SOLVENCY AND FINANCIAL CONDITION REPORT (SFCR)

CNP ASSURANCES SA, SOLO

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 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 of the Delegated Regulation and follows the structure set out in the Delegated Regulation's Annex 20.

It is a solo SFCR that addresses the operations of CNP Assurances SA only, without consolidating the operations of its main subsidiaries in France and abroad. In this report, these subsidiaries are treated as strategic investments without analysing their insurance commitments and their investment portfolios. Hereinafter, unless otherwise stated, "CNP Assurances" refers to the legal entity CNP Assurances SA.

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, CNP Assurances reported a further improvement in the product mix, with a very positive €1.9 billion net inflow to unit-linked products and a symmetrical €1.6 billion net outflow from traditional savings and pensions products.

Total premium income under French GAAP was stable at €24.0 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 business model digitalisation strategy.

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 Company 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 Company's primary exposure is to market risk, which accounts for 63% of the solvency capital requirement (SCR). However, the Company's broad and diverse range of products has a significant diversification effect.

Persistently low European interest rates in 2016 had the effect of increasing CNP Assurances' 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 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 Group 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 some of the most significant savings and pensions portfolios and to reflect more detailed analyses of expense assumptions.

CNP Assurances had Solvency II technical reserves of €324 billion (gross of reinsurance) at 31 December 2016.

Solvency capital requirement (SCR)

CNP Assurances' Solvency II own funds eligible for SCR calculations, based on the economic balance sheet, amounted to €24.9 billion at 31 December 2016. The total included €17.1 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, was €13.2 billion at 31 December 2016.

CNP Assurances' SCR coverage ratio at that date was therefore 188%.

Minimum capital requirement (MCR)

CNP Assurances' Solvency II own funds eligible for inclusion in the MCR coverage ratio, based on the economic balance sheet, amounted to €21.0 billion at 31 December 2016. The total included €17.1 billion in basic own funds, classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €3.9 billion in subordinated liabilities.

CNP Assurances' minimum capital requirement was €6.0 billion at 31 December 2016.

CNP Assurances' MCR coverage ratio at that date was therefore 354%.

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

CNP Assurances SA is the parent company of the CNP Assurances Group.

The insurance undertakings included in the CNP Assurance Group at 31 December 2016 are as follows:

Name	Country	% of capital	% of 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.

This report concerns CNP Assurances SA and its branches, which includes:

Description	Country
CNP Italia - life	Italy
CNP España - life	Spain
CNP Denmark	Denmark
CNP French Polynesia	France
CNP New Caledonia	France

5. Significant events of the year

5.1. 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 in 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.

5.2. Significant events for CNP Assurances

<u>CNP Assurances' A rating affirmed with a stable outlook</u>

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 CNP Assurances' 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.

<u>Developments concerning the partnership with the Crédit Agricole Group</u>

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.

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.

6. Parent company business review

CNP Assurances is stepping up its strategic diversification, in terms of both partnerships and products.

The business has been determinedly refocused on the unit-linked segment of the savings market and the personal risk/protection insurance market, supported by last year's renewal of the distribution agreements with the Company's two leading partners, BPCE and La Banque Postale, and the signature of two new partnership agreements with AG2R LA MONDIALE and Klésia in France.

Earned premiums before reinsurance for 2016 (French GAAP) were as follows:

(In € millions)		**2016**
Life	With-profits life insurance	16,150
	Index-linked and unit-linked insurance	3,083
	Other life insurance	1,889
	Health insurance	1,565
	Life reinsurance	886
	Health reinsurance	10
Non-life	Workers' compensation insurance	141
	Medical expense insurance	320
TOTAL		**24,044**

Substantially all business is written in France. Premiums written by the Italian branch in 2016 amounted to €61 million, corresponding for the most part to life reinsurance premiums. Premiums written by the Spanish branch came to €2.1 million. No premiums were written by the other branches.

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.

In the 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 partnership with La Banque Postale was renewed for a further 10-year period (see "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.

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 (French GAAP) generated by the CNP Assurances reporting entity amounted to €24.0 billion in 2016, down €0.3 billion on 2015. The breakdown of premium income by business line is presented in section A1. The change compared with 2015 by CNP Assurances business segment is presented below.

Savings new money in 2016 totalled €18.7 billion, representing €0.2 billion more than in 2015. The new partnership environment led to a €0.4 million decline in savings new money generated by the two main distribution partners. However, new money from wealth management products rose by a strong €0.6 billion to just under €1 billion.

Unit-linked products accounted for 15.7% of total savings premium income for the year.

Pensions premium income contracted by €0.2 million or 19.9% to €1.3 billion in 2016, primarily reflecting the increase in CNP Assurances' share of an "L.441" plan, and the non-renewal of another pension plan that expired on 31 December 2015.

Premium income from personal risk and health insurance business amounted to €1.4 billion, a decrease of €220 million compared with 2015 that was due to policy terminations at the end of 2015.

Term creditor insurance premium income totalled €2.6 billion, an increase of €97 million or 3.9% compared with 2015 that was attributable to the extension of the BPCE partnership to include the Banques Populaires network and Crédit Foncier.

Savings and pensions net new money came to €0.4 billion in 2016, with a net inflow from unit-linked contracts and a net outflow from traditional contracts.

Net new money (In € billions)	2016
Traditional contracts	(1.6)
Unit-linked contracts	1.9
Total	**0.4**

2. Net insurance revenue

Net insurance revenue from the savings and pensions business segment totalled €1,163 million in 2016, up €247 million on 2015. The increase primarily reflected growth in mathematical reserves for both traditional and unit-linked business, but also stemmed from a reduction in the guaranteed yield offered on new flexible premiums and from movements on reserves for guaranteed yields set up in 2015.

Net insurance revenue from personal risk/protection insurance business rose by €12 million in 2016 to €349 million, following action to improve underwriting margins by terminating loss-making contracts and commuting reinsurance treaties. These favourable impacts were attenuated by an overall increase in technical reserves, partly offset by the recognition of a liquidation surplus on sick leave insurance written by a partner.

Net insurance revenue by business segment *(In € millions)*	**2016**	2015	Change
Savings/Pensions	**1,163**	916	247
Personal Risk/Protection insurance	**349**	337	12
Total	**1,512**	**1,253**	**259**

3. Value of new business

The value of new business written in 2016 was €230 million versus €214 million in 2015, representing an increase of 7.6%. The €104 million positive contribution of new business reflected the reduction in guaranteed yields on pensions and savings business, expanded distribution of term creditor insurance in the BPCE networks, and improved loss ratios on employee benefits business. These positive effects were offset by a further reduction in yields (40 basis point decrease, representing a total negative impact of €98 million).

Value of new business (*in € millions*)	**2016**	2015	Change
Total	**230**	214	+7.6%

A3. Investment performance

1. Description of the asset portfolio

The market value of the investment portfolio increased by 3% in 2016. Part of the increase was attributable to growth in unit-linked portfolios, in line with our strategy. Excluding unit-linked portfolios, changes in the various asset classes were as follows:

Fixed-income portfolios

The proportion of total insurance assets represented by fixed income portfolios declined by 0.7%, reflecting the decision to limit investment in this asset class due to the persistently low interest rates. Low interest rates also led to the proportion of money-market funds and negotiable debt securities increasing to a historically high 7% of total insurance assets. Following the uptick in rates observed in November, money-market investments were reduced and investment in bonds and equivalents were increased.

Concerning the asset-backed securities positions, the portfolio remained stable, representing 0.25% of total insurance assets in 2016 (based on market values) versus 0.36% in 2015. No defaults on the asset-backed securities positions were reported in 2016. If no further investments are made, the portfolio will gradually wind down as the underlying loans are repaid.

Diversified investments

The proportion of total insurance assets represented by diversified investments increased by 0.7%, corresponding mainly to 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 increased over the year.

Concerning unlisted asset classes (property, infrastructure and private equity):

- Property investments increased from 4.03% to 4.45% of total insurance assets. The low interest rates were an incentive to continue investing in this asset class, focusing mainly on commercial property.
- Infrastructure investments also increased in 2016 (by 0.15%) in response to the low interest rate environment.
- In private equity, the best managers launched major fund raising exercises in 2016. CNP Assurances reinvested a significant proportion of the capital allocated to this asset class in funds already in the portfolio, and plans to pursue this practice in 2017.

2. Investment income and expenses by asset class

Investment income and expenses in 2016 were as follows:

(In € millions)	**Total**	Dividends	Rent	Interest	Realised gains and losses*
FIXED INCOME PORTFOLIOS	**6,301**	**309**	**0**	**5,853**	**139**
o/w Money-market instruments	*(34)*	*3*	*0*	*12*	*(49)*
o/w Asset-backed securities	*43*	*0*	*0*	*39*	*4*
DIVERSIFIED PORTFOLIOS	**1,783**	**1,373**	**42**	**102**	**266**
o/w Equities	*648*	*738*	*0*	*70*	*(160)*
o/w Unlisted investments	*1,084*	*630*	*42*	*33*	*379*
TOTAL	**8,082**	**1,681**	**42**	**5,956**	**403**

* including provisions

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

The total amount of €8 billion in investment income for 2016 was down on the 2015 total, due to the decline in interest rates and to non-recurring income generated in 2015.

3. Gains and losses recognised directly in equity

No gains or losses are recognised directly in equity under French GAAP.

A4. Performance of other activities

Not material.

B. SYSTEM OF GOVERNANCE

This section presents CNP Assurances' 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 its business environment and new identified risks.

As with any risk management and internal control system, CNP Assurances' 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 its objectives are met in a satisfactory manner.

Note: CNP Assurances is the parent company of the CNP Assurances Group and some aspects of its system of governance are inseparable from that of the Group. In particular, the persons responsible for key functions at Group level are also responsible for those functions at solo level.

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

The Company 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 Company 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 Company'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 Company-level initiatives and monitors cross-functional projects. It leads the Company's operations and implements the strategy decided by the Board of Directors.

It monitors the Company's results and financial ratios and reviews the action plans to be implemented by the Company, 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 Company'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 Company's value, assets and reputation.

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

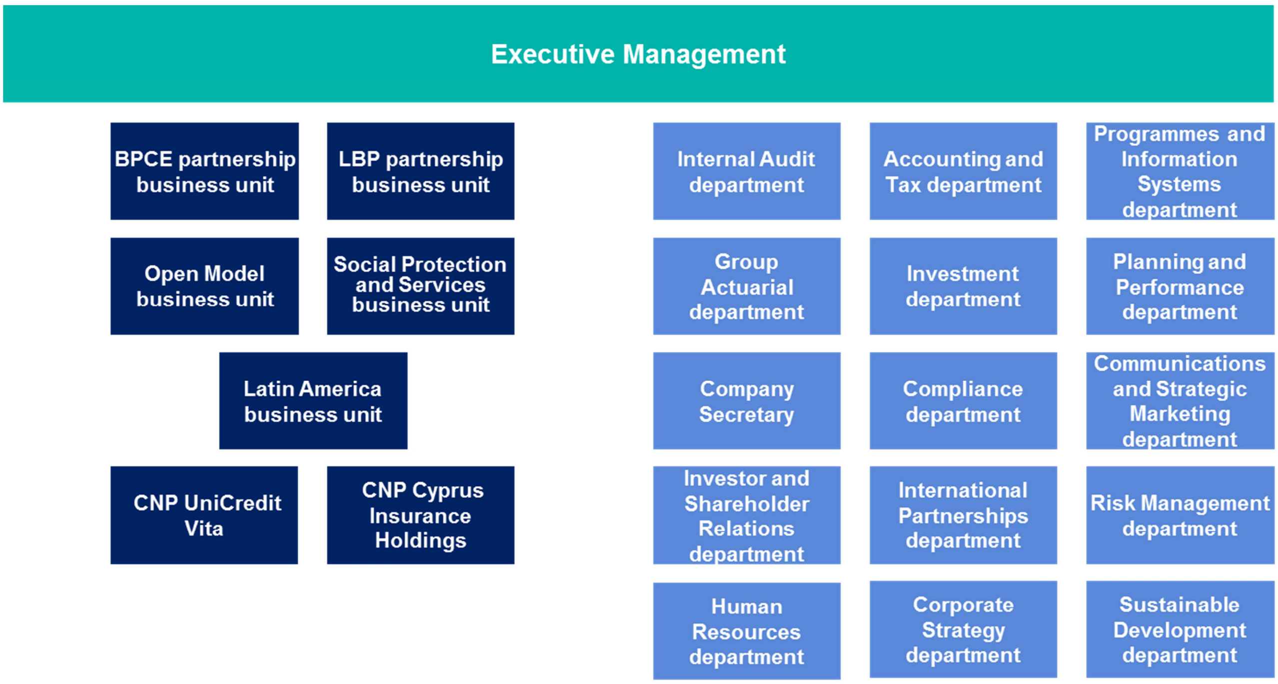
The compliance function is run by the Compliance department, which closely monitors product compliance risks and the legitimacy of financial flows, in line with the money laundering and terrorist financing provisions of the compliance policy approved by the Board of Directors.

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 actuarial 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. Company 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 Company'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 the Company 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 Company'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 French 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 Company 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 Company'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 Company'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 Company 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 Company'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 Company, 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 Company, 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 Company 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

1.1. Directors and persons who effectively run the Company

The Remuneration and Nominations Committee obtains assurance that the members of the Board of Directors collectively possess the appropriate qualifications, experience and knowledge 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 that are appropriate to the exercise of the responsibilities assigned to the Board of Directors.

The Committee also reviews the files of candidates for nomination by the Board of Directors as persons who effectively run the Company and expresses an opinion based on a fit and proper file attesting that the candidate has the qualifications, experience and knowledge needed to effectively run the Company.

1.2. Key functions

The assessment of whether a candidate has the qualifications, experience and knowledge needed to hold a key function 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. They are expected to have around ten years' professional experience. 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

2.1. Directors and persons who effectively run the Company

Prior to the nomination or renewal of directors and persons who effectively run the Company, 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. Key function holders

The fit and proper assessment process for holders of key functions 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 Compliance key function.

Prior to any nomination or renewal, the Group Human Resources department prepares a Nomination/Renewal file and reviews the candidate(s) fitness and propriety.

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

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 Company.

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

The Fit and Proper Review Committee meets at least once a year to review application of fit and proper policies and propose adjustments in response to changes in regulations, industry practices and the policies' scope of application.

2.3. Fit and proper policy

The formal fit and proper policy approved by the Board of Directors on 15 December 2015 was distributed throughout CNP Assurances and the Group in early 2016.

B3. Risk management system

1. Risk management principles

The objectives of the 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 Company's value.

The following risk management principles have been defined:

- The Board of Directors approves the 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 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 CNP Assurances' 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

CNP Assurances' 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).

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 Company's risk profile.
- The Underwriting 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 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 Company’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).

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 CNP Assurances processes and 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 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 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 Company 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 Company's solvency over the medium-term.

The risk factors taken into account in the assessment include 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 Company'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, covering both business development and investment strategy.

The assessments are consolidated by incorporating capital management considerations, to determine CNP Assurances' overall solvency needs. 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 Company'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 Company'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 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 Company 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 Company's risk exposure at a given point in time. It reports its main observations at regular intervals to the Executive Committee and the Audit and Risks Committee.

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) as "the person in charge of the Compliance function". 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 Company's Ethics Officer.

The compliance policy describing the roles and responsibilities of all concerned parties 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 Company'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 Compliance function covers compliance with local laws, regulations and standards, and with CNP Assurances' 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.

As Chairman of the Product Approval Committee, the Chief Compliance Officer assesses the compliance and operational feasibility of new products, significant modifications to existing products and new business activities.

He ensures that commitments relating to new products comply with the applicable regulations, ACPR recommendations, ethical commitments and client protection obligations, and with internal rules (particularly underwriting policies and compliance procedures). He also obtains assurance concerning the project's operational feasibility, taking into account timing issues, the human and financial resources required for the project and quality considerations.

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, 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.

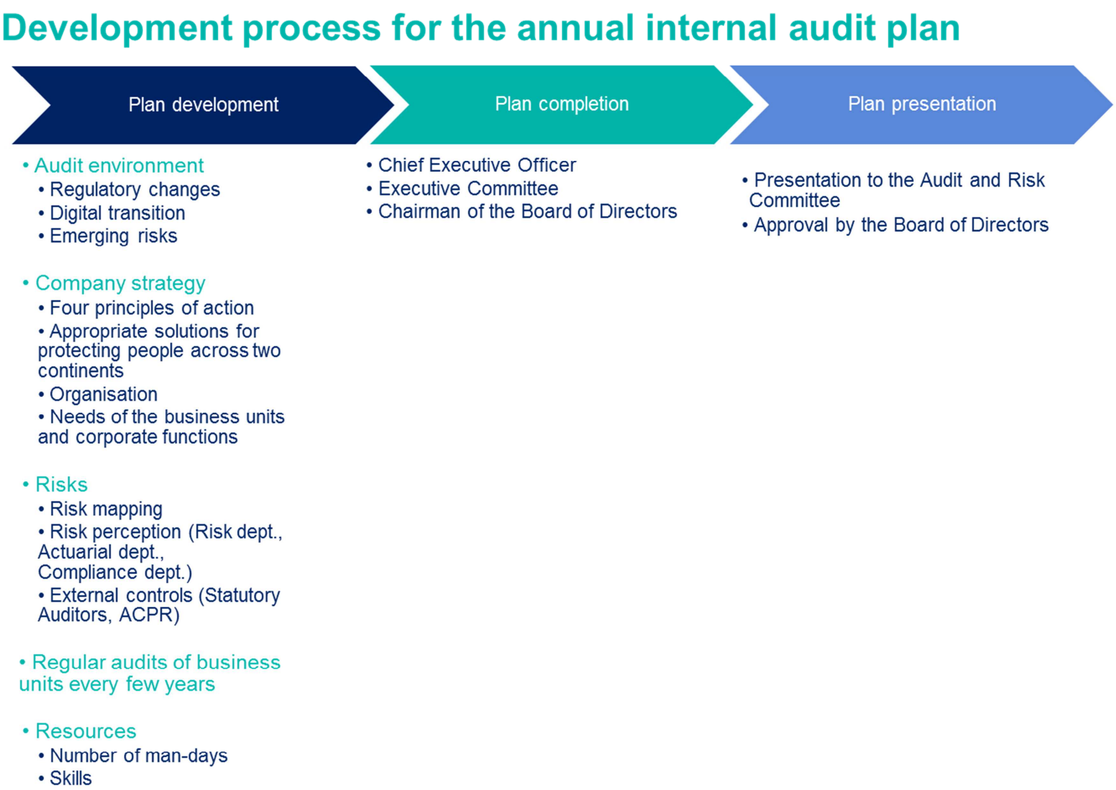
Internal auditors are assigned to audits in such a way as to avoid any potential or actual conflict of interest or bias, taking into account:

- The internal auditors' obligation to notify the Company 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.

As a general principle, 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. Process for preparing the annual internal audit plan



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

- The Company'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 Risks 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 Company'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 Risks 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 Company'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.

4. 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.

At CNP Assurances, the Actuarial function is held by the Group Chief Actuary, who has direct access to the Company's decision-making bodies, allowing him to fulfil his whistle-blowing role.

He is therefore able to share his opinions on technical reserves, underwriting activities or reinsurance measures directly with Executive Management. These opinions are issued upstream, before commitments are entered into, and downstream, following a review of actual results at each period-end. They are based on all the work performed within the organisation.

The Actuarial function also issues opinions 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

Technical reserve calculations are subject to the following controls:

- 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 managed in France or at branch level.
- Second-tier controls performed by the Actuarial function.

The Actuarial function assesses the control system's effectiveness and calibrates its own controls based on the results of the assessment.

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 Company's risk tolerance limit 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 and analyses. The opinion is considered by Executive Management which makes the final decision.

Express an opinion on the adequacy of reinsurance arrangements

The Actuarial function intervenes in the outward reinsurance process to obtain assurance that purchased reinsurance cover is proportionate, justified and effective, taking into account the Company'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 and analyses and by the implementation of Executive Management decisions.

Participate in the risk management system

The Actuarial function also actively participates in the risk management system, taking part in specific committees and contributing to technical research used to determine the technical shocks used in the ORSA.

B8. Outsourcing

1. Outsourcing policy

1.1. Objectives and scope

CNP Assurances' outsourcing policy describes the principles governing the management, governance and reporting processes for outsourced activities. The policy is approved by the Board of Directors and reviewed annually by the Outsourcing Commitments Committee.

Outsourcing is defined as the execution by a third party of a service or activity that is part of CNP Assurances' business model and would otherwise be performed in-house. This definition includes:

- Delegated management, corresponding to policy administration activities performed by a third party that has close ties with CNP Assurances. Examples include distribution partners, brokers and companies that have capital ties with CNP Assurances.
- Activities and functions entrusted to a subsidiary or other Group entity.

However, it excludes the presentation of insurance transactions, except for the risk selection process referred to above and the collection of group insurance and term creditor insurance premiums.

Solvency II requires special care to be taken when outsourcing critical or important operational functions and activities. For CNP Assurances, this relates to:

- Delegated management of any of the key functions defined in Solvency II.
- Outsourcing of operational functions and activities that (i) are essential for the continued operation of the business, or (ii) could, if they were altered or quality standards were not met, have a serious adverse effect on the continued delivery of a satisfactory quality of service to insureds, policyholders and beneficiaries and to reinsured companies.

Critical or important operational functions and activities can therefore be defined as operational functions and activities that make a continuous, substantial contribution, through the deployment of specific expertise, to the execution of one of the four key functions or to:

- The Company's accounts.
- The development and pricing of insurance products.
- Asset or portfolio management processes.
- Underwriting risk selection processes.
- Claim and benefit management processes.
- Risk selection for contracts that include coverage of an insurance risk, leading to an insurance policy being written in the name and on behalf of CNP Assurances.
- The management of information systems.

1.2. Outsourcing management structures

1.2.1 Outsourcing Commitments Committee

The Outsourcing Commitments Committee meets to examine outsourcing projects presented by the business units or corporate functions.

It is chaired by the Company Secretary and its members include representatives of the Group Risk, Planning & Performance, Group Legal Affairs, Purchasing, and Contingency Plan Monitoring departments, the Data Protection Officer and the Information Systems Security Officer, as well as representatives of the business units or corporate functions proposing the outsourcing projects.

If the Committee decides that the outsourcing project concerns a critical or important operational function or activity, it reviews the project, checks whether it complies with the Company's outsourcing rules and policy, and issues a recommendation. Any decision to override the Committee's recommendation may only be made by the Chief Executive Officer during a meeting of the Executive Committee and must be fully explained. Each year, the Outsourcing Commitments Committee reviews the outsourcing policy and submits any proposed changes to the definition of critical or important operational functions or activities to the Executive Committee for approval by the Chief Executive Officer.

1.2.2 Operational Risk Committee for each business unit or corporate function

Each committee is chaired by the director of the business unit or corporate function and comprises a representative of the Group Risk department and the business unit or corporate function's operational risk correspondent. The committees meet once or twice a year to review the main operational risks and decide on action plans to improve their management. Their review includes outsourcing risks and changes in the scope of outsourced activities.

The operational risks associated with outsourcing and delegated management that are monitored by CNP Assurances are as follows (the risks are rolled down and defined in more detail by the department that proposed the outsourcing or delegated management contract):

- Risk of external regulations, internal standards or contractual commitments being breached by CNP Assurances due to outsourcing.
- Risk of external regulations being breached by CNP Assurances due to the contractor's failure to comply with the regulations applicable to the outsourced activity, with its legal obligations as an employee or with the Company's internal standards.
- Risk of the contractor failing to provide the agreed service or not meeting its service level obligations.
- Risk of the Company becoming overly dependent on a contractor.

Outsourcing risks are tracked using key indicators defined and calculated by the operating units, which provide an overview of the extent to which these risks are controlled.

2. Map of outsourced critical and important functions and activities

CNP Assurances 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. All contractors used by the Company have their registered office in France, except for one contractor based in Germany, which manages term creditor insurance business in Germany under a delegated management contract.

C. RISK PROFILE

Risk overview

CNP Assurances' 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*	**11,585**	63%
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*	**2,674**	14%
Health underwriting risk	*SLT[2] Health underwriting risk* *NSLT[3] Health underwriting risk* *Health catastrophe risk*	**1,882**	10%
Non-life underwriting risk		**0**	0%
Counterparty default risk		**962**	5%
Intangible asset risk		**0**	0%
Operational risk		**1,368**	7%

As this risk profile shows, the Company's primary exposure is to market risk, which accounts for 63% 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 21% 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>2,674</td><td>14%</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">1,882</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>0</td><td>0%</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 Company.

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 Company'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 Company 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 Company'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 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. Financial risk generated by underwriting activities

The insurance policies sold by the Company 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, the Company would be exposed to a risk of being unable to fund these guarantees or possibly even cover the policy 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, 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 intend to pay close attention to any changes in cancellation rates resulting from the new law.

Concerning surrender rates, 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 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 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 Company's risk profile.

The Underwriting Risk Committee performs ongoing checks on the consistency of the Company'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 Company'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 Company'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, particularly for temporary and permanent disability risk, is closely monitored and premium rates or guarantees are adjusted where necessary to control loss ratios with both public and private sector clients.

4.2. Reinsurance mechanisms

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

The 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.

Our 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.

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. Sensitivity is calculated solely at Group level but the results for France are very close to those that would be obtained for CNP Assurances solo.

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 € billions)*	31 December 2016
Corporate and government bonds	181
Investment funds (UCITS)	54
Money-market funds	*20*
Bond funds	*17*
Equity funds	*11*
Other funds	*7*
Equities	27
Shares in property companies	*10*
Other equities	*18*
Structured products	13
Collateralised securities	1
Property	0
Total	**277**

1. Description

1.1. Interest rate risk

Interest rate risk corresponds mainly to the risk of an increase or decrease in interest rates. CNP Assurances 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 the Company 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 Company of this flexibility and could even reduce our ability to pay guaranteed yields.

The private equity portfolio also exposes the Company to liquidity risk (see section C4). As well as the price risk, the Company 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

CNP Assurances' presentation currency is the euro. Most of its currency risk concerns dividend income from the Brazilian subsidiary, Caixa Seguros Holding, which is paid in reals. These dividends make a significant contribution to the Company's profit and changes in the real/euro exchange rate therefore have an impact on the financial statements.

Our asset portfolio is invested for the most part 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 our 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 Company, while the steep fall in sterling did not have any material consequences 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.

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 Company'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 Company'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 the Company's 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 at Group level 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.

Sensitivity is calculated at Group level only; however, as the majority of Group assets are held by the Company, they represent a relevant indicator of sensitivity on a solo basis.

The main sensitivities for the CNP Assurances Group 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 Company's exposure to spread risk on the bond portfolio is presented below:

Bond portfolio by type of issuer (*at cost in %*)	31 Dec. 2016
Government bonds	53%
Corporate bonds	47%
Financial services and insurance	*20%*
Other sectors	*27%*
Total	**100%**

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

Bond portfolio by issuer rating (*at cost, in %*)	31 Dec. 2016
AAA	8%
AA	51%
A	17%
BBB	20%
Non-investment grade	1%
Unrated	2%
Total	**100%**

The government bond portfolio breaks down by country as follows:

Government bond portfolio by country (*at cost in %*)	31 Dec. 2016
France	67%
Belgium	7%
Spain	7%
Italy	6%
Austria	4%
Luxembourg	4%
Other	5%
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 Company 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 Company (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.

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. 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.

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, CNP Assurances 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.

Sensitivity is calculated at Group level only; however, as the majority of Group assets are held by the Company, it represents a relevant indicator of sensitivity on a solo basis.

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
Group 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 Company 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 Company'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.

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 Company 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 organised around:

- A single risk taxonomy and process manual used throughout the organisation.
- 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 the Company is most vulnerable. Plans are regularly tested and updated.
- Establishing an 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: CNP Assurances' operational risk profile

The Company's operational risk profile has been determined by identifying and assessing major risks, based on a consolidated map of all available information and indicators (incidents, KRI, stress scenarios, audit reports, internal control assessments, business unit reports, etc.).

The 2016 operational risk profile was relatively stable 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, resulting from 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 business model is based on outsourcing solutions and extensive delegations of management powers to distribution partners. As a result, we remain 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 Company 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 Company 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.

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

In response to regulatory compliance obligations, our operational risk management system is built around:

- Policies (risk management policies and underwriting policies).
- Committees (Underwriting Committee and New Product Approval Committee).
- Procedures (compliance, complaint management and legal monitoring).

Outsourcing and delegated management

The operational risk management system includes an outsourcing policy that sets rules for selecting contractors, drafting outsourcing contracts and managing relations with contractors.

Process execution, delivery and management

The operational risk management system includes a business continuity plan designed to ensure that operations can be pursued in acceptable conditions for both policyholders and employees, as well as for external business partners, in order to deliver our services and products.

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

Information systems and data processing

We have set up a robust system for managing information system and data processing risk.

An IT Security Officer reports directly to the Programmes and Information Systems Director, strengthening the governance structure represented by the IT Security Committee.

Various policies have been issued, covering such topics as data back-up procedures and data quality.

The risk management system includes an insurance programme covering the loss of data, with cyber insurance soon to be added.

We also have a comprehensive system for the protection of personal data, led by a Data Protection Officer whose role and responsibilities are defined by French law.

Internal and external fraud

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

We have set up a department dedicated to combating money laundering and the financing of terrorism, as well as fraud, which seeks to strengthen the prevention mechanisms in place.

5. Sensitivity to operational risk: scenario analyses

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

Stress scenario simulations help to increase our preparedness for possible future situations.

Scenario analysis consists of simulating operational shocks arising from the occurrence of the Company'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 Company.

The operational risks included in the analysis are reviewed annually to obtain assurance that the scenarios effectively cover all of the Company's main residual risks and that all major residual risks are taken into account. Each existing scenario is challenged and reviewed. A scenario may be abandoned if the residual risk has been considerably reduced through the implementation of action plans or the trigger event has changed. The review concerns the scenarios' calibration (estimated impacts) and the impact of risk mitigation measures taken up to the review date. New scenarios are developed when a relevant new risk is identified.

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 Company 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 Company'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 Company'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 Company'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.

We regularly test 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 Company is potentially exposed to concentration risk which could arise from:

- ► The sale of a large number of policies covering the same risk.
- ► The sale of policies 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 Company'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 Company'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 to the data in the IFRS balance sheet prepared for inclusion in the consolidated financial statements concern the:

- ► Elimination of intangible assets.
- ► Remeasurement of assets at fair value (held-to-maturity investments, loans and receivables and investments in 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.

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

An active market is defined in the same way for the measurement of assets in the Solvency II economic balance sheet as in the IFRS balance sheet.

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 (see below) in the notes to the IFRS financial statements considered as being valued based on quoted market prices in active markets.

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.

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.

Investment property held in unit-linked portfolios is included in the Solvency II economic balance sheet at the portfolio value.

(b) Financial assets

In view of the quality of the financial assets in the portfolio (over 96% 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 Company 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 Company 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 Company 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 Company 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 Company, 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 Company 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 prepared for inclusion in the consolidated financial statements and the Solvency II economic balance sheet, except for assets classified as "held-to-maturity".

To comply with 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.

1.3.3 Other assets

(a) Treasury shares

The Company 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 best estimate calculations are eliminated from the Solvency II economic balance sheet as they are included in the best estimate. This concerns accrued income, which amounted to €70 million at 31 December 2016.

2. Differences compared to book value

2.1. Intangible assets

In the Company's French GAAP balance sheet, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. In the Solvency II economic balance sheet, intangible assets are considered as being without value because they cannot be traded on a market.

2.2. Insurance investments

At 31 December 2016, insurance investments totalled €346.5 billion* under Solvency II versus €319.8 billion under French GAAP, representing a difference of €26.7 billion that was due mainly to the valuation methods described above.

- ► In the French GAAP balance sheet, insurance investments are measured at historical cost less transaction expenses and less any accumulated impairment losses, except for investments held in unit-linked portfolios.
- ► In the Solvency II economic balance sheet, insurance investments are measured at fair value.

Furthermore, the Solvency II economic balance sheet includes securities sold or loaned and does not take into account securities received as collateral under securities lending transactions (in accordance with the IFRS approach used as the basis of the Solvency II economic balance sheet).

2.3. Other assets

At 31 December 2016, other assets amounted to €7.6 billion under Solvency II versus €7.3 billion under French GAAP, representing a difference of €0.3 billion.

They include own shares, cash deposits, owner-occupied property, receivables, cash and cash equivalents and any 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.

At 31 December 2016, there were certain differences in presentation of current assets between the French GAAP and IFRS balance sheets. As IFRS are the reference standards for Solvency II, current assets are presented in accordance with IFRS.

This total includes the value of derivative instruments recorded in liabilities for €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. Main analyses

Several adjustments were made to insurance models in 2016. The main topic analysed was how to take negative interest rates into account in savings/pensions liability models.

Other enhancements included the use of more detailed expense assumptions and more formal documentation of the techniques and assumptions used for technical reserve best estimates. The changes in partnership terms decided with the main partners were also duly taken into account in the calculations.

1.2. General principles and description of the models

All of the Company's obligations have been modelled. Simplified approaches may be adopted in some cases; however, the cases concerned represent only a small proportion of technical reserves (around 3%). When a detailed 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 model used to measure insurance obligations related to traditional savings contracts is based on stochastic projections of assets and liabilities. The same model is used for group pension plan obligations, including "Article L.441" plans.

Linked liabilities are modelled using a deterministic model to project cash flows over a 50-year period.

Death/disability and term creditor insurance obligations are also modelled using deterministic models.

The cash flow projection period has been set at 50 years to better reflect the obligations' duration.

1.3. Best estimate economic assumptions

Solvency II calculations are based on observed market conditions at the period end and on assumptions prepared by the Group Investments department. The economic scenario generator is calibrated to take into account 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. 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 volatility adjustment is applied to the basic risk free interest rate term structure for all insurance business modelled for the purpose of calculating best estimates of technical reserves.

The adjustment applied at 31 December 2016 was calculated based on the Solvency II Delegated Regulation and period-end market data.

Its impact on technical reserves may be summarised as follows:

Best Estimate at 31 December 2016 *(In € billions)*	Before volatility adjustment	**After volatility adjustment**	Change	Impact
Total	321.8	**320.9**	-0.3%	-0.9

Impact of volatility adjustment on technical reserves

The volatility adjustment had the effect of reducing the best estimate of technical reserves by €883 million or 0.3%.

Its impact on solvency indicators is presented below:

(In € billions)	Before volatility adjustment	**After volatility adjustment**	Change	Impact
Minimum capital requirement (MCR)	6.2	6.0	-3.5%	-0.2
Solvency capital requirement (SCR)	13.7	13.2	-3.5%	-0.5
Basic own funds	24.3	24.9	2.6%	0.6
Eligible own funds to cover the MCR	20.5	21.1	2.9%	0.6
Eligible own funds to cover the SCR	24.3	24.9	2.6%	0.6
Solvency II coverage ratio	**177%**	**188%**	**11 pts**	

Impact of volatility adjustment on solvency indicators

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 Company 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 and 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.

1.4.1 Savings and pensions liabilities

Projected cash flows for savings and pensions business are determined by default according to a policy-by-policy approach. Policies may however be grouped together (model point approach) if the policy-by-policy calculation would be unreasonably burdensome. Due to the very large number of in-force policies, we have chosen to adopt the model point approach for savings and pensions liabilities.

Savings and pensions liabilities depend to a large extent on the market environment and stochastic simulations are performed to reliably assess these liabilities for the calculation of best estimates, taking into account future policy management decisions.

In the case of savings business, one of the key assumptions used in liability models concerns surrender rates:

- ► Structural surrender modelling: structural surrenders (total and partial) correspond to policyholders' propensity to surrender their policy, whatever the economic environment. Structural surrender rate modelling laws are developed using all available data and are reviewed annually.
- ► Economic surrender modelling: economic surrenders correspond to surrenders decided by policyholders when they receive a lower-than-expected yield on their policy.

1.4.2 Term creditor and death/disability insurance liabilities

Term creditor and death/disability insurance liability models are based on deterministic 'liability only' projections.

They consist of multi-state models that simulate the transition of insured populations from the initial healthy state to, for example, a state of temporary or permanent disability or death.

The main assumptions used for term creditor and personal risk insurance business concern the modelling laws used to reproduce these transitions, as determined based on all available data.

1.5. Other pivotal assumptions

1.5.1 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:

- Financial strategy.
- Policies concerning the adjustment of technical reserves.
- Renewal of partnership agreements.
- Management of the distribution network.

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

1.5.2 Overhead expenses

Overhead expense models have been revised to improve their alignment with Solvency II requirements. The expenses are allocated to each business line and individually projected taking into account their origin and accounting classification.

1.5.3 Commissions

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).

1.6. Risk margin calculation

The Solvency II Delegated Regulation describes the recommended method of calculating the risk margin and three simplified methods. Our choice of method is based on three criteria: the reliability and robustness of the results, the method's ease of application and its degree of technical complexity.

The risk margin calculated by the chosen method corresponds to 6% of discounted future SCR. The calculation method was fine-tuned in 2016, by applying a more detailed approach to determining projected SCR.

2. Uncertainties and simplifications

The uncertainties associated with best estimate calculations are analysed to determine their impact on technical reserves and the Company's overall risk profile.

The estimation tools' limitations must also be taken into account.

Solvency II is a principles-based directive and the use of models has certain inherent limitations. For these reasons, the appropriateness of the modelling methods is assessed based on the guidelines issued by EIOPA and France's insurance supervisor (ACPR).

2.1. Uncertainty concerning best estimates of savings and pension obligations

The main sources of methodological uncertainty concern the modelling of economic surrenders. In the absence of any major economic surrender events, the form of the related modelling law, the choice of discriminating variables and the model's calibration are based in part on expert judgements that are approved by management.

In addition, sovereign default risk is not taken into account in a detailed manner in the model and neither is the effect of savings transfers from one fund to another.

Several other sources of uncertainty that are inherent to assumptions and future management actions are reflected in the model.

2.2. Uncertainty concerning best estimates of term creditor insurance obligations

Term creditor insurance models also include certain sources of uncertainty to be taken into account during the analysis process.

These uncertainties concern the availability and quality of data for use in calibrating the modelling laws. They result in a degree of uncertainty concerning a possible risk deviation in the most recent periods that may not have been taken into account.

2.3. Uncertainty concerning best estimates of death/disability insurance obligations

Among group death/disability insurance obligations, only voluntary participation plans (which account for a relatively small proportion of group death/disability business) can be analysed using person-by-person data for insureds who have not made any claims. As a result, it is not possible to assess in detail the risk profile of the insured population.

Most of the assumptions used in death/disability insurance models reflect the very limited information available about insureds who are in a healthy state.

3. Main differences compared to the financial statements

Both the French GAAP 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 French GAAP principles, with the result that there are significant differences between the values reported for technical reserves under the two approaches.

The French GAAP balance sheet is presented in accordance with the overriding principle of prudence, which explains the conservative reasoning applied when it comes to choosing biometric tables, parameters and discount rates. The method to be used to calculate technical reserves in the French GAAP accounts is described in a regulation issued by France's accounting standards board (*Autorité des Normes Comptables*).

Gross technical reserve calculations under French GAAP are rules-based and involve applying static parameters and approaches that severely limit the possibilities of aligning the reserves with the insurer's risk profile. Unlike under Solvency II, the French GAAP method also 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. However, Solvency II calculations of technical reserve best estimates are complex and the various metrics can be very volatile, as they depend to a significant extent on the financial environment.

The difference in Solvency II technical reserves compared with technical reserve calculated under French GAAP is down to the methods and assumptions used by the Company to calculate best estimates under Solvency II, as described above.

4. Main results

The best estimate of the Company's technical reserves before reinsurance at 31 December 2016 amounted to €321 billion, corresponding for the most part to traditional savings and pension business and, to a lesser extent, unit-linked business. The best estimate of technical reserves for death/disability and term creditor insurance obligations is more limited because future premiums are taken into account but is nonetheless significant.

An analysis of Solvency II technical reserves by line of business shows that life reinsurance obligations increased significantly in 2016. This was due to the reclassification as inward reinsurance of certain obligations previously classified as direct insurance obligations. Similarly, the significant reduction in health insurance obligations was due to the reclassification of certain individual pension obligations as with-profits life insurance.

(In € millions)	**Gross Best Estimate – 2016**	**Gross Best Estimate – 2015**	**Year-on-year change**
Medical expense insurance	107	110	-3
Income protection insurance	1,019	1,005	14
Workers' compensation insurance	298	245	53
Proportional reinsurance – medical expense insurance	338	366	-28
Proportional reinsurance – income protection insurance	15	0	15
Health similar to life insurance	4,977	8,320	-3,343
With-profits life insurance	282,070	273,818	8,251
Index-linked and unit-linked insurance	29,072	26,854	2,217
Other life insurance	(200)	94	-293
Health reinsurance	109	0	109
Life reinsurance	3,081	262	2,819
Total	**320,884**	**311,073**	**9,811**

Best estimate by Solvency II line of business

The Company's risk margin at 31 December 2016 was estimated at €3.4 billion.

(In € millions)	**Gross Best Estimate – 2016**	**Gross Best Estimate – 2015**	**Year-on-year change**
Medical expense insurance	3	4	-1
Income protection insurance	24	34	-10
Workers' compensation insurance	7	8	-1
Proportional reinsurance – medical expense insurance	18	32	-14
Proportional reinsurance – income protection insurance	0	0	0
Health similar to life insurance	65	125	-60
With-profits life insurance	2,747	3,713	-966
Index-linked and unit-linked insurance	88	111	-23
Other life insurance	445	589	-143
Health reinsurance	0	0	0
Life reinsurance	31	7	23
Total	**3,428**	**4,622**	**-1,195**

Risk margin by Solvency II line of business

D3. Other liabilities

1. Valuation principles

1.1. Deferred taxes

In the Solvency II economic balance sheet, deferred taxes (assets and liabilities) are calculated 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% to 28% as from 2020, excluding "*contributions additionnelles*" (surtaxes) 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 Company are measured in the economic balance sheet at an amount corresponding to the best estimate, as adjusted for the effect of changes in the Company'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 prepared for consolidation purposes and the French GAAP balance sheet prepared for statutory financial reporting purposes. 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.

No contingent liabilities have been identified, except for the guarantee issued to a subsidiary, CNP Caution, which is presented in the Solvency II economic balance sheet as a derivative instrument at fair value. The same treatment is applied in the IFRS accounts prepared for consolidation purposes.

The guarantee's fair value is defined as the probable present value of the losses that would be incurred by the Company if CNP Caution were to default on its obligations. The measurement parameters comply with Article 193 of the Delegated Regulation.

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 French GAAP balance sheet, subordinated notes are recognised in debt and measured at amortised cost.

In the Solvency II economic balance sheet, they are measured at fair value.

At 31 December 2016, subordinated debt amounted to €7.2 billion under French GAAP and €7.8 billion under Solvency II. The valuation difference therefore amounted to €0.6 billion.

2.2. Liabilities and provisions (excluding technical reserves)

At 31 December 2016, liabilities and provisions amounted to €28.2 billion under Solvency II versus €36.5 billion under French GAAP, representing a valuation difference of €8.3 billion. The difference corresponds mainly to securities received as collateral under securities lending transactions, which are recognised as a liability in the French GAAP balance sheet (for €9.6 billion at 31 December 2016) and not in the Solvency II economic balance sheet.

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 €278.5 million. Details of the recognised amounts 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 Company's capital management principles are based on a number of standards and regulatory requirements, including:

- ► The Company'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 Company'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 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. List of own funds items

2.1. 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.

2.2. Ancillary own funds

The Company does not have any ancillary own funds.

3. Own funds structure, amount and quality

3.1. Description of own funds eligible for inclusion in the SCR coverage ratio

Own funds eligible of €24.9 billion for inclusion in CNP Assurances' SCR coverage ratio are as follows:

- €17.1 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:
  - €2.7 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.

Excluding changes in the Company's own credit risk

3.2. Description of own funds eligible for inclusion in the MCR coverage ratio

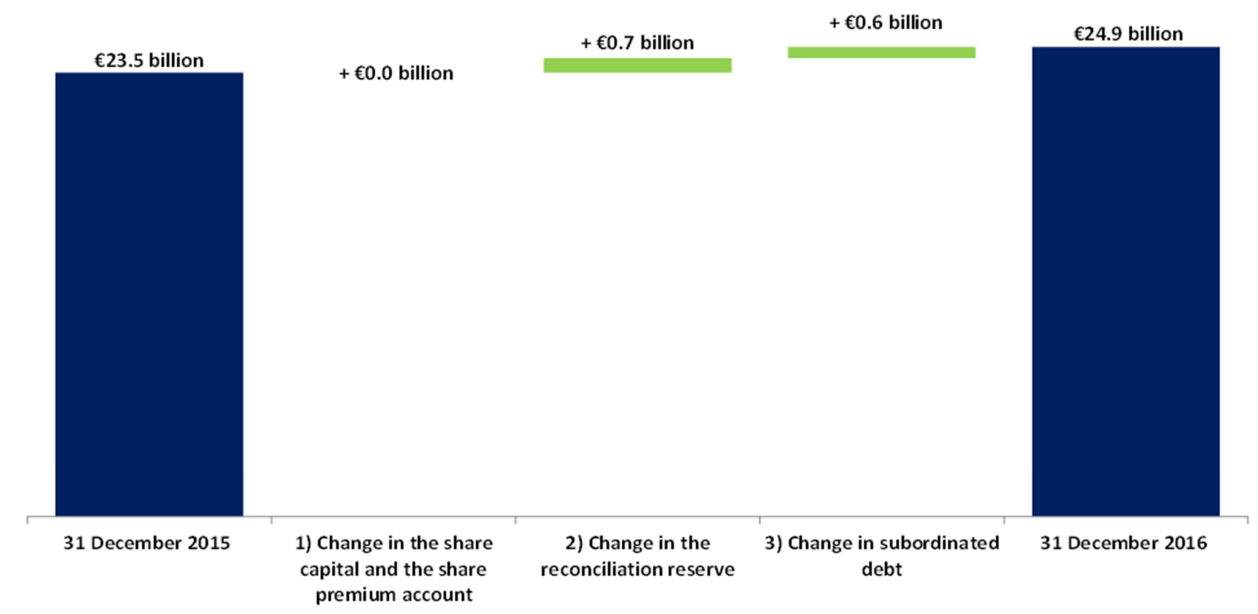
Own funds eligible of €21 billion for inclusion in CNP Assurances' MCR coverage ratio are as follows:

- €17.1 billion in unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and the share premium account.
- €3.9 billion of subordinated debt, breaking down as:
  - €2.7 billion of restricted Tier 1 capital
  - €1.2 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.

3.3. 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 reflected:

- The increase in the value in the economic balance sheet of the Company's investment in its Brazilian subsidiaries, due to the real's appreciation against the euro over the year.
- Inclusion in own funds of profit for the period, net of dividends.
- Lower future margins on savings and pensions business due to the continued erosion of interest rates, which attenuated the above two effects.

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 less than €0.1 billion concerned fair value changes between 31 December 2015 and 31 December 2016 due to the decline in interest rates over the period.

3.4. Comparative analysis of French GAAP equity and Solvency II own funds

The difference between French GAAP equity (€10.5 billion) and Solvency II own funds (€24.9 billion) can be explained as follows:

- Remeasurement of assets due to differences between French GAAP and Solvency II principles (including borrowings and derivatives): + €36.6 billion.
- Remeasurement of liabilities (mainly technical reserves) due to differences between French GAAP and Solvency II principles: - €29.3 billion.
- Inclusion of subordinated debt in Solvency II own funds: + €7.8 billion.
- Deduction of forecast dividends from Solvency II own funds: - €0.5 billion.

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

Transitional measures 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 16 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.

E2. Solvency capital requirement and minimum capital requirement

1. SCR and MCR at 31 December 2016

The Company's SCR at 31 December 2016 was €13.2 billion and the SCR coverage ratio at that date was 188%. The MCR was €6.0 billion and the MCR coverage ratio was 354%.

2. Data used for the MCR calculation

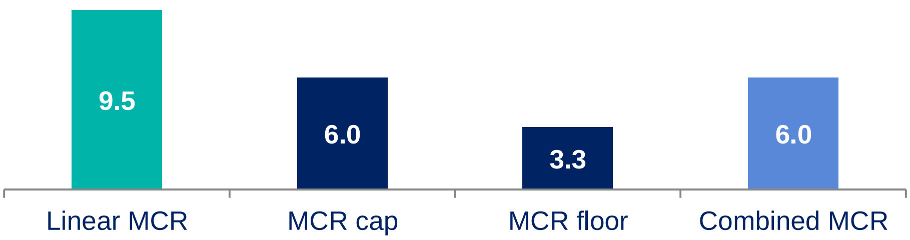
MCR is determined as follows:

- Calculation of linear MCR by combining technical reserves by line of business on a linear basis.
- Determination of the MCR floor and cap:
  - The MCR floor represents 25% of the SCR and may not be less than €3.3 billion.
  - The MCR cap represents 45% of the SCR.

The value of the combined MCR corresponds to that of the linear MCR unless the linear MCR falls outside the above range of values. If this is the case, the value of the MCR corresponds to either the cap or the floor.

The Company's MCR corresponds to the MCR cap, i.e., €6.0 billion.

MCR calculation (in € billions)



3. Quantitative SCR information by risk module

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

(In € billions)	31 December 2016
Market risk SCR	11.6
Counterparty default risk SCR	1.0
Life underwriting risk SCR	2.7
Health underwriting risk SCR	1.9
Non-life underwriting risk SCR	0.0
Diversification effect	(3.6)
Intangible asset risk SCR	0.0
Basic SCR	**13.5**
Operational risk SCR	1.4
Loss-absorbing capacity of deferred taxes	(1.7)
Other*	0.0
SCR	**13.2**

** 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 SA

Year ended: 31 December 2016

S.02.01.02 — Balance sheet

Assets		Solvency II value
		C0010
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	28,724
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	317,400,679
Property (other than for own use)	R0080	918,740
Holdings in related undertakings, including participations	R0090	4,870,435
Equities	R0100	28,074,195
Equities - listed	R0110	16,316,739
Equities - unlisted	R0120	11,757,455
Bonds	R0130	224,717,810
Government Bonds	R0140	116,369,584
Corporate Bonds	R0150	92,886,299
Structured notes	R0160	14,491,133
Collateralised securities	R0170	970,794
Collective Investments Undertakings	R0180	58,094,593
Derivatives	R0190	653,461
Deposits other than cash equivalents	R0200	71,447
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	29,834,202
Loans and mortgages	R0230	419,302
Loans on policies	R0240	419,232
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	70
Reinsurance recoverables from:	R0270	25,479,230
Non-life and health similar to non-life	R0280	134,102
Non-life excluding health	R0290	
Health similar to non-life	R0300	134,102
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	23,676,500
Health similar to life	R0320	1,256,940
Life excluding health and index-linked and unit-linked	R0330	22,419,561
Life index-linked and unit-linked	R0340	1,668,627
Deposits to cedants	R0350	204,510
Insurance and intermediaries receivables	R0360	1,961,887
Reinsurance receivables	R0370	694,714
Receivables (trade, not insurance)	R0380	3,884,326
Own shares (held directly)	R0390	2,014
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	623,950
Any other assets, not elsewhere shown	R0420	221,440
Total assets	R0500	380,754,980

		Solvency II value
Liabilities		
Technical provisions - non-life	R0510	1,827,990
Technical provisions - non-life (excluding health)	R0520	
TP calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	1,827,990
TP calculated as a whole	R0570	
Best Estimate	R0580	1,776,008
Risk margin	R0590	51,982
Technical provisions - life (excluding index-linked and unit-linked)	R0600	293,323,703
Technical provisions - health (similar to life)	R0610	5,150,425
TP calculated as a whole	R0620	
Best Estimate	R0630	5,085,271
Risk margin	R0640	65,154
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	288,173,278
TP calculated as a whole	R0660	
Best Estimate	R0670	284,950,580
Risk margin	R0680	3,222,697
Technical provisions - index-linked and unit-linked	R0690	29,159,499
TP calculated as a whole	R0700	
Best Estimate	R0710	29,071,778
Risk margin	R0720	87,721
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	150,840
Pension benefit obligations	R0760	310,530
Deposits from reinsurers	R0770	13,562,474
Deferred tax liabilities	R0780	1,674,534
Derivatives	R0790	1,190,727
Debts owed to credit institutions	R0800	134,169
Financial liabilities other than debts owed to credit institutions	R0810	8,645,371
Insurance & intermediaries payables	R0820	767,780
Reinsurance payables	R0830	1,263,250
Payables (trade, not insurance)	R0840	3,271,045
Subordinated liabilities	R0850	7,764,203
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	7,764,203
Any other liabilities, not elsewhere shown	R0880	50,998
Total liabilities	R0900	363,097,113
Excess of assets over liabilities	R1000	17,657,867

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	50,567		125,847														176,414
Gross - Proportional reinsurance accepted	R0120	328,789		0														328,789
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140	0		0														0
Net	R0200	379,356		125,847														505,203
Premiums earned																		
Gross - Direct Business	R0210	46,226		141,394														187,620
Gross - Proportional reinsurance accepted	R0220	274,037		0														274,037
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240	73,884		0														73,884
Net	R0300	246,379		141,394														387,773
Claims incurred																		
Gross - Direct Business	R0310	35,895		111,507														147,401
Gross - Proportional reinsurance accepted	R0320	234,474		0														234,474
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340	59,833		0														59,833
Net	R0400	210,536		111,507														322,043
Changes in other technical provisions																		
Gross - Direct Business	R0410	2,269		27,269														29,538
Gross - Proportional reinsurance accepted	R0420	(165)		0														(165)
Gross - Non- proportional reinsurance accepted	R0430																	
Reinsurers'share	R0440	0		0														0
Net	R0500	2,103		27,269														29,372
Expenses incurred	R0550	26,814		23,376														50,190
Other expenses	R1200																	
Total expenses	R1300																	50,190

		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	1,611,379	16,449,786	3,083,439	1,906,281			13,048	900,513	23,964,446
Reinsurers' share	R1420	157,790	11,323,185	1,563,795	170,092			0	15,291	13,230,153
Net	R1500	1,453,589	5,126,600	1,519,645	1,736,189			13,048	885,222	10,734,293
Premiums earned										
Gross	R1510	1,564,869	16,149,658	3,083,368	1,888,898			9,997	886,213	23,583,003
Reinsurers' share	R1520	527,301	11,307,468	1,564,183	169,094			0	20,998	13,589,045
Net	R1600	1,037,568	4,842,190	1,519,185	1,719,804			9,997	865,215	9,993,959
Claims incurred										
Gross	R1610	1,097,013	18,966,161	1,156,079	647,113			8,349	130,769	22,005,485
Reinsurers' share	R1620	242,343	1,367,094	56,026	53,624			0	13,081	1,732,168
Net	R1700	854,671	17,599,067	1,100,054	593,489			8,349	117,688	20,273,316
Changes in other technical provisions										
Gross	R1710	174,626	(27,908)	0	21,898			(1,838)	6,041	172,819
Reinsurers' share	R1720	39,799	0	0	1,037			0	184	41,020
Net	R1800	134,827	(27,908)	0	20,861			(1,838)	5,857	131,799
Expenses incurred	R1900	444,793	1,576,372	227,993	777,943			2,304	82,645	3,112,051
Other expenses	R2500									
Total expenses	R2600									3,112,051

S.12.01.02 — Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010									0	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020									0	
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	282,069,565			29,071,778		(199,906)			3,080,921	314,022,358
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	22,432,105			1,668,627		(80,584)			68,040	24,088,188
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	259,637,460			27,403,151		(119,322)			3,012,882	289,934,171
Risk Margin	R0100	2,746,723	87,721			445,470				30,504	3,310,418
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
Technical provisions - total	R0200	284,816,288	29,159,499			245,564				3,111,425	317,332,777

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	3,784,919				108,567	3,893,486
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	0					0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030		4,976,704			108,567	5,085,271
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		1,256,940			0	1,256,940
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		3,719,765			108,567	3,828,331
Risk Margin	R0100	65,154				0	65,154
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						
Best estimate	R0120						
Risk margin	R0130						
Technical provisions - total	R0200	5,041,859				108,567	5,150,425

S.17.01.02 — Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	49,579	(376,804)	17,005						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	6,960	(5,207)	0						
Net Best Estimate of Premium Provisions	R0150	42,619	(371,598)	17,005						
Claims provisions										
Gross	R0160	394,845	1,410,452	280,933						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	60,386	71,963	0						
Net Best Estimate of Claims Provisions	R0250	334,459	1,338,489	280,933						
Total Best estimate - gross	R0260	444,424	1,033,647	297,937						
Total Best estimate - net	R0270	377,077	966,891	297,937						
Risk margin	R0280	20,795	23,697	7,490						
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									

		Direct business and accepted proportional reinsurance								
		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
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions - total										
Technical provisions - total	R0320	465,218	1,057,344	305,427						
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	67,346	66,756	0						
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	397,872	990,588	305,427						

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life obligation**
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060								(310,221)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140								1,754
Net Best Estimate of Premium Provisions	R0150								(311,974)
Claims provisions									
Gross	R0160								2,086,229
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240								132,349
Net Best Estimate of Claims Provisions	R0250								1,953,880
Total Best estimate - gross	R0260								1,776,008
Total Best estimate - net	R0270								1,641,906
Risk margin	R0280								51,982
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	R0320								1,827,990
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330								134,102
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340								1,693,888

S.19.01.21 — Non-life Insurance Claims

Medical expense insurance (shown by year of accident)

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											0	0	0
N-9	R0160												0	0
N-8	R0170												0	0
N-7	R0180												0	0
N-6	R0190	153,692	202,177	8,720	2,701	2,530	991	739					739	371,550
N-5	R0200	148,904	236,089	10,714	3,277	1,249	640						640	400,872
N-4	R0210	194,238	221,665	11,138	2,810	1,429							1,429	431,280
N-3	R0220	154,384	221,261	13,450	4,495								4,495	393,589
N-2	R0230	130,778	222,905	14,843									14,843	368,526
N-1	R0240	130,902	194,162										194,162	325,064
N	R0250	111,422											111,422	111,422
Total	R0260												327,730	2,402,302

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											0	0
N-9	R0160												
N-8	R0170												
N-7	R0180												
N-6	R0190							4,845					4,845
N-5	R0200						5,098						5,099
N-4	R0210					7,157							7,157
N-3	R0220				10,118								10,118
N-2	R0230			14,014									14,015
N-1	R0240		29,846										29,848
N	R0250	323,743											323,762
Total	R0260												394,845

Income protection insurance (shown by year of accident)

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											0
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190	55,386	134,062	60,362	31,035	7,118	9,879	934				
N-5	R0200	45,842	145,954	57,339	21,596	17,457	8,214					
N-4	R0210	46,369	174,992	56,298	38,310	16,216						
N-3	R0220	53,404	142,123	74,295	35,911							
N-2	R0230	46,617	182,097	75,219								
N-1	R0240	54,174	166,603									
N	R0250	58,343										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	0	0
	R0160	0	0
	R0170	0	0
	R0180	0	0
	R0190	934	298,777
	R0200	8,214	296,402
	R0210	16,216	332,186
	R0220	35,911	305,734
	R0230	75,219	303,933
	R0240	166,603	220,777
	R0250	58,343	58,343
Total	R0260	361,440	1,816,151

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											0
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190							28,414				
N-5	R0200						25,720					
N-4	R0210					46,053						
N-3	R0220				75,904							
N-2	R0230			162,233								
N-1	R0240		342,114									
N	R0250	757,873										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	
	R0170	
	R0180	
	R0190	27,864
	R0200	25,221
	R0210	45,161
	R0220	74,434
	R0230	159,090
	R0240	335,488
	R0250	743,194
Total	R0260	1,410,452

Workers' compensation insurance (shown by year of accident)

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											0	R0100	0	0
N-9	R0160												R0160	0	0
N-8	R0170												R0170	0	0
N-7	R0180												R0180	0	0
N-6	R0190	18,891	44,505	16,061	7,347	4,089	3,477	2,109					R0190	2,109	96,480
N-5	R0200	18,410	36,199	14,690	6,833	5,641	3,105						R0200	3,105	84,877
N-4	R0210	15,778	35,171	14,707	9,346	5,279							R0210	5,279	80,280
N-3	R0220	15,393	35,547	19,985	9,383								R0220	9,383	80,309
N-2	R0230	14,599	42,700	19,952									R0230	19,952	77,251
N-1	R0240	18,148	46,163										R0240	46,163	64,312
N	R0250	19,998											R0250	19,998	19,998
													Total R0260	105,990	503,508

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											0	R0100	0
N-9	R0160												R0160	
N-8	R0170												R0170	
N-7	R0180												R0180	
N-6	R0190							7,613					R0190	7,606
N-5	R0200						10,180						R0200	10,171
N-4	R0210					14,045							R0210	14,033
N-3	R0220				21,139								R0220	21,121
N-2	R0230			34,197									R0230	34,168
N-1	R0240		64,000										R0240	63,945
N	R0250	129,998											R0250	129,888
													Total R0260	280,933

S.22.01.21 — Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	324,311,192	0	0	971,370	0
Basic own funds	R0020	24,883,640	0	0	(629,492)	0
Eligible own funds to meet Solvency Capital Requirement	R0050	24,883,640	0	0	(629,492)	0
Solvency Capital Requirement	R0090	13,230,769	0	0	484,539	0
Eligible own funds to meet Minimum Capital Requirement	R0100	21,053,499	0	0	(585,883)	0
Minimum Capital Requirement	R0110	5,953,846	0	0	218,043	0

S.23.01.01 — Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	686,618	686,618			
Share premium account related to ordinary share capital	R0030	1,716,846	1,716,846			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	14,715,971	14,715,971			
Subordinated liabilities	R0140	7,764,203		2,743,293	4,025,505	995,406
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	24,883,640	17,119,436	2,743,293	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					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	24,883,640	17,119,436	2,743,293	4,025,505	995,406
Total available own funds to meet the MCR	R0510	23,888,234	17,119,436	2,743,293	4,025,505	
Total eligible own funds to meet the SCR	R0540	24,883,640	17,119,436	2,743,293	4,025,505	995,406
Total eligible own funds to meet the MCR	R0550	21,053,499	17,119,436	2,743,293	1,190,769	
SCR	R0580	13,230,769				
MCR	R0600	5,953,846				
Ratio of Eligible own funds to SCR	R0620	188%				
Ratio of Eligible own funds to MCR	R0640	354%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	17,657,867
Own shares (held directly and indirectly)	R0710	2,014
Foreseeable dividends, distributions and charges	R0720	536,417
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	14,715,971
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.25.01.21 — Solvency Capital Requirement (for undertakings on Standard Formula)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	29,988,518		
Counterparty default risk	R0020	1,029,678		
Life underwriting risk	R0030	4,429,386	None	
Health underwriting risk	R0040	3,077,153	None	
Non-life underwriting risk	R0050	0	None	
Diversification	R0060	(5,842,421)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	32,682,314		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,367,667
Loss-absorbing capacity of technical provisions	R0140	(19,144,679)
Loss-absorbing capacity of deferred taxes	R0150	(1,674,534)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	13,230,769
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	13,230,769
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	12,911,264
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	319,504
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

S.28.02.01 — Minimum Capital Requirement (Both life and non-life insurance activity)

		MCR(NL,NL) Result	MCR(NL,L)Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	230,925	

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	377,077	91,398		
Income protection insurance and proportional reinsurance	R0030	966,891	366,516		
Workers' compensation insurance and proportional reinsurance	R0040	297,937	256,143		
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0		
Other motor insurance and proportional reinsurance	R0060	0	0		
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0		
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0		
General liability insurance and proportional reinsurance	R0090	0	0		
Credit and suretyship insurance and proportional reinsurance	R0100	0	0		
Legal expenses insurance and proportional reinsurance	R0110	0	0		
Assistance and proportional reinsurance	R0120	0	0		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0		
Non-proportional health reinsurance	R0140	0	0		
Non-proportional casualty reinsurance	R0150	0	0		
Non-proportional marine, aviation and transport reinsurance	R0160	0	0		
Non-proportional property reinsurance	R0170	0	0		

		Non-life activities	Life activities
		MCR(L,NL) Result	MCR(L,L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		9,295,765

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			228,208,822	
Obligations with profit participation - future discretionary benefits	R0220			31,428,637	
Index-linked and unit-linked insurance obligations	R0230			27,403,151	
Other life (re)insurance and health (re)insurance obligations	R0240			3,709,010	
Total capital at risk for all life (re)insurance obligations	R0250				3,166,594,964

Overall MCR calculation

		C0130
Linear MCR	R0300	9,526,690
SCR	R0310	13,230,769
MCR cap	R0320	5,953,846
MCR floor	R0330	3,307,692
Combined MCR	R0340	5,953,846
Absolute floor of the MCR	R0350	6,200
		C0130
Minimum Capital Requirement	R0400	5,953,846

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	230,925	9,295,765
Notional SCR excluding add-on (annual or latest calculation)	R0510	318,064	12,912,705
Notional MCR cap	R0520	143,129	5,810,717
Notional MCR floor	R0530	79,516	3,228,176
Notional Combined MCR	R0540	143,129	5,810,717
Absolute floor of the notional MCR	R0550	2,500	3,700
Notional MCR	R0560	143,129	5,810,717

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. Represents the margin generated 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.