SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

CNP ASSURANCES GROUP

YEAR ENDED 31 DECEMBER 2016

The new Solvency II prudential regime came into effect on 1 January 2016.

This Solvency and Financial Condition Report (SFCR) has been prepared in accordance with the public disclosure requirements of Articles 51 to 56 and 256 of Directive 2009/138/EC of the European Parliament and of the Council dated 25 November 2009 and the implementing rules contained in the Delegated Regulation dated 17 January 2015.

This report discloses the information referred to in Articles 292 to 298 and 359 to 371 of the Delegated Regulation and follows the structure set out in the Delegated Regulation's Annex 20.

It is a Group SFCR that addresses the operations of the CNP Assurances Group, consolidating the operations of CNP Assurances SA and its main subsidiaries in France and abroad. In the rest of this report, unless otherwise stated, "CNP Assurances", "the Group" and "the CNP Assurances Group" refer to the CNP Assurances Group.

This document covers the reference period from 1 January 2016 to 31 December 2016.

The report includes an executive summary, five sections (business and performance, system of governance, risk profile, valuation for solvency purposes and capital management) and a set of quantitative reports in the appendix.

This 2016 report was submitted to the Board of Directors of CNP Assurances for approval at its meeting on 10 May 2017.

It has also been submitted to France's insurance supervisor (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR).

A glossary of key terms is provided at the end of this document.

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EXECUTIVE SUMMARY

Business and performance

In 2016, the CNP Assurances Group reported a further improvement in the product mix across all host regions, with a very positive €3.2 billion net inflow to unit-linked products and a symmetrical €2.2 billion net outflow from traditional savings and pensions products.

Total Group premium income under IFRS was stable at €31.5 billion.

After the first year of implementation of new distribution agreements with La Banque Postale and the BPCE group, and based on the high-quality business and earnings performances reported for the year, CNP Assurances has reaffirmed its growth outlook, paving the way for faster transformation with the successful launch of YOUSE in Brazil and the business model digitalisation strategy in France and across Europe.

Highlights of 2016 included renewal of the distribution agreement with La Banque Postale (providing notably for the creation of a direct term creditor insurance partnership) and the operational launch of the private pensions partnership with AG2R LA MONDIALE through a joint subsidiary named Arial CNP Assurances.

Last year's macro-economic environment was shaped by very low European interest rates and high volatility levels.

System of governance

The Solvency II directive that came into effect in 2016 imposes significant new governance requirements. In preparation for the transition to Solvency II, we designated the persons who effectively run the Group and the key functions, and issued written policies.

These initiatives were part of the process of continuous improvement of our risk management and internal control systems conducted in cooperation with our partner networks. We consider that these systems are appropriate for our business model.

Risk profile

The risk profile shows that the Group's primary exposure is to market risk, which accounts for 57% of the solvency capital requirement (SCR). However, the Group's broad and diverse range of products, particularly in Brazil where the business is weighted towards personal risk and protection insurance, has a significant diversification effect.

Persistently low European interest rates in 2016 had the effect of increasing the Group's exposure to market risks. The low-interest rate risk was and continues to be subject to specific monitoring and mitigation measures, concerning both products and management of the related assets. Concerning underwriting risk, the introduction in French law of an annual right for policyholders to cancel their term creditor insurance may lead to an increase in surrender risk. Work has been undertaken since the beginning of 2017 to prepare for/adapt to this new term creditor insurance environment.

Valuation of assets and liabilities

Assets and liabilities in the Group economic balance sheet are measured in accordance with valuation and reserving policies approved by the Board of Directors. The main methods and assumptions used for the valuations are presented in section D.

Where appropriate, assets are measured at their value in the IFRS balance sheet certified by the Statutory Auditors.

Certain adjustments were made in 2016 to the projection models used to calculate technical reserves (also known as technical provisions), in particular to take into account the effect of negative interest rates on the most significant savings and pensions portfolios and to reflect more detailed analyses of expense assumptions.

The Group's Solvency II technical reserves amounted to €362 billion (gross of reinsurance) at 31 December 2016.

Solvency capital requirement (SCR)

The Group's Solvency II own funds eligible for SCR calculations, based on the economic balance sheet, amounted to €23.7 billion at 31 December 2016. The total included €15.9 billion in basic own funds, classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €7.8 billion in subordinated liabilities (of which a portion is covered by the vested rights protection or grandfathering clause).

Its solvency capital requirement, calculated using the Solvency II Standard Formula without applying transitional measures and without using the Brazilian solvency regulations, was €13.4 billion at 31 December 2016.

The Group's SCR coverage ratio at that date was therefore 177%.

Minimum capital requirement (MCR)

The Group's Solvency II own funds eligible for MCR calculations, based on the economic balance sheet, amounted to €20.0 billion at 31 December 2016. The total included €15.9 billion in basic own funds, classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €4.1 billion in subordinated liabilities.

The Group's minimum capital requirement was €6.7 billion at 31 December 2016.

Its MCR coverage ratio at that date was therefore 300%.

A. BUSINESS AND PERFORMANCE

A1. Business review

1. General information

Name, headquarters, Trade and Companies Registry number and APE business identifier code

CNP Assurances
4 place Raoul Dautry
75716 Paris Cedex 15, France
Registration no. 341 737 062 RCS Paris – APE code: 6511 Z

Legal form

CNP Assurances is a French *société anonyme* (joint-stock company) created in its current legal form by French Act No. 92-665 of 16 July 1992 adapting insurance and credit legislation to the single European market.

The General Meeting of 10 July 2007 approved a change in CNP Assurances' governance structure, replacing the two-tier structure with a Supervisory Board and an Executive Board by a new governance structure with a Board of Directors only.

Governing law

CNP Assurances' activities are supervised by France's insurance supervisory authority, *Autorité de Contrôle Prudentiel et de Résolution* (ACPR, 61 rue Taitbout, 75009 Paris, France). As a company whose shares are listed on Euronext Paris, CNP Assurances is also supervised by France's securities regulator, *Autorité des Marchés Financiers* (AMF).

2. Statutory Auditors

Statutory Auditors of CNP Assurances	First appointed	Appointment ends
PricewaterhouseCoopers Audit 63 rue de Villiers 92200 Neuilly-sur-Seine, France represented by Bénédicte Vignon*	2010	AGM to be held to approve the 2021 financial statements
*Deputy: Xavier Crépon**	2016	AGM to be held to approve the 2021 financial statements
Mazars 61 rue Henri Regnault – Tour Exaltis 92400 Courbevoie, France represented by Olivier Leclerc*	1998	AGM to be held to approve the 2021 financial statements
*Deputy: Franck Boyer**	2010	AGM to be held to approve the 2021 financial statements

* *Member of the Compagnie régionale des Commissaires aux Comptes de Versailles*

3. Ownership structure

At 31 December 2016
Number of shares: 686,618,477
Number of voting rights: 1,225,139,499[1]

Shareholders	Number of shares	% of capital	% of voting rights [1]
Caisse des Dépôts et Consignations (France)	280,615,940	40.87%	45.81%
Sopassure (La Banque Postale and BPCE holding company, France)	248,926,986	36.25%	40.64%
French State (France)	7,645,754	1.11%	1.25%
TOTAL SHARES HELD IN CONCERT [2]	**537,188,680**	**78.24%**	**87.69%**
Public, Company employees and other	149,429,797	21.76%	12.31%
of which:	of which:	of which:	of which:
CNP Assurances (treasury shares)	121,661	0.02%	-
TOTAL CNP ASSURANCES SHARES	**686,618,477**	**100.00%**	**100.00%**

[1] The net difference between the percentages of share capital and voting rights corresponds to shares stripped of voting rights and shares with double voting rights as of 3 April 2016.

[2] The shares held in concert are covered by a shareholders' agreement. A total of 82,231,488 CNP Assurances shares included in the total shares held in concert in the above table correspond to scrip dividends paid on 24 July 2012 and 28 May 2013. These shares are excluded from the definition of "pact shares" in the shareholders' agreement signed on 12 September 1998 by the shareholders acting in concert

To the best of the Company's knowledge, no other shareholder owns more than 5% of the Company's share capital or voting rights.

4. Subsidiaries, material related undertakings and significant branches

The insurance undertakings included in the CNP Assurances Group at 31 December 2016 for Solvency II reporting purposes are as follows:

Name	Country	% of capital	% voting rights
CNP Assurances	France	100%	
CNP Caution	France	100%	100%
Préviposte	France	100%	100%
ITV	France	100%	100%
MFPrévoyance	France	65%	65%
Assuristance	France	66%	66%
Filassistance International	France	66%	66%
Garantie Assistance	France	66%	66%
Arial CNP Assurances	France	39.95%	39.95%
CNP Holding Brasil	Brazil	100%	100%
Caixa Seguros Holding SA	Brazil	51.75%	51.75%
Caixa Seguradora (formerly Caixa Seguros)	Brazil	51.75%	51.75%
Caixa Vida e Previdência	Brazil	51.75%	51.75%
Caixa Seguros Participações do sul Ltda	Brazil	51.75%	51.75%
Caixa Assessoria e Consultoria	Brazil	51.75%	51.75%
Odonto Empresas Convenios Dentarios Ltda	Brazil	51.75%	51.75%
Holding Caixa Seguros Participações em Saude Ltda	Brazil	51.75%	51.75%
Caixa Consórcios	Brazil	51.75%	51.75%
Caixa Seguros Participações Securitárias Ltda	Brazil	51.75%	51.75%
Caixa Capitalização	Brazil	26.39%	26.39%
FPC Par Corretora de Seguros SA	Brazil	12.94%	12.94%
Previsul	Brazil	51.75%	51.75%
Caixa Saúde SA	Brazil	51.75%	51.75%
CNP Europe Life Ltd	Ireland	100%	100%
Santander Insurance Europe Limited	Ireland	51%	51%
Santander Insurance Life Limited	Ireland	51%	51%
CNP Partners	Spain	100%	100%
CNP UniCredit Vita	Italy	57.50%	57.50%
CNP Cyprus Insurance Holdings	Cyprus	50.1%	50.1%
CNP Cyprialife	Cyprus	50.1%	50.1%
CNP Asfalistiki	Cyprus	50.1%	50.1%

Note: in the rest of this report, "Caixa Seguradora" refers to all the of the Brazilian insurance undertakings, "CNP Santander" refers to the two insurance undertakings CNP Santander Europe and CNP Santander Life, and "CNP CIH" refers to all the insurance undertakings owned by CNP Cyprus Insurance Holdings.

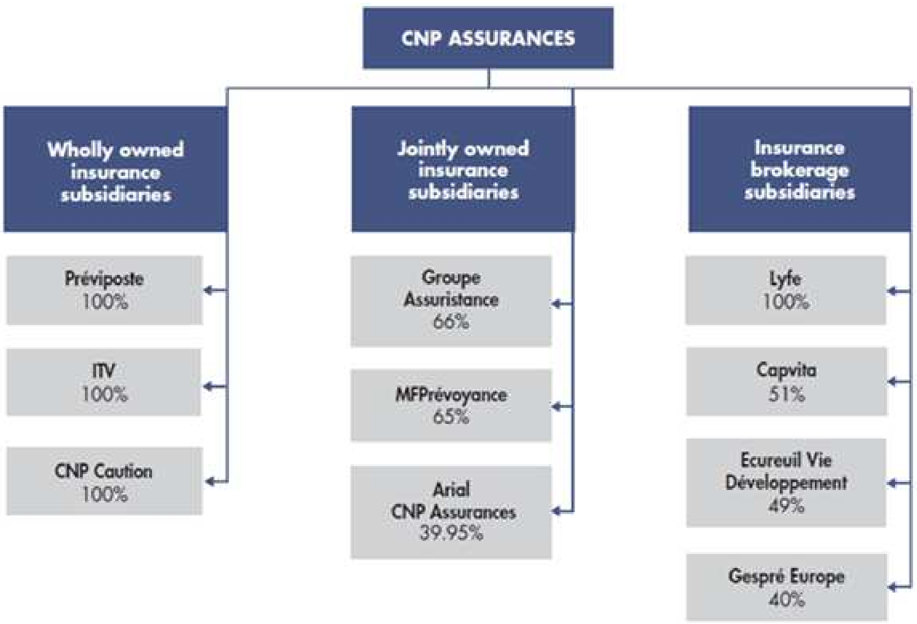
The main differences between the Solvency II scope of consolidation and the IFRS scope of consolidation are as follows:

- ► The insurance undertakings in Greece (CNP Zois) and Argentina (CNP Assurances Compañia de Seguros) are included in the IFRS scope of consolidation but are excluded from the Solvency II scope in accordance with the proportionality principle.
- ► Assuristance, Filassistance International and Garantie Assistance are included in the Solvency II scope of consolidation but are excluded from the IFRS scope because their key indicators do not exceed the materiality thresholds for consolidation under IFRS.
- ► The IFRS scope of consolidation includes certain UCITS and property companies that are excluded from the Solvency II scope.

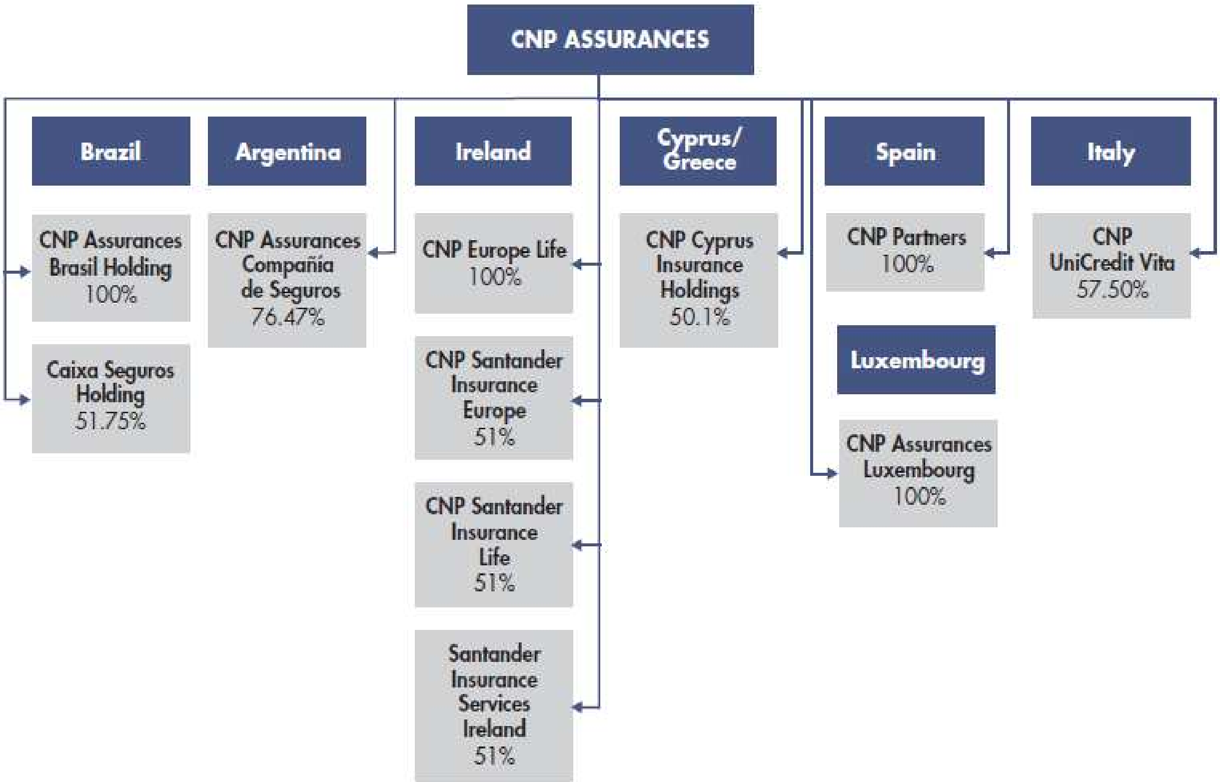
CNP Luxembourg has been excluded from the Solvency II scope of consolidation and also from the IFRS scope in 2016 because it began operations in the course of the year.

5. Simplified Group structure

- ► Simplified organisational structure of CNP Assurances' main French subsidiaries as of 31 December 2016



► Simplified organisational structure of CNP Assurances' main international subsidiaries as of 31 December 2016



6. Significant events of the year

6.1. Economic and financial environment

2016 was a year of uncertainty. Hopes of an improved economic environment that were glimpsed in late 2015 were dashed once again and the first part of 2016 was dominated by fears of a recession, falling oil prices and doubts about the effectiveness of economic policy measures.

In March, concerted action by the central banks fuelled a spring rebound. The European Central Bank (ECB) downgraded its growth and inflation forecasts, and announced a greater-than-expected expansion of its quantitative easing programme through increased bond purchases and lending. The US Federal Reserve also downgraded its growth forecasts for 2016 and decided not to touch interest rates. In China, the government made clear its intention to stabilise economic growth through support measures.

The spring revival quickly came up against escalating political risks in the run-up to the UK referendum. The Brexit camp's victory sent shockwaves through the stock markets and triggered a flight to safe-haven assets (gold and government bonds) in the last week of June. Fortunately, the sharp rebound in the real economy, as illustrated by the 270,000 jobs created in the United States, acted as a counter-weight to this period of political uncertainty as from early July. In addition, the strong improvement in leading indicators and retail sales figures presaged a marked upturn in third-quarter growth, in the United States (where annualised growth was 3.2% versus 1.2% in the first half) as well as in Japan and the UK, despite the vote in favour of Brexit. The trend continued in September and gained momentum in November.

The macro-economic rebound enabled the markets to overcome the political risks and enter a new phase during the summer, shaped by higher inflation (led by commodity prices), steeper yield curves (due to rising long-term interest rates) and renewed growth in corporate earnings projections. The trend accelerated with the surprise victory of Donald Trump whose budgetary and fiscal stimulus programme was viewed as having the potential to drive faster growth in 2017 and 2018.

European interest rates

European interest rates remained extremely low in 2016, held down by the ECB's bond-buying programmes and the strong demand for high-quality liquid assets. The European 10-year swap rate stayed below 0.50% throughout the third quarter. As of 30 September 2016, the German 10-year *bund* rate was negative, at -0.16%, while France's 10-year OAT rate was 0.19% and interest rates on around 64% of French debt were in negative territory. Although still low, European rates increased in the fourth quarter in response to encouraging macro-economic data, the ECB's announcement that it was scaling down bond purchases under the quantitative easing programme and the pull exercised by a similar upturn in US rates.

Equity markets

The stock markets were very strained in the early part of the year (on 11 February 2016, the CAC 40 closed at less than 3900 points, its lowest level since July 2013) and although prices picked up in March, volatility remained high. The Brexit vote in late June triggered another setback, but this time prices were quick to recover and the CAC 40 ended the first half up 5% on its 1 January level. In the United States, stock prices increased over the year after rallying in the wake of Donald Trump's election as President. The rally spread to other regions, allowing the euro zone's core stock indices to post gains over the year (0.7% for the Eurostoxx index and 5% for France's CAC 40 index) despite spending most of the year in negative territory. The recovery was accompanied by a strong shift in investor focus away from defensive stocks and towards cyclical stocks, and by the outperformance of industry stocks that had previously fallen out of favour (energy, metals and financial services). Lastly, investors turned their backs on Europe in the early part of the year to invest in emerging markets. However, part of the gain in these markets was lost following the US elections and they ended the year up 9%, with the surge in the Brazilian and Russian markets offsetting the fall in the Chinese market.

Brazil

In Brazil, 2016 was a year of political upsets, with the impeachment and removal from office of President Dilma Rousseff. Compounding its political woes, over the past two years Brazil has experienced the worst economic crisis in the country's history, with GDP contracting by more than 7.2% over the period including 3.6% in 2016. In this environment, despite rising food prices and various weather and other events beyond the government's control, the inflation rate declined in 2016 to 6.29% from 10.67% the previous year. Interest rates also started to ease, with the benchmark Selic rate reduced from 14.25% to 13.75% in the fourth quarter.

Lastly, the EUR/BRL exchange rate fell in 2016, driving a roughly 25% appreciation in the Brazilian currency over the year.

6.2. Significant events for CNP Assurances

CNP Assurances' A rating affirmed with a stable outlook

Following its annual rating review in December 2016, Standard & Poor's affirmed CNP Assurances' A rating with a stable outlook.

In its report, Standard & Poor's highlighted the Group's strong competitive position as leader of France's life insurance market, its significant financial headroom evidenced by the capital support of its core shareholders and its proven ability to raise funds on the bond markets. The A rating with a stable outlook extends to CNP Caution, which is wholly owned by CNP Assurances and is considered as a core subsidiary by Standard & Poor's.

Change in partnership with Crédit Agricole

On 9 March 2016, the Crédit Agricole Group announced its "Strategic ambitions for 2020" plan, which includes in-sourcing the Regional Banks' term creditor insurance business.

The contribution from the partnership with Crédit Agricole to CNP Assurances' recurring EBIT has averaged €30 million over the last three years, i.e., around 2% of EBIT France.

Distribution agreement with La Banque Postale

In December 2015, CNP Assurances and La Banque Postale announced the signature of a preliminary memorandum of understanding for the renewal of their partnership as of 2016 for a further period of 10 years. The framework partnership agreement was signed on 25 March 2016.

The agreement covers the following aspects:

- Life and endowment insurance: the renewed partnership for a period of 10 years starting on 1 January 2016 has been expanded to include BPE (La Banque Postale's wealth management arm).
- Personal risk/protection insurance:
  - Implementation with La Banque Postale of a 10-year direct partnership in term creditor insurance for mortgage loans, with CNP Assurances substituted for La Banque Postale Prévoyance for this segment.
  - Sale to La Banque Postale on 28 June 2016, after the conditions precedent were met, of CNP Assurances' stake in La Banque Postale Prévoyance, which will continue to write individual personal risk business.

The renewed partnership between CNP Assurances and La Banque Postale is fully in keeping with their respective strategies.

Developments concerning the partnership with AG2R LA MONDIALE

Following the signature of a framework contract on 15 December 2015, CNP Assurances and AG2R LA MONDIALE announced on 4 April 2016 the start of operations of their strategic partnership joint venture, Arial CNP Assurances, in the field of private pensions.

The operation has been approved by France's insurance supervisor (ACPR) and competition authority (*Autorité de la concurrence* – ADLC).

The partnership has taken the form of a 39.95% investment by CNP Assurances in Arial Assurance, a subsidiary of LA MONDIALE.

Renamed Arial CNP Assurances, the company combines the teams, resources and business portfolios of the two partners, who have also signed management agreements covering support services.

The governance of Arial CNP Assurances reflects the balance between the two groups within the joint venture, with the composition of the Board of Directors representing the respective stake of each partner. Frédéric Lavenir, Chief Executive Officer of CNP Assurances, serves as Chairman and André Renaudin, Chief Executive Officer of AG2R LA MONDIALE, as Vice Chairman. Operational governance is shared between the two groups.

Signature of an agreement to acquire 51% of Pan Seguros and Pan Corretora

On 21 April 2016, CNP Assurances announced that it had entered into an agreement to acquire a 51% stake in Pan Seguros (excluding its large risks P&C portfolio) and Pan Corretora from Banco BTG Pactual (“BTGP”). Caixa Econômica Federal (“CEF”) indirectly holds 49% in both companies.

On 2 February 2017, the two parties noted that the agreement was no longer valid because some of the conditions precedent had not been met.

Acquisition of Barclays Vida & Pensiones business in Italy

In June 2016, CNP Partners, the Spanish subsidiary of CNP Assurances which also has operations in Italy through its CNP Partners Italia branch, announced that it had completed the acquisition of the insurance book of BVP Italia, the Italian branch of Barclays Vida & Pensiones.

The transaction concerned BVP Italia's entire business, which mainly comprises the savings business (including unit-linked contracts for 40%) and a term creditor insurance book managed on a run-off basis, representing total assets of some €700 million.

It is in line with CNP Partners' strategic goal of stepping up the pace of growth in Italy, in both the protection segment (term creditor insurance, personal risk insurance) and the premium savings market. Representing an investment of less than €10 million, the transaction will make a positive contribution to CNP Partners' bottom line from day one.

Arbitration ruling in settlement of the dispute with the Bank of Cyprus

Following the financial crisis in Cyprus in March 2013 and the subsequent restructuring of the banking sector, including the winding up of Laiki Bank, a dispute arose when the Bank of Cyprus refused to recognise the agreements in place with CNP Assurances and to distribute CNP CIH products via its network. The dispute was put to arbitration and was heard by the International Court of Arbitration (ICA) in London in June 2016.

The ruling handed down by the ICA in September 2016 dismissed CNP Assurances' claim.

CNP Assurances subordinated debt issues

On 15 January 2016, CNP Assurances placed a $500 million subordinated note with a major institutional investor. The note was issued in response to a specific request from the investor. The proceeds will support business growth and strengthen the Group's balance sheet.

The fixed-for-life issue will pay a 6% coupon in dollars which, after being swapped for euros, is in line with the interest rate of the last note issued by CNP Assurances in December 2015. The final maturity is 33 years, with a first call date after 13 years.

The issue has been structured to qualify as own funds and will be eligible as Tier 2 capital under Solvency II.

On 12 October 2016, CNP Assurances successfully completed the first issue of Tier 3 euro-denominated subordinated notes by a European insurer, raising €1 billion.

The 6-year, 1.875% subordinated notes due October 2022 are rated BBB+ by Standard & Poor's and rank *pari passu* with the Tier 2 subordinated notes issued previously. The interest rate is the lowest fixed rate paid since the Group’s inaugural subordinated notes issue in 1999. It is also the lowest rate ever paid by a European insurer for a subordinated notes issue denominated in euros.

The issue is designed to increase the capital available to support asset growth in Europe and Latin America, by taking advantage of the Solvency II directive which came into effect on 1 January 2016 and recognised Tier 3 notes as the least expensive form of regulatory capital. It has reduced the Group's average cost of debt by around 40 bps to 4.5%.

Signature by EDF, Caisse des Dépôts and CNP Assurances of a binding agreement for the acquisition by Caisse des Dépôts and CNP Assurances of a combined 49.9% stake in Réseau de Transport d'Electricité (RTE)

On 14 December 2016, EDF entered into a binding agreement with Caisse des Dépôts and CNP Assurances setting the terms and conditions of the acquisition by Caisse des Dépôts and CNP Assurances of a 49.9% indirect stake in RTE (with 29.9% to be held by Caisse des Dépôts and 20% by CNP Assurances), as well as the terms and conditions of a long-term partnership to foster the development of RTE.

The final agreed value for 100% of RTE's equity was set at €8.2 billion. EDF may also be entitled to an earn-out payment of up to €100 million.

Under the proposed deal structure, Caisse des Dépôts and CNP Assurances will become core shareholders of RTE alongside EDF, through the creation of a joint venture that will be 50.1%-owned by EDF and 49.9%-owned by Caisse des Dépôts and CNP Assurances.

EDF will initially transfer all the shares making up RTE's issued capital to the new joint venture before the end of the year. The joint venture will partly finance this operation with external debt. EDF will then sell 49.9% of the joint venture's capital to Caisse des Dépôts and CNP Assurances. This second stage is expected to be completed in the first half of 2017, once approval has been obtained from the competition authorities.

Memorandum of understanding with Klésia concerning a proposed distribution agreement

On 7 July 2016, CNP Assurances and Klésia, a multi-occupational social insurance provider, announced that they had signed a memorandum of understanding concerning a future agreement for the distribution of insurance products and services based on a shared understanding of the two groups' strategic concerns. Through this agreement, CNP Assurances' Amétis network will offer a comprehensive range of pension, personal risk and health insurance products and related services to self-employed individuals and to Klésia's client base of micro-enterprises.

7. Group business review

We are stepping up our strategic diversification, in terms of partnerships, product mix and geographic reach in Europe and Latin America.

Determinedly refocusing on the unit-linked segment of the savings market and the personal risk/protection insurance market, during 2016 we renewed the distribution agreements with our two leading partners, BPCE and La Banque Postale. We also signed agreements with two new partners in France, AG2R LA MONDIALE and Klésia, and moved up a gear in open model distribution of term creditor insurance through our partnership with Santander Consumer Finance, the leading consumer finance company in ten European countries.

Total Group premium income under IFRS breaks down as follows by business segment:

(in € millions)	**2016**	2015	% change (reported)	% change (like-for-like)
Savings	21,629	21,493	+0.6%	
Pensions	3,300	3,359	-1.8%	
Personal Risk	1,763	2,056	-14.3%	
Term Creditor Insurance	4,001	3,807	+5.1%	
Health Insurance	498	532	-6.4%	
Property & Casualty	345	338	+2.1%	
TOTAL	**31,536**	**31,585**	**-0.2%**	**+1.4%**

Average exchange rates for 2015: Argentina: €1 = ARS 10.25 – Brazil: €1 = BRL 3.70
Average exchange rates for 2016: Argentina: €1 = ARS 16.35 – Brazil: €1 = BRL 3.86

Premium income breaks down as follows by country:

(in € millions)	**2016**	2015
France	24,251	24,777
Brazil	3,549	3,161
Italy	2,771	2,756
Germany	431	357
Spain	242	218
Cyprus	139	137
Poland	57	47
Argentina	48	65
Other	49	67
TOTAL	**31,536**	**31,585**

Note: 2015 premium income under IFRS presented above includes the contribution of La Banque Postale Prévoyance which was sold in 2016.

7.1. France

7.1.1 Main markets

In France, CNP Assurances operates in the following markets:

- Savings and Pensions.
- Personal Risk and Protection insurance, including term creditor insurance, long-term care insurance and health insurance.

7.1.2 Products and distribution models

In the French individual insurance market, CNP Assurances focuses on the bancassurance model, marketing insurance products through the banking networks of our two long-standing partners, La Banque Postale and the savings bank network (BPCE group). As well as being distribution partners, La Banque Postale and the BPCE group are also shareholders, with a joint 36.3% stake in CNP Assurances. The two networks, which have a deep presence in France, accounted for 60.3% of our 2016 premium income (based on IFRS). The original distribution agreements with CNP Assurances were signed in 2006. They were renewed and reconfigured in 2015 and 2016 in line with the strategies of the Group and each partner:

- The agreement with the BPCE group was renewed for an initial period of seven years starting in 2016. It provides for an exclusive term creditor insurance partnership covering all BPCE networks (Caisses d'Epargne, Banques Populaires and Crédit Foncier), specific partnerships in employee benefit plans and mechanisms to align the two parties' interests concerning the management of savings and pensions policies in force at the end of 2015.
- In March 2016, the distribution partnership with La Banque Postale was renewed for a further 10-year period (see above in "Significant events for CNP Assurances" for more details).

During the year, we continued to focus our development strategy on the private banking segment, leveraging the new wealth management products introduced in 2015 and 2016 for the customers of our various distribution partners including private banks, high street banks, family offices, asset management firms, brokers and independent financial advisors.

Since 2004, products have also been distributed via our own in-house network, Amétis (formerly CNP Trésor), comprising 250 insurance advisors, 70 of whom are certified financial and social insurance advisors. An expert in personal protection solutions that initially served only the individual insurance market, Amétis has evolved into a social protection expert serving the SME, micro-enterprise, self-employed and personal markets.

Leveraging our comprehensive range of supplementary pension and employee benefits products, we craft tailor-made solutions for the many companies, local authorities, non-profit organisations, mutual insurance companies and employee benefits institutions we count among our partners. CNP Assurances is currently leader in the long-term care sector where it offers compulsory and optional products that protect policyholders against the financial impact of a loss of independence.

Lastly, CNP Assurances is one of the leading providers of term creditor insurance in France, partnering numerous banks, social economy lenders and mutual insurers.

7.2. Europe excluding France

CNP Assurances was Europe's 4th biggest personal insurer at end-2016 (excluding health insurance), with more than 700 employees serving this market (excluding France). The Group's development in Europe, covering 14 countries, has been based on our historical model, which consists of setting up long-term partnerships with established distribution networks, preferably banking groups, and giving partners a stake in results through ownership of shares in the partnership vehicle. Savings, term creditor insurance and personal risk policies are distributed through the Group's subsidiaries and branches. We are also diversifying our distribution methods by developing an open model based on multi-channel distribution and a direct sales capability to offer white-label insurance products to targeted partners.

7.2.1 Partnership with UniCredit in Italy

The CNP UniCredit Vita joint venture set up with Italy's UniCredit group markets a comprehensive range of personal insurance products.

CNP UniCredit Vita derives most of its premium income from savings products, particularly unit-linked contracts. The local personal risk insurance market is still relatively small, but Italians are waking up to the need to purchase insurance against the risks of everyday life as benefits under government-sponsored welfare programmes are scaled back. Anticipating this need, we have developed a range of personal risk products distributed through UniCredit in this market.

7.2.2 Partnership with Santander Consumer Finance in ten European countries

In 2014, we set up a long-term partnership spanning ten European countries with Santander Consumer Finance, a leading provider of consumer finance. This partnership has increased the pace of growth in open model term creditor insurance distribution (currently through more than 120,000 points of sale). It has also expanded our European footprint. In 2016, the new joint subsidiary, CNP Santander Insurance, generated premium income of €605 million, a performance in line with its business plan objectives. Germany accounted for over half of the total, while Spain, Poland and the Nordic countries accounted for most of the rest.

7.2.3 Open model distribution

Our term creditor insurance, personal risk and savings products are offered to a variety of distribution partners, including full service, specialised and Internet banks, private banks, independent financial advisors and consumer finance companies. We share with these partners our technical expertise and our mass processing and innovation capabilities.

In this way, we aim to step up the pace of growth in Southern Europe (Italy, Spain and Portugal) through our subsidiary CNP Partners based on an open model that is determinedly multi-partner and multi-channel. CNP Partners is supported by a servicing subsidiary (CNP Partners Solutions), a call centre capable of responding to calls in six languages, four associated insurance branches and over 200 employees.

- The two product development priorities concern traditional savings products with a unit-linked formula designed for the wealth management market and personal risk/protection insurance.
- The preferred distribution channels are private banks and independent financial advisors for high-end savings products, particularly in Italy, and bancassurers and brokers for personal risk/protection insurance.

We are present in Cyprus and Greece through CNP Cyprus Insurance Holdings, a subsidiary owned jointly with the country's biggest bank, the Bank of Cyprus. CNP Cyprus Insurance Holdings offers life insurance to residents of Cyprus, as well as property and casualty insurance written by CNP Asfalistiki, the local market leader in this segment. These products are mainly distributed through a network of independent brokers.

We are also setting our sights on expanding in buoyant new markets in Northern and Continental Europe. In 2015, we opened a representation office in Munich to develop a term creditor insurance offer for home buyers. The first products were sold in 2016 and we plan to develop the business in 2017.

7.3. Latin America

Products distributed in Latin America through our local partners consist mainly of pension solutions and personal risk, health and term creditor insurance.

7.3.1 Brazil

We have operated in Brazil since 2001 through Caixa Seguradora, a subsidiary owned jointly with our local distribution partner Caixa Econômica Federal, which is Brazil's third-biggest bank and the second-biggest state-owned bank. Caixa Econômica Federal plays a major social and economic role in Brazil. The bank is present throughout the country, with some 60,000 points of sale that sell the most affordable products.

Caixa Seguradora offers life insurance, pension, savings and health insurance products for companies and individuals, as well as insurance for *consórcio* contracts that pool the savings of future home buyers. Most of its individual insurance offerings target members of the Brazilian middle class which has been expanding rapidly over the last ten years.

With over 13 million personal risk/protection policyholders and 3 million holders of savings/pensions contracts, it is Brazil's 5th biggest insurer.

In 2015, Caixa Seguradora prepared to seize a unique opportunity to become Brazil's first fully online distributor of insurance products. The new sales platform copies the best practices of the world's leading Internet companies, with an agile and constantly changing corporate culture. It does business under the YOUSE brand launched at the end of 2015. YOUSE started writing insurance in May 2016 and is determined to transform the Brazilian market by offering an innovative customer experience.

7.3.2 Argentina

The Group's Argentine subsidiary, CNP Assurances Compañia de Seguros, is consolidating its position as one of the country's leading personal risk companies with over three million insureds. A specialist in personal risk and term creditor insurance, it is owned jointly by CNP Assurances and Credicoop Bank, the Group's longstanding commercial partner.

CNP Assurances Compañia de Seguros has developed commercial ties with numerous players on the market and its products are currently sold in over 400 bank branches throughout Argentina, as well as through a network of brokers, cooperatives, mutual insurance companies and non-profits. The company has also ventured into direct selling, with a team of insurance advisors on hand to advise prospective customers by phone.

7.4. Intra-group transactions

Intra-group transactions fall into several different categories:

► Transactions involving equity instruments and asset and liability transfers:

- In 2016, CNP Assurances received €300.4 million in dividends from companies included in the IFRS scope of consolidation, comprising €117.2 million from its French subsidiaries, €162.2 million from its Brazilian subsidiaries, €14.4 million from CNP UniCredit Vita and €6.6 million from CNP Cyprus Insurance Holdings.
- Also during the year, CNP Santander Life underwrote a €44 million subordinated debt issue by CNP Santander Europe.

- Intra-group reinsurance transactions: CNP Assurances provides reinsurance cover for its subsidiaries under proportional and non-proportional treaties. The main treaties in force during the period were as follows:

Ceding insurer	Reinsurer	Type	Business line
Arial CNP Assurances	CNP Assurances	Proportional	With-profits life insurance; Index-linked and unit-linked insurance
CNP UniCredit Vita	CNP Assurances	Proportional	Other life insurance
CNP UniCredit Vita	CNP Assurances	Non-proportional	Other life insurance
CNP Partners	CNP Assurances	Non-proportional	Annuity contracts other than life and health insurance

- Internal cost-sharing transactions, payments due and receivable in respect of group relief, current account advances, related party transactions, etc., including material amounts for services provided and billed by CNP Assurances to Préviposte which does not have its own administrative resources.
- Transactions related to off-balance sheet commitments, including a commitment by CNP Assurances to honour the obligations of CNP Caution in the event of the latter's insolvency.

A2. Underwriting performance

Business performance is tracked using various indicators, including the following:

- ► Premium income, which is an indicator of underwriting volume.
- ► Net insurance revenue (NIR), which measures the margin generated by insurance contracts before deducting administrative costs.
- ► Value of new business (NBV), which measures estimated future profits from insurance policies written during the period.

1. Premium income

Premium income *(In € millions)*		**2016**	2015	% change (reported)	% change (like-for-like)
France	Savings/Pensions	**20,025**	20,205	-0.9%	-0.9%
	Personal Risk/Protection insurance	**4,227**	4,572	-7.6%	-3.4%
	Total	**24,251**	**24,777**	**-2.1%**	**-1.3%**
Latin America	Savings/Pensions	**2,063**	1,799	14.7%	19.6%
	Personal Risk/Protection insurance	**1,534**	1,427	7.4%	13.5%
	Total	**3,596**	**3,226**	**11.5%**	**16.9%**
Europe excl. France	Savings/Pensions	**2,842**	2,849	-0.2%	3.2%
	Personal Risk/Protection insurance	**847**	733	15.5%	16.2%
	Total	**3,689**	**3,582**	**3.0%**	**5.9%**
Group	**Total**	**31,536**	**31,585**	**-0.2%**	**1.4%**

Consolidated premium income for the year under IFRS came to €31.5 billion in 2016, down 0.2% on 2015 as reported but up 1.4% like-for-like. The total breaks down as follows by region:

- ► In France, premium income amounted to €24.2 billion, a decline of 2.1% as reported and 1.3% like-for-like versus 2015. Personal risk/protection premiums were affected by measures to improve underwriting margins.
- ► In Latin America, growth momentum was maintained across all business segments, with premium income rising by 11.5% as reported and 16.9% like-for-like. In a growing Brazilian insurance market, Caixa Seguradora increased its market share to 5.9%.
- ► In Europe excluding France, premium income rose by 3% as reported to €3.7 billion. Like-for-like growth was 5.9%, reflecting a sharp rise in personal risk/protection premiums as the CNP Santander partnership picked up steam.

2. Net insurance revenue

Net insurance revenue *(In € millions)*		2016	2015	% change (reported)	% change (like-for-like)
France	Savings/Pensions	**1,203**	958		
	Personal Risk/Protection insurance	**396**	428		
	Total	**1,599**	**1,386**	**15.4%**	**18.8%**
Latin America	Savings/Pensions	**167**	163		
	Personal Risk/Protection insurance	**771**	758		
	Total	**938**	**921**	**1.8%**	**7.1%**
Europe excl. France	Savings/Pensions	**102**	109		
	Personal Risk/Protection insurance	**143**	98		
	Total	**245**	**207**	**18.2%**	**25.1%**
Group	**Total**	**2,782**	**2,514**	**10.7%**	**14.9%**

Net insurance revenue rose by 10.7% as reported (14.9% like-for-like), to €2,782 million in 2016.

In France, net insurance revenue was €213 million higher, reflecting the net impact of:

- €245 million growth in net insurance revenue from savings and pensions business, attributable to increases in mathematical reserves and the shift in new money flows towards higher margin products, and
- €32 million net reduction in net insurance revenue from personal risk/protection business, of which €42 million was due to the divestment of La Banque Postale Prévoyance.

In Latin America, net insurance revenue grew by €17 million, reflecting continued strong business momentum in the region, particularly in the personal risk/protection segment.

In Europe excluding France, net insurance revenue increased by €38 million, helped by rapid expansion of personal risk/protection business written by CNP Santander.

3. Value of new business

(In € millions)		**2016**	2015	Change
France	New Business Value	**232**	271	-39
	Annual premium equivalent (APE)	**2,328**	2,369	-41
	APE margin	**10.0%**	11.4%	-1.5%
Latin America	New Business Value	**146**	138	8
	Annual premium equivalent (APE)	**501**	529	-28
	APE margin	**29.1%**	26.1%	3.1%
Europe excl. France	New Business Value	**58**	54	3
	Annual premium equivalent (APE)	**300**	297	4
	APE margin	**19.3%**	18.3%	0.9%
Group	Value of new business (NBV)	**436**	463	-28
	Annual premium equivalent (APE)	**3,129**	3,195	-66
	APE margin	**13.9%**	14.5%	-0.6%

The value of new business written in 2016 totalled €436 million, a decline of 6% compared with 2015 that was mainly due to the very low interest rate environment. Initiatives were launched during the year to align the product offer with this new environment, by limiting the guarantees offered to policyholders and the options available with new traditional savings contracts, and also by limiting the commissions paid to distributors of the least profitable contracts. The benefits of these initiatives started to filter through in 2016 but their full effect will not be seen until 2017 and beyond.

A3. Investment performance

1. Description of the asset portfolio

The aggregate market value of the Group's investment portfolios topped €350 billion at 31 December 2016. This represented an increase of more than 4% over the year.

At CNP Assurances in France, the proportion of total insurance assets represented by diversified investments increased compared with 2015, primarily as a result of additions to the property portfolio. Investments in equities and hedged equity funds were stable, while residual investments in hedge funds managed on a run-off basis in the past several years were negligible. The allocation to the private equity and infrastructure portfolios also increased over the year.

The modest increase in the proportion of total insurance assets represented by fixed income funds was the net result of two opposing strategies: on the one hand a strategy of selling corporate bond funds (including financial services issuers) in order to cash in on their very high market values, and on the other, an ongoing strategy of investing in real estate, infrastructure and other loan funds. Junk bond and emerging market debt exposures remained stable, at less than 1% of the total portfolio.

Yields on new investments became increasingly narrow as interest rates declined, falling to barely more than 1% on average (1.05% in 2016 versus 1.25% in 2015). In line with the investment strategy, bond purchases were spread fairly evenly between corporate and sovereign issuers, unlike in 2015 when the focus was firmly on corporate bonds.

At CNP UniCredit Vita in Italy, the fixed income investment strategy focused on euro zone corporate bonds, in preference to government bonds.

Caixa Seguradora in Brazil adjusted its fixed income investment strategy in response to predictions that inflation and interest rates would fall, by maintaining a slightly higher duration than that corresponding to a neutral position. The prediction concerning interest rates proved to be correct. The Brazilian central bank cut the benchmark SELIC rate four times, lowering it from 14.25% at the end of 2015 to 12.25% in February 2017.

At CNP Partners in Spain, the portfolio at 31 December 2016 comprised fixed income investments for 87% of the total and diversified investments for 13%.

At CNP Santander in Ireland, the portfolio at 31 December 2016 comprised fixed income investments for 87% of the total and diversified investments for 13%, compared with 92% and 8% respectively at the end of 2015.

The Group is managing its asset-backed securities positions on a run-off basis. In line with this strategy, the asset-backed securities portfolio represented at Group level just 0.2% of total insurance investments at 31 December 2016, reflecting a 0.1-point decrease compared with the end-2015 allocation.

2. Investment income and expenses by subsidiary

Investment income and expenses in 2016 were as follows:

(In € millions)	**Total**	Dividends	Rent	Interest	Realised gains and losses
CNP Assurances	**7,853**	1,452	42	5,956	403
Caixa Seguradora	**107**	0	1	107	(1)
Préviposte	**210**	29	0	165	16
CNP UniCredit Vita	**176**	44	0	178	(46)
CNP Partners	**37**	1	0	35	0
CNP Santander	**17**	0	0	17	0
Other subsidiaries	**262**	26	1	33	25
Group total	**8,608**	**1,552**	**44**	**6,491**	**397**

Note: income from fixed-income funds is qualified as dividend income, and realised gains and losses include impairment movements.

3. Gains and losses recognised directly in equity

Gains and losses recognised directly in equity in the IFRS financial statements correspond to fair value adjustments to available-for-sale financial assets ("AFS"). Fair value adjustments to owner-occupied property, investments in non-consolidated subsidiaries and affiliates and held-to-maturity investments ("HTM") have no direct impact on equity.

IFRS revaluation reserve (available-for-sale financial assets) *(In € millions)*	**At 31 Dec. 2016**	At 31 Dec. 2015	Change	*Fair value adjustments recorded in equity*	*Fair value adjustments recorded in profit or loss*
Debt instruments	**23,335**	22,693	642	*836*	*(157)*
Equity instruments	**12,285**	11,075	1,210	*1,470*	*(268)*
Total	**35,621**	**33,769**	**1,852**	***2,306***	***(424)***

Fair value adjustments to available-for-sale financial assets in 2016 led to a €2.3 billion increase in the revaluation reserve, while profit-taking transactions had the effect of reducing the reserve by €0.4 billion. These amounts are stated before deferred taxes and deferred participation.

The other developments underlying the €1.9 billion increase in the revaluation reserve are as follows:

- Acquisition of Arial CNP Assurances
- Transfer of a new asset portfolio at CNP Partners in Spain
- First-time consolidation of CNP Caution
- Removal from the scope of consolidation of La Banque Postale Prévoyance

The above fair value adjustments are consistent with the observed increase in the CAC 40 index (equity instruments) and the observed decline in interest rates (debt instruments).

A4. Performance of other activities

Not material.

B. SYSTEM OF GOVERNANCE

This section presents the Group's system of governance.

It begins with a general description of the system of governance and the fit and proper policy applicable to the persons responsible for the system.

This is followed by a description of each of the key functions defined in Solvency II, with particular emphasis on internal risk and solvency assessments, which are a critical aspect of the risk management function, and internal assessments of the internal control system and the outsourcing management process.

CNP Assurances' priority is to constantly improve the quality of service provided to policyholders as well as the overall quality of internal control and risk management in liaison with its partner networks. Wherever possible, risk assessment and management processes are adapted in response to changes in the Group's business environment and new identified risks.

As with any risk management and internal control system, the Group's system cannot provide absolute assurance that possible weaknesses will be eliminated. Nevertheless, CNP Assurances considers that its system is appropriate for its business model and provides reasonable assurance that the Group's objectives are met in a satisfactory manner.

B1. General information on the system of governance

1. Organisation of powers

Under the one-tier board system adopted by CNP Assurances powers are divided between the Board of Directors, which has a stewardship role and sets strategic priorities, and Executive Management, the executive body responsible for running the Group.

1.1. Board of Directors

1.1.1 Main roles and responsibilities of the Board of Directors

The Board of Directors determines the Group's business strategy and oversees its implementation. It examines all issues concerning the efficient running of the business and decides all matters that concern the Group.

The Board also carries out the verifications and controls it deems necessary. The directors each receive all the information needed to fulfil their role and may request any and all documents that they consider useful.

1.1.2 Committees of the Board of Directors

In order to perform its management and supervisory duties more effectively, the Board of Directors receives advice from its three committees: the Audit and Risk Committee, the Remuneration and Nominations Committee and the Strategy Committee. All of the members of the Committees are directors and are appointed by the Board, which also appoints the Chairman of each Committee.

1.2. Chairman of the Board of Directors

CNP Assurances has chosen to separate the position of Chairman of the Board of Directors from that of Chief Executive Officer to ensure a clear distinction between the Board's strategic planning, decision-making and oversight roles and Executive Management's role as the body responsible for running the business.

The Chairman organises and leads the work of the Board of Directors, calling meetings at least four times per year, or more frequently if warranted by circumstances. He ensures that the administrative, management and supervisory bodies function efficiently in accordance with best governance practices, paying close attention to the transparency of decision-making processes with a particular focus on the clarity, accuracy and completeness of information provided on matters to be decided by the Board.

The Chairman is regularly briefed by the Chief Executive Officer concerning any significant developments affecting the Group or its subsidiaries and may request any information required by the Board or its committees.

1.3. Chief Executive Officer

The Chief Executive Officer has the broadest powers to act in the Group's name in all circumstances subject to the restrictions on his powers and the financial authorisations decided by the Board of Directors. These restrictions concern in particular acquisitions (aside from portfolio management transactions) exceeding certain financial limits or that are not fully aligned with the strategy decided by the Board.

The Chief Executive Officer is assisted by the two* Deputy Chief Executive Officers and the members of the Executive Committee. The two persons who effectively run CNP Assurances are the Chief Executive Officer and one of the Deputy Chief Executive Officers.

1.4. Executive Committee

The Executive Committee set up by the Chief Executive Officer comprises the Chief Executive Officer, the two Deputy Chief Executive Officers and ten other senior executives.

As well as acting in a strategic planning role, the Committee coordinates and deploys Group-level initiatives and monitors cross-functional projects. It leads the Group's operations and implements the strategy decided by the Board of Directors.

It monitors the Group's results and financial ratios and reviews the action plans to be implemented by the Group, focusing more particularly on the effectiveness of internal control, internal audit and risk management systems, which are considered to be key drivers of good corporate governance.

2. Key functions

The holders of the four key functions (risk management, compliance, actuarial and internal audit) report to the Chief Executive Officer.

The Deputy Chief Executive Officers and the staff or line managers of the key functions are regularly invited to attend Board meetings to enable the Board to assess the risks, responsibilities and challenges associated with these functions.

The risk management function is run by the Group Risk department, which is responsible for coordinating the risk management system. The Group Risk department applies the risk tolerance limit defined in the Group's risk management strategy through risk policies and economic capital estimates. These policies are submitted by Executive Management for approval by the Audit and Risk Committee and the Board of Directors. The department is responsible for ensuring that all risks are covered by the system and that the related surveillance measures are effective. It rolls down the risk-acceptance framework to the different businesses through such measures as underwriting policies, delegations of authority and investment guidelines. It delivers a preliminary opinion on decisions with a significant impact on the Group's risk profile based on the four-eyes principle. It is also tasked with independently validating the Group's business model. Lastly, by participating in the core phases of the business and staff training processes, it contributes to instilling a risk management culture throughout the Group. This gives it a critical role in safeguarding the Group's value, assets and reputation.

* *A third Deputy Chief Executive Officer was appointed in early 2017*

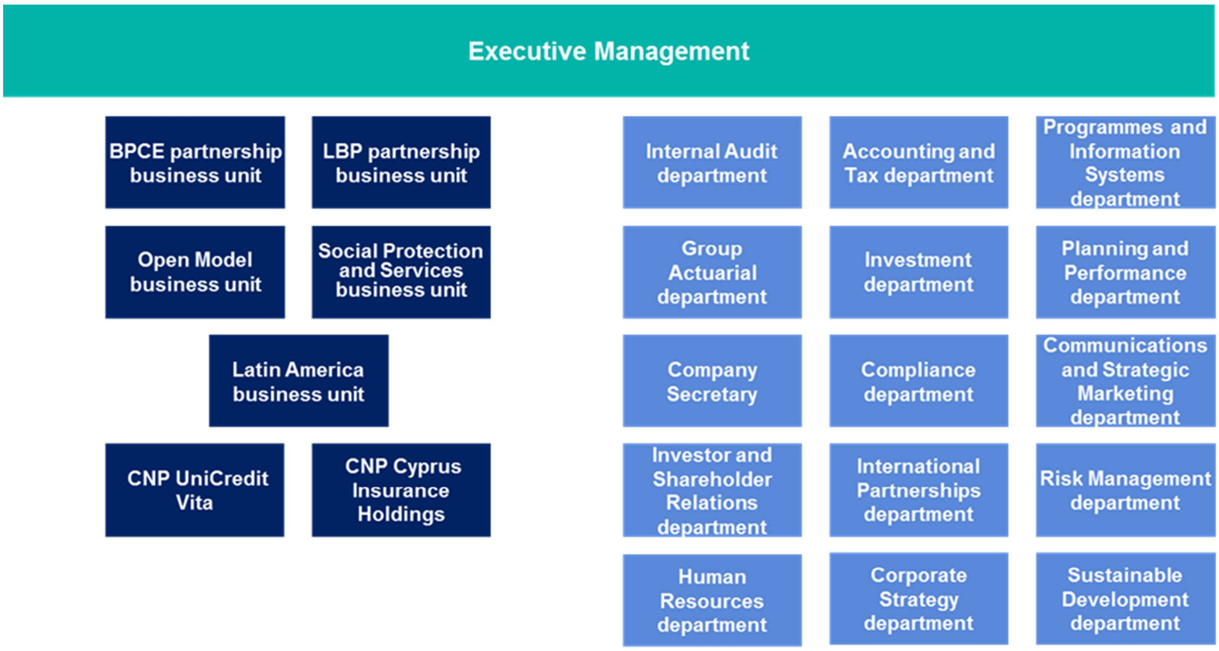
The compliance function is run by the Compliance department, which closely monitors product compliance risks and the legitimacy of financial flows, in line with the money laundering and terrorist financing provisions of the compliance policy approved by the Board of Directors.

The actuarial function is run by the Group Actuarial department. Its activities include calculating the Group's insurance indicators (embedded value and new business value, technical reserves under French GAAP, IFRS and Solvency II) and forecasting underwriting results. It also establishes standards for the determination of technical reserves and MCEV©, leads actuarial research and development activities and prepares the executive summaries and analysis reports required from the Group Actuarial department.

The internal audit function is run by the Internal Audit department, which assesses the relevance and robustness of the Group's overall system of controls. It also assesses the design and effectiveness of the risk management and internal control processes deployed in the audited activities or critical business processes, and recommends quality and compliance improvements.

3. Group organisation

CNP Assurances is organised around business units and corporate functions, as shown below:



Note: the subsidiaries not shown in the above chart are included in the business units.

4. Delegations of authority

The starting point for the internal system of delegations of authority is the delegation by the Chief Executive Officer of certain powers and responsibilities to the directors reporting to him, who include the Deputy Chief Executive Officers, the members of the Executive Committee and the heads of the Internal Audit and Compliance functions. These executives may then delegate some of their own powers and responsibilities.

The formal delegations of authority describe the powers concerned, detailing the action that may be taken and the commitments that may be given to third parties on behalf of CNP Assurances. They respond to:

- ► Organisational imperatives, by reflecting the Group's organisation structure.
- ► Operational needs, by describing the powers and responsibilities concerned.
- ► Security requirements, by setting out in an appendix the limits applicable to the delegated authority in terms of budget decisions and business decisions.
- ► Third parties, by being validly invokable against any claims made by such parties.

This explicit and consistent internal system of delegations of authority contributes to the effective operation and control of the system of governance.

5. Material changes in the system of governance during the reporting period

The Solvency II directive that came into effect in 2016 imposes significant new governance requirements. In preparation for the transition to Solvency II, we designated the persons who effectively run CNP Assurances and the key functions, and issued written policies.

6. Remuneration policies and practices

6.1. Remuneration policy applicable to employees of CNP Assurances

CNP Assurances' remuneration policy is designed to attract, retain and motivate employees and reward their contribution to business growth. It is consistent with the Group's strategic priorities and objectives, as well as its business and financial performance goals.

To avoid encouraging risk-taking that exceeds CNP Assurances' risk tolerance limits, material risk-taker bonuses are flexible, deferred and adjustable.

The policy reflects CNP Assurances' culture of fair pay and gender equality, and is consistent with insurance and financial services industry practices. It is governed by labour laws, collective bargaining agreements and the various internal agreements with employee representatives.

Total remuneration packages are determined by responsibility level. They reflect the requirements of the position concerned, external market data, internal management ratios and the overarching principle of fairness.

The main components of employees' remuneration packages are the salary, personal bonus and across-the-board bonus (discretionary and non-discretionary profit-sharing).

Salary

Salary is a fixed amount of money paid to an employee in return for work performed that is determined based on their responsibilities and skills. Salary increases may result from:

- Across-the-board increases decided during the annual pay round.
- Personal pay rises awarded following the annual career review and performance appraisal, which may lead to an automatic increase or an increase decided on the recommendation of management.
- Pay rises awarded in recognition of an increase in the employee's responsibilities or workload, decided following a review of their personal situation.

Bonus

The bonus rewards individual or group performance in relation to objectives. The bonus system is used to roll down strategic priorities and incentivise and reward the employees who make the biggest contribution. In this way, it promotes a culture of managerial transformation based on annual performance objectives.

Participation in the bonus system depends on the employee's profession and responsibilities. A specific bonus system was set up in 2016 for "material risk-takers" within the meaning of Solvency II.

CNP Assurances does not currently have any performance stock option or performance share plans.

Across-the-board bonuses: discretionary and non-discretionary profit-sharing

The discretionary and non-discretionary profit-sharing systems in place at CNP Assurances give employees a stake in CNP Assurances' profits and growth. They also promote a sense of belonging and encourage employees to work together.

6.2. Remuneration policy and practices regarding the administrative, management or supervisory body

The remuneration of corporate officers is decided by the Board of Directors based on the recommendations of the Nominations and Remuneration Committee.

As a listed company, CNP Assurances refers to the guidelines concerning corporate officers' remuneration in the AFEP-MEDEF Corporate Governance Code dated June 2013.

The Group also applies the remuneration cap specified in decree no. 2012-915 dated 26 July 2012 concerning State control over the remuneration of corporate officers of public sector companies.

The corporate officers' fixed remuneration and maximum bonus are set each year by the Board of Directors, which also decides on the quantitative and qualitative objectives to be used to determine the bonus payable the following year, based on the recommendations of the Nominations and Remuneration Committee.

6.3. Specific material risk-taker bonus system set up in compliance with Solvency II rules

A significant proportion of the total bonus payable to the material risk-takers is flexible, deferred and adjustable to ensure that it is in line with the Group's strategic priorities and promotes sound and effective risk management.

Material risk-takers at CNP Assurances, within the meaning of the Solvency II directive, are the persons who effectively run the undertaking and the four key functions, as well as the persons whose activities have a material impact on the Group's risk profile.

Description of the remuneration system

Performance assessment

The process for determining bonuses, setting objectives and assessing performance for material risk-takers is the same as for all employees. Bonus criteria include personal objectives, objectives for the individual's business unit and/or operating area and earnings objectives for the Company or the Group. Under no circumstances are the bonuses of holders of key functions determined by reference to the performance of the business units or operating areas that they control or for which they act as co-decisionmaker.

Characteristics of material risk-taker bonuses

Material risk-taker bonuses are flexible, deferred and adjustable.

- Flexibility: the bonus clause in eligible employees' employment contracts specifically states that the Group operates a fully flexible bonus policy, including the possibility of paying no bonus.
- Deferral: a significant proportion of the bonus awarded to material risk-takers is deferred over three years.
- Adjustment: the bonus may be adjusted downwards for exposure to current and future risks, taking into account the Group's risk profile and cost of capital.

Bonus payments are subject to the following conditions:

- Compliance with internal or external rules concerning procedures, ethics, business conduct, etc.
- Earnings performance (the Group must have reported a net profit).

If a material risk-taker leaves the Group, for whatever reason, the same conditions apply to the payment of their deferred bonus.

Characteristics of senior management and key executive supplementary pension plans

An "Article 39" supplementary pension plan was set up on 1 January 2006. The plan was closed to new participants with effect from 31 December 2013, and the salaries and years of service used to calculate future benefits were frozen.

This plan was restricted to the members of Executive Management covered by the collective bargaining agreement for executive personnel dated 3 March 1993.

7. Agreements and commitments authorised during the year

Information about material transactions with shareholders, persons who exercise a significant influence over the Group, and members of the administrative, management or supervisory body is presented below.

The transactions (or agreements and commitments) described below were authorised in advance by the General Meeting of Shareholders in accordance with Article L.225-40 of the French Commercial Code (*Code de commerce*) and Article R.332-7 of the French Insurance Code (*Code des assurances*).

The transactions are as follows:

- Proposed acquisition of the French State's interest in Aéroports de la Côte d'Azur.
- Sale to La Banque Postale of 10% of the capital of Ciloger.
- Acquisition of a stake in Réseau de Transport d'Electricité (RTE) – see "Significant events for CNP Assurances" in section A1.
- Renewal of the partnership agreement with La Banque Postale – see "Significant events for CNP Assurances" in section A1.

B2. Fit and proper requirements

Fit and proper requirements apply to the persons responsible for the system of governance (directors and persons who effectively run the Group or have other key functions). These persons must fulfil the following requirements:

- Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit).
- They are of good repute and integrity (proper).

1. Specific requirements in terms of qualifications, experience and knowledge

The directors and the persons who effectively run the Group and its European subsidiaries or have other key functions within the Group or its European subsidiaries must fulfil specific requirements in terms of qualifications, experience and knowledge.

The assessment of whether a candidate has the qualifications, experience and knowledge needed to hold these functions is based on the following criteria:

- Professional qualifications.
- Specific Solvency II training, professional experience in the insurance industry or other finance sectors or other companies or organisations. Preference is given to candidates with experience in the insurance industry. In all cases, candidates' tasks and responsibilities in their previous positions are examined in detail.
- Cross-functional expertise (for example, holistic vision, analytical and deductive skills, strong interpersonal, outreach and communication skills).
- Behavioural skills (for example, natural authority, management skills and sense of responsibility).
- Reputation and integrity.

2. Fit and proper assessment process

A formal fit and proper policy was drafted and distributed throughout CNP Assurances and the Group in early 2016.

2.1. Directors and persons who effectively run the CNP Assurances Group

Prior to the nomination or renewal of directors and persons who effectively run the Group, the Remuneration and Nominations Committee performs a fit and proper review based on the Nomination or Renewal file prepared by the Committee secretary and presented by its Chairman. The file includes full biographical details, a document attesting that the person has no criminal convictions, a certificate of propriety and the notification form to be sent to the insurance supervisor (ACPR) where required.

The Committee also performs a prior fitness review of the Board as a whole, based on a file prepared for this purpose by the Committee secretary.

The Committee secretary proposes training programmes to ensure that directors have up-to-date knowledge of Solvency II, insurance and other areas.

2.2. Other CNP Assurances employees who are subject to fit and proper requirements

The persons who hold the key functions at Group level and the directors or Supervisory Board members of French subsidiaries, the persons who effectively run the French subsidiaries and the persons who hold the key functions within these subsidiaries are also subject to fit and proper requirements.

The fit and proper assessment process for these persons is organised around a Group Fit and Proper Review Committee made up of the Group Human Resources Director, who chairs the Committee and also serves as its secretary, and the head of the Group Compliance function.

2.2.1 Role of the Fit and Proper Review Committee in the nomination/renewal process

(a) Persons who hold the key functions at Group level

For each nomination or renewal, the members of the Fit and Proper Review Committee check that the Nomination/Renewal file prepared by the Group Human Resources department contains all necessary documents and has been properly prepared. The Committee assesses the candidate's disclosed qualifications, experience and knowledge, as well as his or her compliance with internal rules concerning professional qualifications, minimum grades to hold the function and relevant experience, based on skills matrices.

Its assessment is submitted to the Chief Executive Officer and the second person who effectively runs the Group.

(b) Directors or Supervisory Board members of French subsidiaries, the persons who effectively run the French subsidiaries and the persons who hold the key functions within these subsidiaries

The head of the subsidiary's business unit requests the nomination or renewal of a person to hold a key function or effectively run the subsidiary, and proposes a candidate to the Human Resources department. The Human Resources department prepares a Nomination/Renewal file containing biographical details of the candidate, a certificate of propriety and various other documents, that is submitted to a Fit and Proper Review Committee made up of the head of the business unit and the unit's Human Resources Director and Compliance Director.

The file also includes the reasoned opinion of the head of the Group function concerned about the proposed candidate. The members of the Fit and Proper Review Committee check that the Nomination/Renewal file prepared by the Human Resources department contains all necessary documents and has been properly prepared. The Committee assesses the candidate's disclosed qualifications, experience and knowledge, as well as his or her compliance with the Group's internal rules concerning professional qualifications, minimum grades to hold the function and relevant experience, based on skills matrices.

Concerning the nomination/renewal of a director representing CNP Assurances' employees or a member of the subsidiary's Supervisory Board, the Fit and Proper Review Committee assesses the candidate based on the qualifications, experience and knowledge represented on the subsidiary's board.

Its assessment is included in the Nomination/Renewal file submitted to the head of the subsidiary's business unit and to the subsidiary's Chief Executive Officer.

2.2.2 Responsibility for the process of continuous fit and proper assessments

The Fit and Proper Review Committee reviews the training programmes available to the persons concerned to update their knowledge about Solvency II and, where necessary, about (i) insurance and financial markets; (ii) CNP Assurances' business strategy and model; (iii) its system of governance; (iv) financial and actuarial analysis, and (v) the regulatory framework and requirements.

2.2.3 Other responsibilities

At least once a year, the Fit and Proper Review Committee examines proposed adjustments to the subsidiaries' policies and the application of the Group's fit and proper policy.

B3. Risk management system

1. Risk management principles

The objectives of the Group risk management system are to create secure decision-making and other processes and promote a culture of risk management and oversight among employees in order to maintain the Group's value.

The following risk management principles have been defined:

- The Board of Directors approves the Group's risk tolerance limits proposed by Executive Management.
- The risk management policy:
  - Provides for sound and prudent management of the business.
  - Limits and manages risk-taking.
  - Embeds risk management in decision-making processes.
  - Establishes procedures for escalating concerns and whistleblowing.
  - Provides for the formalisation and centralisation of risk management documentation.

2. Risk management framework

The risk management system forms part of the wider internal control system (see section B5 for details).

The overall system is organised around:

- The Group's Board of Directors, which is responsible for defining strategic priorities in the area of risk management based on input from the Audit and Risk Committee. The Board also approves the Group's risk tolerance limit and its breakdown on an annual basis.
- The Chief Executive Officer, who leads the risk management system.
- The Group Risk Committee, which oversees risk governance with the support of smaller committees that deal with specific risks.

The process is headed up by the Group Risk department which has been assigned the risk management function under Solvency II. The Chief Risk Officer reports to the Chief Executive Officer.

3. Overall risk management system

3.1. Risk management activities and processes

The Group's risk management system is based on the risk tolerance limit set by the Board of Directors and three core components:

- Risk identification and mapping.
- Internal assessments of risks and solvency capital requirements (see section B4).
- Risk management processes.

The risk management process is defined by:

- Governance rules (covering the work of committees).
- Delegations of authority.
- Standards and policies.
- Oversight and whistleblowing procedures.

It is supported by a:

- Supervisory reporting process.
- Process to track regulatory developments and Solvency II compliance issues.

3.2. Governance

The Group Risk Committee oversees risk governance and examines risk from a consolidated perspective. It is tasked with validating the risk-acceptance and overall risk monitoring framework or, more specifically, with overseeing the management of consolidated risks and setting high-level risk tolerance limits.

The Committee can draw upon reviews of specific risks already carried out by other committees (see below) or by equivalent structures set up by the subsidiaries.

Concerning liability risks:

- The Underwriting Risk Committee is tasked with identifying and tracking underwriting risk. By continuously monitoring exposure, we are able to react quickly in the event of any deviation from the Group's risk profile.
- The Commitments Committee is responsible for the risk acceptance process. It meets to discuss any deviation from underwriting policy and/or the most significant commitments and/or any breach of a specific tolerance limit, and/or at the request of the head of a business unit or joint venture. It authorises the writing of new business and may be consulted when a new product is being launched and also as part of the in-force business management process.

Concerning asset risks:

- The Group Investment Committee oversees the asset risk acceptance process, approves investment files and/or sets investment limits.
- The Asset Risk Monitoring Committee oversees all of the Group's asset risks. It tracks standards, investment policies, limits, delegations of authority and asset risk mitigation measures.
- The Strategic Asset Allocation Committee draws up strategic investment allocation guidelines based on asset/liability management (ALM) modelling of the different portfolios, yield targets and capital consumption data.
- The ALM Committee monitors the asset-liability management risk identification and measurement process. Asset/liability management seeks to contain risks affecting liquidity, earnings and the Group’s net worth in the event of unfavourable trends in the markets (mainly lower interest rates) and/or policyholder behaviour.

Concerning operational risks: the Operational Risk Committee monitors the main operational risk exposures of each business unit and corporate function and draws up action plans for their management.

3.3. Standards and policies

Risk management is governed by a set of policies and standards that frame routine risk management and monitoring processes.

These include:

- The risk management policies described in section C (section D2 for the reserving policy):
  - underwriting policy
  - reserving policy
  - investment policy and asset standards (including concentration standards, liquidity standards, currency risk standards)
  - ALM risk management policy
  - operational risk management policy
  - reinsurance policy
- General policies, including own risk and solvency assessment policy (see section B4), capital management policy (see section E1) and data quality policy.

3.4. Reporting

The Group Risk department prepares quarterly risk reports for Executive Management. The reporting process involves identifying key risk indicators and setting up data collection procedures. The quarterly risk reports are also submitted to the members of the Audit and Risk Committee. The department also produces the ORSA report each year (see section B4).

3.5. Deployment of the risk management system throughout the Group

The Group's French and international subsidiaries also use this approach to risk management, adapting Group guidelines where necessary to comply with local regulations and the approaches proposed by partners in the case of jointly owned subsidiaries.

In particular:

- The Group Risk department leads the risk governance team comprising the persons responsible for the risk management function in the various subsidiaries.
- The subsidiaries contribute to the Group's risk reporting system.
- The various committees examine the subsidiaries' risk exposures (based on information reported by the subsidiaries or through sub-committees set up in the subsidiaries).
- The Group Risk department is responsible for reviewing local risk management policies.
- The Group Risk department issues instructions to the subsidiaries covering their contribution to the Solvency II own funds and capital requirement calculations and the ORSA process.
- The Group has chosen not to apply equivalent Brazilian solvency standards and Caixa Seguradora therefore performs Solvency II calculations for pillar 1 and ORSA reporting purposes.

B4. Own risk and solvency assessment (ORSA)

The own risk and solvency assessment (ORSA) is a core component of the risk management system presented in section B3.

1. Overview of the ORSA process

ORSA is a continuous risk management process that coordinates and consolidates all Group processes for identifying, measuring, managing, overseeing and reporting risks. The purpose of ORSA is to:

- Deploy a strategic risk management process throughout the Group based on upstream impact analyses conducted prior to any strategic risk acceptance decisions likely to significantly affect the risk profile, including:
  - Routine strategic decisions for which the ORSA is taken into account:
    - Macro-decisions concerning the definitions of business planning, medium-term capital management planning, strategic asset allocation and hedging frameworks that are drawn up during the prospective ORSA process and are based *inter alia* on an analysis of ORSA impacts.
    - Micro-decisions concerning product launches, product developments and responses to calls for tender that are made in part on the basis of an analysis of the related return on ORSA capital. Investment decisions also take into account the impact of investment income on ORSA capital.
  - One-off strategic decisions or events that significantly impact the Group's risk profile, such as acquisitions/divestments of insurance businesses and the launch of new businesses or major new products.
- Ensure compliance with the Group’s risk tolerance limit by permitting regular monitoring of the business using risk indicators and business reviews prepared in conjunction with the business units and subsidiaries.

The results of the ORSA process are summarised in the ORSA report.

2. Prospective own risk and solvency assessment framework

The Board of Directors has issued a written statement setting out the risk tolerance limit applicable to the entire prospective Group own risk and solvency assessment. The risk tolerance limit is set in response to the need to ensure that the Group's consolidated risks do not lead to the SCR coverage ratio falling below a certain threshold in the event of unfavourable developments affecting the main risk factors.

Stress testing scenarios measure the cumulative impact of stresses on the main financial, technical and operational risk factors to which the Group is exposed. These stresses are calibrated based for the most part on an analysis of historical data. Calibration of stresses on financial risk factors serves to define absolute stress levels in order to provide the stability needed to manage the Group's solvency over the medium-term.

The risk factors taken into account in the assessment include the Group's own risk factors over and above those identified for regulatory purposes, which are presented in the ORSA report.

The assessment of CNP Assurances' overall solvency needs takes into account macro-economic forecasts and long-term business growth projections.

In this way, the Group's own risks are taken into account prospectively through the inclusion of projections and the risk tolerance limit.

3. Prospective ORSA process

The prospective own risk and solvency assessment is performed annually as part of the business planning process for which the main priorities are set by Executive Management and then communicated to the various business units throughout the Group, covering both business development and investment strategy.

The assessments are consolidated by incorporating capital management considerations, to determine the Group's overall solvency needs. The results are presented for approval to Executive Management and to the units in charge of the Group's various businesses. The summarised data is included in the ORSA report submitted to the Board of Directors for approval and sent to the insurance supervisor (ACPR).

The assessment is based primarily on regulatory capital measurement tools and calculations, which are subject to data quality controls.

In the rare cases where the Group's risk profile or strategic priorities change, the decision may be made to perform a new prospective ORSA in the course of the year.

B5. Internal control system and Compliance function

1. Internal control system

1.1. Description of the internal control system

The internal control system is designed to provide assurance concerning (i) compliance with laws and regulations, (ii) application of Executive Management instructions and guidelines, (iii) efficiency of internal processes, (iv) achievement of the Group's strategic and efficiency objectives, and (v) reliability of financial information.

The system is built around a reference framework comprising internal delegations of authority and the fundamental principles set out in documents such as the internal control policy and the code of conduct.

It is a multi-tier system:

- First-tier controls are set up by each operating or corporate department to manage the risks associated with their activities.
- Second-tier controls (risk oversight) cover the key functions identified in Solvency II (risk management, compliance and actuarial functions) and the system of permanent controls.
- Third-tier controls (periodic controls) are performed by the internal auditors.

Regular coordination meetings are organised between the control functions (risk management, internal control, compliance and internal audit).

1.2. System of permanent controls

The system of permanent controls – consisting of continuously assessing controls and residual risks within each business process – is led by the Group Risk department as part of its operational risk management role.

The cornerstones of the system are:

- The process manual, which describes the sequence of activities in each business process.
- The Group risk map, which highlights the risks representing internal control priorities. One or several controls are described for each identified business process risk.

In compliance with France's Financial Security Act (*Loi de sécurité financière*), the permanent control assessment process originally covered the preparation and processing of financial and accounting information. In 2016, however, the list of critical risks and controls was reviewed using a top-down process.

This new approach is designed to reduce the number of critical controls overseen by management and to:

- Facilitate the maintenance and updating of risk and control matrices.
- Improve the relevance of reports submitted to management.
- Strengthen the risk and control culture among operations staff and step up control certification rates and frequency by internal control teams.

Permanent controls over inherent business process risks are subject to regular self-assessments performed by line managers. A specific committee within each operating department is responsible for ensuring that corrective action is taken to remedy any weaknesses identified during the self-assessment.

The line managers manage the risks associated with their activities and have front-line responsibility for the related permanent controls. Each operating department appoints an internal control correspondent who is responsible for ensuring that permanent control procedures are communicated and understood.

The Risk department checks the existence and effectiveness of business process controls and assesses the risk exposure for each company at a given point in time. It reports its main observations at regular intervals to the Executive Committee and the Audit and Risk Committee.

1.3. Deployment throughout the CNP Assurances Group

All of the Group's French and international subsidiaries use this approach to risk management and internal control, adapting Group guidelines where necessary to comply with local regulations and the approaches taken by partners in the case of jointly owned subsidiaries.

Each subsidiary's system may also be adapted depending on the size of the business and the type and magnitude of its risk exposures. The adjustments generally concern the number of processes covered by the system of permanent controls, the number of controls tested and the degree of sophistication of the software applications that support the system.

2. Compliance function

2.1. Organisation of the Compliance function

The Group Compliance department is a key function under Solvency II and the Chief Compliance Officer therefore reports directly to the Chief Executive Officer. The department acts as an advisor to Executive Management and the Board of Directors. It also coordinates and oversees second-tier controls over compliance risks, thereby contributing to their management.

The Group Compliance department does not play any operational role within the Group to avoid the occurrence of any conflict of interests.

Based on the CNP Assurances code of conduct, the department drafts Group policies, which are subsequently rolled down into local policies, as well as codes of business ethics and (federal) compliance standards and procedures. It supports operations staff in structuring their own compliance rules and expresses an opinion on matters submitted to it for review.

As part of his whistleblowing role, the Chief Compliance Officer may approach the Chief Executive Officer and the Chairman of the Board of Directors at any time.

The Chief Compliance Officer is registered with the insurance supervisor (ACPR). He is responsible for the system to combat money laundering and the financing of terrorism and, as such, is CNP Assurances' correspondent with Tracfin (France's financial intelligence unit). He is also the Group's Ethics Officer.

The compliance policy, which describes the roles and responsibilities of all concerned parties and applies to all companies within the Group, was approved by the Board of Directors in December 2015. A revised version was approved by the Board of Directors on 22 February 2017.

The Compliance organisation

Each business unit, each subsidiary and each corporate department appoints a compliance correspondent responsible for ensuring that the Group's rules are widely communicated and understood.

The Group Compliance department maintains close ties with the Legal department, the Group Risk department and the Internal Audit department.

2.2. The Compliance function's role and responsibilities

The Group Compliance function covers compliance with local laws, regulations and standards, and with the Group's internal rules.

It detects, identifies and assesses compliance risks, issues warnings about actual or potential breaches, and provides advice in the following main areas:

- Business ethics: professional secrecy and confidentiality, prevention of insider trading.
- Client protection: know-your-client procedure, duty to provide impartial advice, client information obligations, complaint processing.
- Marketing practices: advertising and sales materials, contract marketing rules.
- Product and contract compliance: standards and operational feasibility.
- Prevention of money laundering and financing of terrorism.
- Internal and external fraud prevention.

Issues relating to financial communications, corporate life and labour laws are monitored by dedicated functions whose managers ensure that they have the necessary resources, expertise and independence. The Compliance function may nevertheless be asked to provide opinions on these issues.

The Compliance function's work consists of:

- Rolling down legal monitoring activities to operations units.
- Identifying and assessing compliance risks.
- Issuing compliance policies and guidelines.
- Performing controls and checks on compliance matters.
- Training employees and raising their awareness of compliance issues.
- Advising and alerting Executive Management and the Board.

These interlocking activities guarantee the compliance system's robustness. Through its positioning as the second line of defence, the Compliance function helps to strengthen the risk management process.

2.3. Deployment in the subsidiaries

The subsidiaries deploy an equivalent system aligned with the Group's principles. The guidelines issued by the Group are adapted to address the specific compliance issues associated with each subsidiary's business and – in the case of international subsidiaries – local regulatory requirements.

Each subsidiary appoints at least one compliance officer to liaise with the Group Compliance function and to ensure that the function's guidelines are implemented within the local organisation.

Each subsidiary reports regularly to its governance bodies and to the Group (through the Group Compliance function) on the assessment of its compliance system's effectiveness, and issues immediate warnings of any major risks.

B6. Internal audit function

1. Organisational framework

Our internal audit processes are certified by the French chapter of the Institute of Internal Auditors (IFACI) and comply with the Institute of Internal Auditors' (IIA) international standards. Compliance with these standards is assessed annually and certified every three years by IFACI Certification.

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." [IIA, represented in France by IFACI]

The scope of the internal audit function's activities extends across all business processes of the Company and its majority-owned subsidiaries, including those that are delegated or outsourced.

2. The internal audit function's independence and objectivity

The head of the Group Internal Audit department reports to the Group's Chief Executive Officer, providing him with details of the department's needs and a full account of the internal auditors' activities.

The head of the Group Internal Audit department is the person who holds the Internal Audit key function under Solvency II and does not hold any other Solvency II key function.

He reports periodically to the Audit and Risk Committee of the Board of Directors. He submits the internal audit policy, programme and resources to the Board of Directors for approval and presents to the Board his annual report on internal audit activities for the year.

He provides the Audit and Risk Committee with detailed reports prepared after each internal audit.

Internal auditors are assigned to audits in such a way as to avoid any potential or actual conflict of interest or bias, taking into account:

- ► The internal auditors' obligation to notify the Group of any potential conflict of interest.
- ► The principle of rotating internal auditors within the team at regular intervals; however, in applying this principle, due consideration is nonetheless given to each auditor's specific area of expertise.

At least one year elapses before an internal auditor is assigned to the audit of his or her previous area of responsibility.

The internal auditors do not contribute to implementing their recommendations. The related action plans are prepared and implemented by the audited units under their managers' sole responsibility.

3. Group internal audit organisation

The CNP Assurances Internal Audit department coordinates internal audit activities throughout the Group. The head of the department oversees the rolling down of the Group's internal audit policy to the local units and its compliance with Solvency II rules.

The head of the Internal Audit department organises annual meetings with the people responsible for the internal audit function in the majority-owned subsidiaries to present:

- Regulatory changes that affect the internal audit function and the audit plans.
- Auditing methods and best practices.
- Auditor training programmes.

In addition, internal audit committees have been set up with all the subsidiaries and hold quarterly meetings to ensure that the Group's internal audit policy is correctly applied and identify any risk areas that could have an impact at Group level.

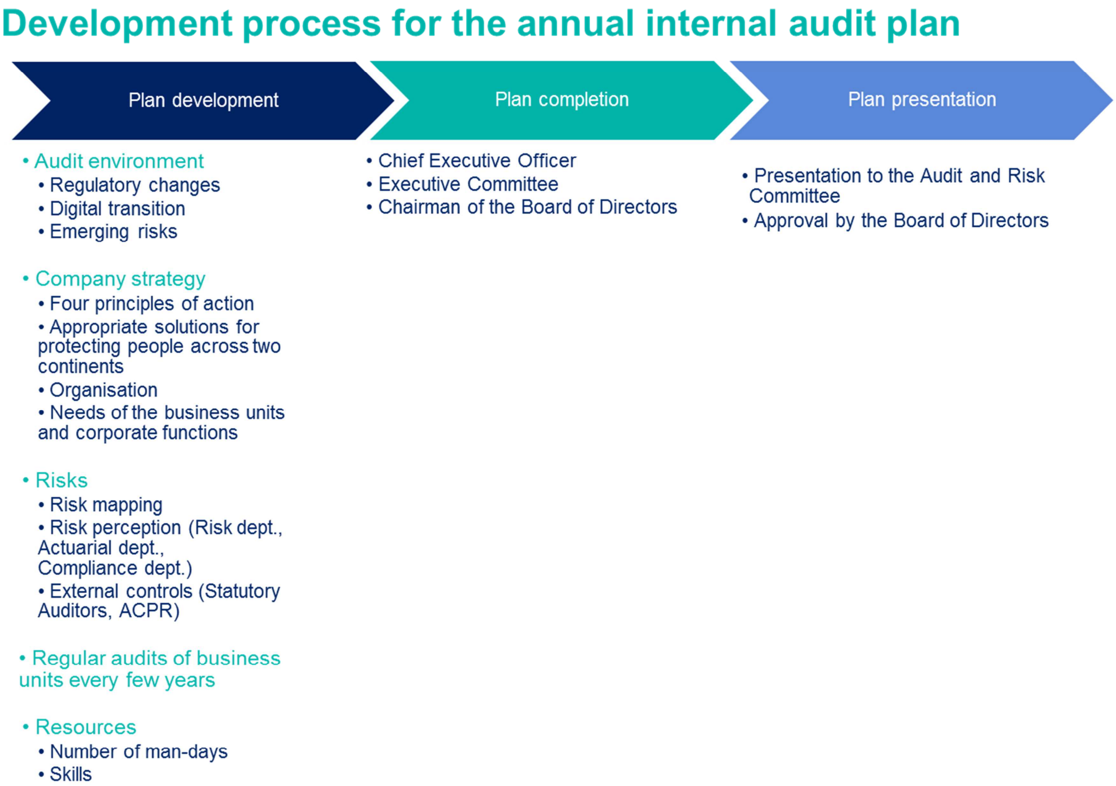
The head of the CNP Assurances Internal Audit department is specifically tasked with:

- Preparing a consolidated report on major internal audit findings and related action plans.
- Overseeing the consistency of the regulatory reports prepared by Group entities on internal audit activities, including the Regular Supervisory Report (RSR) for the insurance supervisor (ACPR) and this Solvency and Financial Condition Report (SFCR), which is intended for the public.

Lastly, the Internal Audit function is systematically informed about:

- Frauds and material incidents occurring within the Group.
- Reports issued by local supervisory authorities and the action taken in response to these reports.
- Any problems encountered by the local auditors.

4. Process for preparing the annual internal audit plan



The main inputs used to plan internal audits for the coming year are as follows:

- The Group's strategy and competitive environment.
- The risk map prepared by the Group Risk department, as updated to reflect the main regulatory changes and emerging risks.
- The dates the business units, main business processes and information systems were last audited, to ensure that they are all audited at least once every few years.
- Requests from internal stakeholders such as the persons who hold the key functions under Solvency II and other directors, and external stakeholders, such as the Statutory Auditors and the insurance supervisor (ACPR).

A draft list is presented to the Chief Executive Officer and the Chairman of the Board of Directors, who decide on the audits on the list to be included in the plan and propose any other audits they wish to add.

The internal audit plan is then presented to the Executive Committee and the Audit and Risk Committee, whose observations are taken into account in preparing the final version of the plan to be presented to and approved by the Board of Directors.

The annual plan remains flexible, to take into account changing resources and developments affecting the Group's economic, organisational, managerial and risk environment.

Decisions to add new audits or remove planned audits are explained in the annual report presented to the Audit and Risk Committee of the Board of Directors.

Internal audits may concern such topics as:

- Transaction security, internal control quality and compliance with applicable procedures, laws and regulations (operational risks and compliance).
- Effectiveness and efficiency of organisations, processes, projects and information systems (performance).
- Alignment with the Group's objectives of the management resources and methods deployed to meet them (strategy, governance, financial and underwriting risk management).
- Processes and activities shared with partners or joint subsidiaries (joint audits).
- Status reviews of action plans implemented following an internal audit or a recommendation by the insurance supervisor.

The internal auditors may also perform special audits not included in the annual audit plan at the request of the Executive Committee and internal consulting engagements.

5. Execution of internal audits

The different phases in the internal audit process are as follows:

- Engagement letter: signed by the Chief Executive Officer, the letter describes the scope, nature, objectives and expected duration of the audit.
- Preparation, execution and conclusion: these three phases are devoted to identifying, analysing, assessing and documenting the internal auditors' observations, and drafting recommendations. Regular meetings are held with the persons responsible for the audited unit, business process or information system to promote constructive dialogue, ensure that the auditors' understanding of the situation is correct and propose corrective action. Each audit includes a status review of the action plans prepared in response to the recommendations made after the last audit. Deliverables from the process include (i) a draft report containing the internal auditors' observations and recommendations, classified according to the estimated residual risk for the audited unit, business process or information system; (ii) a final report that also includes the responses to the auditors' recommendations of the person responsible for the audited unit, business process or information system (description of the action plan, person responsible for its implementation and target completion date) and the internal auditors' comments on the proposed action plans (documentary evidence of implementation required). Recommendations, action plans and follow-ups are systematic for all sensitive risks identified by the internal auditors.
- Recommendation follow-up: implementation of the internal auditors' recommendations is followed up based on the documents submitted by the units concerned attesting to the action plan's status. In exceptional cases, the internal auditors may perform a follow-up audit on site. A "recommendation progress report" is prepared every quarter for the Executive Committee and once a year for the Audit and Risk Committee (for presentation at the same time as the annual report on internal audit activities for the year).
- Archiving: once the final report has been issued, the documents and working papers are archived by the internal auditors.

B7. Actuarial function

The positioning and roles of the Actuarial function have been identified with the aim of fulfilling as far as possible the competence and independence objectives referred to in Solvency II. The Actuarial function is required to be independent from the other functions and operating units.

The person who holds the Group Actuarial function is the Group Chief Actuary, whose reporting relationships, rights and responsibilities fulfil the criteria laid down in the function's policy document. The Group Actuarial function is supported by:

- ► The actuarial functions in the various Group units which have similar responsibilities at the level of their respective units.
- ► A consolidation department which produces the analyses needed to prepare the Group Actuarial Report.

The Group Chief Actuary is also the person who holds the CNP Assurances Actuarial function. The Underwriting department has been organised into two units in order to separate the work of the CNP Assurances Actuarial function from that of the Group function.

All of the Actuarial function's activities are discussed in the Actuarial Report submitted to the Executive Committee and the Board of Directors. The most recent Actuarial Report was approved by the Board of Directors on 22 February 2017.

The roles of the Actuarial function, as defined in the relevant regulations, are described below.

Coordinate the calculation of technical reserves

The Group Actuarial function is responsible for setting reserving standards and for coordinating, reviewing and consolidating reserve calculations throughout the Group, to ensure that consolidated technical reserves accurately reflect the fair value of the Group's insurance obligations under Solvency II.

Internal controls over technical reserve calculations are based on the "three lines of defence" model described in Solvency II:

- ► The first line of defence corresponds to first-tier controls performed by the underwriting teams who determine the amount to be set aside in technical reserves for the business under their responsibility.
- ► The second line of defence corresponds to the local Actuarial function's review of the underwriting team's technical reserve calculations.
- ► The third line of defence is provided by the Group Actuarial function.

At Company level, the second and third lines of defence are combined and the system is that described in the first two points above.

The Group Actuarial function also assesses the control system's effectiveness and calibrates its own controls based on the results of the assessment. Effective from 31 December 2016, CNP Assurances has applied a revised system that allows controls to be performed and evidenced at the same time as the reserves are calculated.

In addition to coordinating the calculation of technical reserves, the head of the Actuarial function expresses an opinion on their adequacy:

- The units' Actuarial functions are required to express an opinion on the adequacy of technical reserves for their unit, based on the instructions received from the Group, the Group's reserving policy, their line of business and the applicable regulations.
- The Group Actuarial function expresses an opinion on the adequacy of the total technical reserves set aside by the Group, based on the information received from the units that is has duly checked.

Assess data quality

The Actuarial function is responsible for assessing the accuracy, completeness and relevance of the data used to calculate technical reserves. It implements its own data measurement and quality control plan based on the Group's reserving policy and policy for managing data quality, as well as on:

- A permanent file comprising a data register, a description of control procedures and a map of data flows.
- A certificate summarising the data quality assessment, that establishes a link with the operational controls.
- A continuous improvement plan to address weaknesses identified during previous analyses performed by the function and by external or internal auditors.

Significant observed weaknesses or opportunities for improvement are described in the Actuarial Report and in the weakness tracking file created for this purpose. The Actuarial Report describes the main steps taken to guarantee data completeness and quality.

Appropriateness of methods, underlying models and assumptions

The Actuarial function ensures that technical reserves are calculated in an informed, reliable and objective manner. It obtains assurance that:

- The chosen calculation methods are appropriate and reasonable in relation to the nature, materiality and complexity of the underlying risks.
- The models used for the calculations are appropriate and correctly applied.
- The assumptions are determined on a rational basis using high-quality data and do not include any risk margin (although an uncertainty factor may be taken into account if necessary).

In addition, the Actuarial function sets up processes and procedures to backtest Solvency II technical reserves and the underlying assumptions based on actual experience. Backtesting is performed at least once a year.

The function's opinion on the adequacy of technical reserves is supported by its review of the documentation describing the models, modelling laws and assumptions, technical solutions and operational processes used for the calculations. A report has been prepared for CNP Assurances listing all the approved assumptions used in the models. This report is used by Executive Management to approve all material assumptions applied for the calculation of technical reserves under Solvency II.

Express an opinion on the overall underwriting policy

The Actuarial function intervenes in the underwriting process to obtain assurance that the quality of new business is aligned with the Group's business growth and risk management objectives and will not lead to any erosion of its own funds. Its opinion on underwriting policy is based on regular reviews of the underwriting process performed during the year and evidenced by formal recommendations to remedy any identified material weaknesses in the process, as well as on the function's own research and on ex-post analyses of the actual margins earned on new business. The opinion is considered by Executive Management which makes the final decision.

Express an opinion on the adequacy of reinsurance arrangements

The Group Actuarial function intervenes in the outward reinsurance process to obtain assurance that purchased reinsurance cover is proportionate, justified and effective, taking into account the Group's risk tolerance limit. Its opinion on reinsurance programmes is based on regular reviews of the reinsurance process performed during the year, evidenced by formal recommendations to improve the reinsurance programmes and analyses.

Participate in the risk management system

The Group Actuarial function also participates actively in the risk management system, either directly or through the activities of the subsidiaries' Actuarial functions. For example, the head of the Group Actuarial function is a member of the Group Risk Committee and the Executive Committee. In addition, the function contributes to technical research used to determine the technical shocks used in the ORSA and helps to determine the classification of technical reserves for health insurance products, which affects the method of determining the corresponding capital charge.

B8. Outsourcing

1. Outsourcing policy

The Group has drawn up a formal outsourcing policy that has been rolled down by all of the subsidiaries into local outsourcing policies, principles, governance and management rules adapted to their specific operating and regulatory environments.

The policies describe their scope of application and define the "critical and important" functions and activities that may or may not be outsourced. They also describe each subsidiary's outsourcing management and governance processes, as well as the processes for auditing, overseeing and controlling outsourced activities.

The subsidiaries sets rules for selecting contractors (based on an assessment of their expertise and financial condition), drafting outsourcing contracts and monitoring the services provided to ensure that quality standards are met at all times.

Caixa Seguradora also has a formal outsourcing policy, despite not being subject to Solvency II rules. This policy prohibits the outsourcing of "critical and important functions and activities".

2. Map of outsourced critical and important functions and activities

All subsidiaries have mapped their outsourced functions and activities and identified those that are qualified as "critical and important".

The Group outsources certain critical or important functions and activities, as defined in Solvency II, in the areas of policy administration, customer relationship management, asset management and information systems management. The extent to which each subsidiary outsources such functions varies.

3. Material intra-group outsourcing agreements

The only material intra-group outsourcing agreement is the agreement between CNP Assurances and CNP Technologie de l'Information (CNP TI) and Groupement Partenariat Administratif (GPA), two intercompany partnerships (also known as economic interest groups). CNP TI manages CNP Assurances' information systems and GPA provides contract administration services for personal risk, long-term care and term creditor insurance policies. CNP Assurances is a partner of both entities.

C. RISK PROFILE

Risk overview

The Group's risks, as identified for the application of the Solvency II standard formula, are as follows:

Risks identified for the application of the standard formula		Net Solvency Capital Requirement (SCR) calculated on the basis of the standard formula at 31 December 2016 — In € millions	In %[1]
Market risk	*Interest rate risk* *Equity risk* *Property risk* *Currency risk* *Spread risk* *Concentration risk*	**11,631**	57%
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*	**3,508**	17%
Health underwriting risk	*SLT[2] Health underwriting risk* *NSLT[3] Health underwriting risk* *Health catastrophe risk*	**1,993**	10%
Non-life underwriting risk		**700**	3%
Counterparty default risk		**1,074**	5%
Intangible asset risk		**0**	0%
Operational risk		**1,514**	7%

As this risk profile shows, the Group's primary exposure is to market risk, which accounts for 57% of the solvency capital requirement (SCR), and its exposure to underwriting risk arises mainly from the life business.

Risks are mitigated by the diversification effect, which is estimated at 26% based on the following formula:

(sum of net SCRs excluding operational risk SCR - net basic SCR)/sum of net SCRs excluding operational risk SCR

[1] *Percentage of the sum of the SCRs by risk*
[2] *SLT Health = health obligations assigned to the lines of business for life insurance*
[3] *NSLT Health = health obligations assigned to the lines of business for non-life insurance*

C1. Underwriting risk

Underwriting risk, as identified for the application of the Solvency II standard formula, is as follows:

<table>
<tr><th colspan="3"></th><th colspan="2">Net SCR at 31 December 2016</th></tr>
<tr><th colspan="3">Risks identified for the application of the standard formula</th><th>In € millions</th><th>In %</th></tr>
<tr><td>Life underwriting risk</td><td colspan="2">Mortality risk
Longevity risk
Disability-morbidity risk
Lapse (surrender) risk
Life expense risk
Life catastrophe risk
Revision risk</td><td>3,508</td><td>17%</td></tr>
<tr><td rowspan="3">Health underwriting risk</td><td>SLT Health underwriting risk</td><td>SLT Health lapse (surrender) risk
Health expense risk
Health mortality risk
Health longevity risk
Health disability-morbidity risk
Health revision risk</td><td rowspan="3">1,993</td><td rowspan="3">10%</td></tr>
<tr><td>NSLT Health underwriting risk</td><td>NSLT Health lapse (surrender) risk
NSLT Health premium and reserve risk</td></tr>
<tr><td colspan="2">Health catastrophe risk</td></tr>
<tr><td>Non-life underwriting risk</td><td colspan="2">Non-life catastrophe risk
Non-life premium and reserve risk
Non-life lapse (surrender) risk</td><td>700</td><td>3%</td></tr>
</table>

1. Description of the main risks

1.1. Lapse (surrender) risk

Most traditional savings contracts include an early surrender option for a contractually fixed amount. The policy surrender rate depends on financial market performance, the performance of competitors' policies and other investment products, policyholder behaviour and confidence, tax considerations and related factors. A wave of surrenders could materially impact earnings or even solvency in extreme conditions.

High surrender rates on unit-linked contracts are also unwelcome, to the extent that they lead to a loss of future profits.

For group pensions contracts, surrender risk corresponds to the risk of the policy being transferred by the client to another insurer. Our main group pensions contracts include a "market value" transfer clause that converts the surrender risk into the risk of losing a partner.

In the term creditor insurance segment, surrender risk corresponds to the risk of policyholders repaying their loan early, automatically resulting in the insurance being cancelled. In addition, French law has recently been changed to allow policyholders to switch insurer, initially during the first year of the loan and, from 2018, every year throughout the life of their loan. This will lead to an increased surrender risk for the Group.

1.2. Morbidity risk (temporary and permanent disability)

Morbidity risk is the risk of an increase in the incidence or duration of sick leave or long-term care needs.

Less favourable economic conditions increase the Group's exposure to the risk of a deterioration of loss ratios on incapacity for employment cover included in term creditor insurance policies and group death/disability policies.

1.3. Mortality risk

The term creditor insurance, employee benefits and personal risk insurance businesses are exposed to the risk of a lasting increase in mortality rates.

In addition, unit-linked contracts provide an enhanced capital guarantee in the event of the policyholder's death (minimum payout). A bear market combined with higher-than-expected losses could have an adverse effect on unit-linked earnings.

Lastly, in the traditional and unit-linked savings segments, an increase in mortality rates would lead to a loss of future profits.

1.4. Longevity risk

The Group is exposed to longevity risk, in particular on its portfolio of annuities in payment. Pension contracts are logically and more specifically exposed to the risk of a lasting increase in policyholder longevity.

1.5. Expense risk

Expense risk corresponds to the risk of an increase in costs beyond the originally approved budget.

The main expense items are employee benefits expense, IT costs, office rent and sales commissions. The Group's efficient budget control processes ensure that these costs are properly managed.

1.6. Catastrophe risk

Catastrophe scenarios (particularly pandemic risks) can have an adverse effect on death cover provided under all Group policies and disability cover provided under term creditor insurance, employee benefits and personal risk policies. Healthcare costs could also rise sharply, for example in the case of a pandemic.

1.7. Non-life premium and reserve risk

Non-life premium and reserve risk is the risk arising from cover provided under non-life policies such as unemployment cover offered by the Group, comprehensive home-owner's insurance cover offered by the Brazilian subsidiary and health insurance cover.

Exposure to unemployment risk covered by term creditor insurance contracts in France is limited, due to the application of a deductible, the time-limit on the payment of benefits and cover restrictions.

In Italy, on the other hand, the take-up rate for unemployment cover is very high and the incidence of claims increases in tandem with rising jobless rates.

Unemployment risk also has an indirect impact on health and death/disability cover provided under employment benefit plans in France because, under the "ANI" agreement, employees who leave their company continue to be covered by the plan if they subsequently claim unemployment benefit.

1.8. Financial risk generated by underwriting activities

The insurance policies sold by the Group generate financial risks.

This is the case, in particular, for traditional savings contracts that include a capital guarantee and, even more so, for contracts with a guaranteed DPF. In the event of a decline in investment yields, CNP Assurances would be exposed to a risk of being unable to fund these guarantees or possibly even cover the administrative costs.

Pension contracts also present a risk of asset yields falling to below the valuation rate of interest used in the pricing model.

In addition, death/disability policies with potentially long benefit payment periods, such as long-term care insurance, give rise to financial risks because part of the related profit is derived from the investment income generated during the benefit payment period and may be adversely affected by unfavourable financial market trends (such as declining interest rates).

2. Changes during the period

In the term creditor insurance segment in France, 2016 saw the introduction of new legislation giving insureds an annual right to switch to a different insurer (21 December 2016 amendment). This right is being phased in, with immediate application to term creditor insurance written as from 1 March 2017 and application as from 1 January 2018 to policies in force prior to that date. We are preparing for this change and will pay close attention to any increase in cancellation rates resulting from the new law.

In the term creditor insurance segment in Italy, the Group's local subsidiary (CNP UniCredit Vita) and branch (CNP Italia) have responded to the recommendations issued by the Italian insurance supervisor, IVASS, in August 2015 by revamping their offers, systematically requiring customers to fill out a medical questionnaire and a questionnaire designed to confirm that the cover they are being sold is suitable for their needs, and only recommending the cover that they are eligible to purchase depending on their professional situation. As cover is provided over the life of the loan, it is now only offered for loans with a duration of up to 120 months, as recommended by IVASS.

Concerning surrender rates in France, Article 21 *bis* of the "Sapin II" Act, which sets out the measures to be taken in the case of a systemic crisis, allows the French authority on financial stability (*Haut conseil de stabilité financière*) chaired by the Finance Minister to suspend, postpone or limit, for all or part of each insurer's portfolio and for a period of up to three months renewable once, the payment of surrender values, the right to switch savings from one fund to another and the granting of policy loans.

We have adjusted some of our savings and pensions products to offer a minimum yield calculated before deducting the fees on the outstanding reserves, to ensure that these fees can be recovered by CNP Assurances during a period of persistently low interest rates.

3. Underwriting policies and oversight system

3.1. Underwriting process

The underwriting process gives the various business units a clearly-defined, shared risk-taking framework. It facilitates individual decisions and the seamless use of delegations of underwriting authority.

Underwriting policies specify the risks that we have decided to insure or not to insure, and describe any specific conditions applicable in each case. The policies may set maximum total underwriting volumes for certain risks or types of cover.

They stipulate the limits on underwriting volumes that may be entered into by the business units under the delegations of underwriting authority from the Underwriting Committee and the corporate functions, as well as the limits applicable to the units' own internal delegations of underwriting authority. Contracts can be underwritten at each level up to the limit of the related delegation of underwriting authority. Any departure from the rules specified in the underwriting policies must be submitted to the corporate functions so that it may be discussed at the next Underwriting Committee meeting.

The CNP Assurances underwriting policies include:

- Underwriting standards.
- Pricing standards.
- A description of the internal controls applied by the operating units to guarantee compliance with underwriting procedures.
- A description of the periodic reports to be submitted to the Risk department to enable it to obtain assurance concerning compliance with underwriting policies.

3.2. The Underwriting Risk Committee

The Underwriting Risk Committee is responsible for identifying and monitoring underwriting risks, and for ensuring that appropriate processes are in place to detect emerging risks. This continuous monitoring of risk exposures ensures that we are able to act quickly to correct any deviation from the Group's risk profile.

The Underwriting Risk Committee performs ongoing checks on the consistency of the Group’s risk profile with the strategic profitability and value creation objectives adopted by the Executive Committee and the strategy adopted by the Group Risk Committee within the underwriting and financial risk tolerance framework.

The Underwriting Risk Committee issues opinions and recommendations and alerts the Group Risk Committee to any significant risks. Its opinions are based on work carried out during its meetings.

3.3. Underwriting risk indicators

3.3.1 Principles

The Group Risk reporting system includes quarterly underwriting risk indicators. The risks covered correspond to the Group's most significant insurance risk exposures, including surrender, morbidity (by type of cover: temporary and permanent disability, health and long-term care), mortality, longevity and unemployment risks plus the financial risk associated with the yield guarantees offered on savings and pensions contracts. Focus reports are also prepared on emerging risks, newly introduced products and strategic growth priorities.

The underwriting risk indicators are used to detect any deviations from the Group's risk profile to be submitted to the Underwriting Risk Committee and also to commission detailed analyses from the business units and corporate functions, which may be asked to step up their monitoring of certain risks and/or to make recommendations.

3.3.2 Tracking indicators

The underwriting risk indicators comprise:

► Risk measurement indicators for which the changes over time in surrender rates, annuitant life expectancy, loss ratios and other factors are analysed.

► Risk profile tracking indicators, which break down premium income or mathematical reserves based on discriminating risk deviation factors.

4. Risk mitigation

4.1. Employee benefits insurance in France

In an environment shaped by a reconfiguration of the employee benefits market, margin pressure has driven pure loss ratios very close to 100%, particularly for temporary and permanent disability risk.

To control loss ratios on employee benefits business with both public and private sector clients, the risk is closely monitored and premium rates or guarantees are adjusted where necessary.

4.2. Reinsurance mechanisms

The Group reinsurance policy describes the governance of ceded risks. It sets out the roles and responsibilities of the departments involved in reinsurance activities of the Group and its subsidiaries, as well as specifying the decision-making bodies (i.e., mainly the Reinsurance Risk Committee).

The Group reinsurance policy also establishes the framework for defining the reinsurance programme. The fundamental aim of the reinsurance programme is to ensure that EBIT does not fall below a certain level even following the occurrence of adverse scenarios. The policy is reviewed and, if necessary, adjusted every year.

Group insurance liabilities are covered by non-proportional reinsurance treaties, such as excess of loss per risk treaties for large insured amounts, and excess of loss per occurrence cover of the type offered by the *Bureau Commun d'Assurances Collectives* (BCAC) catastrophe insurance pool.

The annual reinsurance plan is approved each year by the Underwriting Risk Committee.

The Caixa Seguradora group's insurance liabilities are also reinsured under non-proportional treaties, such as excess of loss per risk (life and non-life) treaties, and life, non-life and umbrella excess of loss per occurrence treaties.

5. Risk sensitivity

Changes in the risk profile are tracked using the quarterly SCR coverage ratio measurements.

In addition to the SCR calculations, each year we also calculate the sensitivity of MCEV© metrics – new business value (NBV) and value of in-force business (VIF) – to surrender, expense and claims shocks.

The main results are as follows:

At 31 December 2016, in € millions	**Central value**	Surrenders -10%	Costs -10%	Loss ratio -5% (longevity risk)	Loss ratio -5% (mortality & disability risk)
MCEV© VIF	**6,509**	103	325	(65)	151
Group NBV	**436**	29	42	(1)	57
NBV France	**232**	15	35	(1)	46
NBV Latin America	**146**	12	4	0	6
NBV Europe excl. France	**58**	1	3	0	4

C2. Market risk

This section covers the following market risks: interest rate, equity, property and currency. Spread and concentration risks, which are also taken into account in market risk SCR calculations, are dealt with in section C3 Credit Risk.

Exposure to market risk is assessed based on the asset classifications used in the balance sheet, as follows:

Assets at cost, excluding unit-linked portfolios *(In € millions)*	31 December 2016
Bonds and other fixed income	248,729.6
Equities and other variable income	34,653.8
Investment property and property funds	6,859.0
Derivative instruments	732.7
Loans and receivables	4,945.3
Other	55.1
Total	**295,975.5**

1. Description

1.1. Interest rate risk

Interest rate risk corresponds mainly to the risk of an increase or decrease in interest rates. The Group is also exposed to the risks of interest rate volatility and steeper yield curves, although these are not covered by the Solvency II standard formula.

1.1.1 Risk of falling interest rates

During a period of falling interest rates, yields on reinvested premiums decline, leading to a gradual erosion of portfolio yields.

A prolonged fall in interest rates makes contractual loading more difficult to apply and exposes the insurer to a risk of lower margins, especially on traditional life insurance products. To address this risk, we limit the duration and level of yield guarantees, thereby allowing asset managers to reduce the weighting of long-dated bonds in the managed portfolios.

In more extreme scenarios, despite the relatively low proportion of contracts with a guaranteed yield, there is a risk that asset yields will be insufficient to cover contractually guaranteed yields, forcing us to use our own funds portfolio to pay the guaranteed amount.

Pension products – especially group pension plans – as well as certain personal risk and employee benefits contracts are particularly exposed to the risk of a fall in interest rates.

1.1.2 Risk of rising interest rates

In the event of a rapid increase in interest rates, yields on our investment portfolios may lag behind the market, generating a mismatch between the yields paid on our products and those available on other financial products.

We may then have to contend with an increase in life insurance policy surrenders as policyholders seek higher yields elsewhere.

A spike in the surrender rate could force CNP Assurances to sell off bonds at a loss. This could then trigger a negative spiral whereby such losses accentuate the mismatch between the yield being paid to our policyholders and those available on the market, thus pushing the surrender rate even higher.

1.2. Equity risk

Equity risk measures the sensitivity of the equity portfolio to changes in stock market prices. By extension, the definition of equities also includes investments in private equity and equity funds. In the case of a prolonged fall in value, impairment provisions may have to be set aside for unrealised losses on certain equity portfolios, with an adverse effect on earnings.

Gains on equity portfolios are used to boost policyholder yields in periods when bond yields are too low. A fall in equity prices would deprive the Group of this flexibility and could even reduce our ability to pay guaranteed yields.

The private equity portfolio also exposes the Group to liquidity risk (see section C4). As well as the price risk, the Group is also exposed to equity market volatility risk, although this is not identified in the Solvency II standard formula.

1.3. Property risk

Property risk measures the sensitivity of property portfolio values to changes in real estate market prices. The risk concerns both investment property and owner-occupied property.

The rental income from a property portfolio is exposed to market risk (e.g., excess of supply over demand, increased vacancy rates and their impact on rental value) as well as to the risk of tenant default and declines in rent adjustment indices.

The value of property owned directly or through a fund is exposed to the risk of changes in rental income and in the investment market itself, as well as to the potential risk that certain buildings will be rendered obsolete by new regulations (on energy use, for example) resulting in losses in the event of sale or additional costs to bring the assets back into compliance.

1.4. Currency risk

The CNP Assurances Group's presentation currency is the euro. Most of its currency risk arises from the consolidation of the Brazilian subsidiary, Caixa Seguros Holding, which presents its financial statements in reals. Caixa Seguros Holding’s contribution to the Group’s financial performance – in terms of both premium income and earnings – is already substantial and continuing to grow, and changes in the real/euro exchange rate therefore have a material impact on CNP Assurances' consolidated net profit and cash flows.

With the exception of Caixa Seguros Holding, the bulk of the Group's asset portfolios are invested in the securities of euro zone issuers. As a result, the portfolios' exposure to currency risks is very limited.

2. Changes during the period

Last year saw an increase in geopolitical risks in Europe and worldwide, encouraging us to remain extremely vigilant about all market risks.

In 2016, persistently low European interest rates exacerbated our exposure to the risk of falling rates, but also to a rate increase. We responded to this situation by adjusting our asset allocation away from bonds and towards money-market instruments.

Equity risk remained fairly stable between the beginning and the end of the year. Stock markets in and outside Europe ended the year higher than they started it and volatility declined overall. The balance sheet value of the Group's equity portfolio contracted slightly over the year.

Private equity funds performed less well than in 2015, but the segment as a whole enjoyed a favourable environment throughout the year. While we continued to invest in this class of assets, the portfolio is nevertheless still marginal in relation to total insurance assets.

Investments in property were increased over the year, primarily in France and, to a lesser extent, in other European markets. Property prices have clearly increased over recent years and there are no signs to suggest that we should be concerned about rental income or vacancy rates in our properties. Nevertheless, the market is traditionally extremely volatile and a sharp fall in prices could have a negative impact on the value of the portfolio. The current very low interest rate environment and the large volumes of liquidity invested in the property market represent an additional risk factor (in the event of rate increases for example).

Concerning currency risks, the Brazilian real's 20% gain against the euro was favourable for the Group, while the steep fall in sterling did not have any material consequences for CNP Assurances thanks to the system in place to manage and mitigate currency risks.

3. Investment policies, asset standards and monitoring processes

Our investment policy sets market risk exposure limits and applies the risk management policy (see section B3) to asset risks. The policy reiterates the main principles of the risk management policy as it applies to asset risks through:

- Investment rules that require application of the "prudent person" and "policyholder best interests" principles.
- Investment decision-making processes that require application of the four-eyes principle.
- Integration of economic capital measurements in investment decision-making processes.

This policy applies to the Group and all of its subsidiaries. Where necessary, it may be adjusted to take into account local regulations, the subsidiary's growth objectives and any investment restrictions decided jointly with our local partners. Any such adjustments are approved locally.

The policy describes the overall organisation of the system for managing investment risk, which is based notably on:

- General asset allocation strategies developed and updated each year by the Strategic Asset Allocation Committee as part of the prospective ORSA process.
- Management of asset/liability matching organised by the ALM risks management policy.
- The investment policy, which forms part of a multi-tier risk delegation system overseen by the Group Investment Committee.
- The monitoring process organised by the Asset Risk Monitoring Committee.

Asset risk management is governed by a set of policies and standards that frame routine risk management and monitoring processes. They include:

- ALM risk management policy
- Foreign exchange standards
- Liquidity standards
- Investment standards – Equities
- Investment standards – Unlisted investments
- Investment standards – UCITS
- Derivatives standards
- Credit standards (by issuer/group of issuers)
- Standards on exposure limits by rating band
- Concentration standards.

3.1. ALM risk management policy

Asset-liability management (ALM) risks are risks that may affect the liquidity, performance and value of insurance portfolios in the event of an unfavourable change in financial market conditions and/or policyholder behaviour. They include financial risk and liquidity risk.

The ALM risk management policy describes ALM risks and the system for managing them in order to facilitate their measurement and mitigate their potential balance sheet impact.

The system is organised around the definition of strategic ALM priorities, ALM indicator monitoring and the ad hoc ALM analyses performed on a portfolio that is of particular interest or that represents a particular risk, or to support marketing decisions.

Strategic ALM priorities are defined:

- Annually and as part of the prospective ORSA process, through:
  - General asset allocation strategies which determine the Group's overall investment strategies.
  - ALM and financial risk hedging strategies determined annually.
- More regularly, during the periodic ALM Committee meetings.

The ALM Committee sets the levels at which the various ALM indicators start to raise warning flags. If these levels are exceeded, a special meeting of the ALM Committee is called to decide:

- To authorise a temporary override.
- To implement ALM risk mitigation measures, such as a change of asset allocation, the use of hedging instruments or an adjustment of the cover sold to policyholders.

3.2. Foreign exchange standards

Standards dealing with financial transactions that give rise to a currency risk define authorised currencies for insurance assets. They also set net foreign currency exposure limits (covering direct exposures on investments in securities, indirect exposures on investments in UCITS and cash exposures on bank accounts).

Subsidiaries located outside the euro zone give rise to a currency risk in the accounts of both the Company and the Group. For subsidiaries located outside the euro zone that are material in relation to the Group, currency risk sensitivity analyses are performed each year on various indicators, including dividend income.

3.3. Investment standards – Equities

Standards concerning investments in equities mainly restrict authorised investments to equities included in stock market indices, for liquidity reasons.

3.4. Investment standards – Unlisted investments

We have developed standards covering most of our portfolio of unlisted assets – consisting primarily of private equity and property investments – that describe the principles underpinning the investment policy.

These standards promote diversification as a means of limiting risk by avoiding over dependence on certain types of assets, issuers or sectors. Investment monitoring processes provide assurance that the objectives of security, quality and liquidity are met, and that the Group's commitments and technical reserves are covered.

Except in specific cases, unlisted investments are submitted to the Investment Committee for approval, backed by detailed analyses.

The risk policy covers both new and existing investments in private equity. CNP Assurances' private equity investments focus primarily on funds with the following characteristics:

- A stable, experienced team with a good track record in the investment area and strategy, in terms of both the number of years of experience and the funds raised.
- A structure that is aligned with market practices and affords adequate investor protection.

For property investments, we give priority to:

- Assets offering a high intrinsic quality, as reflected in environmental and technical certifications, prime location, high level of fungibility and rentability.
- Stable cash flows, supported by a satisfactory level of tenant risk (vacancy rate, tenant turnover, tenant credit quality).
- Ease of access to cash flows and any guarantees.

3.5. Investment standards – UCITS

UCITS investment standards describe the criteria that the funds are required to fulfil. In particular, they must be approved by France's securities regulator (AMF) or a European regulator, and the fund or the manager must have a track record of at least three years. Other criteria include management team stability and the value of fund assets and assets under management by the fund manager.

In addition, the fund must comply with maximum control ratios, determined by fund and by fund manager.

3.6. Derivatives standards

Derivative instruments are used to mitigate market risk. Their use is governed by:

- Standards covering the approval of counterparties (and their removal from the approved list), based in particular on their credit rating.
- Counterparty limits.
- Margin call standards.

3.7. Monitoring and reporting

Market and investment risk monitoring is organised around processes to verify compliance with asset standards and track ALM risks.

It requires the use of various reports, including:

- Monitoring Committee reports which track compliance with asset standards and the action taken to resolve any exposure limit overruns.
- ALM indicators, including asset/liability duration mismatch indicators, comparative yield analyses, etc.
- Quarterly Group risk reports, including reports on the implementation of annual strategic asset allocation and hedging policies, and market risk indicators.
  - Market monitoring reports: stock indices, P/E ratios, interest rates, inflation rates, volatility, exchange rates, qualitative analyses, etc.
  - Portfolio monitoring reports: bond portfolio average yield to maturity, unrealised gains, fixed rate bond sensitivity analyses, equity portfolio by country, etc.

4. Risk mitigation

Each year, a hedging programme is set up based on purchases of derivative instruments, as follows:

- Interest rate risk: hedges of interest rate fluctuations, particularly rate increases through purchases of caps.
- Equity risk: purchases of puts aligned with the hedging objectives (management of IFRS earnings volatility, Group solvency, policyholder participation, etc.).
- Currency risk: hedging of the currency risk on dividends received from the Brazilian subsidiary (and, at Group level, hedging of the Group's share of the subsidiary's profit).

In addition, part of CNP Assurances' profit for the year is transferred to the policyholders' surplus reserve in the French GAAP accounts, which is used to defer payment to policyholders of part of their share of underwriting profit and investment income for the year. At 31 December 2016, the policyholders' surplus reserve in France totalled €9.1 billion, representing 3.9% of technical reserves and 2.5 years' worth of 2016 credited interest.

5. Risk sensitivity

Numerous market risk sensitivity analyses are performed based on various metrics such as IFRS profit, MCEV© metrics, and Solvency II SCR coverage ratio. Special attention is paid to analysing sensitivity to changes in interest rates and equity prices.

The main sensitivities at 31 December 2016 are as follows:

Indicator	Value at 31 December 2016	Sensitivity to a 50-bp increase in interest rates	Sensitivity to a 50-bp decrease in interest rates	Sensitivity to a 10% fall in equity prices	Sensitivity to a 25% fall in equity prices
IFRS profit	€1,200m	+ €68m	+ €6m	- 41	*NA*
MCEV©	€19,951m	+ €1,142m	- €1,141m	*NA*	- €2,887m
SCR coverage ratio	177%	+19 pts	-19 pts	*NA*	-12 pts

Combined stress tests are performed as part of the ORSA process.

C3. Credit risk

This section covers market spread and concentration risk, as well as counterparty default risk.

The Group's exposure to spread risk on the bond portfolio is presented below:

Bond portfolio by type of issuer (*carrying amount in %*)	31 Dec. 2016
Government bonds	51%
Corporate bonds	23%
Banking sector bonds	19%
Covered bonds	6%
Total	**100%**

The bond portfolio may be analysed by issuer rating as follows:

Bond portfolio by issuer rating (*carrying amount in %*)	31 Dec. 2016
AAA	8%
AA	42%
A	17%
BBB	21%
Non-investment grade	7%
Unrated	4%
Total	**100%**

The government bond portfolio breaks down by country as follows:

Government bond portfolio by country (*carrying amount in %*)	31 Dec. 2016
France	63%
Italy	9%
Belgium	7%
Spain	6%
Austria	4%
Brazil	2%
Other	9%
Total	**100%**

1. Description

The credit (or counterparty) risk on a bond is the risk of issuer default. This depends on the issuer's financial condition and credit quality, as reflected in its credit rating.

Credit spreads vary according to investor perceptions of the counterparty default risk represented by the issuer. Changes in credit spreads therefore have a direct impact on the fair value of bonds held in the portfolio and consequently on the level of unrealised gains or losses.

The risk applies to both corporate and government bonds (sovereign risk).

Concentrating the bond portfolio on a limited number of issuers and types of issuer has the effect of increasing the risk.

The Group is also exposed to counterparty default risk on its purchases of hedging instruments (derivatives) from banks, on insurance liabilities ceded to reinsurance companies, and on securities lending activities with banks (repurchase agreements). Lastly, it may be exposed to counterparty default risk arising from relations with insurance partners that have debts towards the Group (in the case of earned premiums not yet written).

2. Changes during the period

Credit spreads were relatively narrow in 2016, due in part to the ECB's decision to extend its quantitative easing programme to corporate bonds and in part to the significantly greater geopolitical risk. We responded to this situation by reducing our corporate bond portfolio.

Specifically, last year's low interest rates, high incidence of customer defaults and development of new technologies led to an increased credit risk on bank issuers, with emerging doubts about the ability of Deutsche Bank to meet its repayment obligations and the difficulties experienced by Italian banks. Looking ahead, the UK's withdrawal from the European Union represents a risk for the country's banks and for all issuers exposed to UK risk.

Based on our close monitoring of market conditions, we regularly adjusted our investment authorisations and limits in 2016, particularly in response to the situations referred to above.

Concerning sovereign risk, in light of the low yields offered on French government bonds, we increased our Spanish and Italian sovereign debt positions in 2016.

3. Investment policies, asset standards and monitoring processes

The market risk policies and standards (see section C2) also apply to credit risk.

In particular:

- ► Investment targets (sovereign issuers, peripheral sovereign issuers, corporate issuers by rating band) are set each year in the annual strategic asset allocation.
- ► Annual hedging strategies may include hedges of widening credit spreads.
- ► Credit and concentration standards are applied. Reporting systems have been set up to monitor their application, including through indicators covering the breakdown by country, sector and credit rating and the top five exposures, for example.

Lastly, as regards counterparty default risk on hedging instruments, reinsurance transactions and securities lending transactions, our policies and standards set clear rules concerning the selection of counterparties and collateral requirements.

3.1. Credit standards (by issuer/group of issuers)

Credit standards set exposure limits by issuer.

If an event occurs that is likely to have a material adverse effect on an issuer's credit quality or if an issuer abruptly becomes on the verge of bankruptcy, a credit watch procedure is implemented.

Issuers requiring close monitoring are included on a multi-level watchlist, each level of which corresponds to a specific credit watch procedure.

Alongside the Investment Committee, the Monitoring Committee tracks emerging and growing asset risks, as well as possible breaches of credit standards and the measures taken to remedy them. The Monitoring Committee performs industry reviews based on recent developments in each industry and the portfolio's exposure.

In the case of a rating downgrade leading to a limit being exceeded, a review is performed to determine whether the positions should be held or sold.

3.2. Standards on exposure limits by rating band

In addition to exposure limits by issuer, limits are set at portfolio level by rating band. The limits are adapted to the type of portfolio (policyholder, own funds or cash).

3.3. Concentration standards

Standards address concentration risk by setting exposure limits by issuer group and by portfolio (except for the French sovereign debt portfolio).

An exposure limit is set for each issuer group by portfolio (excluding unit-linked portfolios). In the case of a rating downgrade leading to a limit being exceeded, the decision to hold or sell positions is made on a case-by-case basis during meetings of the Monitoring Committee.

4. Risk mitigation

In addition to the system of exposure limits described above, the Group may also mitigate the risk of losses on exposed investments by setting up hedging programmes to generate additional revenues if credit spreads widen beyond certain trigger points.

To protect the IFRS income statement against changes in credit spreads, a credit risk hedging programme was set up in 2016 along the same lines as the equity risk hedging programme.

Lastly, as regards counterparty default risk on hedging instruments, reinsurance transactions and securities lending transactions, our policies and standards set clear rules concerning collateral requirements.

5. Risk sensitivity

Sensitivity tests are performed for credit risk based on various metrics. In particular, the sensitivity of the Solvency II SCR ratio to a sharp increase in credit spreads (excluding sovereign spreads) is analysed each year. The results of the sensitivity analysis are as follows:

Indicator	Value at 31 December 2016	Sensitivity to a 75-bp increase in corporate bond spread
SCR coverage ratio	177%	-16 pts

Combined stress tests are performed as part of the ORSA process.

C4. Liquidity risk

There is no specific liquidity risk module in the Solvency II standard formula.

1. Description

Liquidity risk is defined as the risk of the Group being unable to pay its creditors due to the practical impossibility of selling assets, particularly following a wave of surrenders or a very large volume of benefit claims.

The risk differs depending on the portfolio:

- For traditional savings, personal risk and term creditor insurance portfolios, the risk is that of being unable to deal with a wave of surrenders or a very large volume of benefit claims.
- For own funds portfolios, aside from extreme situations where own funds are used to pay benefits, the risk mainly concerns exceptional payments that could be due following the occurrence of operational risks.
- For unit-linked portfolios, the contract holders are given a guarantee that they will be able to cash in their units at any time. The risk in this case is that we may have to use own funds to purchase the units.
- For pensions portfolios, liquidity risk is considered to be limited because policyholders do not have a surrender option.

2. Changes during the period

There were no material changes in liquidity risk in 2016. Loss ratios remained below the thresholds specified in the liquidity risk standards.

3. Investment policies, asset standards and monitoring processes

The market risk policies and standards (see section C2) also apply to liquidity risk. In particular:

- Liquidity standards have been developed (see below).
- Our ALM policy also provides for the monitoring of actual and forecast Savings net new money and cash flow mismatches (timing differences between assets and liabilities).
- Liquidity indicators are produced and reported as part of the ALM and Group Risk reporting systems. The unit-linked funds offered to policyholders are selected in part on the basis of liquidity criteria.

Liquidity standards

The standards set a liquidity threshold by type of business and provide a definition of liquid assets.

- Liquidity of savings/term creditor insurance portfolios must be sufficient to cover stressed loss ratios or surrender rates.
- Liquidity of own funds portfolios must be sufficient to cover an exceptional loss.
- Pension portfolios are excluded.

4. Risk mitigation

The main identified courses of action following the occurrence of a liquidity risk are as follows:

- Sell the least liquid assets (units in equity and bond funds, government bonds maturing in more than one year and rated BBB+ or lower and corporate bonds maturing in more than one year).
- Initiate the sale of assets that are even less liquid (property and shares in non-trading property companies).
- Stop reinvesting portfolio cash flows (investments that reach maturity, interest, dividends and rent).
- Stop investing net new money.

5. Risk sensitivity

The liquidity indicator is in itself a measure of the Group's sensitivity to liquidity risk.

In 2016, loss indicators remained below the thresholds specified in the liquidity risk standards.

6. Expected profits included in future premiums

In accordance with Article 260 of the Solvency II Delegated Regulation, expected profits included in future premiums are defined as the difference between technical reserves without a risk margin and a calculation of technical reserves without a risk margin under the assumption that expected future premiums are not received.

The calculation is performed using the assumptions and methods presented in section D2.

The amount obtained is €1.0 billion, corresponding mainly to future term creditor insurance premiums in France.

C5. Operational risk

1. Definition of operational risk

Operational risk, as defined in Solvency II, is the risk of loss from inadequate or failed internal processes, personnel or systems, or from external events.

We have prepared a risk taxonomy that represents the starting point of our operational risk management system. It presents an overview by risk category and is based on the Basel II and ORIC taxonomies.

The taxonomy is organised according to a four-level hierarchy, the first of which includes the following components:

- Products/policies and policyholder relations: all policyholder compliance risks, corresponding to the risks that could prevent the Group from fulfilling its regulatory obligations or complying with internal standards in its relations with policyholders.
- Information systems: risk of information system failures.
- Human resources management: employee-related risks and risks associated with human resources management.
- Safety and security: property damage and personal injury risks.
- Internal fraud.
- External fraud.
- Project management: risk of budget overspend, project management failures or failures in related change management processes.
- Process execution, delivery and management: business continuity risks, as well as regulatory or contractual processing times and processing failures or errors, and outsourcing risks.

2. Operational risk management policy

To identify, measure and manage these risks, we have issued a formal operational risk management policy.

The policy applies to CNP Assurances and all Group subsidiaries, including those in countries outside the European Union. Each subsidiary has its own operational risk governance system and may adapt the Group policy to take account of its size, the complexity of its risks and any local requirements, provided that the adjustments are explained in the policy. The Group may also adapt the way in which the policy is applied to subsidiaries in a certain number of cases, by relaxing or, on the contrary, tightening certain provisions.

The policy is organised around:

- An operating incident reporting system to ensure that we learn the lessons of past errors. The system's objectives are to:
  - Help us to take a step back and investigate material incidents in order to identify appropriate preventive measures. This is separate from routine incident management systems that are designed to resolve the problem without delay or limit its immediate consequences.
  - Build a historical database that can be used to perform quantitative operational risk analyses.
  - Improve the internal control system, when an incident is caused by control failures.

- Tracking key risk indicators in order to monitor current risks. The indicators are defined and calculated at operating level and are aggregated in scorecards that may be used to identify potential areas of weakness. One or more risk measurement indicators and one or more risk exposure indicators are defined for each risk category. The operating units responsible for the calculations are consulted concerning the definitions to ensure that the indicators are both relevant and easy to calculate.
- Simulating stress scenarios in order to increase the organisation's preparedness for possible future situations.
- Setting up business continuity and crisis management plans. We ensure that appropriate business continuity plans are in place, particularly in areas where our Group is the most vulnerable. CNP Assurances and all of the subsidiaries regularly review, test and update their business continuity plans. A dedicated crisis management team has been set up to manage crises involving CNP Assurances (and also the subsidiaries).
- Establishing a Group insurance programme, with a particular focus on liability risk.
- Developing operational risk action plans, including such measures as process and internal control improvements.

3. Significant developments during the year: Group operational risk profile

The Group's operational risk profile is determined based on completed questionnaires returned by the subsidiaries and on their quarterly operational risk reports.

Its operational risk profile was relatively stable in 2016 compared with the previous year.

The main residual risks identified during the year are in the following categories:

- **Product, policy and policyholder relations compliance**: we operate in an increasingly heavily regulated environment in both Europe and Brazil, resulting not only from the Solvency II directive, but also from new regulations in the areas of policyholder protection, money laundering, corruption and data protection.
- **Outsourcing and delegated management**: the CNP Assurances Group business model is based on outsourcing solutions and extensive delegations of management powers to distribution partners. As a result, the Group is heavily exposed to outsourcing risk.
- **Process execution, delivery and management**: process complexity due to our diverse range of markets, products and partner types exposes the Group to the risk of a major failure.
- **Information systems and data processing**: the insurance business involves processing vast quantities of data, which may be lost, stolen or processed in a manner that breaches our regulatory or contractual obligations, exposing the Group to significant IT risks.

  2016 saw a sharp increase in intruder risk and the risk of cyber attacks. We experienced numerous attempts to hack into our systems, so far with limited consequences.
- **Internal and external fraud**: in an environment shaped by complex processes and information systems, many of our distribution and management procedures are exposed to the risk of fraudulent statements, misappropriations of funds, money laundering and bribery attempts. The risk for the Group is exacerbated by the very challenging economic environment.

4. Risk mitigation system

Risk mitigation measures for the main residual operational risks identified during the year are outlined below:

Product, policy and policyholder relations compliance

Monitoring of changes in the standards applicable to our products, policies and policyholder relations processes highlights the compliance risks facing the Group due to its diversified business base.

The Group has a robust product launch procedure that includes checks to ensure that the product and the marketing process are in full compliance with regulatory requirements. Particular attention is paid to compliance risks at the time of new product launches.

Outsourcing risks

See section B8.

Process execution, delivery and management

In addition to outsourcing risks dealt with above, the Group pays close attention to ensuring that systems are in place to enable operations to continue following an incident.

Each Group entity has a business continuity plan and a disaster recovery plan.

A certain number of projects are also underway to improve execution quality, compliance with contractual undertakings and the alignment of insurance practices with non-regulatory standards.

Information systems and data processing

Information systems security is a priority for CNP Assurances which has drawn up a Group systems security policy.

The Group entities all have their own disaster recovery plan or are covered by another organisation's plan.

Close attention is paid to the risk of cyber-attacks and insurance against this risk is in the process of being arranged, covering CNP Assurances and its subsidiaries.

Internal and external fraud

Fraud is a constant concern for the Group, which is exposed to these risks due to the nature of its business.

The Group's business model, in which many transactions are performed by partners, has shaped the related controls.

The risk may be aggravated by an economic crisis and the Group has therefore strengthened the system of delegations of powers and signature authority, as well as its controls over payments.

5. Sensitivity to operational risk: scenario analyses

We have chosen to use scenario analyses to measure our exposure to operational risk for ORSA purposes.

Scenario analysis consists of simulating operational shocks arising from the occurrence of the Group's main risks, using predefined parameters (timing, location, causes, consequences, etc.) that reflect the same occurrence probabilities as for financial and underwriting risk scenario analyses. The operational shock scenarios are selected based on their ability to encompass a variety of events with the same or similar direct consequences for the Group.

C6. Other material risks

1. Emerging risks

Emerging risks are managed by the operational risk unit of the Group Risk department.

We define emerging risks as follows: *"Emerging risks are risks that are highly uncertain and very difficult to measure and that may have a significant impact in terms of losses. They include new unknown risks and known risks that have occurred in the past in other forms and have since changed. For these risks, it is the potential new form in which they may occur that is qualified as an emerging risk."*

The emerging risk monitoring process may be summarised as follows:

- Emerging risks are identified and monitored, at present primarily by the Group Risk department, which documents any observed changes.
- Identified emerging risks are recorded on a Watchlist.
- They are presented periodically to the Group Risk department's Management Committee which decides on the action to be taken based on the probability of the risk occurring and on any measurement and exposure indicators that may have been developed internally. There are two possible courses of action:
  - Keep the emerging risk on the Watchlist and continue to monitor and track it, or
  - Submit the risk to the Group Risk Committee or the Executive Committee to decide whether it should be classified and managed as a financial and/or underwriting and/or operational risk, if necessary through an emergency procedure.

2. Reputational risk

Reputational risk is a cross-functional risk that is closely linked to underwriting, financial and operational (legal and employee-related) risks. This is because an event that unfavourably affects stakeholders' perception of the Group may temporarily or durably damage its reputation. The three key words defining reputational risk management are monitor, manage and act.

2.1. Monitor

We have set up a system to monitor in real time all references to the Group's name and that of its subsidiaries in the press, forums, blogs and social networks.

The system has been expanded since 2015 to take into account the Group's presence on social networks (Twitter, Facebook, Linkedin, Viadeo and Youtube).

In addition to real-time alerts that enable us to detect even the weakest signals, monthly and half-yearly reporting systems have been developed to help define the action plans needed to manage the Group's reputation based on its mass media presence.

A dedicated unit has been set up in the Communication and Strategic Marketing department, with a multi-disciplinary team supported by external consultants, to conduct reputation monitoring and analysis activities and determine any necessary action plans.

A process to coordinate monitoring processes and mass media presence has been set up at Group level with the French and international subsidiaries.

2.2. Manage

As soon as a crisis occurs, whatever its nature, a crisis management plan is triggered.

Each unit regularly tests the plan's effectiveness by simulating crises on specific topics or in specific areas.

2.3. Act

The action plan launched or the commitments made following a crisis are closely monitored by the Executive Committee.

3. Concentration risk

The Group is potentially exposed to concentration risk which could arise from:

- One or a number of Group entities underwriting the same risk.
- The sale of policies by one or several Group entities covering different risks that are likely to result in claims arising from the same loss event or primary cause.

Identifying and containing concentration risk is part of the product development and approval procedure and the product portfolio management process, which includes managing the related reinsurance cover (see section C1 for more information about reinsurance).

Concentration risk may also arise with respect to a counterparty, through the purchase of various assets including reinsurance, derivative instruments, equities, property, private equity and bonds. Concentration standards mitigate this risk for bonds and derivative instruments.

Concentration risk is monitored through the production of Solvency II reports.

D. VALUATION FOR SOLVENCY PURPOSES

This section presents the approach used for the preparation of the Solvency II economic balance sheet. The difference between the value attributed to assets and the value attributed to liabilities (technical reserves and other liabilities) corresponds to the Group's own funds, which are presented in detail in section E.

The economic balance sheet is based to a large extent on the fair values of assets and liabilities used in the Group's IFRS balance sheet prepared for inclusion in the consolidated financial statements, as the measurement principles are the same in both cases. These fair values are subjected to the controls performed for the preparation of the IFRS balance sheet and they are audited by the Statutory Auditors. This approach guarantees the reliability of the economic balance sheet, through the application of an efficiently managed and audited process, and its alignment with the IFRS balance sheet.

The main adjustments concern:

- ► Elimination of intangible assets.
- ► Remeasurement of assets at fair value (held-to-maturity investments, loans and receivables and investments in non-consolidated subsidiaries and affiliates).
- ► Measurement of technical reserves (cancellation of IFRS technical reserves and recognition of the best estimate of liabilities plus a risk margin).
- ► Reclassification and remeasurement of subordinated debt.
- ► Adjustments due to the hard close.

The format of the economic balance sheet is different from that of the Group's IFRS balance sheet and certain reclassifications are therefore also necessary, as follows:

- ► In the IFRS balance sheet, certain investments are classified based on the intended holding period (held-to-maturity investments, available-for-sale financial assets, trading securities, loans and advances, derivative instruments). In the economic balance sheet, investments are presented according to the complementary identification codes (CICs) defined in Solvency II which reflect the nature of the assets.
- ► The Group holds some of its own shares under a liquidity agreement. In the IFRS balance sheet, these shares are recorded as a deduction from equity. In the economic balance sheet, they are reclassified as assets and remeasured at fair value.
- ► Subordinated notes and debt are classified as liabilities in both the IFRS balance sheet and the economic balance sheet. However, they are included in eligible own funds for the calculation of the SCR coverage ratio.
- ► Technical reserves are classified in five categories in the economic balance sheet (life, SLT health, non-life, NSLT health, unit-linked) and are analysed between the best estimate of liabilities and a risk margin.

D1. Assets

1. Valuation principles

1.1. Use of fair values determined for the IFRS balance sheet

The Group's consolidated financial statements have been prepared in accordance with IFRS since 2005 and fair values are already determined for many assets and liabilities (particularly financial instruments) for inclusion either directly in the IFRS balance sheet or in the notes to the balance sheet.

The value of certain items can be estimated using simplified methods (cost, for example), provided that they do not represent material exposures or the difference compared with the fair value in the IFRS balance sheet is not material.

1.2. Criteria for identifying active markets vs. inactive markets

Fair value measurements in the Solvency II economic balance sheet and under IFRS 13 – Fair value measurement are generally based on quoted market prices in active markets for similar assets. For financial instruments, the fair value hierarchy defined in IFRS 13 is used, with instruments measured using level 1 inputs in the notes to the IFRS financial statements considered in the economic balance sheet as being valued based on quoted market prices in active markets.

Where IFRS valuation principles are different to Solvency II principles, alternative valuation methods are used. The alternative methods make maximum use of relevant market inputs and rely as little as possible on Group-specific inputs.

They are based on one of the following three approaches:

- ► Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets.
- ► Income approach, which converts future amounts, such as cash flows or income or expenses, to a single current amount.
- ► Cost approach or current replacement cost approach.

1.3. Specific asset valuation methods

1.3.1 Intangible assets

At this stage, for the preparation of the Solvency II economic balance sheet, all intangible assets are considered as being without value in the absence of detailed analyses of the underlying markets.

Goodwill is cancelled. Other intangible assets are also cancelled unless it is possible to demonstrate the existence of a market in which the asset could be sold separately.

Deferred acquisition costs are qualified as intangible assets and, as such, are cancelled, unless the related amortisation is taken into account in the best estimate of insurance liabilities, in which case the deferred acquisition costs are not cancelled.

The value of in-force business recognised in the IFRS balance sheet is also cancelled in the economic balance sheet.

These cancellations (except for the cancellation of goodwill) lead to the recognition of deferred taxes.

1.3.2 Property and financial assets

(a) Property

Owner-occupied and investment property and shares in unlisted property companies are measured in the Solvency II economic balance sheet at their appraisal value (as determined based on five-yearly independent valuations performed by surveyors recognised by the insurance supervisor and updated annually) or an equivalent value for properties held by entities outside France.

(b) Financial assets

All financial assets other than investments in non-consolidated subsidiaries and affiliates are measured at fair value.

- Fair values determined in accordance with IAS 39 are considered as reasonable values under Solvency II.
- Instruments measured at cost or amortised cost under IAS 39 (loans and receivables, held-to-maturity investments) are remeasured at fair value.

In view of the quality of the financial assets in the portfolio (almost 89% of which were rated BBB or over at 31 December 2016), no material uncertainties have been identified concerning the values attributed to financial assets. The majority of financial assets are traded on active markets and are valued using level 1 inputs in the IFRS financial statements (see below). The IFRS fair values are therefore also used in the Solvency II economic balance sheet.

The same applies to assets valued using level 2 or level 3 inputs (see below). For these assets, wherever possible we use values obtained from arrangers or external valuers.

We do not have any material exposures measured using valuation models. The only financial assets valued by the Group are certain structured products. The values obtained are reviewed by the Statutory Auditors during their audit of the IFRS financial statements.

The same valuation methods and controls are applied to financial instruments recorded in liabilities (particularly derivative instruments).

A financial instrument is considered as traded in an active market when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and these prices represent actual and regularly occurring market transactions conducted on an arm's length basis. The main criteria used in determining whether or not a market is active are the frequency of price quotations and the liquidity of the securities traded on the market. The market will be considered inactive if one or more of the following indicators is observed: a sharp fall in the number of transactions, a significant increase in settlement costs or volatility, or a rapid widening in Z-spreads.

For financial instruments whose price is not quoted in an active market (i.e., no price is quoted or a price is quoted but the market does not qualify as active, as is the case for certain structured products), fair value is estimated using valuation techniques. This includes:

- Prices not freely available that are provided on demand by arrangers or pricing services, or prices provided by an external agency that are freely available but where the market on which the assets are traded is not always active.
- Prices determined using internal models that maximise the use of observable inputs.

Structured products held by the Group consist of financial instruments for which income is indexed to indices, baskets of equities, hedge funds, interest rates and credits. They may also comprise embedded derivatives that may modify the structure of revenues or repayments.

The Group negotiates with each arranger for prices to be quoted in principle every month. These prices correspond to the products' economic value. Their reliability is checked on a test basis and, in the case of a significant change, using valuation techniques (for example, discounted cash flow analysis) or by asking the arrangers for details of the methods used. To date, these checks have consistently confirmed the reliability of the prices quoted by the arrangers. We check the quality of the arrangers' valuation methods and of the ratings attributed to the products, and obtain assurance concerning the absence of any credit events.

Financial instruments are classified in three categories based on the fair value hierarchy, as follows:

- Level 1: financial instruments measured using quoted prices in active markets. The fair value of most financial instruments held by the Group is determined based on the quoted market price, whenever quoted prices are readily and regularly available and represent actual and regularly occurring market transactions conducted on an arm's length basis. The active market for such transactions is the market in which the most recent prices were quoted and the largest trading volume was observed. The following financial assets are measured at their quoted market price:
  - Equities, measured on the basis of quoted prices on their reference market.
  - Mutual fund units, measured at their net asset value.
  - Bonds, EMTNs and MTNs. For each instrument, the value is determined based on the most recent quoted prices available – on the stock exchange, from brokers, trading rooms or trading platforms, the ICMA Price Service (average prices) or BGN (average prices excluding highs and lows), taking into account liquidity factors in the choice of market.
  - BTAN treasury notes, at the prices quoted under the Banque de France's centralised quotation system.
  - Derivatives traded on an organised market.
- Level 2: financial instruments measured by standard valuation techniques using mainly observable inputs. This category includes:
  - Structured products valued by the Group, arrangers or external valuers.
  - Private equity.
  - OTC derivative contracts.
  - Money-market securities other than BTANs measured based on the zero coupon price curve plus a spread.
  - Investment property measured using prices observed for similar recent transactions or the rental value of similar properties.
  - Any other quoted financial instrument for which no active market exists.
- Level 3: financial instruments measured using inputs not based on observable market data (unobservable inputs). Unobservable inputs are defined as inputs based neither on observable market transactions involving the same instrument at the measurement date, nor on observable market data available at the same date. Very few financial instruments used by the Group fall into this category, but it would be used, for example, to classify asset-backed securities. For such instruments, assurance is obtained that any change in inputs used for measurement purposes based on reasonable alternative scenarios would not have any material impact on the financial statements.

(c) Remeasurement at fair value of financial assets initially measured at amortised cost

Financial assets are measured in the same way in the IFRS balance sheet and the Solvency II economic balance sheet, except for:

- Assets classified as "held-to-maturity" investments.
- Loans and receivables.

In accordance with IFRS and Solvency II regulations, these assets measured at amortised cost in the IFRS balance sheet are remeasured at fair value in the economic balance sheet. The fair value in the Solvency II economic balance sheet is consistent with that presented in the notes to the IFRS balance sheet.

(d) Remeasurement of investments in subsidiaries and affiliates at best estimate

In the Solvency II economic balance sheet:

- Investments in insurance subsidiaries and affiliates are measured based on the companies' adjusted net asset value as determined using the rules in the Solvency II directive and the delegated regulation.
- Investments in other subsidiaries and affiliates are measured as follows:
  - Investments traded on an active market are measured at their quoted market price.
  - Investments in non-insurance subsidiaries that are consolidated in the Group's IFRS balance sheet are measured based on the companies' net worth.
  - Investments in insurance and non-insurance subsidiaries that are not consolidated in the Group's IFRS balance sheet or Solvency II economic balance sheet are measured at their fair value under IFRS.
  - Investments in related property companies are measured based on appraisal values determined by an independent expert because the assets are not traded on a stock market.

Recently acquired assets whose fair value has not yet been determined or for which only a provisional fair value is available are measured at cost.

1.3.3 Other assets

(a) Treasury shares

The Group may hold its own shares under a liquidity agreement. These shares are classified as assets in the Solvency II economic balance sheet, under "Own shares", and measured at market value.

Own shares recorded as a deduction from equity in the IFRS balance sheet (under "Treasury shares") are reclassified as assets in the Solvency II economic balance sheet at market value.

(b) Other assets

The value of other assets in the Solvency II balance sheet generally corresponds to the value used in the IFRS balance sheet, as adjusted during the hard close process in line with expected cash flows.

We consider that the IFRS value of these assets is not materially different from their fair value. Fair value may be determined on a case-by-case basis if a material difference is expected to arise between the IFRS value and fair value, due to discounting adjustments for example.

Items included in other assets and valued for the purpose of calculating the best estimate of insurance liabilities are eliminated from the Solvency II economic balance sheet as they are included in the best estimate. This concerns accrued income, which amounted to €72.4 million at 31 December 2016.

2. Differences compared to book value

2.1. Intangible assets

Intangible assets in the IFRS balance sheet correspond to lease premiums, contractual customer relationships, software, internally-generated intangible assets, the value of in-force business and intangible assets in progress. Goodwill and deferred acquisition costs are excluded.

Intangible assets are cancelled from the Solvency II economic balance sheet because no fair value can be attributed to them due to the absence of an active market in which they could be sold.

Intangible assets cancelled from the economic balance sheet at 31 December 2016 amounted to €2.4 billion before the tax effect. Deferred acquisition costs of €1.1 billion have been reclassified in the economic balance sheet, corresponding to the portion of these costs taken into account in the best estimate of insurance liabilities.

2.2. Insurance investments

Property

The Group has elected to measure investment and owner-occupied properties in the IFRS balance sheet using the cost model and the components approach under IAS 40, except for properties held in unit-linked portfolios which are measured at fair value.

Investment properties held in unit-linked portfolios are included in the Solvency II economic balance sheet at the portfolio value. Fair value adjustments to other investment properties in the Solvency II economic balance sheet totalled €568.5 million in 2016. Fair value adjustments to owner-occupied properties amounted to €126.1 million.

Financial assets

At 31 December 2016, insurance investments and derivative instruments totalled €383.9 billion in the Solvency II economic balance sheet versus €382.4 billion in the IFRS balance sheet, representing a difference of €1.6 billion. The difference includes the value of derivative instruments recorded as liabilities*.

In the IFRS balance sheet, financial assets are initially recognised at fair value. The carrying amount includes directly attributable transaction costs, except in the case of financial assets at fair value through profit or loss. Loans and receivables and held-to-maturity investments are measured at amortised cost by the effective interest method. They are remeasured at fair value in the Solvency II economic balance sheet, representing an adjustment of €23.6 million in 2016.

"Participations" as defined in Article 13 of Solvency II (ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking that is not included in the Solvency II scope of consolidation) are also remeasured at fair value in the Solvency II economic balance sheet, representing an adjustment of €813.9 million in 2016.

2.3. Other assets

Treasury shares

Own shares recorded as a deduction from equity in the IFRS balance sheet (under "Treasury shares") are reclassified as assets in the Solvency II economic balance sheet and remeasured at market value. In 2016, the adjustment represented a negative €0.1 million, giving rise to a deferred tax effect.

Own shares are carried in the Solvency II economic balance sheet for an amount of €2.0 million at 31 December 2016.

Loans and deposits

At 31 December 2016, loans and deposits totalled €670.7 million in the Solvency II economic balance sheet versus €5.1 billion in the IFRS balance sheet. The difference is due to presentation differences (application of complementary identification codes – CICs – in the economic balance sheet).

Receivables and cash

At 31 December 2016, receivables and cash totalled €8.9 billion in the Solvency II economic balance sheet versus €9.2 billion in the IFRS balance sheet.

Other assets

The value of other assets in the Solvency II balance sheet corresponds to the value used in the IFRS balance sheet, as adjusted during the hard close process in line with expected cash flows, i.e., €223.3 million at 31 December 2016.

* *Derivatives recorded as liabilities: €1.2 billion*

D2. Technical reserves

Technical reserves (also known as technical provisions) are defined as the amount an insurance or reinsurance undertaking would have to pay if it transferred its contractual rights and obligations immediately to another undertaking.

The value of technical reserves is equal to the sum of a best estimate and a risk margin:

- The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. It is calculated before reinsurance and comprises two parts, best estimate of premium reserves and best estimate of claims reserves.
- The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof.

For best estimate calculations, insurance obligations are segmented into homogeneous risk groups, and as a minimum by lines of business.

1. Methods and assumptions

1.1. General principles and description of the models

Substantially all statutory technical reserves are calculated using models. When a model cannot be used, a prudent approach is systematically adopted.

The best estimate calculation takes into account all future cash flows related to the insurance obligations observed at the period-end. Expected benefit payments and expenses are modelled, together with future premiums within the limits set by the regulations.

The main accounting phenomena and mechanisms are taken into account, such as changes in the policyholder surplus reserve and statutory technical reserves.

The Group uses several types of model, which can be classified in two main categories:

- Income statement projection models – mainly used for life and health technical reserves – that measure the value of in-force business and the value of the insurer's obligations towards the insured.
- Direct claim and expense projection models – mainly used for non-life technical reserves – which do not take into account any participation feature.

1.2. Main analyses

In 2016, the main focus was on how to deal with the emergence of negative interest rates in the euro zone. The ongoing decline in euro zone interest rates, leading to negative bond yields, has limited the investment options available to the Group which has responded by continuing to adapt its product offer, introducing new products, changing the way that the loading is taken into account in the determination of the guaranteed yield offered on traditional savings products, and adapting policyholder participation policies for certain products. Models (primarily those used by the Company) have also been adjusted to include the effect of negative interest rates.

1.3. Economic assumptions

Solvency II calculations are based on market conditions observed at the year end.

In the euro zone, the swap curve entered negative territory in 2016. This unusual situation led us to adjust our economic scenario generators and models to take into account the consequences of negative interest rates.

1.3.1 Reference interest rate curve

The reference interest rate curve corresponds to the EIOPA basic risk free interest rate term structure plus an adjustment for credit risk and volatility where possible. The adjusted term structure is extrapolated using a mechanism to ensure a smooth convergence to the ultimate forward rate.

1.3.2 Matching adjustment

Best estimates do not take into account any matching adjustment.

1.3.3 Volatility adjustment

The table below shows the credit risk and volatility adjustments applied at 31 December 2016 for the Group's various host countries:

(basis points)	France	Italy	Spain	Ireland	Cyprus	Brazil
Credit risk adjustment (CRA)	10	10	10	10	10	35
Volatility adjustment (VA)	13	-	13	-	-	NA

The impact of the volatility adjustment on technical reserves and solvency indicators at 31 December 2016 is presented below:

Impact of volatility adjustment on technical reserves (*In € billions*)	Before volatility adjustment	**After volatility adjustment**	Impact
Technical reserves	362.9	**361.9**	-1.0

Impact of volatility adjustment on solvency indicators (*In € billions*)	Before volatility adjustment	**After volatility adjustment**	Impact
Solvency capital requirement (SCR)	13.9	**13.4**	-0.5
Minimum capital requirement (MCR)	6.9	**6.7**	-0.2
Basic own funds	2.4	**2.4**	-
Eligible own funds to cover the MCR	19.4	**20.0**	0.6
Eligible own funds to cover the SCR	23.1	**23.7**	0.6
SCR coverage ratio	166%	**177%**	11 pts

1.3.4 Transitional measures

The Solvency II directive includes transitional measures to allow insurance and reinsurance undertakings time to adapt to the new regulations before they become fully applicable and smooth the financial impacts over time. The transitional measures concerning risk free rates and technical reserves have not been used by the Group to calculate best estimates of technical reserves.

1.4. Assumptions used to calculate liabilities

The assumptions used to calculate liabilities, concerning such issues as mortality, temporary and permanent disability, surrender rates and loss experience, are determined based on actuarial analyses provided that adequate historical data is available for the portfolios concerned.

If this is not the case, experience-based modelling laws are determined using regulatory tables or external data, provided that the available data is adequate and its quality complies with regulatory standards.

Expense assumptions are based on actual expenses for the previous fiscal year. Overheads are analysed by substance (with most expenses allocated to business acquisition and policy administration costs) prior to the calibration process. The cost bases are then projected using relevant growth criteria. Expense projections take into account inflation assumptions determined separately for each subsidiary, particularly those in Latin America where they reflect local inflation trends.

Commission assumptions are based on the commission arrangements in force on the measurement date. Future commission arrangements are taken into account when they are certain (i.e., covered by a new commission agreement signed by the insurer).

1.5. Future management actions

The methods and techniques applied to estimate future cash flows and thus to measure reserves for insurance liabilities take into account possible future management actions in such areas as:

- Investment and asset/liability management strategies.
- Policies concerning the adjustment of technical reserves.
- Renewal of partnership agreements.

As required by the applicable regulations, the plan describing assumed future management actions is approved by Executive Management.

1.6. Risk margin calculation

The Solvency II Delegated Regulation describes the recommended method of calculating the risk margin and three simplified methods. The methods chosen by the Group at 31 December 2016 were as follows:

- For the Company, a factor-based approach that uses more detailed required capital projections to calculate the risk margin.
- For the international subsidiaries, which have only a limited impact on the Group's risk margin, a duration-based approach was used.

2. Uncertainties

The models, metrics and assumptions used to measure technical reserves incorporate a number of uncertainties. We consider that these uncertainties are managed prudently and expertly by the actuaries under the supervision of the local Actuarial functions and that, consequently, their overall impact on technical reserves is not understated:

- The impact of model uncertainties on the economic balance sheet is either estimated and allocated to technical reserves in a way that maximises them or used to adjust the model in a way that favours policyholders.
- Uncertainties concerning the metrics used to calculate technical reserves are addressed on a prudent basis for example by aligning assets with liabilities for certain product categories in a way that is unfavourable to the Group. In addition, the data quality project provides a significant measure of comfort, by limiting the overall level of uncertainty.
- Uncertainties concerning assumptions are managed expertly by the underwriters using their professional judgement, with the overarching aim of ensuring that technical reserves are not understated. No assumption weaknesses have been identified that would adversely affect the overall level of technical reserves.

3. Main differences compared to the financial statements

Both the IFRS consolidated balance sheet and the Solvency II economic balance sheet include in liabilities the technical reserves corresponding to the insurer's obligations towards insureds and third parties. Solvency II principles are very different to IFRS, with the result that there are significant differences between the values reported for technical reserves under the two approaches.

Broadly speaking, technical reserves in the IFRS consolidated balance sheet correspond to the sum of the technical reserves recorded in the separate financial statements of the consolidated companies.

The separate financial statements are prepared in accordance with the overriding principle of prudence, which explains the conservative reasoning applied when it comes to biometric tables, parameters and discount rates. Unlike under Solvency II, this approach does not allow the insurer to take unrealised gains into account in the measurement of obligations towards policyholders.

Conversely, technical reserve calculations under Solvency II are principles-based and as such allow insurers to identify for themselves the methods and parameters most suited to their risk profile.

4. Main results

The table below analyses technical reserves by business segment (the risk margin is determined on an aggregated basis for several segments and then reallocated to the individual segments using an allocation key):

	31 December 2016			31 December 2015			*Change*
(In € billions)	Best estimate	Risk margin	**Technical reserves**	Best estimate	Risk margin	**Technical reserves**	***Technical reserves***
Savings/Pensions	348.5	3.1	**351.6**	333.4	5.4	**338.8**	***12.8***
Personal Risk/ Term Creditor Insurance	8.2	0.8	**9.0**	8.5	0.1	**8.6**	***0.4***
Personal insurance	**356.6**	**3.9**	**360.5**	**341.8**	**5.6**	**347.4**	***13.1***
Property & Casualty Insurance	**1.3**	**0.1**	**1.4**	**0.1**	**0.0**	**0.1**	***1.3***
Total before reinsurance	**357.9**	**4.0**	**361.9**	**341.9**	**5.6**	**347.5**	***14.4***
Ceded technical reserves			**25.5**			**24.7**	***0.8***
Reinsurance ratio (%)			**7.1%**			**7.1%**	***0.0%***

The following table presents the breakdown of technical reserves (best estimate and risk margin) by region:

Gross technical reserves at 31 December 2016 (In € billions)	Best estimate	Risk margin	*Risk margin in %*	**Technical reserves**
France	332.5	3.5	*1%*	**336.0**
Latin America	10.6	0.4	*3%*	**11.0**
Europe excl. France	14.8	0.1	*1%*	**14.9**
Group	**357.9**	**4.0**	***1%***	**361.9**

The risk margin represented 1.1% of the Group's gross technical reserves before reinsurance at 31 December 2016.

D3. Other liabilities

1. Valuation principles

1.1. Deferred taxes

In the Solvency II economic balance sheet, deferred taxes (assets and liabilities) are calculated, in accordance with IFRS 12, as the difference between the value of assets and liabilities in the economic balance sheet and their tax basis.

In order to use the work performed for consolidated reporting purposes, in practice they are calculated on the basis of deferred taxes in the IFRS balance sheet, adjusted for the tax impact of valuation differences between the IFRS balance sheet and the Solvency II economic balance sheet and for taxes on future cash flows. If deferred tax assets and liabilities represent a net asset, tests are performed to determine whether its recovery is probable.

The measurement of deferred tax assets and liabilities at 31 December 2016 takes into account the reduction in France's corporate income tax rate from 33 1/3% (excluding "*contributions additionnelles*" surtaxes) to 28% as from 2020, provided for in the 2017 Finance Act dated 29 December 2016 published in the French *Journal Officiel* dated 30 December 2016.

1.2. Subordinated debt

1.2.1 Remeasurement of subordinated debt at best estimate

The subordinated notes issued by the Group are measured in the economic balance sheet at an amount corresponding to the best estimate, as adjusted for the effect of changes in the Group's credit risk (i.e., the value of cash flows discounted at a rate equal to the sum of the risk free rate and the issue date credit spread paid to note holders).

1.2.2 Reclassification of subordinated notes as eligible own funds under Solvency II

After analysing the characteristics of each subordinated notes issue based on Solvency II own funds eligibility criteria, all of the subordinated notes issues classified as debt in the IFRS balance sheet were reclassified in the Solvency II economic balance sheet as eligible own funds.

1.3. Other liabilities

The value of other liabilities is broadly aligned with their value in the IFRS balance sheet. We consider that this value is not materially different from the amount that would be obtained by applying a best estimate approach, given that the cash flows receivable and payable are of a short-term nature (less than one year), and that consequently remeasurement at best estimate is unnecessary.

The best estimate of these liabilities' value may be determined on a case-by-case basis if a material difference is expected to arise between the IFRS value and the Solvency II best estimate, due to discounting adjustments for example.

Items included in other liabilities that are taken into account in the best estimate calculation are eliminated from the economic balance sheet. This concerns accrued charges.

Employee benefit obligations

Employee benefit obligations are recognised in full in the balance sheet in accordance with IAS 19, except for share grants which are recognised and measured in accordance with IFRS 2.

2. Differences compared to book value

2.1. Subordinated debt

In the IFRS balance sheet, subordinated notes are recognised in debt and measured at amortised cost. Undated subordinated notes that do not give rise to any payment obligation are classified as equity in the IFRS balance sheet.

Subordinated notes measured at amortised cost in the IFRS balance sheet are remeasured at fair value (excluding the effect of changes in own credit risk) in the Solvency II economic balance sheet.

At 31 December 2016, subordinated debt amounted to €7.8 billion in the Solvency II economic balance sheet versus €5.4 billion in the IFRS balance sheet, after reclassifying in debt €1.8 billion worth of undated subordinated notes classified as equity in the IFRS balance sheet and after fair value adjustments of €0.6 billion before tax.

2.2. Other liabilities

At 31 December 2016, other liabilities totalled €31.2 billion in the Solvency II economic balance sheet versus €30.1 billion in the IFRS balance sheet.

The €1.1 billion difference can be explained as follows:

- ► Reinsurance deposits under the partnership agreement with BPCE were increased by €1.3 billion in the Solvency II economic balance sheet. This was because, under Solvency II, the value of in-force business (VIF) and the best estimate of insurance liabilities are taken into account to determine the ceded amounts and the underlying assets are remeasured at fair value.
- ► Accrued charges are cancelled in the Solvency II economic balance sheet, because they are qualified as insurance liabilities and taken into account in the best estimate. At 31 December 2016, accrued charges amounted to €0.28 billion.

No specific adjustments are made to employee benefit obligations in the Solvency II economic balance sheet compared to the IFRS balance sheet. The total obligation recognised at 31 December 2016 amounted to €280.6 million.

Details of the amounts recognised in the IFRS balance sheet are provided in the Registration Document (see note 15.3 to the consolidated financial statements).

E. CAPITAL MANAGEMENT

E1. Own funds

1. Capital management objectives, policies and procedures

1.1. Principles

The Group's capital management principles are based on a number of standards and regulatory requirements, including:

- ► The Group's current and prospective solvency capital requirement, as calculated in accordance with the principles set out in Article 45 (ORSA) of the Solvency II directive.
- ► The requirement to maintain a good quality credit rating.

Capital management is essential to guarantee the Group's solvency, alongside methods to reduce required capital (for example by adjusting business volumes or the asset allocation, redefining management actions or future management actions, purchasing reinsurance cover or hedging instruments, or securitising assets).

It is therefore part of the annual ORSA planning process and gives rise to the preparation each year of a medium-term capital management plan that is submitted to the Board of Directors.

1.2. Procedures

Capital management is part of the annual ORSA planning process and gives rise to the preparation each year of a medium-term capital management plan that is submitted to the Board of Directors. This plan takes into account:

- ► Solvency projections prepared based on the work conducted during the capital management planning process.
- ► Subordinated debt repayments and retirements, if any.

It describes possible corporate actions that may be carried out during the ORSA projection period:

- ► Concerning subordinated debt, it describes the Group's broad objectives and how they are expected to be met. The information provided includes details of vested right protection clauses (see below for details).
- ► Concerning shares, it describes the assumptions used with respect to outstanding shares, dividend payments and purchases and sales of treasury shares.
- ► It also includes details of any assumptions concerning other components of capital.

2. Group solvency capital requirement calculation method

The Group's solvency capital requirement is calculated on a consolidated basis, corresponding to Method 1 described in Article 336 of Delegated Regulation 2015/35/EC.

Except for Arial CNP Assurances which is consolidated by the proportional method (for amounts that are not material at Group level), all units are consolidated by the full consolidation method.

3. Own funds measurement process

Own funds are calculated as the difference between assets and liabilities in the economic balance sheet. This approach fulfils the Solvency II requirement to prepare a full economic balance sheet. The steps in the process are as follows:

- Preparation of an economic balance sheet after eliminating intra-group assets and liabilities, to calculate the excess of assets over liabilities.
- Measurement of eligible own funds before classifying them based on their availability at Group level.
- Adjustment based on the availability of own funds at Group level.

4. List of own funds items

4.1. Basic own funds

Basic own funds consist of the following items:

- Share capital, classified as Tier 1.
- Share premium account, classified as Tier 1.
- Subordinated notes are measured at best estimate*, corresponding to the present value of future cash flows payable to note holders (as determined based on each issue's characteristics), discounted at the risk free rate plus the issue date credit spread.

  Subordinated notes issued before 2015 are classified as Tier 1, Tier 2 and Tier 3 in line with the principles of the vested rights protection clause.

  - Undated subordinated notes eligible for inclusion in solvency capital for 50% of their amount under the regulations in force on the issue date are classified as Tier 1 under the Solvency II transitional measures.
  - Dated subordinated notes eligible for inclusion in solvency capital for 25% of their amount under the regulations in force on the issue date are classified as Tier 2 under the Solvency II transitional measures.

  Subordinated notes issued since 2015 have been structured so as to be eligible for inclusion in Tier 2 or Tier 3, even if the transitional measures are not applied.

4.2. Ancillary own funds

The Group does not have any ancillary own funds.

* *Excluding changes in the Group's own credit risk*

4.3. Description of deductions applied by the Group and intra-group transfers of own funds

The surplus own funds of undertakings that are not wholly owned by the Group are considered as not available at Group level.

These undertakings' surplus own funds are calculated as the positive difference between (a) the sum of their unadjusted Solvency II basic own funds before tiering and their ancillary own funds, excluding intra-group items (subordinated notes and ancillary own funds) and (b) the undertakings' contribution to Group SCR.

Deductions for the portion of CNP Assurances undertakings' own funds that is not available at Group level increased by €0.9 billion in 2016, primarily due to the appreciation of the Brazilian real against the euro during the period.

5. Information about the nature of own funds

5.1. Description of eligible own funds for SCR calculations

The following table shows the breakdown of consolidated own funds by company:

(In € billions)	Own funds	SCR
CNP Assurances	24.9	13.2
CNP Caution	0.5	0.1
Arial CNP Assurances*	0.1	0.0
Filassistance International	0.0	0.0
Garantie Assistance	0.0	0.0
MFPrévoyance	0.2	0.1
ITV	0.1	0.0
Caixa Seguradora	2.6	0.9
CNP Europe Life Ltd	0.1	0.0
CNP Cyprialife	0.1	0.0
CNP Asfalistiki	0.0	0.0
CNP Santander Insurance Europe	0.2	0.1
CNP Santander Insurance Life	0.2	0.1
CNP Partners	0.2	0.1
CNP UniCredit Vita	0.8	0.3
Préviposte	0.5	0.1
CNP Assurances Group	**23.7**	**13.4**

Notes:

- In the above table, the companies' own funds and SCR are presented on a solo basis.
- No transitional measures have been applied to calculate the Group SCR.

The €23.7 billion in eligible own funds for the CNP Assurances Group's SCR calculations break down as follows:

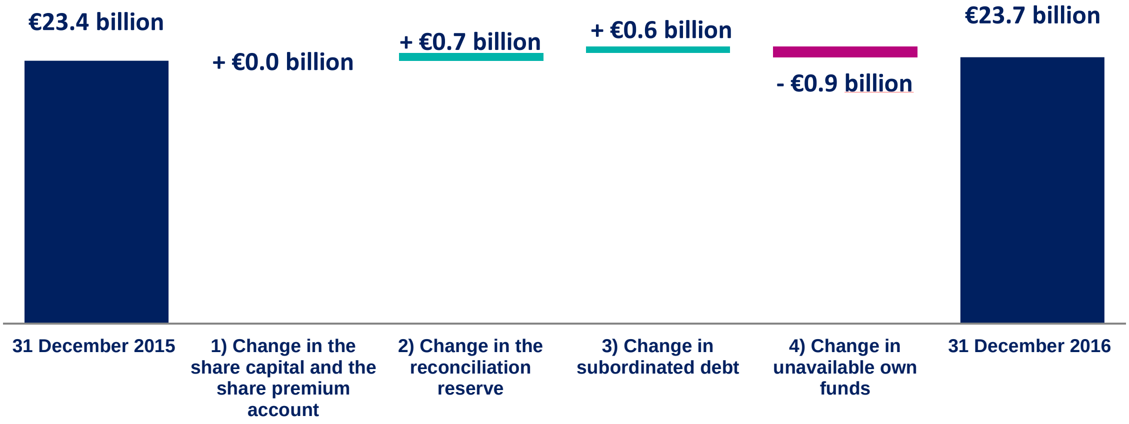
- €15.9 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and the share premium account.
- €7.8 billion of subordinated debt, breaking down as:
  - €2.8 billion of restricted Tier 1 capital
  - €4.0 billion of Tier 2 capital
  - €1.0 billion of Tier 3 capital.

This analysis distinguishes between unrestricted Tier 1 capital, which is not subject to any cap, and restricted Tier 1 capital, which is capped under Solvency II. The components of Tier 2 and Tier 3 capital are also capped. At 31 December 2016, these quantitative caps on the components of eligible own funds for SCR calculations were not met.

* *Note that Arial CNP Assurances is consolidated by the proportional method in the economic balance sheet*

5.2. Analysis of changes during the reference period

Changes in own funds (in € billions)



There were no changes in share capital or the share premium account during 2016.

The increase in the reconciliation reserve and unavailable own funds reflected:

- ► The decline in interest rates, which will erode future savings and pensions margins; the effect was offset, however, by the inclusion in own funds of undistributed earnings for the year.
- ► The increase in Caixa Seguradora's contribution to the reconciliation reserve and in unavailable own funds due to the appreciation of the Brazilian real against the euro.

Total subordinated debt increased by €0.6 billion, as follows:

- ► Issue of Tier 2 dollar-denominated subordinated notes on 22 January 2016 for €0.5 billion.
- ► Issue of Tier 3 euro-denominated subordinated notes on 20 October 2016 for €1.0 billion.
- ► Repayment of Tier 1 euro-denominated subordinated notes on 22 December 2016 for €0.9 billion.
- ► Other changes amounting to €0.1 billion concerned fair value adjustments between 31 December 2015 and 31 December 2016 due to the decline in interest rates over the period.

5.3. Description of eligible own funds for MCR calculations

The €20.0 billion of eligible own funds for the CNP Assurances Group's MCR calculations break down as follows:

- €15.9 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and the share premium account.
- €4.1 billion of subordinated debt, breaking down as:
  - €2.8 billion of restricted Tier 1 capital
  - €1.3 billion of Tier 2 capital.

Article 82 of the Delegated Regulations limits the eligible amounts of Tier 2 items to 20% of the MCR.

No components of Tier 3 capital are eligible for inclusion in the MCR coverage ratio.

5.4. Comparative analysis of IFRS equity and Solvency II own funds

The difference between IFRS equity (€19.3 billion) and Solvency II own funds (€23.7 billion) can be explained as follows:

- Remeasurement of assets due to differences between IFRS and Solvency II principles: + €5.0 billion.
- Remeasurement of liabilities due to differences between IFRS and Solvency II principles: - €4.6 billion[*].
- Inclusion of subordinated debt in Solvency II own funds: + €7.8 billion.
- Deduction of forecast dividends from Solvency II own funds: - €0.8 billion.
- Deduction of own funds not available at Group level from Solvency II own funds: - €3.0 billion.

5.5. Description of own funds items to which transitional measures have been applied

The transitional measures provided for in the Omnibus II Directive ('Directive 2014/51/EU) have been applied to subordinated notes issued before 2015. These notes are included in Tier 1 capital (undated notes) or Tier 2 capital (dated notes) for a period of ten years ending on 1 January 2026, although they would not fulfil all of the eligibility criteria for inclusion in basic own funds under Solvency II in the absence of transitional measures.

The 17 subordinated notes issues concerned together represent €5.6 billion out of a total of €7.8 billion worth of subordinated debt (at fair value) in the economic balance sheet at 31 December 2016. The terms and conditions applicable to these issues vary from one issue to another.

[*] *Including a negative €1.8 billion due to the reclassification of subordinated notes classified as equity in the IFRS balance sheet.*

E2. Solvency capital requirement (SCR) and minimum capital requirement (MCR)

1. SCR and MCR calculation method

1.1. SCR calculation method

The solvency capital requirement is calculated using the Solvency II Standard Formula as described in the Delegated Regulation. The amounts shown below do not take into account the use of a reduced shock to calculate type 1 equity SCR during the transition phase.

In addition, no simplification measures have been applied to calculate the SCR.

1.2. Data used for the MCR calculation

The CNP Assurances Group's MCR corresponds to the sum of the MCRs of the Group undertakings:

(In € billions)	MCR
CNP Assurances	6.0
CNP Caution	0.1
Arial CNP Assurances	0.0
Filassistance	0.0
Garantie Assurances	0.0
MFPrévoyance	0.1
Investissement Trésor Vie	0.0
Caixa Seguros	0.3
CNP Europe Life	0.0
CNP Cyprialife	0.0
CNP Asfalistiki	0.0
CNP Santander Insurance Europe	0.0
CNP Santander Insurance Life	0.0
CNP Vida	0.0
CNP UniCredit Vita	0.1
Préviposte	0.1
CNP Assurances Group	**6.7**

2. SCR and MCR at 31 December 2016

The Group's SCR at 31 December 2016 was €13.4 billion and the coverage ratio at that date was 177%. The Group's MCR at 31 December 2016 was €6.7 billion and the coverage ratio at that date was 300%.

3. Quantitative SCR information by risk module

Breakdown of the Group's SCR by risk module, net of losses absorbed by future discretionary benefits:

(In € billions)	**31 Dec. 2016**
Market risk SCR	*11.6*
Counterparty default risk SCR	*1.1*
Life underwriting risk SCR	*3.5*
Health underwriting risk SCR	*2.0*
Non-life underwriting risk SCR	*0.7*
Diversification effect	*(4.7)*
Intangible asset risk SCR	*0.0*
Basic SCR	**14.2**
Operational risk SCR	1.5
Loss-absorbing capacity of deferred taxes	(2.4)
Other*	0.0
SCR	**13.4**

** Other items including adjustment due to ring-fenced fund SCR aggregation*

E3. Use of duration-based equity risk sub-module

CNP Assurances does not use the duration-based equity risk sub-module in the calculation of the solvency capital requirement.

E4. Differences between the standard formula and any internal model used

CNP Assurances does not use any internal models.

E5. Non-compliance with MCR and SCR

CNP Assurances has not breached its obligations in terms of MCR and SCR.

F. APPENDIX: QUANTITATIVE REPORTING TEMPLATES (QRTs) FOR PUBLIC DISCLOSURE

Presentation currency: € thousands

Scope: CNP Assurances Group

Year ended: 31 December 2016

S.02.01.02 – Balance sheet

Assets		Solvency II value
		C0010
Intangible assets	R0030	
Deferred tax assets	R0040	33,846
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	146,873
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	336,652,135
Property (other than for own use)	R0080	974,260
Holdings in related undertakings, including participations	R0090	1,163,891
Equities	R0100	28,705,886
Equities - listed	R0110	16,904,488
Equities - unlisted	R0120	11,801,398
Bonds	R0130	241,254,031
Government Bonds	R0140	125,802,185
Corporate Bonds	R0150	99,079,026
Structured notes	R0160	15,379,721
Collateralised securities	R0170	993,099
Collective Investments Undertakings	R0180	63,401,017
Derivatives	R0190	654,307
Deposits other than cash equivalents	R0200	496,448
Other investments	R0210	2,296
Assets held for index-linked and unit-linked contracts	R0220	48,094,782
Loans and mortgages	R0230	440,721
Loans on policies	R0240	424,291
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	16,430
Reinsurance recoverables from:	R0270	29,390,672
Non-life and health similar to non-life	R0280	172,152
Non-life excluding health	R0290	37,257
Health similar to non-life	R0300	134,895
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	26,587,682
Health similar to life	R0320	1,276,003
Life excluding health and index-linked and unit-linked	R0330	25,311,679
Life index-linked and unit-linked	R0340	2,630,837
Deposits to cedants	R0350	229,942
Insurance and intermediaries receivables	R0360	2,419,051
Reinsurance receivables	R0370	730,902
Receivables (trade, not insurance)	R0380	4,506,360
Own shares (held directly)	R0390	2,015
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1,202,941
Any other assets, not elsewhere shown	R0420	264,639
Total assets	R0500	424,114,880

		Solvency II value
Liabilities		
Technical provisions - non-life	R0510	2,416,629
Technical provisions - non-life (excluding health)	R0520	480,072
TP calculated as a whole	R0530	
Best Estimate	R0540	363,303
Risk margin	R0550	116,769
Technical provisions - health (similar to non-life)	R0560	1,936,557
TP calculated as a whole	R0570	
Best Estimate	R0580	1,875,163
Risk margin	R0590	61,395
Technical provisions - life (excluding index-linked and unit-linked)	R0600	313,130,709
Technical provisions - health (similar to life)	R0610	5,545,193
TP calculated as a whole	R0620	
Best Estimate	R0630	5,452,630
Risk margin	R0640	92,563
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	307,585,516
TP calculated as a whole	R0660	
Best Estimate	R0670	304,138,389
Risk margin	R0680	3,447,127
Technical provisions - index-linked and unit-linked	R0690	46,310,442
TP calculated as a whole	R0700	
Best Estimate	R0710	46,045,158
Risk margin	R0720	265,284
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	253,151
Pension benefit obligations	R0760	312,592
Deposits from reinsurers	R0770	14,551,014
Deferred tax liabilities	R0780	2,280,565
Derivatives	R0790	1,244,553
Debts owed to credit institutions	R0800	147,623
Financial liabilities other than debts owed to credit institutions	R0810	8,645,372
Insurance & intermediaries payables	R0820	1,160,086
Reinsurance payables	R0830	1,336,757
Payables (trade, not insurance)	R0840	4,601,892
Subordinated liabilities	R0850	7,813,542
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	7,813,542
Any other liabilities, not elsewhere shown	R0880	197,844
Total liabilities	R0900	404,402,771
Excess of assets over liabilities	R1000	19,712,108

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	239,421	532	126,868	30,356	53,597	602	245,391	11,548	30,166	1,110	76,732	187,449					1,003,772
Gross - Proportional reinsurance accepted	R0120	328,789	0	0	0	0	0	0	0	0	0	0	31,637					360,426
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140	62,486	373	192	830	311	77	12,279	2,841	3,398	0	1,345	3,070					87,202
Net	R0200	505,724	159	126,676	29,526	53,285	525	233,111	8,707	26,769	1,110	75,388	216,016					1,276,996
Premiums earned																		
Gross - Direct Business	R0210	234,115	293	142,438	29,801	46,258	570	240,170	12,756	29,053	1,110	78,320	156,650					971,535
Gross - Proportional reinsurance accepted	R0220	274,037	0	0	0	0	0	0	0	0	0	0	26,228					300,265
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240	135,456	149	212	828	330	74	13,231	3,304	2,348	0	1,345	24,174					181,450
Net	R0300	372,696	144	142,226	28,973	45,929	496	226,938	9,452	26,706	1,110	76,976	158,704					1,090,351
Claims incurred																		
Gross - Direct Business	R0310	269,057	205	111,922	16,705	32,811	17	53,254	3,320	20,631	102	12,758	28,383					549,164
Gross - Proportional reinsurance accepted	R0320	234,474	0	0	0	0	0	0	0	0	0	0	19,008					253,482
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340	163,264	204	(17)	6	2	(6)	4,142	(3,202)	3,488	0	52	3,902					171,835
Net	R0400	340,267	1	111,939	16,699	32,809	23	49,112	6,522	17,142	102	12,706	43,489					630,811
Changes in other technical provisions																		
Gross - Direct Business	R0410	1,507	(54)	27,269	0	0	0	(7,277)	0	(2,754)	0	821	858					20,371
Gross - Proportional reinsurance accepted	R0420	(165)	0	0	0	0	0	0	0	0	0	0	(10,600)					(10,765)
Gross - Non- proportional reinsurance accepted	R0430																	
Reinsurers'share	R0440	0	(53)	0	0	0	0	0	0	0	0	0	0					(53)
Net	R0500	1,342	(1)	27,269	0	0	0	(7,277)	0	(2,754)	0	821	(9,742)					9,658
Expenses incurred	R0550	65,769	121	20,147	4,776	14,521	76	62,125	3,593	12,708	343	31,249	101,227					316,657
Other expenses	R1200																	20,040
Total expenses	R1300																	336,697

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	1,841,412	17,821,501	6,676,082	3,914,327	0	0	25,764	882,382	31,161,469
Reinsurers' share	R1420	245,579	11,495,439	1,585,891	478,000	0	0	0	0	13,804,909
Net	R1500	1,595,833	6,326,062	5,090,192	3,436,327	0	0	25,764	882,382	17,356,560
Premiums earned										
Gross	R1510	1,733,059	17,528,932	6,675,808	3,685,236	0	0	18,935	879,622	30,521,593
Reinsurers' share	R1520	630,658	11,487,318	1,586,278	541,735	0	0	0	0	14,245,989
Net	R1600	1,102,401	6,041,614	5,089,531	3,143,501	0	0	18,935	879,622	16,275,604
Claims incurred										
Gross	R1610	1,140,120	20,866,326	3,076,336	1,401,844	0	0	7,230	123,061	26,614,916
Reinsurers' share	R1620	244,780	1,518,927	79,757	96,730	0	0	0	0	1,940,194
Net	R1700	895,340	19,347,399	2,996,579	1,305,113	0	0	7,230	123,061	24,674,722
Changes in other technical provisions										
Gross	R1710	138,331	(194,847)	1,757,146	(645,446)	0	0	(1,838)	6,041	1,059,387
Reinsurers' share	R1720	39,888	0	0	(521,689)	0	0	0	0	(481,801)
Net	R1800	98,443	(194,847)	1,757,146	(123,757)	0	0	(1,838)	6,041	1,541,188
Expenses incurred	R1900	514,958	1,695,516	376,162	1,311,118	0	0	32,242	112,115	4,042,111
Other expenses	R2500									51,511
Total expenses	R2600									4,093,623

S.05.02.01 – Premiums, claims and expenses by country

Non-life insurance and reinsurance obligations

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0070
	R0010	FR	BR	DE	ES	IT	
		C0080	C0090	C0100	C0110	C0120	C0140
Premiums written							
Gross - Direct Business	R0110	305,975	482,927	97,538	2,094	13,790	902,324
Gross - Proportional reinsurance accepted	R0120	328,789			17,435	6,415	352,639
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	1,613	63,600	(2,047)	0	2,022	65,188
Net	R0200	633,151	419,327	99,585	19,529	18,183	1,189,775
Premiums earned							
Gross - Direct Business	R0210	319,490	471,924	59,966	5,247	17,994	874,621
Gross - Proportional reinsurance accepted	R0220	274,037			17,435	6,415	297,887
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	83,861	62,918	8,560	0	4,003	159,342
Net	R0300	509,666	409,006	51,406	22,682	20,406	1,013,166
Claims incurred							
Gross - Direct Business	R0310	217,804	279,021	5,623	1,305	2,907	506,660
Gross - Proportional reinsurance accepted	R0320	234,474			5,183	13,530	253,187
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	64,201	102,163	518	0	151	167,033
Net	R0400	388,077	176,858	5,105	6,488	16,286	592,814
Changes in other technical provisions							
Gross - Direct Business	R0410	28,218	(7,296)	(311)	0	(241)	20,370
Gross - Proportional reinsurance accepted	R0420	(165)			(1,674)	(8,926)	(10,765)
Gross - Non- proportional reinsurance accepted	R0430						
Reinsurers'share	R0440	(53)					(53)
Net	R0500	28,106	(7,296)	(311)	(1,674)	(9,167)	9,658
Expenses incurred	R0550	100,593	126,236	42,440	17,447	4,430	291,146
Other expenses	R1200						20,040
Total expenses	R1300						311,186

Life insurance and reinsurance obligations

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0210
	R1400	FR	BR	DE	ES	IT	
		C0220	C0090	C0100	C0110	C0120	C0280
Premiums written							
Gross	R1410	24,421,723	3,154,109	380,218	233,388	2,746,166	30,935,604
Reinsurers' share	R1420	13,513,066	33,267	(18,333)	139	41,815	13,569,954
Net	R1500	10,908,657	3,120,842	398,551	233,249	2,704,351	17,365,650
Premiums earned							
Gross	R1510	24,020,051	3,038,753	371,231	197,404	2,747,472	30,374,911
Reinsurers' share	R1520	13,870,353	28,736	70,906	139	46,812	14,016,946
Net	R1600	10,149,698	3,010,017	300,325	197,265	2,700,660	16,357,965
Claims incurred							
Gross	R1610	22,706,408	1,607,760	40,402	121,096	1,989,868	26,465,534
Reinsurers' share	R1620	1,912,229	2,585	8,689	11	1,374	1,924,888
Net	R1700	20,794,179	1,605,175	31,713	121,085	1,988,494	24,540,646
Changes in other technical provisions							
Gross	R1710	(36,503)	1,823,539	1,597	70,464	59,888	1,918,985
Reinsurers' share	R1720	41,021		1,585		34,515	77,121
Net	R1800	(77,524)	1,823,539	12	70,464	25,373	1,841,864
Expenses incurred	R1900	3,153,132	310,794	231,591	44,068	214,701	3,954,286
Other expenses	R2500						50,554
Total expenses	R2600						4,004,841

S.22.01.22 – Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	361,857,780	0	0	1,018,509	0
Basic own funds	R0020	23,713,191	0	0	(628,912)	0
Eligible own funds to meet Solvency Capital Requirement	R0050	23,713,191	0	0	(628,912)	0
Solvency Capital Requirement	R0090	13,402,152	0	0	493,507	0

S.23.01.22 – Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	686,618	686,618			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	1,716,846	1,716,846			
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130					
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	16,530,453	16,530,453			
Subordinated liabilities	R0140	7,813,540		2,792,630	4,025,505	995,406
Non-available subordinated liabilities at group level	R0150	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
The amount equal to the value of net deferred tax assets not available at the group level	R0170	0				0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	R0190	1,523,417	1,523,417	0	0	0
Minority interests (if not reported as part of a specific own fund item)	R0200	0	0	0	0	0
Non-available minority interests at group level	R0210	1,510,850	1,510,850	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270	3,034,266	3,034,266	0	0	0
Total deductions	R0280	3,034,266	3,034,266	0	0	0
Total basic own funds after deductions	R0290	23,713,191	15,899,651	2,792,630	4,025,505	995,406
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Own funds of other financial sectors						
Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	23,713,191	15,899,651	2,792,630	4,025,505	995,406
Total available own funds to meet the minimum consolidated group SCR	R0530	22,717,785	15,899,651	2,792,630	4,025,505	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	23,713,191	15,899,651	2,792,630	4,025,505	995,406
Total eligible own funds to meet the minimum consolidated group SCR	R0570	20,027,330	15,899,651	2,792,630	1,335,050	
Minimum consolidated Group SCR	R0610	6,675,248				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	3.00024				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	23,713,191	15,899,651	2,792,630	4,025,505	995,406
Group SCR	R0680	13,402,152				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.76936				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	19,712,108
Own shares (held directly and indirectly)	R0710	2,014
Foreseeable dividends, distributions and charges	R0720	776,176
Other basic own fund items	R0730	2,403,465
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	16,530,453
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	976,549
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	976,549

S.25.01.22 – Solvency Capital Requirement (for undertakings on Standard Formula)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	30,549,658		
Counterparty default risk	R0020	1,141,066		
Life underwriting risk	R0030	5,292,517	None	
Health underwriting risk	R0040	3,187,525	None	
Non-life underwriting risk	R0050	701,509	None	
Diversification	R0060	(7,034,476)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	33,837,799		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,514,471
Loss-absorbing capacity of technical provisions	R0140	(19,569,442)
Loss-absorbing capacity of deferred taxes	R0150	(2,380,675)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	13,402,152
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	13,402,152
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	13,096,504
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	305,649
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	6,675,248
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	R0570	13,402,152

S.32.01.22 – Undertakings in the scope of the Group

							Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
FR	LEI/969500QKVPV2H8UXM738	CNP ASSURANCES	4	Société anonyme	2	ACPR	100.00%	100.00%	0.00%		1	100.00%	1		1
FR	LEI/969500330J87723S1285	CNP Caution	2	Société anonyme	2	ACPR	100.00%	100.00%	100.00%		1	100.00%	1		1
FR	LEI/969500CETYBZGA85TJ21	PREVIPOSTE	1	Société anonyme	2	ACPR	100.00%	100.00%	100.00%		1	100.00%	1		1
FR	LEI/969500T13ULVA1767W21	ITV	1	Société anonyme	2	ACPR	100.00%	100.00%	100.00%		1	100.00%	1		1
FR	LEI/9695000KPL9MXREMO263	MFPrévoyance	4	Société anonyme	2	ACPR	65.00%	100.00%	65.00%		1	65.00%	1		1
FR	SC/969500QKVPV2H8UXM738FR00002	Assuristance	6	Société anonyme	2	ACPR	66.00%	100.00%	66.00%		1	66.00%	1		1
FR	LEI/969500L7P4K2GT1NJ634	Garantie Assistance	2	Société anonyme	2	ACPR	66.00%	100.00%	66.00%		1	66.00%	1		1
FR	LEI/969500GJQEPAPEKJAX76	Filassistance International	2	Société anonyme	2	ACPR	66.00%	100.00%	66.00%		1	66.00%	1		1
FR	LEI/9695008H4RKQ5E1SRK50	ARIAL CNP ASSURANCES	4	Société anonyme	2	ACPR	39.95%	39.95%	39.95%		1	39.95%	1		2
IE	LEI/6354001NC5BJ3Z7GSG05	Santander Insurance Europe Limited	4	incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland	51.00%	100.00%	51.00%		1	51.00%	1		1
IE	LEI/635400FVDVPKRG2JWN68	Santander Insurance Life Limited	4	incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland	51.00%	100.00%	51.00%		1	51.00%	1		1
IE	LEI/635400VBRWZ7L36SLG55	CNP Europe Life Ltd	1	incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland	100.00%	100.00%	100.00%		1	100.00%	1		1
IT	LEI/0SNYM8YYKYB4ZH7G4F66	CNP UNICREDIT VITA	1	Società per azioni	2	IVASS	57.50%	100.00%	57.50%		1	57.50%	1		1
ES	LEI/95980020140005248944	CNP Partners	4	Société anonyme	2	DGSFP	100.00%	100.00%	100.00%		1	100.00%	1		1
CY	SC/969500QKVPV2H8UXM738CY00001	CNP Cyprus Insurance Holdings	5	Cyprus Limited Company	1	Supervisory Authority	50.10%	100.00%	50.10%		1	50.10%	1		1
CY	LEI/549300E1TVPTEUKMTJ15	CNP Cyprialife	1	Cyprus Limited Company	1	Supervisory Authority	50.10%	100.00%	50.10%		1	50.10%	1		1
CY	LEI/635400OJWQDTW9KI2E51	CNP Asfalistiki	2	Cyprus Limited Company	1	Supervisory Authority	50.10%	100.00%	50.10%		1	50.10%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00013	CNP Holding Brasil	6	Société anonyme	2		100.00%	100.00%	100.00%		1	100.00%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00001	Caixa Seguros Holding S.A.	6	Société anonyme	2		51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00003	Caixa Seguradora (ex Caixa Seguros)	4	Société anonyme	2	SUSEP	51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00005	Caixa Vida e Previdência	1	Société anonyme	2	SUSEP	51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00010	CAIXA SEGUROS PARTICIPAÇÕES DO SUL LTDA	5	Société anonyme	2		51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00007	Caixa Assessoria e Consultoria	99	Société anonyme	2		51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00011	Odonto Empresas Convenios Dentarios LTDA	2	Société à responsabilité limitée SARL	2	Agência Nacional de Saúde Suplementar	51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00012	Holding Caixa Seguros Participaçoes em Saude Ltda	5	Société à responsabilité limitée SARL	2		51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00006	Caixa Consórcios	99	Société anonyme	2	Banco Central do Brasil	51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00002	Caixa Seguros Participações Securitárias Ltda.	5	Société anonyme	2		51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00004	Caixa Capitalização	99	Société anonyme	2	SUSEP	26.39%	100.00%	26.39%		1	26.39%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00014	FPC Par Corretora de Seguros S.A.	99	Société anonyme	2		12.94%	25.00%	12.94%		1	12.94%	1		3
BR	SC/LEI/969500QKVPV2H8UXM738BR00009	Previsul	4	Société anonyme	2	SUSEP	51.75%	100.00%	51.75%		1	51.75%	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00008	Caixa Saúde SA	2	Société anonyme	2	Agência Nacional de Saúde Suplementar	51.75%	100.00%	51.75%		1	51.75%	1		1

Country	ISO CODE 3166
Type of undertaking	1 (Life insurance undertaking) 2 (Non life insurance undertaking) 3 (Reinsurance undertaking) 4 (Composite undertaking) 5 (Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC) 6 (Mixed-activity insurance holding)company as defined in Article 212(1) (g) of Directive 2009/138/EC) 7 (Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC) 8 (Credit institution, investment firm and financial institution) 9 (Institution for occupational retirement provision) 10 (Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35) 11 (Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35) 12 (Special purpose vehicle authorized in accordance with Article 211 of Directive 2009/138/EC) 13 (Special purpose vehicle other than special purpose vehicle authorized in accordance with Art. 211 of Directive 2009/138/EC) 14 (UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35) 15 (Alternative investment funds managers as defined in Article 1 (55) of Delegated Regulation (EU) 2015/35) 99 (Other)
Category (mutual/non mutual)	1 (Mutual) 2 (Non-mutual)
Level of influence	1 (Dominant) 2 (Significant)
Inclusion in the scope of Group supervision	1 (Included in the scope) 2 (Not included in the scope (art. 214 a)) 3 (Not included in the scope (art. 214 b)) 4 (Not included in the scope (art. 214 c))
Method used and under method 1, treatment of the undertaking	1 (Method 1: Full consolidation) 2 (Method 1: Proportional consolidation) 3 (Method 1: Adjusted equity method) 4 (Method 1: Sectoral rules) 5 (Method 2: Solvency II) 6 (Method 2: Other sectoral Rules) 7 (Method 2: Local rules) 8 (Deduction of the participation in relation to article 229 of Directive 2009/138/EC) 9 (No inclusion in the scope of group supervision as defined in Art. 214 Directive 2009/138/EC) 10 (Other method)

G. GLOSSARY

Administrative, management or supervisory body (AMSB): Based on the definition in Solvency II, in the case of CNP Assurances which has a single-tier board system, the administrative, management or supervisory body corresponds to the Board of Directors and Executive Management.

Annual premium equivalent (APE): One tenth of the sum of single premiums and flexible premiums plus the annualised amount of regular premiums written during the period, net of non-controlling interests and ceded premiums. APE is an indicator of underwriting volume.

APE margin (also referred to as new business margin): Value of new business (NBV) divided by the annual premium equivalent (APE). Measures estimated future profits from insurance policies written during the period.

***Autorité de Contrôle Prudentiel et de Résolution* (ACPR)**: France's banking and insurance supervisor.

Best estimate (BE): Corresponds to the best estimate of insurance liabilities as calculated in accordance with Solvency II principles.

Business units: Units responsible for business development and insurance contract administration processes.

Earnings before interest and taxes (EBIT): Corresponds to attributable net profit before finance costs, income tax expense, non-controlling and equity-accounted interests, fair value adjustments and net gains (losses), non-recurring items. This indicator includes non-controlling interests and is gross of income tax expense. EBIT represents the margin after deducting administrative costs.

EIOPA: European Insurance and Occupational Pensions Authority.

Eligible own funds for MCR calculations: Sum of Tier 1 and Tier 2 own funds eligible for inclusion in the minimum capital requirement (MCR). For calculation purposes, restricted Tier 1 own funds are limited to 20% of total Tier 1 own funds and Tier 2 own funds are limited to 20% of the MCR. Tier 3 own-funds are not eligible for inclusion in MCR.

Eligible own funds for SCR calculations: Sum of Tier 1, Tier 2 and Tier 3 own funds eligible for inclusion in the solvency capital requirement (SCR). For calculation purposes, restricted Tier 1 own funds are limited to 20% of total Tier 1 own funds, Tier 2 and Tier 3 own funds are limited to 50% of the SCR and Tier 3 own funds are limited to 15% of SCR.

Key functions: There are four key functions defined in Solvency II – internal audit, actuarial, risk management and compliance. These functions are considered as playing a strategic role in the risk management process and the heads of these functions must comply with the directive's fit and proper requirements.

Market Consistent Embedded Value (MCEV©): A measure of the consolidated value of shareholders' interests in the covered business. It breaks down between adjusted net asset value (ANAV) and the value of In-Force business (VIF) – corresponding to the value of the insurance policies in force on the measurement date – and is calculated using a market-consistent method of valuing assets and liabilities. It is calculated net of non-controlling interests.

Market value: Value of an asset on the financial market.

MCR coverage ratio: Eligible own funds held to cover the MCR divided by the MCR. Indicator of the Group's risk-weighted solvency. The higher the ratio, the greater the insurer's ability to absorb potential losses.

Minimum capital requirement (MCR): Minimum eligible basic own funds, defined in Solvency II as the amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk. When the amount of eligible basic own funds falls below the MCR, the insurance undertaking's authorisation is withdrawn if it is unable to re-establish this amount at the level of the MCR within a short period of time.

Net insurance revenue (NIR): Sum of insurance loadings, underwriting results and reinsurance results, net of commissions paid to distribution partners. This indicator includes non-controlling interests and is net of reinsurance. It is the margin generated by the insurance contracts before deducting administrative costs.

Overall solvency needs: Required capital as estimated during the ORSA process, taking into account the reporting entity's specific risk profile, approved risk tolerance limits and business strategy.

Own risk and solvency assessment (ORSA): Refers to the processes and procedures for identifying, measuring, monitoring, managing and reporting all of an insurance undertaking's short- and long-term risks and determining the overall solvency needs to cover all of these risks. ORSA is a risk assessment tool used for strategic planning purposes. A key deliverable from the process is a comprehensive quantitative and qualitative assessment of the insurance undertaking's own risks. The ORSA report is submitted to the Board of Directors for approval.

Quantitative reporting templates (QRTs): Templates used for Solvency II regulatory reporting purposes. The reports are prepared quarterly, for submission to the insurance supervisor and/or for public disclosure.

Restricted Tier 1 own funds: Subordinated notes classified in Tier 1, including grandfathering of undated subordinated notes issued before Solvency II came into effect.

Risk margin (RM): Adjustment for explicit risks arising from uncertainty concerning the amount and timing of cash outflows. When measuring insurance liabilities, risk margin serves as a complementary amount to best estimate.

SCR coverage ratio: Eligible own funds held to cover the SCR divided by the SCR. Indicator of the Group's risk-weighted solvency. The higher the ratio, the greater the insurer's ability to absorb potential losses.

Solvency: An insurer's ability to fulfil its commitments to policyholders and to sustainably operate as a going concern.

Solvency and Financial Condition Report (SFCR): Annual report prepared by insurance undertakings for public disclosure, in accordance with Solvency II.

Solvency capital requirement (SCR): Level of eligible own funds that enables an insurance undertaking to absorb significant losses and gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. SCR is defined in Solvency II as the value at risk of basic own funds, subject to a confidence level of 99.5% over a one-year period. CNP Assurances has chosen to calculate its SCR using the standard formula without transitional measures, except for the grandfathering of subordinated notes issued before Solvency II came into effect.

Solvency II: Solvency rules applicable to European insurance undertakings. The aim of Solvency II is to ensure that insurance undertakings have sufficient capital to cover the financial and other risks to which they are exposed. It is based on a master directive adopted in 2009 (Directive 2009/138/EC) and delegated regulations for its application.

Tiering: Qualitative categorisation of own funds in three Tiers, based on their availability, duration and loss absorbency.

Tier 2 own funds: Subordinated notes classified in Tier 2, including grandfathering of dated subordinated notes issued before Solvency II came into effect.

Tier 3 own funds: Subordinated notes classified in Tier 3 plus any net deferred tax assets also classified in Tier 3.

Unrestricted Tier 1 own funds: Own funds other than subordinated notes included in Tier 1 own funds, calculated as the sum of share capital, the share premium account and the reconciliation reserve less non-fungible own funds.

Value of In-Force business (VIF): Measures the value of insurance policies in force at the measurement date, calculated using a market-consistent method of valuing assets and liabilities. VIF corresponds to the discounted present value of estimated future profits from insurance policies in force at the measurement date, less the time value of financial options and guarantees, the frictional cost of capital and the cost of non-hedgeable risks. It is calculated net of non-controlling interests and income tax expense.

Value of new business (NBV): Measures the value of insurance policies sold during the period, calculated using a market-consistent method of valuing assets and liabilities. NBV corresponds to the discounted present value of estimated future profits from insurance policies sold during the period, less the time value of financial options and guarantees, the frictional cost of capital and the cost of non-hedgeable risks. It is calculated net of non-controlling interests and income tax expense.

Volatility: Measures the degree of variation over time in an indicator such as the price of a financial asset. Volatility is used for example to quantify the risk associated with changes in the price of a financial asset.