

A woman with blonde hair tied back, wearing a dark blue blazer, is shown in profile, looking out a window. The background is a blurred city street with buildings and a car. The overall color palette is dominated by blues and greys, with a red accent for the company name.

SOGELIFE

2018 Solvency and financial
condition report

SOLVENCY AND FINANCIAL CONDITION REPORT

2018 FINANCIAL YEAR

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LIST OF ABBREVIATIONS

The following table summarizes the acronyms frequently used in this document:

| | |
|--|---|
| ALM: Asset Liability Management | MCR: Minimum Capital Requirement |
| AVM: Alternative Valuation Method | ORSA: Own Risk and Solvency Assessment |
| ECB: European Central Bank | PCA: Insurance Plan of Accounts |
| BE: Best Estimate – Best Estimate of technical provisions under Solvency 2 | PS: Profit-sharing |
| BSCR: Basic Solvency Capital Requirement | PSAP: Provision for Claims Payable |
| CAA: <i>Commissariat aux Assurances</i> – Insurance Commission | QMP: Quoted Market Price |
| CACIR: <i>Comité d’Audit, de Contrôle Interne et Risques opérationnel et financier</i> – Audit, Internal control and Risk Committee | QRT: Solvency 2 Quantitative Reporting Template |
| CIC: Complementary Identification Code – EIOPA code used for classification of assets under Solvency 2 | RFF: Ring Fenced Fund – ring fenced fund as defined by the Solvency 2 standard |
| EIOPA: European Insurance and Occupational Pensions Authority – European Supervisory Authority | RM: Risk Margin |
| ESG: Economic Scenario Generator | SCI: Real Estate Company |
| IAS/IFRS: International Accounting Standards / International Financial Reporting Standards | SCR: Solvency Capital Requirement |
| KPI: Key Performance Indicator | SST: Solvency and Stress Test |
| LAT: Liability Adequacy Test – IFRS liability adequacy test | SII: Solvency 2 |
| LOB: Line of Business – Business lines defined according to Solvency 2 standard | TG: Guaranteed Rate Portfolios (supports in euros and dollars) |
| | UCITS: Undertaking for Collective Investment in Transferable Securities |
| | UL: Units-Linked |
| | VA: Volatility Adjustment |

SUMMARY

The Solvency 2 directive came into force on 1 January 2016, and applies to all insurance companies and groups established in the European Union. The purpose of the solvency and financial condition report is to present all of the required public information and consists of five parts prescribed by regulation.

Business and Performance

Sogelife is the Luxembourg life insurance company of the Société Générale Group. Following an open architecture model, Sogelife provides the Société Générale group and a network of non-Group partners with a complete range of life insurance and capitalization products, intended for international clients in different countries in Europe.

The table below presents the main activity indicators resulting from the financial statements:

| (In millions of euros) | 2018 | 2017 |
|---|------------|------------|
| Gross written premiums | 1,353 | 994 |
| Technical result | 32.2 | 36.3 |
| Net income | 24.8 | 24.7 |
| Financial investments (market value) | 3,678 | 3,528 |
| Book equity | 170 | 170 |
| S2 available own funds | 368 | 380 |

Inflows increased by 36% compared to the previous financial year, confirming the interest and confidence of Sogelife's customers and partners in its services.

Governance

Sogelife's Management implements its own risk management and internal control systems, assisted by the heads of the four key functions provided for in Solvency 2. The overall risk management and internal control system is designed to enable the oversight of significant risks on a regular basis and as promptly as possible. It is based on the information and tools needed to adequately analyse and manage these risks.

Risk Profile

Sogelife runs its life insurance business through the distribution of a wide range of life insurance and capitalization policies. Given its activity in life insurance, Sogelife is mainly exposed to market risks governed by appropriate risk management and governance.

Valuation of the economic balance sheet

The general principles for valuing the assets and liabilities used are those provided for by the provisions of the Solvency 2 Directive. Assets and liabilities are valued at their economic value, that is to say the amount for which they could be exchanged, transferred or paid for within the framework of a transaction concluded under normal conditions of competition, between informed and consenting parties.

The economic balance sheet, prepared on the basis of the statutory balance sheet, is the central element of the Solvency 2 prudential environment. It constitutes the basis for calculating prudential capital and capital requirements (SCR and MCR). The difference between the net assets of the economic balance sheet and those of the statutory balance sheet mainly corresponds to unrealized capital gains on the portfolio of financial assets and the difference in the valuation of technical provisions.

Capital management

Sogelife manages its level of S2 own funds in such a way as to meet, at any moment, its solvency capital requirement.

To assess its equity requirements (SCR and MCR), Sogelife uses the standard EIOPA formula.

At the end of 2018, as at the end of 2017, Sogelife's own funds mainly consists of Tier 1 components. In this respect, all available elements are eligible for the solvency capital requirement and the minimum capital requirement:

| (In millions of euros, except %) | 2018 | 2017 |
|------------------------------------|-------------|-------------|
| Eligible own funds to meet the SCR | 368 | 380 |
| SCR | 169 | 174 |
| SCR coverage ratio | 218% | 219% |
| Eligible own funds to meet the MCR | 303 | 319 |
| MCR | 42 | 43 |
| MCR coverage ratio | 716% | 734% |

With an SCR coverage ratio of 218% at the end of 2018, Sogelife largely meets the regulatory requirements in terms of solvency, and remains stable compared with 2017.

A – BUSINESS AND PERFORMANCE

1 – BUSINESS

1.1 Introduction

Sogelife is a public limited life insurance company governed by Luxembourg law with a capital of 48,222,846 euros, fully paid up. The Company is a subsidiary of Sogecap and Société Générale Bank & Trust, wholly-owned subsidiaries of the Société Générale Group. Its registered office is at 11 avenue Emile Reuter - L-2420 Luxembourg. The Company is registered in the Luxembourg Trade and Companies Register under number B 55612.

Sogelife's purpose, in Luxembourg and abroad, on its own behalf or that of third parties, is to perform:

- all direct life insurance, co-insurance and reinsurance operations;
- all capitalization operations;
- the management of collective retirement funds.

Generally, it may carry out any commercial, financial, personal property or real estate operations directly related to the above activities or which could favour their completion, extension or development.

Sogelife prepares individual accounts for its statutory requirements pursuant to Luxembourg standards and a monthly IFRS bundle for the purposes of the Group's IFRS consolidation.

The preparation of the annual accounts under Luxembourg standards for insurance companies established in Luxembourg is governed by the amended law of 8 December 1994.

Since 1 January 2016, Solvency 2 standards, as provided for by the law of 7 December 2015 pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency 2) are now applicable.

1.2 Supervisory authority

Sogelife is subject to the supervision of the Luxembourg Insurance Commission (CAA) whose registered office is located at 7, boulevard Joseph II - L-1840 Luxembourg.

1.3 External auditors

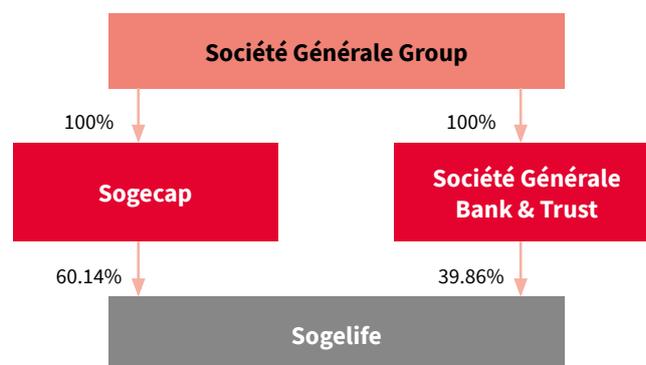
Sogelife's financial statements are audited by an authorized auditor. It is appointed by the General Meeting for renewable terms of 1 year.

Deloitte Audit

560 Rue de Neudorf
L-2220 Luxembourg

1.4 Sogelife's position within the Société Générale group

Sogelife is a subsidiary of Sogecap and Société Générale Bank & Trust, wholly-owned subsidiaries of the Société Générale Group. Sogelife is part of Sogecap, parent company of the Sogecap et Métier Assurance Group of the the Société Générale Group.



1.5 Company’s business lines

Sogelife offers life insurance and capitalization solutions aimed at an international clientele in different countries in Europe: Luxembourg, France, Belgium, Switzerland, Italy, England, Monaco, Spain and the Czech Republic.

Sogelife offers financial asset solutions tailored to all investment profiles, allowing investors to invest in several currencies with diversified distribution networks such as:

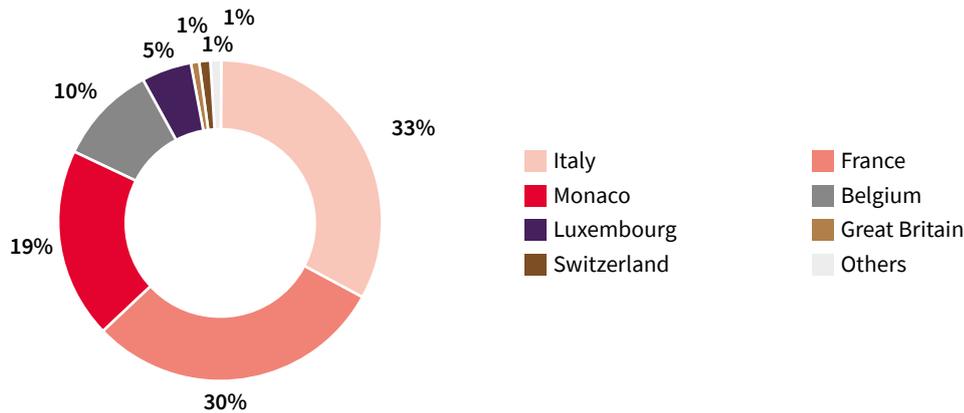
- the Société Générale Group’s Retail Banking networks in France, which include the following brands: Société Générale and Crédit du Nord;
- the private bank of the Société Générale Group in France and abroad;
- a network of non-Group partners: private banks, management companies, insurance brokers, family offices.

The following table shows, for the last two financial years, the gross written premiums (excluding reinsurance acceptance) of the main segments in which the company operates:

| (In thousands of euros, excluding acceptances) | 2018 | | 2017 | |
|--|------------------|-------------|----------------|-------------|
| Gross written premiums | 1,353,282 | 100% | 994,422 | 100% |
| Funds in euros / dollars | 712,818 | 53% | 461,413 | 46% |
| Units of Account | 640,464 | 47% | 533,009 | 54% |

Breakdown of Sogelife’s gross written premiums by the country of residence of policyholders:

2018 gross written premiums by residence of the policyholder



2 - UNDERWRITING PERFORMANCE

The following table presents Sogelife's net technical result prepared in accordance with Luxembourg accounting principles. It shows the reconciliation with the elements not reported in the QRT S.05.01*,

in particular financial ones, which significantly contribute to the performance of the company.

| | 2018 | | | | 2017 | |
|--|-----------------|-------------------------|------------------|-------------------------|------------------|------------------|
| | QRT S.05.01* | Reconciliation elements | | | TECHNICAL RESULT | TECHNICAL RESULT |
| (In thousands of euros) | | Financial | GP | Others income & charges | | |
| Gross earned premiums | 1,355,239 | | | | 1,355,239 | 999,562 |
| Claim charges | (806,664) | | | | (806,664) | (1,387,339) |
| Charges for other technical provisions | (373,846) | | | | (373,846) | 376,564 |
| ACAV Net Adjustment | | (118,022) | | | (118,022) | (58,556) |
| Subscription balance | 174,730 | (118,022) | | | 54,205 | (69,769) |
| Net investment income | | 25,378 | | | 25,378 | 150,824 |
| Profit-sharing | | | (173,376) | | (173,376) | (63,257) |
| Financial balance | 0 | 25,378 | (173,376) | | (145,495) | 87,567 |
| Acquisition and administration costs | (40,525) | | | | (40,525) | (37,888) |
| Other technical income and expenses | (218) | | | | (218) | (171) |
| Management balance | (40,743) | | | | (40,743) | (38,059) |
| Reinsurance balance | 170,124 | | | (5,910) | 164,214 | 56,528 |
| Net technical result | 30,411 | (92,644) | (173,376) | (5,910) | 32,180 | 36,267 |

* QRT S.05.01 Premiums, Claims and Expenses by business line is presented in the appendix.

Sogelife premiums (excluding reinsurance acceptances) amounted to €1,353 million, up by 36% at the end of 2018 compared with the end of 2017. This change reflects the increase in collections on euro funds (+ €252 million compared with 2017), combined with an increase in

the collection of unit-linked products (+ €107 million compared with 2017). The share of unit-linked in the collection represented 47% in 2018

| (In thousands of euros) | 2018 | 2017 | VARIATION |
|---------------------------|----------------|------------------|------------------|
| Claims | 26,147 | 14,922 | 11,225 |
| Surrenders | 780,455 | 1,372,354 | (591,899) |
| Annuities | 62 | 62 | 0 |
| Total service cost | 806,664 | 1,387,339 | (580,675) |

The total service cost fell sharply in 2018 (- 42%) due in particular to the sharp drop in surrenders recorded on euro contracts. The

service cost rate (surrenders and claims) related to the mathematical provisions for euro funds and unit-linked is 9%.

| (In thousands of euros) | 2018 | 2017 | VARIATION |
|---|----------------|------------------|----------------|
| Changes in life insurance provisions – Euro funds | 175,642 | (818,703) | 994,345 |
| Changes in life insurance provisions – UL | 198,204 | 442,139 | (243,935) |
| Total | 373,846 | (376,564) | 750,410 |

The changes in technical provisions (€374 million) in 2018 are related to a positive net collection.

income in the scope of unit-linked due mainly to a poor stock market environment in 2018. The increase in profit sharing on euro / dollar fund products also contributed to the decrease in the financial balance.

The financial balance amounts to - €145 million, down €233 million at the end of 2018. This change is mainly due to lower net investment

| (In thousands of euros) | 2018 | 2017 | VARIATION |
|-------------------------|---------------|---------------|--------------|
| Acquisition costs | 7,526 | 1,960 | 5,566 |
| Administration costs | 32,999 | 35,928 | (2,929) |
| Total | 40,525 | 37,888 | 2,637 |

Acquisition and administration costs amounted to €41M in 2018, up by 7% compared to the 2017 financial year.

Consequently, the technical result amounted to €32.2M for the 2018 financial year, down €4.1M compared to the previous financial year.

3 - INVESTMENT PERFORMANCE

3.1 Breakdown of Sogelife investments by asset category

The table below presents investments held by Sogelife by asset category (CIC Codification) as they appear in the balance sheet and in the prudential balance sheet for the last two financial years:

| (In thousands of euros) | 2018 | | | 2017 | | |
|---|--------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|---------------------------------------|
| | SOLVENCY 2 BALANCE SHEET VALUE | STATUTORY BALANCE SHEET VALUE | % STATUTORY BALANCE SHEET VALUE | SOLVENCY 2 BALANCE SHEET VALUE | STATUTORY BALANCE SHEET VALUE | % STATUTORY BALANCE SHEET VALUE |
| Financial investments excluding UL | 544,957 | 535,054 | 14.6% | 593,217 | 577,393 | 16.4% |
| Sovereign bonds | 231,393 | 217,991 | 5.9% | 234,816 | 219,677 | 6.3% |
| Corporate bonds | 129,461 | 132,969 | 3.1% | 125,105 | 124,558 | 3.5% |
| Shares | 3 | 3 | 0.0% | 4 | 3 | 0.0% |
| Holdings | - | - | 0.0% | - | - | 0.0% |
| Investment Funds | 525 | 515 | 0.0% | 6,336 | 6,212 | 0.2% |
| Structured securities | 316 | 318 | 0.0% | 384 | 371 | 0.0% |
| Guaranteed securities | - | - | 0.0% | - | - | 0.0% |
| Cash and deposits | 180,212 | 180,212 | 4.9% | 226,571 | 226,571 | 6.5% |
| Loans and mortgages | 3,045 | 3,045 | 0.6% | - | - | 0.0% |
| Real Estate | - | - | 0.0% | - | - | 0.0% |
| Derivatives | - | - | 0.0% | - | - | 0.0% |
| Assets backing unit-linked contracts | 3,133,260 | 3,133,235 | 85.4% | 2,935,043 | 2,935,031 | 83.6% |
| Sovereign bonds | 61,046 | 61,045 | 1.7% | 18,321 | 18,319 | 0.5% |
| Corporate bonds | 266,045 | 265,993 | 7.3% | 276,242 | 276,206 | 7.9% |
| Shares | 294,190 | 294,118 | 8.0% | 281,590 | 281,591 | 8.0% |
| Investment Funds | 1,727,493 | 1,727,558 | 47.1% | 1,626,380 | 1,626,417 | 46.3% |
| Structured securities | 407,464 | 407,499 | 11.1% | 422,013 | 422,000 | 12.0% |
| Guaranteed securities | - | - | 0.0% | - | - | 0.0% |
| Cash and deposits | 377,232 | 377,232 | 10.3% | 309,534 | 309,534 | 8.8% |
| Loans and mortgages | - | - | 0.0% | - | - | 0.0% |
| Real Estate | - | - | 0.0% | - | - | 0.0% |
| Derivatives | -210 | -210 | 0.0% | 964 | 964 | 0.0% |
| Total | 3,678,217 | 3,668,288 | 100.0% | 3,528,260 | 3,512,424 | 100.0% |

Euro contracts are reinsured by Sogecap, which guarantees the premiums invested.

3.2 Breakdown of financial result by asset category

The elements of Sogelife's financial result (including interest charges), as shown in the Company's financial statements (non-technical, technical life account) are as follows:

| (In thousands of euros) | 2018 | 2017 | NOTES |
|--|---------------|---------------|---------|
| Investment income | 10,989 | 11,491 | A.3.2.1 |
| Profits and losses from the realization of investments | -149 | 456 | A.3.2.2 |
| Other investment income and expenses | -2,503 | -2,809 | A.3.2.3 |
| Internal and external investment management costs and interest | -19,220 | -15,984 | A.3.2.4 |
| Net investment income from reinsurance | 64,725 | 66,318 | A.3.2.5 |
| Financial result | 53,843 | 59,472 | |
| <i>of which technical result</i> | <i>56,558</i> | <i>61,825</i> | |
| <i>of which non-technical result</i> | <i>-2,716</i> | <i>-2,353</i> | |

3.2.1 Investment income by category

Investment income consists of cash flows specific to each category of financial assets. These mainly consist of coupons for interest rate instruments, dividends for equity instruments or interest income for loans.

| (In thousands of euros) | 2018 | 2017 |
|-------------------------|---------------|---------------|
| Sovereign bonds | 6,312 | 6,624 |
| Corporate bonds | 4,205 | 4,241 |
| Holdings | - | - |
| Shares | - | - |
| Investment funds | 103 | 109 |
| Structured securities | - | - |
| Cash and deposits | 368 | 517 |
| Loans and mortgages | - | - |
| Real Estate | - | - |
| Total | 10,989 | 11,491 |

3.2.2 Profits and losses from the realization of investments

The following table presents realized gains and losses resulting from the disposal of financial assets during the financial year.

| (In thousands of euros) | 2018 | 2017 |
|-------------------------|-------------|------------|
| Sovereign bonds | -70 | 52 |
| Corporate bonds | -92 | 439 |
| Holdings | - | - |
| Shares | - | - |
| Investment funds | 13 | -35 |
| Structured securities | - | - |
| Cash and deposits | - | - |
| Loans and mortgages | - | - |
| Real Estate | - | - |
| Total | -149 | 456 |

3.2.3 Other investment income and expenses

Other investment income and expenses mainly correspond to the amortization of premiums/discounts on fixed-income bonds and allocations/reversals of provisions for depreciation.

In the 2018 financial year, in the absence of any significant change to provisions for depreciation, the main impact corresponds to the amortization of premiums / discounts.

3.2.4 Internal and external investment management costs and interest

The internal and external investment management expenses mainly include interest charges related to subordinated debt and incidental costs related to securities transactions.

3.2.5 Net investment income from reinsurance

Sogelife reinsures 100% of its guaranteed rate commitments in euros. The risks that Sogelife is exposed to, in particular asset-liability and financial risks, thus depend closely on its reinsurer.

Below is a breakdown of financial exposure by transparency of the reinsurance portfolio.

| | 2018 | 2017 |
|------------------------|-------------|-------------|
| Bonds | 82.3% | 83.1% |
| Share revenue | 10.5% | 9.4% |
| Real Estate | 5.8% | 4.8% |
| Misc. (including cash) | 1.4% | 2.7% |
| Total | 100% | 100% |

3.3 Unrealized capital gains and losses in the portfolio by asset category

At the end of 2018, Sogelife's portfolio of financial assets (excluding derivatives and units of account) is in a situation of unrealized gains of €9,903 K, down €5,921 K compared with the end of 2017. In the balance sheet, with assets being recorded at their acquisition cost, possibly adjusted for depreciation and premiums and discounts, unrealized gains are not recognized. The following table presents the position of unrealized gains or losses by asset category:

| (In thousands of euros) | 2018 | 2017 |
|---|--------------|---------------|
| Sovereign bonds | 13,402 | 15,138 |
| Corporate bonds | -3,508 | 547 |
| Shares | 0 | 0 |
| Holdings | - | - |
| Investment Funds | 10 | 125 |
| Structured securities | -2 | 14 |
| Guaranteed securities | - | - |
| Cash and deposits | 0 | - |
| Loans and mortgages | - | - |
| Real Estate | - | - |
| Derivatives | - | - |
| Net profit from the financial year | 9,903 | 15,824 |

3.4 Investments in securitizations

Sogelife's portfolio of financial assets does not include any investments in securitizations.

4 - PERFORMANCE OF OTHER ACTIVITIES

The following table shows the other non-technical income and expenses contributing to Sogelife's net profit for the past financial year and the previous financial year:

| (In thousands of euros) | 2018 | 2017 |
|---|---------------|---------------|
| Net technical profit | 32,180 | 36,267 |
| Net investment income – non-technical* | -2,716 | -2,353 |
| Other non-technical income | - | - |
| Other non-technical charges | -3 | - |
| Extraordinary income | - | - |
| Income tax | -4,683 | -9,252 |
| Net profit from the financial year | 24,778 | 24,662 |

The €116,000 increase in corporate net profit is mainly due to lower taxes on earnings from extraordinary tax relief, which offsets the decrease in net technical profit and the increase in net income from negative non-technical investments.

* Presented in Part 3 – Performance of investments.

5 - ANY OTHER INFORMATION

None.

B – SYSTEM OF GOVERNANCE

1 - GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

1.1 Governance body and key functions

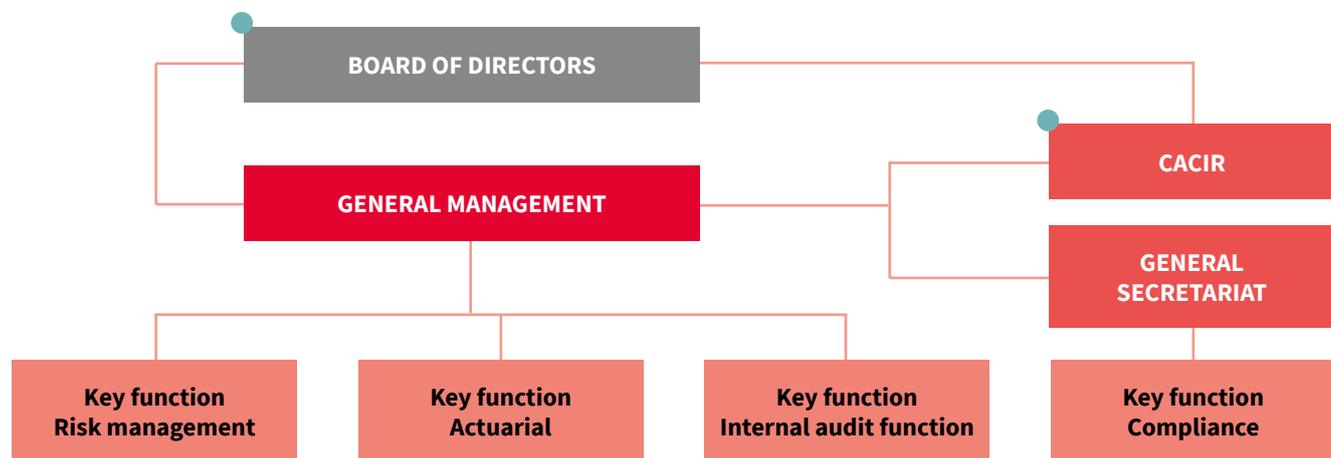
1.1.1 Presentation of the Sogelife Governance System

Sogelife’s governance system is an organization with a Board of Directors in which Mr Philippe PERRET serves as Chairman.

The Board of Directors, responsible for defining the company’s strategic guidelines and monitoring their implementation, is assisted by a Specialized Committee made up of Sogelife directors. Its task is

to assist members of the Sogelife Board of Directors in their decision-making.

The General Management is responsible for the implementation of strategic guidelines decided by the Board of Directors, ensuring the control of risks created by the activity of Sogelife. In performing its duties, the General Management is assisted by the heads of the four key departments provided for in Solvency 2, who mainly meet on various committees.



● Intervention of key functions in these tasks.

1.1.2 The board of directors

Tasks and powers

The Board of Directors defines the strategic guidelines of the company, which will be implemented under its control by the General Management.

Subject to the powers expressly attributed to shareholders’ meetings and within the limits of the corporate purpose, it deals with any matter relating to the smooth running of the company and regulates, through its deliberations, matters concerning it. It exercises the main following powers:

- the appointment of the Chairman of the Board of Directors and the Chief Executive Officer;
- the review and the signing off of the company’s annual accounts;
- the review and approval of the annual Solvency 2 reports;

- the convening of shareholder meetings;
- the authorization of regulated agreements;
- the review and approval of the ORSA report;
- the review and approval of policy changes.

Operation

The Chairman organizes and directs the work of the Board. Sogelife’s Board of Directors meets whenever the company’s interest requires it and at least twice a year, usually in March and October. The mandatory Board meeting to sign off on the financial statements and approve the prudential reports, is therefore supplemented by meetings whose holding is justified by the development and monitoring of Sogelife’s activity.

These meetings, whose schedule is set at the end of the year, are used by the General Management to provide the members of the Board of Directors with information related to Sogelife's strategy, development and results.

A convocation, to which the agenda of the meeting is attached, is sent to the directors and, as applicable, to the Statutory Auditors. Each participant receives a file containing the documents relating to the main topics on the agenda.

The General Secretariat of Sogelife is responsible for setting the conditions for the holding of meetings of the Board of Directors as well as the keeping of minutes relating to them.

Composition of the Board

At 31 December 2018, the Board of Directors was composed of eight members: six individuals and two legal entities. The term of office of each director is six years.

Specialized Committees deriving from the Board of Directors

Sogelife's Board of Directors is assisted in its duties by a specialized committee composed mainly of directors.

This committee contributes, through its expertise, to decision-making by the Board of Directors in accordance with the principles of risk management and good governance. This is the Audit, Internal oversight and Risk Committee (CACIR) The description of the main tasks and powers of this committee is presented in section 3.1.2

1.1.3 The general management and key functions

General management

The CEO, Mr Jean Elia, is responsible for the company's day to day management. He holds the position of authorized manager within the meaning of the Law on the insurance sector.

He is vested with powers conferred by Sogelife's Board of Directors to act under all circumstances on behalf of the Company, and represents it in its dealings with third parties. He is assisted in his missions by the Management Committee (CODIR).

Key functions

Being a main component of the company's governance system, holders of key functions are appointed by the Board of Directors in view of their experience and suitability of the key function with the managerial function they exercise within Sogelife. The key functions thus have the authority, the resources and the operational independence necessary to carry out the tasks incumbent on them. The key functions managers participate in and contribute to the various committees set up by the Board of Directors and the General Management and regularly participate in meetings of the Boards of Directors to report on their responsibilities.

The following table outlines the main tasks assigned to key function managers within Sogelife:

| ACTUARIAL FUNCTION | RISK MANAGEMENT FUNCTION |
|---|---|
| <p>Holder: Sogelife Actuarial Officer</p> <ul style="list-style-type: none"> ■ Issues an opinion on the overall underwriting policy. ■ Issue an opinion on the adequacy of the arrangements made for reinsurance and the risk profile. ■ Coordinates the calculation of technical provisions. ■ Produces an actuarial report, at least once a year, addressed to the Board of Directors, covering the above points. ■ Contributes to the effective implementation of the risk management system, including risk modelling of the SCR and the evaluation of the ORSA. ■ Assesses the sufficiency and quality of the data used in the calculation of technical provisions. | <p>Holder: Sogelife Finance and Risk Director</p> <ul style="list-style-type: none"> ■ Assists governance bodies in the implementation, management, coordination and monitoring of the risk management system. ■ Provides detailed reports of risk exposure. ■ Monitors the risk profile. ■ Manages the ORSA process and includes the results of the ORSA in the consolidated vision of the risks reported to the governance body. ■ Identifies and evaluates emerging risks. |
| INTERNAL CONTROL FUNCTION | COMPLIANCE VERIFICATION FUNCTION |
| <p>Holder: Sogelife Director</p> <ul style="list-style-type: none"> ■ Define the multi-year audit plan in collaboration with CACIR. ■ Coordinate the internal audit activity within Sogelife and ensure compliance with the internal audit requirements at the level of the Société Générale Group. ■ Present the conclusions of the internal audit missions to the governance body and inform it of the timeframes envisaged to remedy any deficiencies identified. ■ Monitor the implementation of recommendations from previous audits. | <p>Holder: Sogelife General Secretary</p> <ul style="list-style-type: none"> ■ Implement a broad spectrum regulatory watch on insurance activities. ■ Identify and assess the risk of non-compliance (mapping). ■ Lead the compliance process (compliance plan, monitoring of actions and incidents). ■ Advise the Board of Directors and the General Management. |

Committees reporting to the General Management

The Sogelife general management has 4 committees with specific expertise that are an integral part of the Risk Management System. These committees, which meet on a regular basis, convene members of the General Management, key functions and members of the company's management to cover the various risk areas inherent to the business. It consists of the:

- Finance and Risks Committee;
- Technical Committee;
- New Product Committee;
- Internal Control Committee.

The tasks of these various committees are described in more detail in the presentation of the risk management system (see B.3.1.2).

1.2 Remuneration policy and practices

Sogelife has adopted a remuneration policy in accordance with the requirements of the Solvency 2 Directive.

The aim of this policy is to make remuneration an effective lever for attracting and retaining employees, contributing to the long-term

performance of the company while ensuring appropriate risk management and compliance by employees. It takes into account the remuneration provisions of the Solvency 2 Directive. This Directive requires the implementation of a remuneration policy consistent with the company strategy and management of risks, including measures to prevent conflicts of interest, promoting sound and effective risk management and not encouraging risk-taking beyond the level tolerated by the entity. It provides for an equilibrium of fixed and variable elements and a deferred payment of a significant portion of the employees' variable that has a significant impact on the entity's risk profile.

More specifically, it seeks to:

- set the general framework and the main principles guiding actions in the area of remuneration and benefits;
- describe the roles and responsibilities of each stakeholder, formalize transparent and efficient governance rules;
- describe Sogelife's specific remuneration principles under the Solvency 2 Directive to prevent risky behaviour and ensure that the remuneration system in place ensures the alignment of the personal goals of all employees with the long-term interests of the company.

This policy applies to all Sogelife employees. Finally, it should be remembered that no attendance allowances are awarded to the members of the Board of Directors for the performance of their duties.

1.3 Other information

Sogelife has not concluded any significant transactions during the period of reference with shareholders, people having a significant influence or members of the administrative, management and control body.

2 - FIT AND PROPER REQUIREMENTS

The Sogelife fit and proper policy, in accordance with the regulatory requirements set out in the Law on the insurance sector, makes it possible to ensure beforehand that the people in charge of running the company or occupying key functions within the company:

- have the professional qualifications, knowledge and the experience necessary for a sound and prudent management of the business;
- have a good reputation and a high level of integrity.

This policy applies to those who perform effective management functions (executive officers, authorized managers), key function holders, and directors.

The application of this policy extends to:

- any relevant Sogelife personnel member;
- and to each director whose skills are assessed individually but also in light of the skills, experience and powers of the other members of

the management body to which they belong, to provide a diversity of qualifications, knowledge and experience to ensure professional management and supervision;

- when a key function is outsourced:
 - to the people performing the key function outsourced,
 - to the person responsible for the key function subcontracted within the delegating entity.

Concurrently with the appointment of a person to perform one of these functions, Sogelife sends the CAA a file containing the information necessary to show that the people newly appointed to these positions have the good reputation, the skills and the experience necessary for their functions.

3 - RISK MANAGEMENT SYSTEM, INCLUDING OWN RISK AND SOLVENCY ASSESSMENT

3.1 Risk management system

3.1.1 General presentation

The Sogelife risk management system is intended to detect, measure, control, manage and report, on an ongoing basis, the main risks, at individual and aggregate levels, to which Sogelife is or could be exposed with a view to achieving its strategic objectives.

The risk management system is based on the following main components:

- the bodies presided over by the Sogelife General Management (Technical Committee and Finance and Risks Committee) or by the Board of Directors (CACIR) which provide comprehensive risk management and adequate reporting for informed decision-making;
- the key functions of Risk Management and Actuarial Supervision;
- risk management tools for decision making: mapping, written policies, tracking indicators, of risk management, Internal risk assessment and Solvency.

To meet its objectives, the risk management system is integrated into Sogelife's organizational structure and decision-making procedures. It is mainly based on the following principles:

- the strong involvement of the General Management and the Board of Directors;
- the embodiment of key functions and cooperation between the key functions of Actuarial Supervision and Risk Management;
- integration of the system with the organizational structure and decision-making procedures;
- close cooperation with the internal control system;
- the clear separation of roles and responsibilities to avoid potential conflicts of interests: "The people responsible for carrying out tasks are not responsible for monitoring and controlling these tasks."

3.1.2 Implementation of the Risk Management System

The implementation of the risk management system is the responsibility of the governance bodies and key functions of Sogelife through the use of the risk management tools and the decisions taken in the various committees set up. This section sets out the tasks assigned to the bodies as well as the main written risk management policies. The Internal Assessment of Risk and Solvency is presented in section 3.2 below.

Bodies

Audit, Internal Control and Risk Committee

This committee reporting to the Board of Directors meets at least twice a year. Its main responsibilities are as follows:

- the monitoring of financial and prudential information;
- monitoring of internal;
- monitoring of risk management;
- the monitoring of the statutory audit of the annual accounts and the independence of the Statutory Auditors;
- examination of the entity's periodic control program.

Finance and Risks Committee

This committee, which reports to Sogelife General Management, meets at least twice a year. Its tasks are:

- validation of risk policies related to the ALM and to Investments;
- monitoring the implementation of risk policies related to ALM and Investments;
- the examination and the validation of economic and financial guidelines;
- the determination of the allocation of strategic assets;
- the validation of investment proposals in line with the guidelines set by the Board of Directors;
- the monitoring of investment reporting;
- the examination and validation of asset exposures in relation to the limits set by the Board of Directors;
- the monitoring of financial management reporting;
- the presentation of the results of ALM studies;
- the validation of options adopted in the models;
- the preparation of an activity report intended for the CACIR.

Technical Committee

This committee, which reports to Sogelife General Management, meets once a year. Its tasks include:

- the validation of risk policies linked to underwriting, provisioning and reinsurance;
- monitoring the implementation of policies related to underwriting, provisioning and reinsurance risks;
- the validation of provisions;
- the monitoring of risk indicators for underwriting, provisioning and reinsurance policies.

New Product Committee

This committee, which reports to the General Management of Sogelife, meets as often as necessary to review, exhaustively, all the risks of launching a new product.

The review of the risks associated with this new product results in a decision of the Committee, which can be:

- validation;
- conditional validation: conditions to be met before or after marketing;
- refusal.

The decision to approve a new product is valid only for a limited period of time. The appropriate period of time is determined by the Committee.

The New Product Committee also ensures the management of outsourcing risk (refer to section B.7 Outsourcing).

Risk management tools

The risk mapping and repository

Sogelife has a risk mapping encompassing all the identified risks to which the company is or could be exposed. These are operational risks, strategic and governance risks, emerging and external risks as well as reputational risks.

The risk mapping exercise consists of a self-assessment of risks by line managers according to a top-down approach in terms of detail. Risks are assessed based on their impact, likelihood of occurrence and coverage.

Assessments, which must be proportionate and carried out at a company level, are analysed jointly by the internal oversight team on the basis of the elements available (operational losses, supervision managerial, audit reports, KRI, ..).

The risk map is updated on a yearly basis. This annual review makes it possible to check the adequacy of the oversight systems with the main risk areas and, if necessary, to make the necessary changes.

Written policies

The main risks inherent to Sogelife's business are covered by written risk management policies. These policies formalize the principles, processes and procedures put in place by the Company to control its risks.

To adapt these policies to internal and external factors influencing the risks that Sogelife is subject to, they are updated at least annually.

For each policy, a manager has been appointed.

RISK MANAGEMENT POLICIES

Investment risk management policy

The policy specifies the principles to be respected when making investments. All thresholds and limits validated by the bodies responsible for managing this risk are also detailed. All these provisions are intended to respect the so-called “prudent person” principle.

ALM Risk Management Policy

The policy sets out the principles and thresholds to be respected, studies and reports to be produced with a view, in particular, to the long-term management of the company, including the management of capital.

Subscription risk management policy

The underwriting risk is governed by rules that cover the definition of product design conditions (risks, guarantees, product groups), underwriting conditions to be respected (underwriting process, thresholds and limits to be respected), reporting and monitoring of subscribed risks and controls.

Provisioning risk management policy

The aim of the provisioning policy is to ensure that Sogelife provides a true and fair view of the commitments made in respect of all the risks covered, in compliance with statutory, IFRS and prudential accounting standards. The policy thus defines the framework for calculating technical provisions in the various standards in which they must be produced.

Reinsurance risk management policy

The policy details the entire process of setting up a reinsurance plan (expression of needs, thresholds and limits and selection of the reinsurer, including the required financial solidity criteria, etc.) and reporting and monitoring procedures.

Own Risk and Solvency Assessment Policy (ORSA)

This policy describes the processes and procedures put in place to carry out the Internal Risk and Solvency Assessment in light of Sogelife’s risk profile, risk tolerance limits and overall solvency requirements. It also includes a description of the methods and methodologies applied within Sogelife to carry out the ORSA.

Operational risk management policy

The system put in place must make it possible to identify operational risks, measure potential impacts on financial results and implement and verify the effectiveness of the controls or systems enabling them to be reduced.

3.2 Own Risk and Solvency Assessment Policy (ORSA)

The overall credit rating assessment is performed within a framework defined by Sogelife’s General Management.

This assessment is based on the calculation of capital requirements and regulatory results⁽¹⁾, for each year of the business plan. These calculations are made in the framework of a central *scenario* and adverse scenarios.

The ORSA provides the general management and the Board of Directors with a prospective assessment of the risks that Sogelife is exposed to in pursuit of its short- and medium-term strategic objectives. The ORSA is a key element of the risk management system.

The ORSA report is submitted for approval by Sogelife’s risk management function to the Board of Directors prior to submission to the Supervisory Authority.

The key steps in implementing the ORSA process are sequenced as follows:

- definition of the risk profile;
- analysis of the adequacy of the risk profile to the standard formula;
- definition of the risk appetite;
- definition of stress scenarios;
- overall assessment of solvency;
- definition of management actions;
- presentation of the ORSA report to the Board of Directors;
- submission to the regulator.

Frequency

The overall solvency requirement is calculated at least once a year. If required, an *ad hoc* ORSA could be carried out in the event of an unfavourable change in solvency detected by the system for monitoring the coverage ratio of equity requirements or in the event of a significant acquisition or disposal of an activity.

(1) Result under IFRS standard with tax rate and return on equity according to the Société Générale standard.

Solvency requirement

This need is measured prospectively for at least the term of the business plan through several scenarios (central and adverse) determined on the basis of the risk profile.

The risk profile identifies the key risks to which the company is exposed. The analysis of Sogelife's risk profile shows its relevance to the standard formula for calculating capital requirements. Sogelife therefore adopts the regulatory capital requirement (SCR) as a measurement of the overall solvency requirement.

4 - INTERNAL CONTROL SYSTEM

4.1 Definition and objectives of internal control

4.1.1 General presentation

Internal control is defined as all means implemented on a permanent basis to ensure that the operations carried out and the organization and procedures put in place comply with: legal and regulatory provisions, professional and ethical practices and the internal rules and guidelines defined by the company's general management body. It mainly seeks to:

- prevent malfunctions;
- ensure the adequacy and smooth running of internal processes, especially those deemed to be sensitive;
- guarantee the reliability, integrity and availability of financial, prudential and management information;
- verify the quality of information and communication systems.

In the "3 lines of defence" model of Sogelife's control system, the internal oversight system represents the first two lines of defence:

- the 1st line of defence consists of the level 1 internal control system, and is carried out by business units and operational departments;
- the 2nd line of defence consists of:
 - dedicated teams independent of the operational business units and departments and directorates who oversee the deployment and proper execution of the 1st line of defence and who evaluate on an ongoing basis its adequacy to the organization and processes as well as the effectiveness in exercising level 2 internal oversight
 - dedicated control and support functions responsible for areas of expertise.

To meet these objectives, Sogelife's internal control system is based on:

- the strong involvement of the General Management and the Board of Directors;
- the embodiment of the key compliance audit function and its cooperation with other key functions, including the Risk Management key function;
- close collaboration between the function of Verification of Compliance and the Legal unit;
- the standardized implementation of internal control systems and tools throughout Sogelife.

4.1.2 Organization

The organization and the management of the internal control system is the responsibility of the Sogelife General Secretariat.

This consists of three departments that work in close coordination while maintaining strict independence:

- the Compliance Department (encompassing anti-money laundering and terrorist financing activities), support for the Verification of Compliance key function;
- the Internal Control department responsible for managing the internal control system;
- the Department of Legal and Tax Affairs, whose task is:
 - to ensure the legal and fiscal security of Sogelife's commitments,
 - perform legal oversight and measure the impact of any legislative or regulatory regulation,
 - provide advice to Sogelife's General Management regarding their activities, investments and relationships with providers.

4.2 Implementation of the internal control system

4.2.1 Bodies

Audit, Internal oversight and Risk Committee (CACIR)

This committee reporting to the Board of Directors meets at least twice a year. Its main responsibilities have been described in part B.3.1.2.

Internal Control Committee

The Internal Control Committee, which meets on a quarterly basis with the CEO, the Secretary General and the Head of Internal Control, is responsible for:

- ensuring consistency throughout the company and effective internal control;
- analysing the main malfunctions identified;
- validating and coordinating the actions taken, or to be taken, to remedy these malfunctions or to improve the effectiveness of internal control.

4.2.2 The tools of the internal control system

Written policies

The policies of the internal control system formalize the principles, processes and procedures implemented by Sogelife.

The policies integrated into the internal control system are the following:

INTERNAL CONTROL POLICIES

Internal control policy

The policy describes Sogelife's internal control system and specifies how it is to be implemented: principles, tools, responsibilities and tasks.

Compliance audit policy

The policy defines the risk management framework for non-compliance and specifies, in particular:

- the responsibilities and missions of the key compliance audit function,
- compliance audit tools.

Outsourcing policy (cf. B.7)

The policy defines the principles applicable in terms of outsourcing (mainly during the study of an outsourcing project and the monitoring of an outsourced service), particularly for the activities or operational functions considered as "important or critical".

Fit and proper policy (cf. B.2)

The policy is mainly intended to ensure that all persons who effectively manage Sogelife or hold key positions, at all times meet skills and good repute requirements (qualifications, knowledge, professional experience, reputation, integrity).

Level 1 internal control

Level 1 internal control is defined as the set of provisions continuously implemented to ensure, at an operational level, the legality, validity and security of operations.

It concerns all employees and is based on:

- the continuous respect by each of them, in all operations they handle, of the rules and procedures in force;
- the regular verification by line managers of compliance with these procedures.

In application of these practices, Level 1 internal control distinguishes between 2 types of controls:

- operational controls, integrated into procedures and carried out by each employee within the framework of their day-to-day activities;
- managerial supervision, which consists of a verification formalized by line managers of the successful completion of operational controls.

Level 2 internal control

The purpose of the Level 2 internal control is to supervise the deployment and proper performance of the Level 1 internal control system and to continuously assess its adequacy to the organization and processes as well as its effectiveness.

This review is conducted by a quantitative and qualitative analysis of the different elements of the Level 1 internal control, including managerial supervision (relevance, definition of operating modes, quality of implementation, presence of supporting documents, monitoring of corrective actions).

To adapt these policies to internal and external factors influencing the risks that Sogelife is subject to, they are updated at least annually.

This work leads to the formulation by level 2 internal control teams of a qualified opinion on the effectiveness of the level 1 internal control in the scope in question and, if necessary, of recommendations.

Level 2 internal control is conducted by teams independent of operational personnel and dedicated to this activity.

Monitoring compliance issues

The monitoring of compliance malfunctions is based on a real-time alert system, implemented at the Sogelife scale, and on quarterly formalized reports.

The new product approval procedure

The new product approval procedure is rolled out and enforced across the entire business line. The approval process has a pyramid structure at different levels of appreciation depending on the strategic and risk issues.

No new product was created at Sogelife in 2018.

Monitoring of assignments and relations with regulators

The tasks of regulators and relations with them are subject to centralized monitoring at the Sogelife level. The recommendations made by regulators are subject to specific monitoring and reporting.

The anti-money laundering and terrorist financing system

Sogelife's anti-money laundering and terrorist financing mechanism is adapted to measures derived from local regulations and is mainly based on an alert tool on stock agreement transactions aimed at detecting atypical transactions at the source of funds, leading, as applicable, to a declaration to the crown prosecutor and staff training and awareness schemes.

5 - INTERNAL AUDIT FUNCTION

5.1 General presentation of the Internal Audit function

In the “three lines of defence” model that Sogelife uses, Internal Audit, a strictly independent periodic control of business units, like the internal audit, constitutes the third line of defence.

5.1.1 Responsibilities

This function is performed by a Sogelife director who supervises the operational work performed by the Internal Audit Director of the Sogecap group.

Internal Audit tasks are outsourced to the Inspection and Audit Department (IGAD) of Société Générale, on the basis of an agreement signed on 27 January 2016 between IGAD and Sogecap, acting on its behalf and that of its subsidiaries.

As such, IGAD is responsible for the operational execution of periodic monitoring of all Sogelife activities for the main risk categories (operational risk, insurance risk, counterparty risks and market risks). For particularly technical subjects (legal, tax, IT, modelling and accounting aspects), IGAD relies on its specialized audit teams.

The services provided by IGAD are subject to the outsourcing policy and are considered important or critical functions. The conditions for the performance and control of this activity are formalized in the agreement of 27 January 2016 mentioned above.

In terms of resources, the coverage of the scope of Sogelife is ensured on the basis of the estimated budget of the tasks included in the IGAD audit in agreement with the General Management of Sogelife. The work carried out by periodic control relies on the audit methodology of IGAD, implementation according to the fields reviewed. Each assignment gives rise to an assignment report containing a summary and recommendations, which are then regularly monitored in coordination with Sogelife’s Internal Control Department.

5.1.2 Organization of Internal Audit assignments

Sogelife’s audit plan is established on a multi-year basis. Assignments covering the entire scope are determined after a risk assessment of each department or service of the Company and an estimate of a time budget for carrying out the review; this evaluation is completed by the rating of the last assignment and its date of completion.

Special or off-plan assignments may also be carried out at the request of Sogelife’s General Management.

5.1.3 Report of conclusions and follow-up

Each assignment gives rise to a presentation, to the management of the entity concerned, of the findings and recommendations.

A report is sent to this Management for comments and formalization of the action plan and deadlines for implementation of recommendations.

The report after comments is distributed to Sogelife’s General Management.

The detailed audit plan for the financial year is presented to CACIR at its meeting called at the end of the previous financial year.

The review of the work and findings of the periodic control as well as the monitoring of the implementation of the recommendations of the completed audits are presented to the Audit Committee and the Internal Control and Risks Department.

5.2 Independence and objectivity of the Internal Audit function

Internal Audit, responsible for periodic oversight, is separated from Internal Control.

Reports (scorecards, audit assignments) are reviewed periodically by the Sogelife Management Committee and in various specialized committees.

The independence and effectiveness of Internal Control are also evaluated and guaranteed by the Audit, Internal Control and Risk Committee, issued by Sogelife’s Board of Directors as referred to in section 1 above.

6 - ACTUARIAL FUNCTION

The Actuarial function of Sogelife is embodied by the Sogelife Actuarial Officer.

6.1 Task of the Actuarial function

The Actuarial function is a key contributor to Sogelife's risk management system. It contributes, through its expertise, to the management of technical risks, which are one of the key components of the company's risk profile. Within this framework, the task entrusted to the person in charge of the Actuarial function is based on 3 main areas:

- coordination of the calculation of technical provisions;
- the review of the general underwriting policy and the adequacy of the reinsurance program taking into account the company's risk profile;
- contribution to the implementation of the risk management system and the ORSA.

The head of the Actuarial function reports to the Finance and Risk Director of Sogelife, is a member of the Management Committee, and does not share any hierarchical link with the persons responsible for the activities under their supervision. This position gives them the independence necessary to perform their duties.

7 - OUTSOURCING

The principles for managing outsourcing are described in a dedicated policy ("Outsourcing Policy of Sogelife"), validated by the Sogelife Board of Directors.

7.1 General principles

The outsourcing of an operation to an external third party, another entity of the Société Générale group, or another entity of the Sogecap group, is common practice. One of its effects is however to modify the "risk profile" attached to this service. Indeed, outsourcing:

- creates specific risks, such as dependence on a third party – for example, when some specialized activities for all institutions are concentrated in a very limited number of providers;
- may result in an increase in operational risks, when services are outsourced to third parties whose internal oversight system is less robust than Sogelife's, or which are subject to less stringent regulatory monitoring;
- may not comply with applicable Sogelife regulations, or may create a risk of non-compliance in the event of a provider default.

6.2 Implementation of the Actuarial function

The Actuarial function has access to all the resources required for performing the tasks assigned to it. The holder is also required to participate in the various committees of the Board of Directors and the General Management in respect of problems within their scope.

The Actuarial function is involved in the monitoring of technical risks and in particular the review of the calculation of technical provisions, including the monitoring of the quality of data, the monitoring of the underwriting risk and the adequacy of the reinsurance mechanism with the company's risk profile.

It therefore contributes to the implementation of the management system through the analysis and monitoring of these technical risks but also through the implementation of the ORSA process.

The work carried out by the Actuarial function within the framework of the aforementioned tasks, and the conclusions and recommendations that result therefrom, are formalized in an annual actuarial report which is presented to the General Management and the Board of Directors of Sogelife.

However, outsourcing can also contribute to better risk management, for example when the service is entrusted to a third party with expertise control systems superior to those of the outsourcing establishment. In all cases, when Sogelife outsources a service, it remains liable for it, as well as the quality of the service provided.

Outsourcing is therefore subject to specific monitoring within the framework of the internal control system. It must not lead to a decline in risk control.

7.2 System implemented

Generally, all outsourcing projects must be subject to a formalized risk analysis, in particular to assess the "important or critical" nature of the service resulting therefrom.

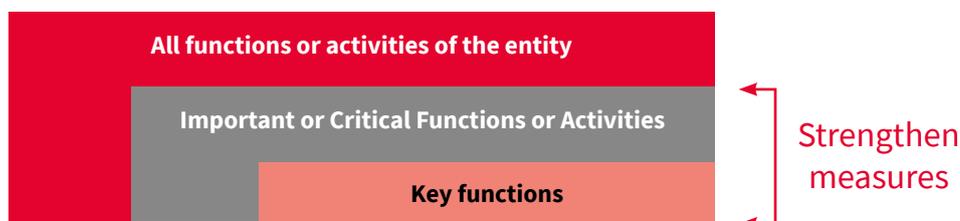
Outsourced activities must be monitored. The information collected must make it possible to identify any weaknesses, challenge the proposed mitigation action plans and monitor their implementation (within the limits permitted by the contractual relationship).

As the outsourced activity remains under the responsibility of the entity that outsourced it, it remains within the scope of intervention of Sogelife Internal Audit like any other activity.

The measures applicable to all outsourcing operations are strengthened if the operation concerns:

- a function or activity deemed “important or critical”;

- a key function of the governance system under the Solvency 2 Directive



In this case, special provisions are made in terms of:

- reporting to the supervisory authorities;
- contractual obligations;
- reporting;

7.3 Important or critical activities or functions outsourced

Sogelife’s critical outsourced operational activities or functions are the following:

| PURPOSE OF THE SERVICE OUTSOURCED | LOCATION OF THE PROVIDER |
|--|----------------------------|
| Printing and enveloping customer mail | Luxembourg |
| IT services (infrastructure, network, workstations, servers ...) | Luxembourg |
| Securities Accounting | France – Luxembourg |
| ALM management and S2 calculations | France |

These providers are monitored within the framework of the internal control system to ensure their reliability, financial strength and business continuity capability in the event of an emergency or business interruption.

Daily operational monitoring is conducted by the business managers of the outsourced activities, in collaboration with the Internal Control Department of Sogelife, particularly through indicators (of activities and risks), monitoring committees, and, if necessary, audit assignments.

8 - ANY OTHER INFORMATION

All relevant information on the governance system has been presented in sections B.1 to B.7.

C – RISK PROFILE

1 - INTRODUCTION

Sogelife runs its insurance business through the distribution of a wide range of life insurance and capitalization policies.

In this respect, market risk is the most significant exposure.

Sogelife and Sogecap carry out their activities as insurance companies within the Sogecap group. Within the framework of the service provision agreement signed between Sogelife and Sogecap, Sogecap provides its expertise to Sogelife regarding its choices in terms of risk management, investment and accounting.

Moreover, Sogelife reinsures 100% of its outstanding amounts in euros with Sogecap, so Sogelife's risk profile is highly dependent on Sogecap's risk profile, particularly in terms of ALM and financial risks. In terms of market risks, Sogelife is sensitive to shocks of interest rates, of equity markets and of credit spreads. The surrender risk within the risks of life insurance underwriting is also significant.

Through its various components, the risk management system set up within Sogelife aims to constantly ensure the management of all its risks. This system enables the adequate identification, measurement, oversight, management and reporting of risks that it is or could be exposed to, and the implementation of appropriate mitigation measures where necessary.

Policies, validated by the Board of Directors, define the risk-taking framework by formalizing the governance and key metrics related to each risk.

Given Sogelife's activities, its risk management policy is structured around the following main risks, each of which may affect its business, its results or financial position.

The main risks to which Sogelife is exposed are:

- **ALM risks** (liability and asset management) including market, credit and liquidity risks. – Sogelife is mainly exposed to ALM risks;
- **technical risks**, including life insurance underwriting risk. These risks may be of a biometric nature (mortality) or related to the behaviour of the insured party (surrender risk);
- **operational risks and other risks** including strategic risks, reputational risks and risks of loss or penalties, mainly due to internal procedures and systems failures, human errors or external events.

Sogelife uses the standard formula to assess its capital requirements. Sections 2 to 7 below detail the company's risk profile in terms of exposure, concentration and sensitivity, as well as the risk mitigation measures put in place, using SCR calculation modules.

The following table summarizes Sogelife's key risk exposures assessed using their respective SCR modules for the reference year:

| (In thousands of euros) | 31 DECEMBER 2018 |
|---|------------------|
| Net SCR per risk module included in the base SCR | |
| Market risk | 117,761 |
| Counterparty risk | 8,015 |
| Life underwriting risk | 85,662 |
| Non-life underwriting risk | - |
| Diversification | -46,729 |
| Basic solvency capital requirement (net) | 164,709 |
| Operational risk | 36,185 |
| Adjustment related to ring-fenced funds | - |
| Loss-absorbing capacity of deferred taxes | -31,815 |
| Solvency capital requirement | 169,079 |

2 - UNDERWRITING RISK

2.1 Exposure to underwriting risk and measurement

The underwriting risk corresponds to the risk of a loss of own funds resulting from the worsening of one or more risk factors (surrender, mortality, expenses).

The underwriting risk is supervised by a Technical Committee and a New Product Committee chaired by the General Management.

The Technical Committee mainly monitors the implementation of the underwriting policy and associated indicators.

Moreover, any new product or significant transformation of an existing product must be submitted, before its implementation, to an approval process (new product process).

The main underwriting risks inherent to Sogelife's business are summarized in the following table:

| UNDERWRITING RISKS | DESCRIPTION OF RISKS |
|--------------------|--|
| Surrender | The surrender risk takes the form of a variation in the level or volatility of the surrender rate having an impact on the levels of financial products and charges taken from the redeemed contracts. The massive surrender risk exposes Sogelife to a risk of loss generated by disposals of assets in unrealized losses. |
| Mortality | The mortality risk reflects the risk of losses on savings contracts resulting from an underestimation and / or changes in the level, trend and volatility of mortality rates. |
| Expenses | The expenses risk is the risk that actual operating expenses (personnel, commissions to sales brokers, IT infrastructure ...) are higher than the level initially estimated. |

2.2 Underwriting risk concentration

Sogelife is mainly exposed to the risk of surrenders due to the predominance of euro and dollar assets in life insurance and capitalization contracts.

category of contracts, the ability to reduce the level of discretionary profit-sharing distributed to policyholders and thus mitigating the impact of the surrender risk in a depressed economic environment. Moreover, the guarantees provided in Sogecap's reinsurance contract with Sogelife constitute a second level of mitigation of the consequences of this risk.

2.3. Underwriting risk mitigation

Given its portfolio consisting mainly of savings agreements with discretionary profit sharing, Sogelife is mainly exposed to the surrender risk before taking into account the absorption capacity of technical provisions. This absorption capacity reflects, for this

2.4 Underwriting risk sensitivity

Sogelife measures the sensitivity of its main risks to its solvency ratio through applied shocks affecting both its assets and its liabilities. The results of these analyses are presented in section 3.4 below.

3 - MARKET RISK

3.1 Exposure to market risk and measurement

Market risk is defined as the risk of loss of value of financial instruments, resulting from changes in market parameters, the volatility of these parameters and the correlations between these parameters. The parameters in question include exchange rates, interest rates, as well as the price of securities (shares, bonds), and any other assets, such as real estate.

Sogelife is essentially exposed to market risks through its commitments on the Sogecap reinsured euro fund and, to a lesser extent, through its dollar fund. The fund's market risk in euros is managed by an ALM and Risk Management Committee, reporting to Sogecap's Board of Directors, and the market risk of the dollar fund is managed by a Sogelife Finance and Risk Committee chaired by Sogelife's Chief Executive Officer.

Sogelife is exposed to all market risks taken into account in the standard formula (interest rate, equity, property, currency, concentration and spread).

The allocation of the portfolio of financial assets is presented in section D. Valuation for solvency purposes (paragraph 1.1.6).

The main market risks that Sogelife is exposed to via its Sogecap reinsurer are summarized in the following table:

| MARKET RISKS | DESCRIPTION OF RISKS |
|------------------------------------|---|
| Interest rate | Interest rate risk is the risk that a fluctuation in the nominal interest rate curve will create a lack of hedging between assets and liabilities ultimately leading to financial losses. |
| Equity | Equity risk is the risk of loss due to a change in the level and volatility of share prices. |
| Property | Property risk is the risk of a change in the market value of property held. |
| Currency | Currency risk corresponds to the risk of financial losses mainly related to: <ul style="list-style-type: none"> - fluctuations in the exchange rate between the euro and the currencies in which the investments of the Sogecap reinsurer's portfolio are denominated, - fluctuations in the exchange rate between the euro and the currencies in which unit-linked policies are denominated. |
| Concentration⁽¹⁾ | Concentration risk is the risk that the investment portfolio is insufficiently diversified, resulting in significant losses in the event of a default by a counterparty. |
| Spread⁽¹⁾ | Spread risk is the risk of financial losses related to an increase in the level of credit risk resulting, in particular, from a change in rating or a default of the issuer. |

(1) Spread risk and concentration risk are included in the credit risk presented in section 4 below.

3.2 Market risk concentration

Concentration risks mainly derive from investments made by Sogecap in the framework of the reinsurance of Sogelife's euro-denominated commitments and, to a lesser extent, investments made in the dollar fund.

Sogecap, for its euro fund, and Sogelife for its dollar fund, invest in different categories of financial assets in accordance with their "prudent person" investment risk management policies validated by their investment Boards of directors. Within each category, exposures are diversified in terms of geography, issuers and sectors, and the implementation of these policies is characterized by the definition of thresholds, limits and constraints.

The market risk of the euro fund is managed by the Sogecap ALM and Risk Management Committee and that of the dollar fund is managed by the Sogelife Finance and Risk Committee.

The main concentrations are taken into account in the standard formula in the SCR concentration risk sub-module (see paragraph 4 below).

3.3 Market risk mitigation

Within the framework of the reinsurance agreement between Sogelife and Sogecap, Sogecap is committed to paying an amount of positive financial income.

Moreover, Sogecap has set up financial hedges against rate rises in all of its portfolios (caps) as well as against their fall (swaps and swaptions). Liabilities reinsured by Sogecap benefit from these hedges.

Sogelife's investment risk management policy covers the monitoring of financial risks linked to investments in dollars.

3.4 Market risk sensitivity

Sensitivities on the solvency ratio have been determined in relation to the main financial risk factors analysed in isolation or in combination. They take into account the behaviour of policyholders (particularly surrenders) and are net of taxes and net of the participation allocated to policyholders.

The sensitivities and shocks adopted are summarized in the following tables:

| RISK FACTORS | SHOCK ADOPTED | IMPACT IN POINTS ON COVERAGE RATE |
|---|--|-----------------------------------|
| Increase in interest rates | +50 bp | -14 pts |
| Decrease in interest rates | -50 bp | +19 pts |
| Decrease in market value of equity (with dampener adjustment) | -25 % | +3 pts |
| Increase in spreads | +50 bp on Government and +100 bp on corporates | - 82 pts |

Interest rate curve +/- 50 basis points: this sensitivity corresponds to a shift of the swap rate curve by 50 basis points upwards or downwards.

Fall in equity markets by 25%: this sensitivity makes it possible to evaluate, as with rates, the impact on the coverage ratio of an immediate drop in the level of equity and real estate indices.

4 - CREDIT RISK

4.1 Exposure to credit risk and measurement

Credit risk is defined as the risk of losses resulting from the inability of Sogelife issuers or other counterparties to meet their financial commitments.

Credit risk includes the spread risk and default risk. Moreover, credit risk may be aggravated by concentration risk, resulting from a large exposure to a given risk to one or more counterparties.

The management of the Sogelife credit risk is based on the principle that any commitment having a credit risk is based on a thorough knowledge of the counterparty and the nature of the transaction (investment, reinsurance). Limits are set according to the quality of the counterparties or the nature of the securities.

The standard formula also takes into account, for the valuation of the counterparty risk, bank assets, and deposits with the ceding companies.

4.2 Credit risk concentration

Under the reinsurance treaty between Sogelife and Sogecap, Sogelife is exposed to Sogecap's concentration risk.

4.3 Credit risk mitigation

The risk of default of reinsurers is mitigated by guarantees received from reinsurers in the form of cash deposits or the pledging of high-quality securities. Thus Sogecap, Sogelife's main reinsurer, rated A-by Standard & Poor's, pledges securities in favour of Sogelife for at least the amount of the reinsured commitments.

Moreover, the setting of thresholds and limits per counterparty makes it possible to limit this risk on financial assets.

4.4 Credit risk sensitivity

The impact of the credit risk has been taken into account in the sensitivities presented (see section 3.4)

5 - LIQUIDITY RISK

5.1 Exposure to liquidity risk and measurement

Within the framework of insurance transactions, the liquidity risk corresponds to the insurer's inability to meet its contractual obligations and the settlement of declared claims (potential losses incurred in the event of forced sales or when financial assets are invested in illiquid markets).

Generally, Sogelife has little exposure to liquidity risk on the guaranteed-rate dollar portfolio, and remains exposed to the liquidity risk indirectly on the guaranteed-rate euro portfolio via its reinsurer Sogecap. Liquidity risk is governed by the investment risk management policy and the ALM risk management policy, validated by the Board of Directors. The risk management policy has been formalized with a view to respecting the "prudent person" principle, and in particular the principle that all assets are invested in such a way

as to guarantee the security, quality, liquidity and profitability of the entire portfolio. Moreover, the location of these assets must ensure their availability.

The ALM risk management policy provides for the conducting of studies on liquidity risk (analysis of the adequacy of cash flows in assets and liabilities, comparison of the terms of assets and liabilities). Moreover, the investment risk management policy controls the liquidity risk by thresholds and limits. The Finance and Risks Committee is responsible for the validation of the Strategic Allocation of assets including the definition of investment envelopes allocated to illiquid asset classes (private equity, real estate, etc.).

Sogelife does not model any future premium, in accordance with guidelines in terms of the contract boundaries.

5.2 Liquidity risk concentration

The strategic allocation of assets is mainly carried out on liquid assets (Government Bonds and/or international corporate bonds). Investments on asset classes deemed to be less liquid are used only for diversification.

5.3 Liquidity risk mitigation

ALM studies on the risk of liquidity make it possible to ensure the adequacy of the structure of Sogelife investments with its insurance commitments. The management of strategic asset allocations also limits this risk.

The reinsurance agreement between Sogelife and Sogecap protects Sogelife against liquidity risk for the commitments invested in the fund guaranteed in euros.

5.4 Liquidity risk sensitivity

Liquidity risk is specifically monitored by the Finance and Risks Committee through ALM analyses which mainly consist of checking the adequacy between terms of assets and liabilities and to checking the sensitivity of interest rates to protect against the risk of surrenders.

6 - OPERATIONAL RISKS

6.1 Exposure to operational risk and evaluation measures

Operational risks are defined as risks of loss or penalties, mainly due to internal procedures and systems failures, human errors or external events. As such, Sogelife has an active prevention policy through the securing of operational processes but also of the dissemination of a “risk culture” within the organization.

The internal control system consists, for all established procedures, methods and measures, of ensuring compliance with applicable laws and regulations. Moreover, it ensures the efficiency and effectiveness of operations as well as the availability, reliability and integrity of financial and non-financial information. The Internal Control department provides and maintains the framework of the internal control system necessary for the control of operational risks.

Sogelife uses the standard formula defined by European regulations to estimate its operational risk.

7 - OTHER MATERIAL RISKS

All of the significant risks that Sogelife is exposed to have been presented in sections C2 to C6 above.

D – VALUATION FOR PURPOSES OF SOLVENCY

The general principles adopted for valuing assets and liabilities are those provided for by the provisions of the Solvency 2 Directive, Regulation of the CAA No.15 / 3 of 7 December 2015 and the Law of 7 December 2015 on the Insurance Sector. Pursuant to article 75 of the Solvency 2 Directive, assets and liabilities are valued at their economic value, that is to say the amount for which they could be exchanged, transferred or paid for within the framework of a

transaction concluded under normal conditions of competition, between informed and consenting parties.

The economic balance sheet, prepared on the basis of the book balance sheet, is the central element of the Solvency 2 prudential environment. It constitutes the basis for calculating prudential capital and capital requirements (SCR and MCR).

Aggregate economic balance sheet

| (In thousands of euros) | 2018 | 2017 | VARIATION |
|--|-------------------|-------------------|----------------|
| Real estate and equipment held for own use by the company | 63 | 195 | (132) |
| Investments (other than assets held for the purposes of unit-linked funds) | 438,897 | 446,999 | (8,102) |
| Assets held for the purposes of unit-linked funds | 3,133,260 | 2,935,043 | 198,217 |
| Loans and mortgages | 3,045 | - | 3,045 |
| Amounts recoverable in respect of reinsurance contracts | 6,829,966 | 6,749,892 | 80,074 |
| Deposits with assignors | - | - | - |
| Receivables from insurers and brokers | 3,281 | 2,259 | 1,022 |
| Receivables from reinsurers | 6 | 15 | (9) |
| Client receivables (Non insurance) | 1,328 | 1,233 | 95 |
| Cash and cash equivalents | 103,015 | 146,218 | (43,203) |
| Other assets | 874 | 735 | 139 |
| Total assets | 10,513,735 | 10,282,588 | 231,147 |

| (In millions of euros) | 2018 | 2017 | VARIATION |
|---|-------------------|-------------------|-----------------|
| Technical Provisions – Non life | - | - | - |
| Life technical reserves (excluding UL and indexed) | 6,867,646 | 6,766,431 | 101,215 |
| Technical Provisions – UL and indexed | 3,165,186 | 2,969,238 | 195,948 |
| Provisions other than technical provisions | 2,324 | 2,030 | 294 |
| Pension Fund Obligations | 1,656 | 1,549 | 106 |
| Deferred Taxes – Liabilities | 31,815 | 36,189 | (4,374) |
| Derivative liabilities | - | - | - |
| Debts with credit institutions | - | - | - |
| Financial debts other than with credit institutions | - | - | - |
| Various debts | 47,352 | 98,064 | (50,713) |
| Subordinated debt | 132,912 | 132,385 | 526 |
| Other liabilities | 4,541 | 3,733 | 808 |
| Total Liabilities | 10,253,431 | 10,009,620 | 243,811 |
| S2 Excess of assets over liabilities | 260,304 | 272,968 | (12,664) |

1 - ASSETS

| (In thousands of euros) | 31 DECEMBER 2018 | | | NOTES |
|--|-------------------|-------------------|----------------|----------|
| | ECONOMIC VALUE | BOOK VALUE | DIFFERENCE | |
| Deferred acquisition costs | - | 16 | -16 | D.1.1.1 |
| Intangible assets | - | 386 | -386 | D.1.1.1 |
| Deferred Taxes – assets | - | - | - | D.1.1.2 |
| Real estate and equipment held for the company's own use | 63 | 63 | 0 | D.1.1.3 |
| Investments (other than assets held for the purposes of unit-linked funds) – Liaison account | 438,897 | 428,994 | 9,903 | |
| Real estate (other than for the company's own use) | - | - | - | D.1.1.4 |
| Holdings | - | - | - | D.1.1.5 |
| Shares | 3 | 3 | - | D.1.1.6 |
| Bonds | 361,171 | 351,278 | 9,892 | D.1.1.6 |
| Guaranteed securities | - | - | - | D.1.1.6 |
| Investment Funds | 526 | 515 | 11 | D.1.1.6 |
| Derivatives – assets | - | - | - | D.1.1.6 |
| Deposits other than cash equivalents | 77,198 | 77,198 | 0 | D.1.1.6 |
| Other investments | - | - | - | D.1.1.6 |
| Assets held for the purposes of unit-linked funds | 3,133,260 | 3,133,235 | 25 | D.1.1.7 |
| Loans and mortgages | 3,045 | 3,045 | - | D.1.1.8 |
| Amounts recoverable in respect of reinsurance contracts | 6,829,966 | 6,429,917 | 400,048 | D.1.1.9 |
| Deposits with assignors | - | - | - | D.1.1.10 |
| Receivables from insurers and brokers | 3,281 | 3,281 | - | D.1.1.10 |
| Receivables from reinsurers | 6 | 6 | - | D.1.1.10 |
| Client receivables (Non insurance) | 1,328 | 1,328 | - | D.1.1.11 |
| Cash and cash equivalents | 103,015 | 103,015 | - | D.1.1.12 |
| Other assets | 874 | 874 | - | D.1.1.13 |
| Total assets | 10,513,735 | 10,104,161 | 409,574 | |

1.1 Principles, methods and main assumptions used for the valuation of assets

This section presents, for each asset item, the principles, methods and key assumptions used to determine the economic value of the assets in the Solvency 2 balance sheet. Valuation differences are offset by the reconciliation reserve in Solvency 2 equity. When material, differences between the values adopted in the prudential balance sheet and in the balance sheet are commented on.

1.1.1 Intangible Assets and Deferred Acquisition Costs (FAR)

Intangible assets: these include software and software licenses that are adapted to the company's environment and that cannot be resold. Under Solvency 2, they are recorded for a net economic value of zero in the balance sheet (via a restatement "cancellation of their book values").

Deferred acquisition costs: under Solvency 2, charges deducted from policyholders and the acquisition costs borne by the company before the close of accounts date are not deferred and are immediately and

fully withdrawn from equity. Deferred charges and acquisition costs accounted in the financial statements are therefore removed from

the Solvency 2 balance sheet because they are no longer eligible to be there.

| | S2 | BOOK |
|---------------------------------------|----|-------|
| MATERIAL VALUATION DIFFERENCES | - | €402K |

- The value of the intangible assets in the balance sheet corresponds to acquisition costs, net of amortization and any depreciation. The zero-value adopted in the Solvency 2 balance sheet generates a difference of €386K on this item.
- Deferred acquisition costs immobilized in the book balance sheet are amortized pro rata to the residual term of contracts. The zero-value adopted in the Solvency 2 balance sheet generates a difference of €16K on this item.

1.1.2 Deferred Taxes – assets

Sogelife was in a situation of deferred tax liabilities in its economic balance sheet as at 31 December 2018. (Cf. paragraph D.3.1.4).

1.1.3 Tangible operating assets and operating property

Tangible operating assets are recorded at their amortized cost, the latter being considered the best approximation of the price at which they could be sold.

1.1.4 Investment property

Sogelife does not hold any investment property.

1.1.5 Equity interests

Sogelife does not hold any equity securities.

1.1.6. Financial investments, including those backing UL contracts

Financial investments are valued in the Solvency 2 balance sheet at their fair value according to the valuation methods presented below. The revaluation of financial assets affects the reconciliation reserve and gives rise to the recognition of deferred taxes.

Valuation method

The fair value adopted to value a financial instrument is first and foremost the price when the financial instrument is listed on an active market. In the absence of an active market, fair value is determined using valuation techniques.

A financial instrument is considered to be listed on an active market if prices are easily and regularly available from a stock exchange, a broker, a trader, a business sector, a price evaluation service or regulatory agency, and those prices represent actual transactions legally performed on the market under normal competitive conditions.

The assessment of the inactive character of a market is based on indicators such as a significant decrease in trading volume and activity levels on the market, strong dispersion of prices available over time and between the different market players mentioned, or the age of the last transactions observed on the market under normal competitive conditions.

When there is no listing for a given financial instrument but the components of this financial instrument are listed, the fair value is equal to the sum of the prices of the different components of the financial instrument, incorporating the buy and sell sale price of the net position, taking its direction into account.

When the market for a financial instrument is not or is no longer considered to be active, its fair value is determined using valuation techniques (internal valuation models). These may include, depending on the financial instrument, the use of data from recent transactions performed under conditions of normal competition, fair values of substantially similar instruments, discounted cash flow or option valuation models, valuation parameters or according to a technique of assets revalued at their net book value.

If valuation techniques commonly used by market participants to value instruments are available, and if these techniques have been shown to produce reliable estimates of prices obtained in actual market transactions, then Sogelife may use these techniques.

The use of internal assumptions about future cash flows and risk-adjusted discount rates that are taken into account by all market players is authorized. These adjustments are made in a reasonable and appropriate manner after the examination of available information. Internal assumptions mainly take into account counterparty risk, non-performance risk, liquidity risk and model risk, as applicable.

Observable data must meet the following characteristics: non-proprietary (independent data), available, publicly available, based on a narrow consensus and supported by transaction prices.

For example, consensus data provided by external counterparties is considered observable if the underlying market is liquid and the prices provided are confirmed by actual transactions.

Financial instruments at fair value on the balance sheet may be classified according to a hierarchy of fair values which reflects the importance of the data used to make the evaluations. This hierarchy of fair values, similar to that prescribed by IFRS 13, is divided into three levels:

- **Level 1:** instruments valued by prices (unadjusted) listed on active markets for identical assets or liabilities. These are mainly equities, government bonds, UCITS, and derivatives;
- **Level 2:** instruments valued using data other than the listed prices included in Level 1 that are observable for the asset or liability in question, either directly (that is to say prices) or indirectly – (that is to say data derived from prices). Prices published by an external source, derived from the valuation of similar instruments, are considered to be data derived from prices. These are mainly financial instruments listed on markets considered to be

insufficiently active as well as those traded on over-the-counter markets;

- **Level 3:** instruments whose determination of fair value is based on an evaluation model that uses data that is not observable on a market. These are essentially real estate investment company shares or real estate shares, shares of private equity funds, unlisted shares, bonds valued on the basis of a model using extrapolated data, and structured products not listed on an active market whose remuneration is indexed either to indices, baskets of shares, or rates.

In the Solvency 2 repository, Levels 1 and 2 correspond to the notion of “QMP” (*Quoted market price* – price of the asset on an active market) and level 3 corresponds to the concept of “AVM” (*Alternative Valuation Method*).

| | S2 | BOOK |
|--|------------|------------|
| MATERIAL VALUATION DIFFERENCES | €441,942 K | €432,039 K |
| <ul style="list-style-type: none"> ■ The economic balance sheet is constructed from the data recorded in the balance sheet, which requires the replacement of the value at amortized cost net of depreciation for all financial assets (pursuant to article 64 of the law of 8 December 1994 on the annual accounts and consolidated accounts), with their fair value. ■ Thus, for depreciable assets, the economic valuation leads to: <ul style="list-style-type: none"> - annulling premiums/discounts (because they are taken into account in the market value), - annulling accrued interest, as the market values retained are not flat quotations (market value inclusive of accrued coupons). | | |

D – VALUATION FOR SOLVENCY PURPOSES

The following table details Sogelife's financial investments, including those representing unit-linked contracts, according to the method used for their valuation in the balance sheet:

| (In thousands of euros) | S2 VALUATION METHOD** | S2 BALANCE SHEET | STATUTORY BALANCE SHEET | DIFFERENCE |
|--|-----------------------|------------------|-------------------------|--------------|
| Financial investments excluding UL* | | 545,020 | 535,117 | 9,903 |
| Sovereign bonds | QMP | 231,393 | 217,991 | 13,402 |
| | AVM | - | - | - |
| Corporate bonds | QMP | 132,506 | 136,014 | -3,508 |
| | AVM | - | - | - |
| Shares | QMP | 3 | 3 | 0 |
| | AVM | - | - | - |
| Investment funds | QMP | 524 | 514 | 10 |
| | AVM | 1 | 1 | 0 |
| Structured securities | QMP | 316 | 318 | -2 |
| | AVM | - | - | - |
| Guaranteed securities | QMP | - | - | - |
| | AVM | - | - | - |
| Cash and deposits | QMP | 180,212 | 180,212 | 0 |
| | AVM | - | - | - |
| Loans and mortgages | QMP | - | - | - |
| | AVM | - | - | - |
| Real Estate | QMP | - | - | - |
| | AVM | 63 | 63 | 0 |
| Derivatives | QMP | - | - | - |
| | AVM | - | - | - |
| Financial investments representing UL contracts | | 3,133,260 | 3,133,235 | 26 |
| Financial investments representing UL contracts | QMP | 3,078,760 | 3,078,734 | 26 |
| | AVM | 54,501 | 54,501 | -0 |
| Total financial investments* | | 3,678,280 | 3,668,352 | 9,928 |

* Excluding investment property, investments and loans presented respectively in 1.1.4; 1.1.5 and 1.1.8.

** AVM: Alternative. QMP valuation method: Asset price in an active market.

1.1.7 Financial assets representing commitments whose investment risk is borne by underwriters

Investments representing insurance or investment contracts whose financial risk is borne by the policyholders are presented at their fair value in a separate item in the Solvency 2 balance sheet.

| | S2 | BOOK |
|---------------------------------------|---------------------|---------------------|
| MATERIAL VALUATION DIFFERENCES | €3,133,260 K | €3,133,235 K |

■ In the accounting balance sheet, these assets are recognized using the same valuation method, generating no difference between the two balance sheets. Nevertheless, to meet the Taxonomy “EIOPA XBRL Filing Rules for Solvency II Reporting”, the use of a single market price for the same asset is required for all Group entities. Sogelife has therefore made some market price adjustments to back those used by Sogecap in S2 (€26k difference).

1.1.8 Deposits other than cash equivalents

The economic value of term deposits is determined by the discounting of future cash flows. Given the non-significant issues, these elements are not discounted and the balance sheet value is maintained.

1.1.9 Reinsurers’ share of technical provisions

The technical provisions assigned are determined using a Best Estimate taking into account likely losses in the event of default by the reinsurer.

The reinsurance policy mainly concerns contracts invested in Sogelife’s euro support. The reinsurance agreement is a proportional agreement. The calculation methods are specified in section D.2.1 detailing the actuarial technical calculations.

| | S2 | BOOK |
|---------------------------------------|--------------------|---------------------|
| MATERIAL VALUATION DIFFERENCES | €6,829,966K | €6,429,917 K |

■ In the financial statements, the reinsurers’ share of technical provisions corresponds to the assigned technical commitments valued pursuant to the amended law of 8 December 1994 on the annual and consolidated accounts, without taking into account the reinsurer’s likelihood of default. The gap of €400,048 thousand observed in this item between the Solvency 2 balance sheet and the balance sheet results from the difference in the valuation method.

1.1.10 Deposits with assignor companies, Insurance claims and brokers and Reinsurance receivables

Depending on their age, receivables are valued at their amortized cost (less than 1 year old), or by discounting future cash flows (more than 1 year old). For Sogelife, there is no receivable older than one year. Insurance, brokers and reinsurance receivables are therefore valued at their amortized cost, as for the financial statements.

1.1.11 Other receivables

Depending on their age, other receivables are valued at their amortized cost (less than 1 year old), or by discounting future cash flows (more than 1 year old). For Sogelife, there is no receivable older than one year. Other receivables are therefore valued at their amortized cost, as for the financial statements.

1.1.12 Cash and cash equivalents

Cash flow includes available cash. Cash equivalents are cash available in demand on deposit accounts and are valued at their face value, as for the financial statements.

1.1.13 Other assets

The other assets included in the financial statements (€874,000) correspond to non-financial accruals such as prepaid expenses. These accounts are maintained in the S2 balance sheet at the value shown in the financial statements.

2 - TECHNICAL PROVISIONS

| (In thousands of euros) | 31 DECEMBER 2018 | | | |
|--|-------------------|------------------|----------------|---------|
| | ECONOMIC VALUE | VALUE BOOK | DIFFERENCE | NOTES |
| Life technical reserves (excluding UL and indexed) | 6,867,646 | 6,618,600 | 249,046 | D.2.1.1 |
| Technical Provisions – UL and indexed | 3,165,186 | 3,133,235 | 31,951 | D.2.1.2 |
| Other technical provisions | – | – | – | |
| Total technical provisions* | 10,032,832 | 9,751,835 | 280,997 | |

Solvency 2 provisions are calculated according to the nature of the insurance commitments, classified by homogeneous group of risk and, at least, by line of business, the list of which is defined in Delegated Regulation 2015/35.

Breakdown of gross and assigned provisions by Solvency 2 line of business (in € K)

| SOLVENCY 2 LINES OF BUSINESS | NATURE OF SI | TECHNICAL PROVISIONS GROSS* | | TECHNICAL PROVISIONS ASSIGNED | |
|------------------------------|-------------------------------|-----------------------------|------------------|-------------------------------|-------------------|
| | | S2 | GUARANTEES | S2 | GUARANTEES |
| Life (excluding UL) | Death Savings excluding UL | 6,867,646 | 6,618,600 | -6,829,966 | -6,429,917 |
| UL Life | UL Savings | 3,165,186 | 3,133,235 | – | – |
| Total | | 10,032,832 | 9,751,835 | -6,829,966 | -6,429,917 |

* S2: Including risk margin.

2.1 Principles, methods and main assumptions used for the valuation of technical provisions

2.1.1 General principles for the evaluation of technical commitments under Solvency 2

To establish the economic balance sheet, the technical provisions determined for the purposes of the financial statements (mathematical reserves, accepted mathematical reserves, provision for claims payable, profit-sharing provision) are annulled and replaced by economic provisions.

Economic provisions are calculated as the sum of the Best Estimate of future cash flows (or “Best Estimate”) and a risk margin.

The Best Estimate corresponds to the likely amount of future cash flows (incoming or outgoing) related to existing contracts discounted at the risk-free rate plus a “volatility adjustment” for Life insurance commitments, which reduces the effects of artificial volatility of rate spreads (this volatility correction is also provided by EIOPA).

The risk margin represents the cost of capital that the assignee would have to raise to cover its capital requirement until the liabilities are extinguished.

Best Estimate

The cash flow projections used in the Best Estimate assessment take into account all cash flows (incoming and outgoing) needed to meet the insurance and reinsurance obligations for the term of these commitments.

The cash flow estimate takes into account the value of financial guarantees and any contractual option included in the contracts, and includes the effects of future actions by the Management (profit-sharing policy, use of financial reserves, etc.) and behaviour of the policyholder (surrenders, arbitrations ...).

Projected cash flows thus include:

- payments to policyholders and beneficiaries including any discretionary profits that the company plans to pay in the future;
- future costs and commissions.

Risk margin

The risk margin is measured net of reinsurance and using a cost of capital approach. It is based on the capital projection of the solvency capital requirement (SCR) related to the underwriting risk of the existing sheet, operational risk and the risk of default of reinsurers.

Future SCRs have been estimated according to the most appropriate risk determinants. The diversification effects between risks are taken into account in the assessment of the risk margin.

The remuneration cost of future SCRs, adopted for assessing the cost of capital, is set at 6% in Delegated Regulation 2015/35.

| | S2 | BOOK |
|---------------------------------------|---------------|--------------|
| MATERIAL VALUATION DIFFERENCES | €10,032,832 K | €9,751,835 K |

■ In the balance sheet, technical provisions are valued according to the provisions of the amended law of 8 December 1994 on the annual and consolidated accounts (principle of prudence and sufficiency). On the other hand, S2 provisioning rules are essentially based on the projection of likely and discounted future flows (“Best Estimate” and risk margin).

2.1.2 Calculation of the Best Estimates of the life and savings business

This part concerns the “life insurance with profit sharing” and “unit-linked contracts” lines of business (LoB).

Models used

The asset/liability management model used for the life and savings insurance business calculations is implemented in a calculation engine developed by a recommended publisher.

The economic *scenario* generator, also marketed by a recommended publisher, allows you to generate the tables of economic scenarios necessary to calculate the Best Estimates of the life and savings business, evaluated in a stochastic way.

These models are used recurrently for internal studies and for the purposes of preparing accounting and IFRS financial statements.

The asset/liability projection does not include future premiums in accordance with regulations relating to the contract scope.

Calculation of the Best Estimate

All flows related to the company’s liabilities are projected on the projection terms and on all the economic scenarios generated.

The Best Estimate is obtained by averaging the Best Estimates calculated for each *scenario*.

Calculation principles and assumptions

■ **The stochastic scenarios** used for the calculation of the Best Estimate are based on the following models:

- for the rate model: “Offset Libor Market Model with Stochastic Volatility”,
- for the equity model: “Stochastic Volatility Jump Diffusion”.

■ **The following economic indicators** are used to configure these models:

- rate curves provided by EIOPA in January 2019,
- the volatilities of the CAC and Eurostoxx equity indicators corresponding to implicit volatilities observed on the equity markets,
- the volatilities of other equity indicators based on historical data and that concern the real estate index, the private equity index and the hedge fund index,
- volatilities resulting from the swaptions prices at the calculation date coming from external data (Moody’s),
- average dividend rates of the different share indexes based on historical data,
- the correlations between these different economic indicators.

ALM life and savings insurance model

The ALM model enables the modelling of asset/liabilities interactions. The table below shows the main components of the ALM model in the life and savings business:

| | |
|---|--|
| Behaviour of the insurer | The policy concerning the rates offered is managed <i>via</i> an algorithm making it possible to define a target rate, based on rates of return of competing products and rates offered in previous years. |
| Standard behaviour of policyholders (surrenders and death) | Surrenders are modelled according to the characteristics of homogeneous risk groups. |
| Dynamic behaviour of policyholders | In the event of dissatisfaction of the policyholder, additional surrenders and arbitrations are activated. |
| Use of financial reserves | Changes in the profit-sharing provision are taken into account in projections made by the ALM model. |
| Modelled costs | The company's expenses are taken into account in the model according to the following two categories, and expressed in unit cost: <ul style="list-style-type: none"> ■ management costs related to services; ■ other management costs. |
| Commissions | Commission rules are taken into account pursuant to the agreements established between Sogelife and providers regarding commissions on outstanding amounts. |

2.1.3 Calculation of the risk margin (life and savings insurance calculations)

The calculation of the risk margin corresponds to the simplification method permitted by regulations.

2.1.4 Level of uncertainty associated with the value of technical provisions

The assumptions used to calculate the Best Estimate have been established on the basis of statistics available for the entire portfolio and thus correctly reflect the behaviour of the policyholder.

2.1.5 Description of technical provisions assigned

The technical provisions assigned correspond to the Best Estimate of the reinsurer equal to the discounted value of the cash-flows paid by Sogecap to Sogelife net of the cost of reinsurance deducted by Sogecap, and take Sogecap's default risk into account.

2.1.6 Impacts of long-term transitional measures adopted by Sogelife

Volatility adjustment

Among the transitional measures authorized by the Solvency 2 Directive, Sogelife applies the volatility adjustment ("Volatility adjustment" VA). The aim of this measure is to reduce the effects of artificial volatility in interest rate spreads for calculating the Best Estimate of liabilities. The calculation is based on the spread difference per currency, between the rate of return of assets included in a reference portfolio, and the risk-free rate.

The following table presents the impact of the use of the volatility adjustment on technical provisions, equity and equity requirements

| (In thousands of euros) | 31 DECEMBER 2018 | |
|---------------------------------|----------------------------|--------------------------------|
| | TAKING THE VA INTO ACCOUNT | NOT TAKING THE VA INTO ACCOUNT |
| Solvency 2 technical provisions | 10,032,832 | 10,045,104 |
| Available own funds* | 368,216 | 363,383 |
| Eligible own funds | 302,594 | 296,607 |
| SCR | 169,079 | 170,364 |
| MCR | 42,270 | 42,591 |

* To cover the SCR.

3 - OTHER LIABILITIES

| (In thousands of euros) | 2018 | | | NOTES |
|---|----------------|----------------|---------------|----------|
| | ECONOMIC VALUE | BOOK VALUE | DIFFERENCE | |
| Potential liabilities | - | - | - | D.3.1.1 |
| Provisions other than technical provisions | 2,324 | 2,324 | - | D.3.1.2 |
| Pension Fund Obligations | 1,656 | 670 | 985 | D.3.1.3 |
| Deferred Taxes – Liabilities | 31,815 | - | 31,815 | D.3.1.4 |
| Derivative liabilities | - | - | - | D.3.1.5 |
| Debts with credit institutions | - | - | - | D.3.1.6 |
| Financial debts other than with credit institutions | - | - | - | D.3.1.7 |
| Debts with insurers and brokers | 7,965 | 7,965 | - | D.3.1.8 |
| Debt with reinsurers | 27,138 | 27,138 | - | D.3.1.8 |
| Accounts payable (non insurers) | 12,249 | 12,249 | - | D.3.1.9 |
| Subordinated debt | 132,912 | 127,638 | 5,274 | D.3.1.10 |
| Other liabilities | 4,541 | 4,541 | - | D.3.1.11 |
| Total Other Liabilities | 220,599 | 182,525 | 38,074 | |

3.1 Principles, methods and main assumptions used for the valuation of other liabilities

3.1.1 Contingent liabilities

Significant contingent liabilities (Solvency 2 adopts the definition given by IAS 37) must be accounted in the Solvency 2 balance sheet on the basis of future likely financial flows discounted at the risk-free rate, necessary to extinguish them.

Sogelife has no significant contingent liabilities, therefore no adjustment is recorded in the Solvency 2 balance sheet.

3.1.2 Provisions for risks and charges

Provisions for risks and charges correspond to liabilities whose maturity or amount is uncertain and for which the likelihood of payment to extinguish them is greater than 50%.

They are valued at their economic value, based on probable future cash flows discounted at the risk-free rate, adjusted for the specific risk of the provision.

Taking into account the valuation methods used for the balance sheet, no restatement is recorded for the purposes of drawing up the economic balance sheet.

3.1.3 Pension benefits obligations

Sogelife finances a supplementary pension plan for its employees (provisions on the liabilities side of the balance sheet) under a defined benefit plan.

In the financial statements, the provision established covers pension commitments as defined by the provisions of article 19 of the law of 8 June 1999 on supplementary pension schemes.

A restatement is necessary for the economic balance sheet; the valuation is determined on the basis of the present value of the commitment for future benefits (projection of wages and social security contributions).

| | S2 | BOOK |
|--|----------|--------|
| MATERIAL VALUATION DIFFERENCES | €1,656 K | €670 K |
| <p>■ In the financial statements, the provision established covers pension commitments as defined by the provisions of article 19 of the law of 8 June 1999 on supplementary pension schemes. The economic valuation of social security commitments generates an overall impact of €985,000.</p> | | |

3.1.4 Deferred Taxes Liabilities

Deferred taxes are recognized in the Solvency 2 balance sheet based on the principles of IAS 12.

Deferred taxes are determined on the basis of the latest tax rates known under the variable carry-forward method, based on temporary differences between the prudential value and the tax value of assets and liabilities.

The rates adopted at the end of 2018 to determine deferred taxes is 26.01% taking into account the tax reform approved by Parliament in December 2016 which establishes the rates in force from 1 January 2018. This rate remains in force at 1 January 2019.

The valuation of deferred tax assets and liabilities reflects the tax consequences that would result from the way Sogelife expects, at the close of the balance sheet, to recover or settle the value of its assets and liabilities.

| | S2 | BOOK |
|---|----------|------|
| MATERIAL VALUATION DIFFERENCES | €31,815K | - |
| <p>■ All restatements related to the change in the economic value of assets and liabilities generated an overall impact of €31,815,000 in deferred tax liabilities.</p> | | |

3.1.5 Derivative liabilities

Sogelife does not use derivatives within the framework of its financial management on investments for which it bears the investment risk.

(less than 1 year old), or by discounting future cash flows (more than 1 year old). The amount of debts more than one year old is insignificant, and is therefore valued at amortized cost in the S2 balance sheet.

3.1.6 Debts with credit institutions

These debts include current accounts receivable with credit institutions.

3.1.9 Accounts payable (non insurers)

Depending on their age, accounts payable valued at their amortized cost in the balance sheet are valued in the Solvency 2 balance sheet at the amortized cost (less than 1 year old), or by discounting future cash flows (more than 1 year old). The amount of debts more than one year old is insignificant, and is therefore valued at amortized cost in the S2 balance sheet.

3.1.7 Financial debts other than with credit institutions

Sogelife has no financial debts other than with credit institutions.

3.1.8 Insurers and intermediaries payables, reinsurers payables

Depending on their age, debts with insurers and brokers, and debts with reinsurers valued at their amortized cost in the balance sheet, are valued in the Solvency 2 balance sheet at their amortized cost

3.1.10 Subordinated debt

Subordinated loans are valued in the Solvency 2 balance sheet at their fair value, taking into account the current risk-free rate at the closing date and the spread at the issue date. They are all included in the base equity. Their valuation includes accrued interest debt.

| (In thousands of euros) | LENDER | TERM | AMOUNT AT ISSUE | S2 VALUATION |
|-------------------------|-------------------------------|---------------|-----------------|----------------|
| 19/05/2004 | Société Générale Bank & Trust | Indeterminate | 6,750 | 6,772 |
| 19/05/2004 | Société Générale Bank & Trust | 15 years | 2,250 | 2,256 |
| 31/07/2006 | Société Générale Bank & Trust | Indeterminate | 2,250 | 2,255 |
| 31/07/2006 | Société Générale Bank & Trust | 15 years | 750 | 751 |
| 29/05/2008 | Société Générale Bank & Trust | Indeterminate | 6,000 | 6,094 |
| 29/05/2008 | Société Générale Bank & Trust | 15 years | 2,000 | 2,019 |
| 10/08/2009 | Société Générale Bank & Trust | Indeterminate | 11,250 | 11,483 |
| 10/08/2009 | Société Générale Bank & Trust | 15 years | 3,750 | 3,779 |
| 30/12/2009 | Société Générale Bank & Trust | Indeterminate | 3,750 | 3,750 |
| 31/12/2009 | Société Générale Bank & Trust | 15 years | 1,250 | 1,250 |
| 30/03/2010 | Société Générale | Indeterminate | 11,850 | 11,932 |
| 30/03/2010 | Société Générale | 15 years | 3,950 | 3,962 |
| 30/09/2010 | Société Générale | Indeterminate | 11,250 | 11,363 |
| 30/09/2010 | Société Générale | 15 years | 3,750 | 3,766 |
| 26/06/2013 | Sogecap | Indeterminate | 5,250 | 6,317 |
| 26/06/2013 | Sogecap | 15 years | 1,750 | 2,068 |
| 23/12/2013 | Sogecap | Indeterminate | 5,250 | 6,161 |
| 23/12/2013 | Sogecap | 15 years | 1,750 | 2,040 |
| 27/06/2014 | Sogecap | Indeterminate | 17,250 | 19,744 |
| 27/06/2014 | Sogecap | 15 years | 5,750 | 6,478 |
| 23/12/2014 | Sogecap | Indeterminate | 13,500 | 14,013 |
| 23/12/2014 | Sogecap | 11 years | 4,500 | 4,660 |
| Total | | | 125,800 | 132,912 |

3.1.7 Other liabilities

The other liabilities presented in the Solvency 2 balance sheet correspond to non-financial accruals. Given the valuation methods

used for the financial statements for these accounts, no restatement is recorded for the purposes of drawing up the economic balance sheet.

4 - ANY OTHER INFORMATION

All important information relating to the valuation of the economic balance sheet has been presented in the preceding paragraphs.

E – CAPITAL MANAGEMENT

1 - OWN FUNDS

Under Solvency 2, the own funds are equal to the difference between balance sheet assets and liabilities valued in accordance with the Solvency 2 principles, increased by subordinated loans and reduced by forecast dividends.

They are classified into 4 categories (“Tiers”). This ranking is based on their quality, assessed in terms of their availability to absorb losses, their level of subordination and their duration or permanence, Tier 1 corresponding to the best quality.

N.B. Restricted Tier 1 (ranked Tier 1 R.) corresponds to certain indefinite subordinated loans (pursuant to the grandfather clause).

Moreover, quantitative limits are imposed to determine the amount of eligible capital to cover capital requirements (respectively the SCR - Solvency Capital Requirement – and the MCR – Minimum Capital Requirement).

1.1 Capital management policy

All processes and policies described in Part B of this report help to manage risks that could have a significant impact on Sogelife’s credit-worthiness with respect to its risk profile. In particular, the ORSA set up by Sogelife makes it possible to perceive, in the long term, the impact of strategic orientations on its solvency and the evolution of this same solvency according to the environment, especially the financial markets.

In the framework of the budgetary year, Sogelife plans its activities over the next three years and can thus anticipate its equity requirements in line with its development ambitions. The company updates its forecasts annually.

1.2 Structure and amounts of available own funds

The S2 available own funds amounted to €368,216 K at the end of 2018, down €12,138 K (-3%) compared to the end of 2017. The following tables detail the structure of the own funds by type and by Tier:

| (In thousands of euros) | TOTAL | 2018 | | | |
|--|----------------|----------------|-------------------|---------------|----------|
| | | TIER 1 | RESTRICTED TIER 1 | TIER 2 | TIER 3 |
| Ordinary share capital | 48,223 | 48,223 | - | - | - |
| Issue premium account linked to ordinary share capital | 24,495 | 24,495 | - | - | - |
| Reconciliation reserve | 162,586 | 162,586 | - | - | - |
| Subordinated liabilities | 132,912 | - | 99,882 | 33,030 | - |
| S2 available own funds | 368,216 | 235,304 | 99,882 | 33,030 | - |

| (In thousands of euros) | TOTAL | 2017 | | | |
|--|----------------|----------------|----------------------|---------------|----------|
| | | TIER 1 | RESTRICTED TIER 1 | TIER 2 | TIER 3 |
| Ordinary share capital | 48,223 | 48,223 | - | - | - |
| Issue premium account linked to ordinary share capital | 24,495 | 24,495 | - | - | - |
| Reconciliation reserve | 175,251 | 175,251 | - | - | - |
| Subordinated liabilities | 132,385 | - | 98,841 | 33,544 | - |
| S2 available own funds | 380,354 | 247,968 | 98,841 | 33,544 | - |

Sogelife S2 available own funds elements meet the Tier 1 and Tier 2 classification criteria only.

The fully called share capital amounted to €48,223,000 at the end of 2018, unchanged from 2017. Share capital, by its nature, is naturally classified in Tier 1.

The reconciliation reserve represented €162,586k at the end of 2018, down €12,664k from 2017. The elements that make it up meet the criteria for classification in unrestricted Tier 1. It consists of:

- statutory reserves, net of dividends to be paid to the shareholder for 71,423 thousand at the end of 2018, stable compared to 2017. These reserves correspond to retained earnings and the profit and loss for the financial year;
- future margins shown by the change in economic value of assets and liabilities, net of deferred taxes. These represent €91,163k on 31 December 2018 against €102,946K at the end of 2017.

The subordinated loans, presented in detail in section D.3.1.10, amount to €132,912,000 and are classified in Tier 1 or in Tier 2, according to their characteristics:

- €99,882 K meet the classification criteria in Tier 1: these are indeterminate subordinated loans issued before 19 January 2015 for an initial amount of €94,350 K. This debt benefits from the transitional measure concerning the classification of S2 equity for 10 years (“grandfather clause”) authorizing its classification in restricted Tier 1, its issue having occurred before January 19, 2015 (publication date of the Delegated Acts);
- €33,030 K meet the Tier 2 classification criteria: this concerns all subordinated fixed-term loans benefiting from the transitional equity measures.

1.3 Reconciliation of the own funds from the financial statements to the excess of assets over liabilities assessed according to Solvency 2 principles

In the economic balance sheet, the surplus of assets over liabilities (presented in section D) amounts to €260,304 at 31 December 2018. The following table shows a reconciliation between Sogelife’s own funds, the surplus of assets over Solvency 2 liabilities and the available S2 own funds:

| (In thousands of euros) | 2018 | 2017 |
|--|----------------|----------------|
| Share capital and issue premiums | 72,718 | 72,718 |
| Other reserves, carry forward and profit and loss for the year | 97,083 | 97,305 |
| Statutory own funds | 169,801 | 170,023 |
| Fair value adjustment of financial assets and liabilities | 3,669 | 10,102 |
| Economic valuation of technical liabilities | 119,051 | 129,601 |
| Annulment of intangibles | -402 | -568 |
| Net impact of deferred taxes | -31,815 | -36,189 |
| Excess of assets over liabilities | 260,304 | 272,968 |
| Subordinated loans | 132,912 | 132,385 |
| Dividends to be paid | 25,000 | 25,000 |
| S2 available own funds | 368,216 | 380,354 |

1.4 Elements deducted from the own funds

Article 70 of Delegated Regulation 2015/35 requires the reduction in the reconciliation reserve of various elements affecting the availability and transferability of equity within the company. In the case of Sogelife, only dividend distributions are deducted from the own

funds. Thus, at 31 December 2018, the dividends to be distributed in respect of the 2018 profit and loss for an amount of €25,000 are deducted.

1.5 Eligible own funds for capital requirement coverage

1.5.1 Thresholds applicable to available own funds by Tier

The amount of eligible own funds is obtained after applying the limitation rules by Tier to the available own funds. The following table provides a summary of the thresholds applicable by Tier to cover the MCR and SCR:

| | OWN FUNDS ELEMENTS | MCR COVERAGE | SCR COVERAGE |
|--------------------------|--|-----------------------------|-----------------------------|
| Tier 1 | <ul style="list-style-type: none"> ■ Share capital ■ Share capital issue premiums ■ Reconciliation reserve ■ Indeterminate subordinated loans (issued before 19/01/2015, grandfather clause) and new Tier 1 subordinated loans | > 80% | > 50% |
| Restricted Tier 1 | <ul style="list-style-type: none"> ■ Indeterminate subordinated loans (issued before 19/01/2015, grandfather clause) and new Tier 1 subordinated loans | Max 20% of the Tier 1 total | Max 20% of the Tier 1 total |
| Tier 2 | <ul style="list-style-type: none"> ■ Fixed term subordinated loans (issued before 19/01/2015, grandfather clause) and new Tier 2 subordinated loans ■ Subordinated loans that may be classified as restricted Tier 1 but exceeding the 20% limit | < 20% | < 50% |
| Tier 3 | <ul style="list-style-type: none"> ■ Net Deferred Taxes – assets (N/A) | Not eligible | Eligible |

1.5.2 Eligible own funds for SCR coverage

Eligible own funds to cover the SCR, determined in accordance with the limitation rules by Tier, amounted to €368,216 thousand at the end of 2018, for an SCR of €169,079 thousand (i.e. an SCR coverage rate of 218%).

The following tables show the impact of the application of the limitation rules by Tier on the available equity at the end of 2018.

| (In thousands of euros) | 2018 | | | | |
|---|----------------|----------------|-------------------|---------------|----------|
| | TOTAL | TIER 1 | RESTRICTED TIER 1 | TIER 2 | TIER 3 |
| Ordinary share capital | 48,223 | 48,223 | - | - | - |
| Issue premium account linked to capital in ordinary share | 24,495 | 24,495 | - | - | - |
| Reconciliation reserve | 162,586 | 162,586 | - | - | - |
| Subordinated liabilities | 132,912 | - | 58,826 | 74,086 | - |
| Eligible S2 own funds/ SCR | 368,216 | 235,304 | 58,826 | 74,086 | - |

| (In thousands of euros) | 2017 | | | | |
|---|----------------|----------------|-------------------|---------------|----------|
| | TOTAL | TIER 1 | RESTRICTED TIER 1 | TIER 2 | TIER 3 |
| Ordinary share capital | 48,223 | 48,223 | - | - | - |
| Issue premium account linked to capital in ordinary share | 24,495 | 24,495 | - | - | - |
| Reconciliation reserve | 175,251 | 175,251 | - | - | - |
| Subordinated liabilities | 132,385 | - | 61,992 | 70,393 | - |
| Eligible S2 own funds/ SCR | 380,354 | 247,968 | 61,992 | 70,393 | - |

The application of the limitation rules leads to the transfer to Tier 2 of the Restricted Tier 1 equity which exceeds the 20% threshold of Tier 1 eligible own funds:

■ in 2018, the surplus of restricted Tier 1 own funds (€41,056K) was transferred to Tier 2, bringing Tier 2 own funds covering the SCR to 44%. At 31 December 2018, all available own funds were eligible to cover the SCR.

1.5.3 Eligible own funds for MCR coverage

Eligible own funds to cover the MCR, determined in accordance with the limitation rules by Tier, amounted to €302,584 thousand at the end of 2018, (i.e. an MCR hedging rate of 716%).

The following tables show the impact of the application of the limitation rules by Tier on the available equity at the end of 2018.

| (In thousands of euros) | 2018 | | | | |
|---|----------------|----------------|-------------------|--------------|----------|
| | TOTAL | TIER 1 | RESTRICTED TIER 1 | TIER 2 | TIER 3 |
| Ordinary share capital | 48,223 | 48,223 | - | - | - |
| Issue premium account linked to capital in ordinary share | 24,495 | 24,495 | - | - | - |
| Reconciliation reserve | 162,586 | 162,586 | - | - | - |
| Subordinated liabilities | 67,280 | - | 58,826 | 8,454 | - |
| Eligible S2 own funds/ MCR | 302,584 | 235,304 | 58,826 | 8,454 | - |

| (In thousands of euros) | 2017 | | | | |
|---|----------------|----------------|-------------------|--------------|----------|
| | TOTAL | TIER 1 | RESTRICTED TIER 1 | TIER 2 | TIER 3 |
| Ordinary share capital | 48,223 | 48,223 | - | - | - |
| Issue premium account linked to capital in ordinary share | 24,495 | 24,495 | - | - | - |
| Reconciliation reserve | 175,251 | 175,251 | - | - | - |
| Subordinated liabilities | 70,676 | - | 61,992 | 8,684 | - |
| Eligible S2 own funds/ SCR | 318,644 | 247,968 | 61,992 | 8,684 | - |

The application of the limitation rules leads to the transfer to Tier 2 of the Restricted Tier 1 own funds which exceeds the 20% threshold of Tier 1 eligible own funds:

■ In 2018, the surplus of Tier 1 capital (€41,056 K) was transferred to Tier 2. The MCR can be covered by up to 20% of Tier 2 own funds, €65,623 K of Tier 2 capital becomes ineligible to cover the MCR

2 - SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

2.1 Capital requirements and coverage ratio

The following tables present, for 2018, the Solvency Capital Requirement and the Minimum Capital Requirement and their respective coverage ratios by eligible S2 own funds :

Coverage ratio of the solvency capital requirement

| (In thousands of euros) | 2018 | 2017 |
|--|-------------|-------------|
| S2 eligible own funds for SCR coverage | 368,216 | 380,354 |
| Solvency Capital Requirement | 169,079 | 173,674 |
| Solvency Capital Requirement coverage ratio | 218% | 219% |

Coverage ratio of the Minimum capital requirement

| (In thousands of euros) | 2018 | 2017 |
|---|-------------|-------------|
| S2 eligible own funds for MCR coverage | 302,584 | 318,644 |
| Minimum Capital Requirement | 42,270 | 43,418 |
| Minimum Capital Requirement coverage ratio | 716% | 734% |

Determined on the basis of the Solvency 2 balance sheet at 31 December 2018, the Sogelife SCR amounts to €169,079 thousand on this date. **The coverage ratio of SCR by S2 eligible own funds amounts to 218%.**

The MCR amounted to €42,270 thousand at 31 December 2018.

After the application of the limitation rules by Tier to cover the MCR, eligible own funds amounted to €302,584 thousand at 31 December 2018, (i.e. a coverage ratio of 716%).

2.2 Description of principles for calculating capital requirements

2.2.1 General framework

Under Solvency 2, the SCR represents the solvency capital requirement. It corresponds to the amount of own funds to be held to limit the probability of ruin at one year to 0.5%. The SCR is based on the company's risk profile and is calculated on the basis of the standard formula calibrated uniformly on the European market. It is calculated by following a modular approach and consists of calculating the loss suffered in case of an adverse event linked to about thirty risk factors. To take into account the low probability of the simultaneous occurrence of all these events, the standard formula introduces correlations between these risk factors and thus makes it possible to recognise diversification benefits.

The standard model breaks down the main risks into modules:

- market risks, representing risks impacting the market value of financial instruments (equities, interest rate, credit risk, real estate prices, exchange rates, etc.);
- underwriting risks arising from uncertainty related to the measurement of the commitments made by the insurer;
- counterparty risk, linked to the potential default of counterparties (reinsurance in particular).

The corresponding capital charges are then aggregated using correlation matrices provided by the regulation to obtain a basic capital requirement (BSCR). An amount intended to cover operational risk is added to this BSCR.

The BSCR is mitigated by two effects that make it possible to obtain the final SCR: on the one hand, taking into account the company's ability to give a lower profit-sharing than that estimated before the shocks (absorption capacity of the profit-sharing provision) and the allocation of the loss to taxable income which will result in paying less tax in the future than that recorded in the Solvency 2 balance sheet (absorption capacity by notional deferred taxes).

The MCR (Minimum Capital Requirement) corresponds to the absolute minimum capital to be held. The MCR is calculated on the basis of factorial formulas distinguishing between life and non-life activities. It cannot be less than 25% of the SCR and exceed 45% of the SCR.

2.2.2 Methods and options adopted for the calculation of the SCR

Sogelife uses the standard formula to calculate its solvency capital requirement and considers that it is appropriate to its risk profile. Sogelife specifically uses the methods and options presented in the following table and permitted by regulations:

| | |
|--------------------------------|---|
| Volatility adjustment | The volatility adjustment is applied to the rate curve. As of 31/12/2018, it is set by EIOPA, its level is +0.24% (difference between the curve without a premium and the curve with premium). |
| Credit Risk Adjustment | The Credit Risk Adjustment is applied to the rate curve. As of 31/12/2018, it is set by EIOPA, its level is -0.10%. |
| Equity shocks adopted | The equity SCR is calculated according to the “equity” transitional measure. |
| Notional deferred taxes | The notional deferred tax is determined using the simplified method. In the absence of a substantial difference in the elements of the economic balance sheet, the rate of 26.01% is set. This rate is applied to the instantaneous loss (total SCR net of absorption). |

2.2.3 General principles for calculation of the MCR

The MCR is calculated by applying the standard calculation formula specified by the Delegated Regulation. The company’s MCR is the highest amount between the combined MCR and the absolute floor of the MCR fixed at 3.7 million euros. Given Sogelife’s profile, the combined MCR is adopted.

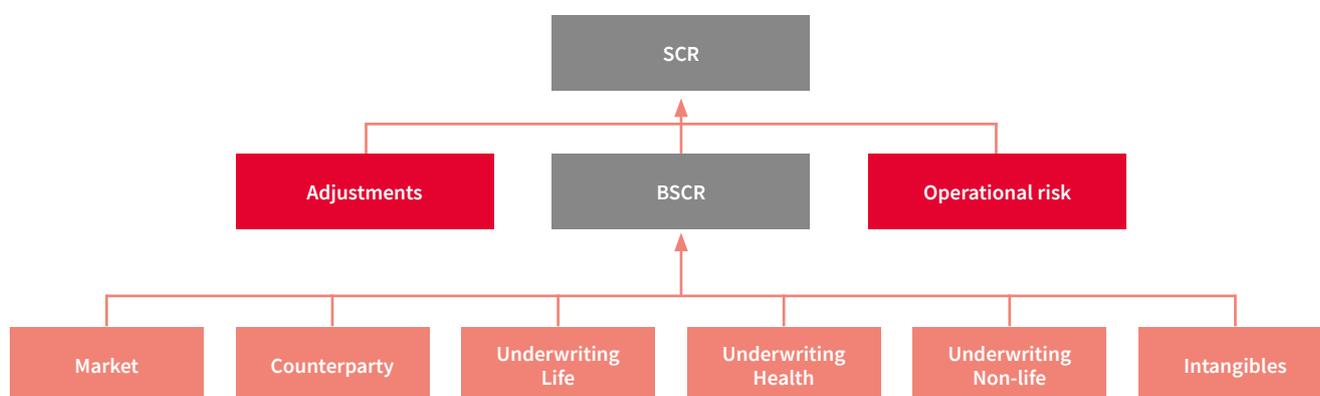
The MCR is obtained by applying factors (calibrated by EIOPA) to Best Estimates net of reinsurance by line of business as well as risky capital across all lines of business. The amount of MCR adopted cannot be less than 25% of the SCR and more than 45% of the SCR.

The following diagram describes the calculation structure of the SCR and the main risk modules taken into account in the standard formula. In the case of Sogelife, the non-life, health and intangible underwriting risk modules are not applicable.

2.3 Solvency capital requirement by risk modules

This section presents the breakdown of the SCR of Sogelife by risk modules of the standard formula as well as the contributions of technical provisions and deferred taxes to the absorption of losses.

This breakdown highlights the key risks that Sogelife faces in its business, namely market risk, and to a lesser extent Life underwriting risk. These risks have been described in detail in the Risk Profile section of this report.



The following table presents the breakdown of the Sogelife SCR by risk module at 31 December 2018:

| (In thousands of euros) | 2018 | 2017 |
|---|----------------|----------------|
| Net Solvency capital required | | |
| Market risk | 117,761 | 122,950 |
| Counterparty risk | 8,015 | 10,470 |
| Life underwriting risk | 85,662 | 97,710 |
| Health underwriting risk | - | - |
| Non-life underwriting risk | - | - |
| Intangible assets risk | - | - |
| Diversification | -46,729 | -52,425 |
| Basic solvency capital requirement | 164,709 | 178,705 |
| Adjustment linked to ring-fenced funds | | |
| Operational risk | 36,185 | 31,158 |
| Loss-absorbing capacity of deferred taxes | -31,815 | -36,189 |
| Solvency capital requirement | 169,079 | 173,674 |

Given Sogelife's risk profile, the market risk is the main source of capital requirements, representing €117,761 K at 31 December 2018. The life underwriting risk of €85,662k is essentially the risk on surrenders.

The diversification benefit amounts to €-46,729 K and brings the BSCR to €164,709 K.

The overall decrease in the SCR is mainly due to the decrease in the surrender assumptions adopted between 2018 and 2017.

2.4 Minimum capital requirement

The following tables detail Sogelife's MCR amounts at the end of 2018 calculated using the Combined MCR formula:

| (In thousands of euros) | 2018 | 2017 |
|---|---------------|---------------|
| Linear Minimum Capital Requirement | 22,145 | 20,812 |
| Linear MCR -life Linear | 22,145 | 20,812 |
| MCR – Non-life | - | - |
| 25% floor of the SCR | 42,270 | 43,418 |
| 45% ceiling of the SCR | 76,086 | 78,153 |
| Minimum capital requirement | 42,270 | 43,418 |

3 - USE OF THE DURATION-BASED “EQUITY RISK” SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The “equity risk” sub-module is not used by Sogelife.

4 - DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Not applicable because Sogelife uses the standard formula.

5 - NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

Not applicable because Sogelife meets the capital requirements.

6 - ANY OTHER INFORMATION

All important information relating to capital management has been presented in the preceding paragraphs.

APPENDIX

1 - CORRELATION TABLE BETWEEN PRODUCTS MARKETED BY SOGELIFE AND THE BUSINESS LINES PROVIDED FOR BY THE SOLVENCY 2 DIRECTIVE

| | | N1 | L17 | L18 | L19 | L22 | L23 | L24 |
|----------------------------|--|---------------|-------------------|--------------|--------------------------------|------------------|------------------|--------------------|
| | | Medical costs | Insurance with PS | UL Contracts | Other life insurance contracts | Life reinsurance | Health insurance | Health reinsurance |
| Retirement Saving | Individual life insurance and capitalization contracts (multi-support) | | X | X | | | | |
| | Individual retirement contracts (PERP and Madelin) | | | | | | | |
| | Group retirement contracts | | | | | | | |
| | Reinsurance acceptances of US\$ Komerční Pojišťovna commitments | | | | | X | | |
| Personal protection | Temporary death insurance | | | | | | | |
| | Individual Health Insurance | | | | | | | |
| | Funeral Insurance | | | | | | | |
| | Care Insurance | | | | | | | |
| | Borrowers' Insurance | | | | | | | |
| | Occupational Insurance Schemes | | | | | | | |
| | Collective Health Insurance | | | | | | | |

ANNUAL QUANTITATIVE STATEMENTS

1 - STATEMENT S.02.01.02 - BALANCE SHEET

| Assets | | Solvency II value |
|--|--------------|-----------------------|
| | | C0010 |
| Goodwill | R0010 | |
| Deferred acquisition costs | R0020 | |
| Intangible assets | R0030 | - |
| Deferred taxes assets | R0040 | - |
| Pension benefit surplus | R0050 | - |
| Property, plant & equipment held for own use | R0060 | 63,356 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 438,896,748 |
| Property (other than for own use) | R0080 | - |
| Holdings in related undertakings, including participations | R0090 | - |
| Equities | R0100 | 2,854 |
| Equities - listed | R0110 | 2,854 |
| Equities - unlisted | R0120 | - |
| Bonds | R0130 | 361,170,755 |
| Government Bonds | R0140 | 231,393,250 |
| Corporate bonds | R0150 | 129,460,843 |
| Structured notes | R0160 | 316,404 |
| Collateralised securities | R0170 | - |
| Collective Investments Undertakings | R0180 | 525,507 |
| Derivatives | R0190 | - |
| Deposits other than cash equivalents | R0200 | 77,197,633 |
| Other investments | R0210 | - |
| Assets held for index-linked unit-linked contracts | R0220 | 3,133,260,178 |
| Loans and mortgages | R0230 | - |
| Loans on policies | R0240 | - |
| Loans and mortgages to individuals | R0250 | - |
| Other loans and mortgages | R0260 | 3,045,000 |
| Reinsurance recoverables from: | R0270 | 6,829,965,730 |
| Non-life and health similar to non-life | R0280 | - |
| Non-life excluding health | R0290 | - |
| Health similar to non-life | R0300 | - |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | 6,829,965,730 |
| Health similar to life | R0320 | - |
| Life excluding health and index-linked and unit-linked | R0330 | 6,829,965,730 |
| Life index-linked and unit-linked | R0340 | - |
| Deposits to cedants | R0350 | - |
| Insurance and intermediaries receivables | R0360 | 3,281,122 |
| Reinsurance receivables | R0370 | 6,462 |
| Receivables (trade, not insurance) | R0380 | 1,327,978 |
| Own shares (held directly) | R0390 | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | - |
| Cash and cash equivalents | R0410 | 103,014,798 |
| Any other assets, not elsewhere showed | R0420 | 873,636 |
| Total assets | R0500 | 10,513,735,007 |

| Liabilities | | Solvency II value |
|---|--------------|-----------------------|
| | | C0010 |
| Technical Provisions – non-life | R0510 | - |
| Technical Provisions – non-life (excluding health) | R0520 | - |
| Technical provisions calculated as a whole | R0530 | - |
| Best estimate | R0540 | - |
| Risk margin | R0550 | - |
| Technical provisions – health (similar to non-life) | R0560 | - |
| Technical provisions calculated as a whole | R0570 | - |
| Best estimate | R0580 | - |
| Risk margin | R0590 | - |
| Technical provisions – life (excluding index-linked and unit-linked) | R0600 | 6,867,646,044 |
| Technical provisions – health (similar to life) | R0610 | - |
| Technical provisions calculated as a whole | R0620 | - |
| Best estimate | R0630 | - |
| Risk margin | R0640 | - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | 6,867,646,044 |
| Technical provisions calculated as a whole | R0660 | - |
| Best estimate | R0670 | 6,815,285,305 |
| Risk margin | R0680 | 52,360,739 |
| Technical Provisions – index-linked and unit-linked | R0690 | 3,165,186,015 |
| Technical provisions calculated as a whole | R0700 | - |
| Best estimate | R0710 | 3,150,998,036 |
| Risk margin | R0720 | 14,187,979 |
| Other technical provisions | R0730 | - |
| Contingent liabilities | R0740 | - |
| Provisions other than technical provisions | R0750 | 2,324,004 |
| Pension benefit obligations | R0760 | 1,655,511 |
| Deposit from reinsurers | R0770 | - |
| Deferred tax liabilities | R0780 | 31,814,886 |
| Derivatives | R0790 | - |
| Debts owed to credit institutions | R0800 | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | - |
| Insurance & intermediaries payables | R0820 | 7,964,526 |
| Reinsurance payables | R0830 | 27,138,312 |
| Payables (trade, not insurance) | R0840 | 12,249,026 |
| Subordinated liabilities | R0850 | 132,911,864 |
| Subordinated liabilities not in Basic Own Funds | R0860 | - |
| Subordinated liabilities in Basic Own Funds | R0870 | 132,911,864 |
| Any other liabilities, not elsewhere shown | R0880 | 4,540,684 |
| Total liabilities | R0900 | 10,253,430,872 |
| Excess of assets over liabilities | R1000 | 260,304,135 |

2 - STATEMENT S.05.01.02 – PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

| | | Line of business: life insurance commitments | | | | | |
|--|-------|--|-------------------------------------|--|----------------------|---|--|
| | | 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 |
| | | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 |
| Premiums written | | | | | | | |
| Gross | R1410 | - | 712,817,706 | 640,464,310 | - | | |
| Reinsurers' share | R1420 | - | 756,957,243 | - | 32,945 | | |
| Net | R1500 | - | 44,139,537 | 640,464,310 | - 32,945 | | |
| Premiums earned | | | | | | | |
| Gross | R1510 | - | 712,817,706 | 640,464,310 | - | | |
| Reinsurers' share | R1520 | - | 756,957,243 | - | 32,945 | | |
| Net | R1600 | - | 44,139,537 | 640,464,310 | - 32,945 | | |
| Claim incurred | | | | | | | |
| Gross | R1610 | - | 593,899,236 | 207,749,718 | - | | |
| Reinsurers' share | R1620 | - | 579,182,363 | - | - | | |
| Net | R1700 | - | 14,716,873 | 207,749,718 | - | | |
| Changes in other technical provisions | | | | | | | |
| Gross | R1710 | - | 175,225,625 | 198,203,668 | 182,823 | | |
| Reinsurers' share | R1720 | - | 347,899,418 | - | 32,007 | | |
| Net | R1800 | - | 172,673,793 | 198,203,668 | 150,816 | | |
| Expenses incurred | R1900 | - | 31,748,953 | 34,346,879 | 8 | | |
| Other expenses | R2500 | | | | | | |
| Total expenses | R2600 | | | | | | |

| | Life reinsurance commitments | | Total |
|--|------------------------------|------------------|---------------|
| | Health reinsurance | Life reinsurance | |
| | C0270 | C0280 | C0300 |
| | - | 1,956,934 | 1,355,238,950 |
| | - | - | 756,990,188 |
| | - | 1,956,934 | 598,248,762 |
| | - | 1,956,934 | 1,355,238,950 |
| | - | - | 756,990,188 |
| | - | 1,956,934 | 598,248,762 |
| | - | 2,514,873 | 804,163,827 |
| | - | - | 579,182,363 |
| | - | 2,514,873 | 224,981,464 |
| | - | 233,540 | 373,845,656 |
| | - | - | 347,931,425 |
| | - | 233,540 | 25,914,231 |
| | - | 548,779 | 66,644,619 |
| | | | 295,916 |
| | | | 66,940,534 |

3 - STATEMENT S.05.02.01 – PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

| | | Home country | Top 5 countries (by amount of gross premiums written) - life obligations | | | | | Total Top 5 countries and home country |
|--|--------------|-------------------|---|-------------------|------------------|------------------|-------|---|
| | | C0150 | C0160 | C0170 | C0180 | C0190 | C0200 | C0210 |
| | R1400 | XXXXXX | Italy | France | Monaco | Belgium | | XXXXXX |
| | | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 |
| Premiums written | | | | | | | | |
| Gross | R1410 | 67,385,149 | 447,749,232 | 399,160,798 | 254,472,218 | 129,086,412 | | 1,297,853,809 |
| Reinsurers' share | R1420 | 756,990,188 | - | - | - | - | | 756,990,188 |
| Net | R1500 | - 689,605,039 | 447,749,232 | 399,160,798 | 254,472,218 | 129,086,412 | | 540,863,621 |
| Premiums earned | | | | | | | | |
| Gross | R1510 | 67,385,149 | 447,749,232 | 399,160,798 | 254,472,218 | 129,086,412 | | 1,297,853,809 |
| Reinsurers' share | R1520 | 756,990,188 | - | - | - | - | | 756,990,188 |
| Net | R1600 | - 689,605,039 | 447,749,232 | 399,160,798 | 254,472,218 | 129,086,412 | | 540,863,621 |
| Claim incurred | | | | | | | | |
| Gross | R1610 | 32,923,702 | 110,409,195 | 186,817,733 | - | 166,008,141 | | 496,158,770 |
| Reinsurers' share | R1620 | - 579,182,363 | | | | | | - 579,182,363 |
| Net | R1700 | 612,106,064 | 110,409,195 | 186,817,733 | - | 166,008,141 | | 1,075,341,133 |
| Changes in other technical provisions | | | | | | | | |
| Gross | R1710 | 35,644,274 | 324,262,801 | 110,037,345 | 138,328,320 | - 49,306,942 | | 558,965,798 |
| Reinsurers' share | R1720 | - 347,931,425 | | | | | | - 347,931,425 |
| Net | R1800 | - 312,287,151 | 324,262,801 | 110,037,345 | 138,328,320 | - 49,306,942 | | 211,034,373 |
| Expenses incurred | R1900 | 2,662,361 | 7,952,164 | 16,890,825 | 9,980,037 | 4,833,213 | | 42,318,600 |
| Other expenses | R2500 | | | | | | | 295,915 |
| Total expenses | R2600 | | | | | | | 42,614,516 |

4 - STATEMENT S.12.01.02 - LIFE AND HEALTH SLT TECHNICAL PROVISIONS

| | | Index-linked and unit-linked insurance | | | | Other life insurance | | |
|--|--------------|--|----------------------|---|--------------------------------------|----------------------|---|--------------------------------------|
| | | Insurance with profit participation | | Contracts without options or guarantees | Contracts with options or guarantees | | Contracts without options or guarantees | Contracts with options or guarantees |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - | - | - |
| Total Recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0020 | - | - | - | - | - | - | - |
| Technical provisions calculated as the sum of BE and RM | | | | | | | | |
| Best Estimate | | | | | | | | |
| Gross Best Estimate | R0030 | 6,798,226,094 | | - | 3,150,998,036 | | 515,273 | - |
| Total Recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0080 | 6,831,466,541 | | - | - | | 186,813 | - |
| Best estimate minus recoverable from reinsurance/SPV and Finite Re - total | R0090 | - 31,552,822 | | - | 3,150,998,036 | | 328,460 | - |
| Risk Margin | R0100 | 52,360,739 | 14,187,979 | | | | - | |
| Amount of the transitional on Technical Provisions | | | | | | | | |
| Technical Provisions calculated as a whole | R0110 | - | - | | | | - | |
| Best estimate | R0120 | - | | - | - | | - | |
| Risk margin | R0130 | - | - | | | | | |
| Technical provisions - Total | R0200 | 6,850,586,834 | 3,165,186,015 | | | | 515,273 | |

| | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Accepted reinsurance | Total (life other than health insurance, incl. Unit-Linked) | Health insurance (direct business) | | | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Health reinsurance (accepted reinsurance) | Total (health similar to life insurance) |
|--|--|----------------------|---|------------------------------------|---|--------------------------------------|---|---|--|
| | | | | | Contracts without options or guarantees | Contracts with options or guarantees | | | |
| | C0090 | C0100 | C0150 | C0160 | C0170 | C0180 | C0190 | C0200 | C0210 |
| | - | - | - | - | | | - | - | - |
| | - | - | - | - | | | - | - | - |
| | | | | | | | | | |
| | - | 16,543,937 | 9,966,283,340 | | - | - | - | - | - |
| | - | - | 6,831,653,354 | | - | - | - | - | - |
| | - | 16,543,937 | 3,136,317,611 | | - | - | - | - | - |
| | - | - | 66,548,719 | - | | | - | - | - |
| | | | | | | | | | |
| | - | - | - | - | | | - | - | - |
| | - | - | - | - | | | - | - | - |
| | - | - | - | - | | | - | - | - |
| | - | 16,543,937 | 10,032,832,059 | - | | | - | - | - |

5 - STATEMENT S.22.01.02 – IMPACT OF LONG TERM GUARANTEES MEASURES AND TRANSITIONAL

| | | Amount with Long Term Guarantee measures and transitionals | Impact of transitional on technical provisions | Impact of transitional on interest rate | Impact of a volatility adjustment set to zero | Impact of matching adjustment set to zero | |
|--|-------|--|--|---|---|---|-------|
| | C0010 | | | | | | C0030 |
| Technical provisions | R0010 | 10,032,832,059 | 0 | - | 12,271,743 | - | |
| Basic own funds | R0020 | 368,216,000 | - | 0 | - | 4,833,074 | - |
| Eligible own funds to meet Solvency Capital Requirements | R0050 | 368,216,000 | - | 0 | - | 4,833,074 | - |
| Solvency Capital Requirement | R0090 | 169,078,891 | - | - | - | 1,285,356 | - |
| Eligible own funds to meet the Minimum Capital Requirement | R0100 | 302,584,113 | - | 0 | - | 5,985,535 | - |
| Minimum Capital Requirement | R0110 | 42,269,723 | - | - | - | 321,339 | - |

6 - STATEMENT S.23.01.01 – OWN FUNDS

| | | Total | Level 1 - unrestricted | Level 1 - restricted | Level 2 | Level 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 | 48,222,846 | 48,222,846 | | - | |
| Share premium account related to ordinary share capital | R0030 | 24,494,913 | 24,494,913 | | - | |
| Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings | R0040 | - | - | | - | |
| Subordinated mutual member accounts | R0050 | - | | - | - | - |
| Surplus funds | R0070 | - | - | | | |
| Preference shares | R0090 | - | | - | - | - |
| Share premium account related to preference shares | R0110 | - | | - | - | - |
| Reconciliation reserve | R0130 | 162,586,376 | 162,586,376 | | | |
| Subordinated liabilities | R0140 | 132,911,864 | | 99,881,866 | 33,029,998 | - |
| An amount equal to the value of net deferred tax assets | R0160 | - | | | | - |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | R0180 | - | - | - | - | - |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | - | | | | |
| Deductions | | | | | | |
| Deductions for participations in financial and credit institutions | R0230 | - | - | - | - | - |
| Total basic own funds after deduction | R0290 | 368,216,000 | 235,304,135 | 99,881,866 | 33,029,998 | - |
| Ancillary own funds | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | - | | | - | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand | R0310 | - | | | - | |
| Unpaid and uncalled preference shares callable on demand | R0320 | - | | | - | - |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | - | | | - | - |
| Letters of credit and guarantees under Article 96 (2) of the Directive 2009/138/EC | R0340 | - | | | - | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC2) of the Directive 2009/138/EC | R0350 | - | | | - | - |
| Supplementary members calls under first subparagraph to Article 96(3) of the Directive 2009/138/EC2009/138/EC | R0360 | - | | | - | |
| Supplementary members – other than under first subparagraph to Article 96(3) of the Directive 2009/138/ECEC | R0370 | - | | | - | - |
| Other ancillary own funds | R0390 | - | | | - | - |

6 - STATEMENT S.23.01.01 – OWN FUNDS (CONT.)

| | | Total | Level 1 - Not restricted | Level 1 - Restricted | Level 2 | Level 3 |
|---|--------------|--------------------|--------------------------|----------------------|------------|---------|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| Total ancillary own funds | R0400 | 0 | | | 0 | 0 |
| Available and eligible | | | | | | |
| Total available own funds to meet the SCR | R0500 | 368,216,000 | 235,304,135 | 99,881,866 | 33,029,998 | - |
| Total available own funds to meet the MCR | R0510 | 368,216,000 | 235,304,135 | 99,881,866 | 33,029,998 | |
| Total eligible own funds to meet the SCR | R0540 | 368,216,000 | 235,304,135 | 58,826,034 | 74,085,831 | - |
| Total eligible own funds to meet the MCR Required | R0550 | 302,584,113 | 235,304,135 | 58,826,034 | 8,453,945 | |
| SCR | R0580 | 169,078,891 | | | | |
| MCR | R0600 | 42,269,723 | | | | |
| Ratio of eligible own funds to SCR | R0620 | 218% | | | | |
| Ratio of eligible own funds to MCR | R0640 | 716% | | | | |

| | | C0060 | |
|--|--------------|--------------------|--|
| Reconciliation reserve | | | |
| Excess of assets over liabilities | R0700 | 260,304,135 | |
| Own shares (held directly and indirectly) | R0710 | - | |
| Foreseeable dividends, distributions and charges | R0720 | 25,000,000 | |
| Other basic own funds | R0730 | 72,717,759 | |
| Adjustment for restricted own funds items in respect of matching adjustment portfolios and ring fenced funds | R0740 | - | |
| Reconciliation reserve | R0760 | 162,586,376 | |
| Expected profits | | | |
| Expected profits included in future premiums (EPIFP) - Life business | R0770 | - | |
| Expected benefits included in future premiums (EPIFP) - Non-life business | R0780 | - | |
| Total expected profits included in future premiums (EPIFP) | R0790 | - | |

7 - STATEMENT S.25.01.01 – SOLVENCY CAPITAL REQUIREMENT FOR UNDERTAKINGS ON STANDARD FORMULA

| | | Gross Solvency capital required | PPE | Simplifications |
|---|--------------|---------------------------------|-------|-----------------|
| | | C0110 | C0090 | C0180 |
| Market risk | R0010 | 470,420,653 | | |
| Counterparty default risk | R0020 | 8,014,715 | | |
| Life underwriting risk | R0030 | 164,280,908 | | |
| Health underwriting risk | R0040 | - | | |
| Non-life underwriting risk | R0050 | - | | |
| Diversification | R0060 | - 104,588,886 | | |
| Intangible asset risk | R0070 | - | | |
| Basic Solvency Capital Requirement | R0100 | 538,127,390 | | |

| Calculation of Solvency Capital Requirement | | |
|---|--------------|--------------------|
| Operational risk | R0130 | 36,185,027 |
| Loss-absorbing capacity of technical provisions | R0140 | - 373,418,640 |
| Loss-absorbing capacity of deferred taxes | R0150 | - 31,814,886 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41 / EC | R0160 | - |
| Solvency Capital Requirement excluding capital add-on | R0200 | 169,078,891 |
| Capital add-on already set | R0210 | - |
| Solvency capital requirement | R0220 | 169,078,891 |
| Other information on SCR | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | - |
| Total amount of Notional Solvency Capital Requirement for remaining part | R0410 | 201,161,337 |
| Total amount of Notional Solvency Capital Requirement for ring-fenced funds | R0420 | - |
| Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | R0430 | - |
| Diversification effects due to RFF nSCRs aggregation for article 304 | R0440 | - |

8 - STATEMENT S28.01.01 – MINIMUM CAPITAL REQUIREMENT (MCR) – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

Linear formula component for life insurance and reinsurance obligations

| | | C0040 |
|-------------------------|-------|------------|
| MCR _L Result | R0200 | 22,145,390 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|-------|---|--|
| | | C0050 | C0060 |
| Obligations with profit participation - Guaranteed benefits | R0210 | - | |
| Obligations with profit participation – Future discretionary benefits | R0220 | - | |
| Index-link and unit-linked insurance obligations | R0230 | 3,150,998,036 | |
| Other life (re)insurance and health (re)insurance obligations | R0240 | 328,460 | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | 116,437,859 |

Overall MCR calculation

| | | C0070 |
|-----------------------------|-------|-------------|
| Linear MCR | R0300 | 22,145,390 |
| SCR | R0310 | 169,078,891 |
| MCR cap | R0320 | 76,085,501 |
| MCR floor | R0330 | 42,269,723 |
| Combined MCR | R0340 | 42,269,723 |
| Absolute floor of the MCR | R0350 | 3,700,000 |
| | | C0070 |
| Minimum capital requirement | R0400 | 42,269,723 |

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