0710 | 0 |
| Foreseeable dividends, distributions and charges | R0720 | 136,516,575 |
| Other basic equity items | R0730 | 398,704,951 |
| Adjustment for restricted equity capital items in respect of matching adjustment portfolios and ring fenced funds | R0740 | 0 |
| **Reconciliation reserve** | R0760 | 225,910,437 |
| **Expected profits** | | |
| Expected profits included in future premiums (EPIFP) – Life business | R0770 | 11,702,885 |
| Expected profits included in future premiums (EPIFP) - non-life business | R0780 | 0 |
| **Total EPIFP** | R0790 | 11,702,885 |

## S.25.01.21 - Solvency capital requirement

| | | Net solvency capital requirement | Gross solvency capital requirement | Allocation from adjustments due to RFF and Matching adjustments portfolios |
|---|---|---|---|---|
| | | C0030 | C0040 | C0050 |
| Market risk | R0010 | 402 931 778 | 846 181 503 | |
| Counterparty default risk | R0020 | 16 483 225 | 16 483 225 | |
| Life underwriting risk | R0030 | 265 789 345 | 618 281 470 | |
| Health underwriting risk | R0040 | 0 | 0 | |
| Non-life underwriting risk | R0050 | 0 | 0 | |
| Diversification | R0060 | -144 530 216 | -309 525 899 | |
| Intangible asset risk | R0070 | 0 | 0 | |
| **Basic Solvency Capital Requirement** | R0100 | 540 674 132 | 1 171 420 299 | |

| | | Value |
|---|---|---|
| | | C0100 |
| Adjustment due to RFF/MAP nSCR aggregation | R0120 | 0 |
| Operational risk | R0130 | 57 756 078 |
| Loss-absorbing capacity of technical provisions | R0140 | -630 746 166 |
| Loss-absorbing capacity of deferred taxes | R0150 | -45 294 700 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | 0 |
| **Solvency Capital Requirement excluding capital add-on** | R0200 | 553 135 511 |
| Capital add-on already set | R0210 | 0 |
| Solvency capital requirement | R0220 | 553 135 511 |

## S.28.01.01 - Minimum capital requirement (MCR)

| **Linear formula component for life insurance and reinsurance obligations** | | C0040 |
|---|---|---|
| MCRL Result | R0200 | 324 134 413 |

| | | 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 | 5 444 587 952 | |
| Obligations with profit participation - future discretionary benefits | R0220 | 848 458 275 | |
| Index-linked and unit-linked insurance obligations | R0230 | 23 346 838 554 | |
| Other life (re)insurance and health (re)insurance obligations | R0240 | 99 131 100 | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | 1 849 808 704 |

| **Overall MCR calculation** | | C0070 |
|---|---|---|
| Linear MCR | R0300 | 324 134 413 |
| SCR | R0310 | 553 135 511 |
| MCR cap | R0320 | 248 910 980 |
| MCR floor | R0330 | 138 283 878 |
| Combined MCR | R0340 | 248 910 980 |
| Absolute floor of the MCR | R0350 | 4 000 000 |
| **Minimum Capital Requirement** | R0400 | 248 910 980 |