Solvency and Financial Condition Report (SFCR)

CNP Assurances group

2017

31 December 2017

Introduction

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

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

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

This document covers the reference period from 1 January 2017 to 31 December 2017.

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 2017 report was submitted to the Board of Directors of CNP Assurances for approval at its meeting on 27 April 2018.

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

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

Contents

Executive Summary

As an insurer, co-insurer and reinsurer, CNP Assurances provides its customers and partners with unique expertise in protection insurance and savings solutions. Thanks to a multi-partner, multi-channel business model, the Group's solutions are distributed in Europe and Latin America by its many banking and social economy partners.

CNP Assurances is France's leading personal insurer[1] and the fourth largest insurance company in Brazil[2].

Key figures

	2017	2016	Change
Premium income (IFRS)	**€32,127m**	€31,536m	+2%
Net insurance revenue[3]	**€3,048m**	€2,782m	+10%
Value of new business[4]	**€782m**	€436m	+77%
Investment income and expenses[5]	**€8,583m**	€8,716m	-2%
Technical reserves (gross of reinsurance)[6]	**€361.2bn**	€361.9bn	0%
Eligible own funds covering the SCR	**€26.1bn**	€23.7bn	+10%
SCR	**€13.7bn**	€13.4bn	+2%
SCR coverage ratio	**190%**	177%	+13 pts
Eligible own funds covering MCR	**€22.6bn**	€20.0bn	+13%
MCR	**€7bn**	€6.7bn	+4%
MCR coverage ratio	**324%**	300%	+24 pts

Business and performance

CNP Assurances delivered a very good performance in 2017. The significant improvement in the product mix combined with tight control over operating costs led to a strong 7.0% rise in net profit to €1,285 million. We are confident about 2018, thanks to the improved macro-economic environment, the ramp-up of our new partnerships and digital initiatives.

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

The Company is continuing to refocus determinedly on the personal risk/protection insurance market and on the unit-linked segment of the savings market.

[1] *Source: FFA 2016 data, June 2017.*
[2] *Source: Brazilian insurance supervisor SUSEP, December 2017.*
[3] *Based on the IFRS consolidated financial statements.*
[4] *Based on MCEV© measurement principles.*
[5] *Based on QRT S.09 – Information on gains/ income and losses in the period.*
[6] *Based on Solvency II measurement principles.*

Consolidated premium income (IFRS) rose 1.9% in 2017 to €32.1 billion, of which 77% was generated by the savings/pensions business and 23% by the personal risk/protection business.

Highlights of the year included:

- Renewal of the personal insurance partnership with UniCredit in Italy for a further seven-year period commencing 1 January 2018.
- Signature of a non-binding Memorandum of Understanding with Caixa Seguridade establishing the conditions for a new exclusive distribution agreement in Brazil as of 1 January 2018.

System of governance

CNP Assurances' governance is organised around the Board of Directors, which determines the Group's overall strategy and oversees its implementation, the Chief Executive Officer and the Executive Committee, whose members include the three Deputy Chief Executive Officers and ten other senior executives.

At its meeting on 13 April 2017, the Board of Directors re-appointed Jean-Paul Faugère as Chairman of the Board and Frédéric Lavenir as Chief Executive Officer.

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

We are committed to a process of continuous improvement of our risk management and internal control systems, with the support of our partner networks. We consider that these systems are appropriate for our business model.

Risk profile

The risk profile shows that the Group's primary exposure is to market risk, which accounts for more than half of the solvency capital requirement (SCR). However, our broad and diverse range of products, particularly in Brazil where the business is weighted towards personal risk and protection insurance, has a significant diversification effect, estimated at 26%.

Interest rates recovered slightly in 2017 but nevertheless were still very low. We responded to the resulting increase in the Group's exposure to persistently low rates by scaling back our investments in the bond market, which we viewed as over-priced. This led to a small decrease in the proportion of insurance investments represented by fixed income securities and an increase in the amount held in cash.

In the term creditor insurance segment in France, 2017 was devoted to preparing for the application, as from 2018, of legislation giving insureds an annual right to switch to a different insurer. This new legislation may trigger a significant shift in the term creditor insurance market towards individual insurance products. Our response has been to adjust our offer and implement an appropriate system to track the cancellation risk on in-force term creditor insurance contracts.

Valuation of assets and liabilities

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

Where appropriate, assets are measured at their value in the IFRS balance sheet audited each year by the Group's Statutory Auditors.

Solvency II consolidated technical reserves gross of reinsurance amounted to €361 billion at 31 December 2017.

Solvency capital requirement (SCR) and minimum capital requirement (MCR) coverage ratios

Efficient capital management is essential to ensure that the Group's capital requirements are met. It is therefore part of the annual ORSA planning process and gives rise to the preparation each year of a five-year medium-term capital management plan that is submitted to the Board of Directors.

The Group's Solvency II own funds eligible for SCR calculations, based on the economic balance sheet, amounted to €26.1 billion at 31 December 2017. The total included €18.6 billion in basic own funds, classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €7.5 billion in subordinated liabilities (of which a portion is covered by the grandfathering clause).

Its solvency capital requirement, calculated using the Solvency II Standard Formula without applying transitional measures and without using the Brazilian solvency regulations, was €13.7 billion at 31 December 2017.

The Solvency II SCR coverage ratio at that date was 190%, a 13-point improvement versus end-2016 that was largely due to resilient financial markets and the shift in product mix towards unit-linked contracts. SCR coverage ratio calculations take into account the volatility adjustment provided for in Solvency II (Article 77 *quinquies*) which had a 3-point positive impact on the ratio at 31 December 2017.

The Group's Solvency II own funds eligible for MCR calculations, based on the economic balance sheet, amounted to €22.6 billion at 31 December 2017. The total included €18.6 billion in basic own funds, classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €4.0 billion in subordinated liabilities.

The Group's minimum capital requirement was €7 billion at 31 December 2017.

Its MCR coverage ratio at that date was therefore 324%.

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.

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

Number of shares: 686,618,477
Number of voting rights: 1,224,983,856

Shareholders	Number of shares	% of capital	% of voting rights[7]
Caisse des Dépôts et Consignations (France)	280,615,540	40.87%	45.82%
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[8] [9]	**537,188,280**	**78.24%**	**87.71%**
Public, Company employees and other	149,430,197	21.76%	12.29%
of which:	of which:	of which:	of which:
CNP Assurances (treasury shares)	143,695	0.02%	-
TOTAL CNP ASSURANCES SHARES	**686,618,477**	**100.00%**	**100.00%**

[7] The difference between the percentage of share capital and percentage of voting rights corresponds to treasury shares that are stripped of voting rights and to double voting rights.
[8] The shares held in concert are covered by the 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 2 September 1998 by the shareholders acting in concert.
[9] The Statutory Auditors of CNP Assurances issued their special report on related-party agreements and commitments on 12 March 2018.

4. Subsidiaries, related undertakings and branches

The insurance undertakings included in the CNP Assurance Group for Solvency II reporting purposes at 31 December 2017 are as follows:

Name	Country	% of capital	% voting rights
CNP Assurances	France	100%	
CNP Caution	France	100%	100%
MFPrévoyance	France	65%	51%
Assuristance	France	66%	66%
Filassistance International	France	66%	66%
Arial CNP Assurances	France	40%	40%
CNP Assurances Compañia de Seguros	Argentina	76.47%	76.47%
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 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 Saúde SA	Brazil	51.75%	51.75%
Caixa Consórcios	Brazil	51.75%	51.75%
Caixa Seguros Participações Securitárias Ltda	Brazil	51.75%	51.75%
Previsul	Brazil	51.75%	51.75%
Caixa Capitalização	Brazil	26.39%	26.39%
Wiz Soluçoes e Corretagem de Seguros S.A.	Brazil	12.94%	12.94%
CNP Europe Life Ltd	Ireland	100%	100%
CNP Santander Insurance Europe Dac	Ireland	51%	51%
CNP Santander Insurance Life Dac	Ireland	51%	51%
CNP Partners	Spain	100%	100%
CNP UniCredit Vita	Italy	57.50%	57.50%
CNP Luxembourg	Luxembourg	100%	100%
CNP Cyprus Insurance Holdings	Cyprus	50.1%	50.1%
CNP Cyprialife	Cyprus	50.1%	50.1%
CNP Asfalistiki	Cyprus	50.1%	50.1%

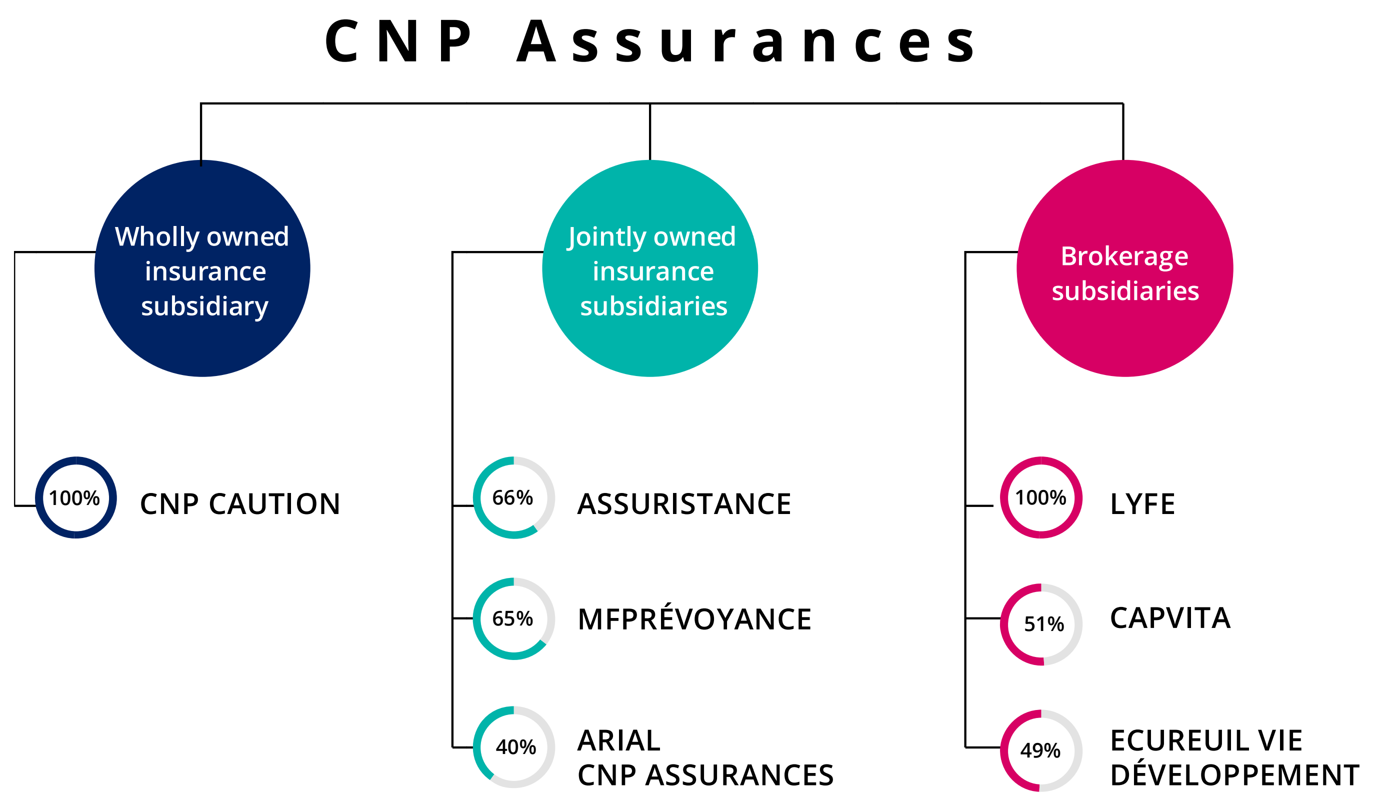
Note: in the rest of this report, "Caixa Seguradora" refers to all the Brazilian insurance undertakings, "CNP Santander" refers to the two insurance undertakings CNP Santander Ireland and CNP Santander Life, and "CNP CIH" or "CNP Cyprus Insurance Holdings" refers to all the insurance undertakings owned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

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

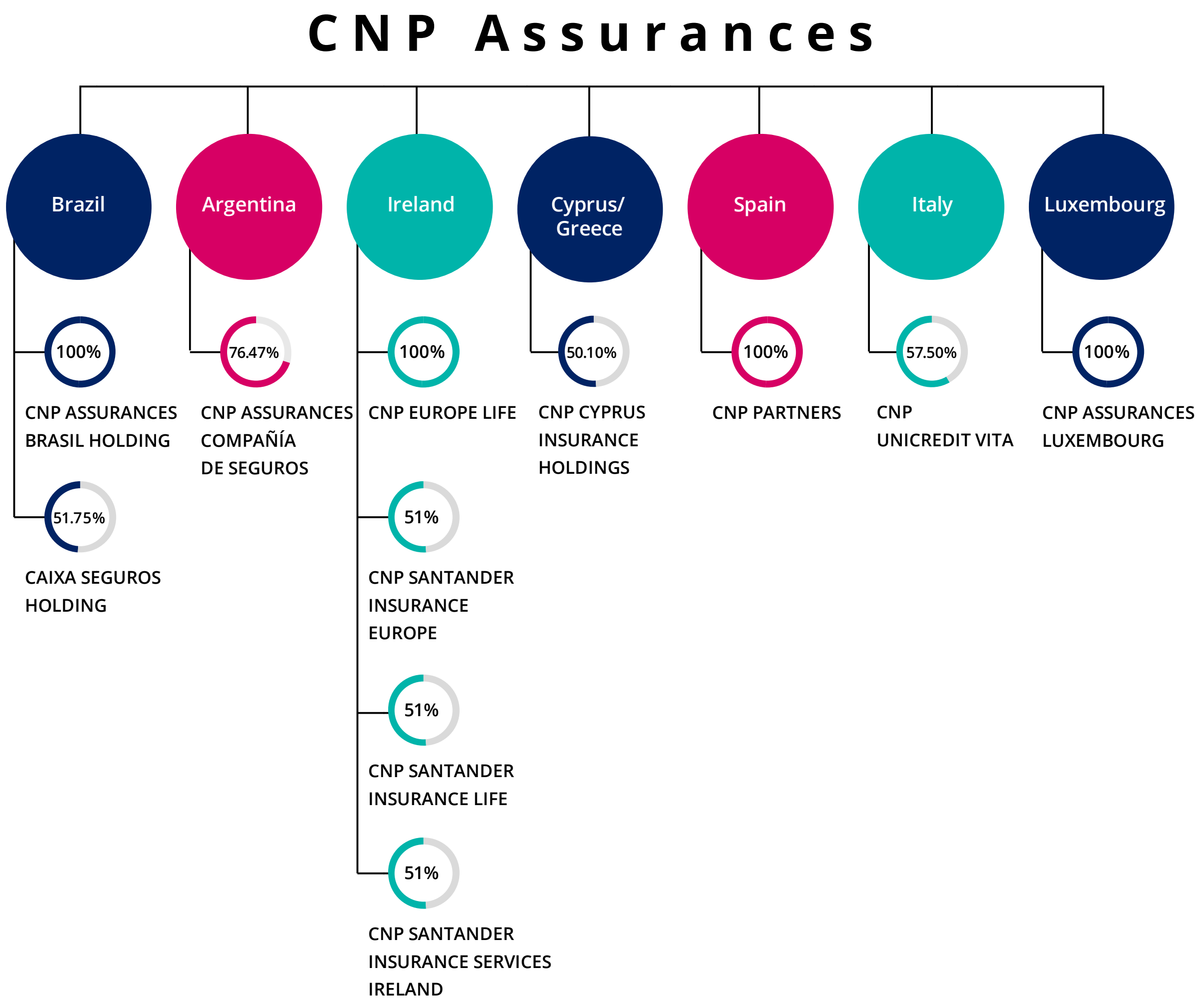
- The insurance undertaking in Greece (CNP Zois) is included in the IFRS scope of consolidation but is excluded from the Solvency II scope in accordance with the proportionality principle.
- Certain strategic subsidiaries offering brokerage or other insurance-related services are included in the IFRS scope of consolidation but are excluded from the Solvency II scope because they are not insurance undertakings (for example, CNP Praktoriaki, CNP Assurances Participaoes, Santander Insurance Service Ireland).
- Assuristance and Filassistance International are included in the Solvency II scope of consolidation but are excluded from the IFRS scope because their key indicators are below the materiality thresholds for consolidation under IFRS.
- The IFRS scope of consolidation includes certain UCITS and property companies that are excluded from the Solvency II scope.

5. Simplified Group structure

- Simplified organisational structure of CNP Assurances' main French subsidiaries as of 31 December 2017



■ Simplified organisational structure of CNP Assurances' main international subsidiaries as of 31 December 2017



6. Significant events of the year

6.1. Economic and financial environment

The fastest growth since 2010, thanks to a synchronous and virtuous recovery

When it comes to taking stock, it is clear that 2017 was the best year so far of the current decade. The world's economies got back in sync, driving a 3.7% increase in global GDP, with developed economies enjoying faster growth (led by the eurozone and Japan) and emerging economies staging a rebound (with Brazil climbing out of recession despite a still troubled and uncertain political environment). The improvement was attributable to the recovery in world trade (which grew 5%) and in manufacturing (reflecting increased consumer spending and corporate capital expenditure).

This created a virtuous circle illustrated by lower jobless rates, with some countries (the United States, the United Kingdom, Japan and Germany) at near full employment. The tight labour market nonetheless fuelled limited wage pressures, while only part of the impact of higher oil and metals prices was transferred to customers through price increases. This explains why inflation rates remained below central bank targets in developed countries and fell sharply in emerging countries (with Brazil experiencing 2.9% inflation versus 6% in 2016) as their currencies strengthened against the dollar.

Interest rates remained low in the absence of inflationary pressures

In last year's low-inflation environment, the European Central Bank (ECB) and the Bank of Japan held firm to their accommodative monetary policies, while the US Federal Reserve began a slow process of monetary policy normalisation, increasing the Fed Funds rate by 75 basis points during the year and reducing its bond purchases without raising hopes of significant further moves in this direction. In the eurozone, predictions that inflation would remain below the 2% target for some time to come (particularly in light of the euro's appreciation against other currencies) led the ECB to set the pace of its bond purchases at €30 billion a month for a further nine months (until September 2018). In addition, the bank will reinvest €120 billion in redemptions in 2018. This means that the ECB's asset purchase programme will continue to exceed sovereign bond issuances in 2018. The excess of demand over supply flattened, and in some cases reduced, credit risk premiums on peripheral sovereign debt despite the climate of political uncertainty in some countries. Conversely, the central banks in emerging economies adopted accommodative monetary policies, following the example set by Brazil which cut its base rate from 13.75% to 7% in 2017.

The economic environment was very buoyant, with growth rates increasing in the eurozone (to close to 2.4%) and Japan (1.7%), and remaining vigorous in the United States (at close to 3% per quarter as from the second quarter) and China. More importantly still, the leading indicators (PMI, ISM, Ifo) remained close to their all-time highs, promising an equally robust environment in early 2018.

The best performances since 2010, with bond and equity prices rising in tandem

The favourable environment helped to keep share prices high, along with the prices of other assets. The MSCI World index gained 21 points, led by US equities (with the three benchmarks – S&P500, Dow Jones and Nasdaq – setting new records) and emerging market equities (which gained 32 points). European equities experienced mixed fortunes (the Euro Stoxx 50 Index gained 10% and the CAC 40 Index 13%), reflecting the impact of last year's electoral periods and the euro's appreciation against the dollar (with the exchange rate rising from 1.05 to 1.20). Equity prices as a whole were boosted by sharp rises in corporate earnings which exceeded the January consensus forecasts for the first time since 2010.

At the same time, the bond markets delivered a resilient performance despite fears concerning the United States' fiscal policy. The markets' positive performances were attributable to the narrower spreads resulting from institutional investors' attempts to earn higher yields and to interest rate stability (European rates remained stubbornly low, with the ten-year European swap rate at around 0.85%, France's 10-year OAT rate at close to 0.75%, and the US 10-year Fed Funds rate at around 2.45%). High yield debt funds generated yields of 5% to 7% while the average yield on emerging market debt was 10%. More generally, volatility in the bond and equity markets was extremely low, with the VIX Dow Jones implied volatility index at 10% and the V2X Euro Stoxx 50 implied volatility index at 12%, despite last year's electoral periods and geopolitical tensions.

A fall in the dollar which had a significant impact on geographic performance

The main surprise of 2017 came at the end of the year when the US dollar lost 14% against the euro and 6% against the Chinese yuan, confounding consensus forecasts made in January. The fall in value of the US currency was due to the setbacks experienced in implementing the reforms announced by the Trump administration. The markets were not affected, but the weak dollar led to differences in performance between regions, to the detriment of Europe amongst others. Of particular note was the Brazilian currency's 14% fall against the euro.

6.2. Significant events for CNP Assurances

€5 billion worth of new investments announced in energy and environmental transition projects by the year 2021

To help limit global warming to 2°C at the end of the century, CNP Assurances has announced €5 billion in new investments in support of the Energy and Environmental Transition (EET) between now and the end of 2021. The Company is adapting its equity investment strategy by aligning the management of its portfolios on indices favouring the Energy and Environmental Transition and is boosting its commitment to reducing their carbon footprint.

As a signatory of the Montreal Carbon Pledge in May 2015 and in keeping with COP 21, CNP Assurances undertook, among other things, to reduce the carbon footprint of its listed equity portfolios by 20% and reduce the energy consumption of its property assets, also by 20%, by the year 2020. In view of the results already achieved and the urgency of the climate challenge, CNP Assurances has decided to strengthen its initiatives by setting new targets.

The objective of reducing the carbon footprint of the companies held in its equity portfolio has been raised to 30% by 2021 compared to the 2014 baseline[10].

Signature of a distribution and reinsurance agreement with Malakoff Médéric covering the self-employed professional and individual market segments

The CNP Assurances Group's Amétis network will offer Malakoff Médéric's non-salaried and executive clients a comprehensive approach to personal and wealth protection strategies. The Amétis network comprises 220 advisers, including 86 with wealth management and personal protection certification, located throughout France and specialised in loyalty building through one-on-one advice and their ability to provide global protection solutions. This commercial partnership reinforces the multi-partnership strategy of CNP Assurances and its development efforts in the personal protection and wealth building market segments for professionals and individuals.

Via its distance selling platform, the partnership will enable Malakoff Médéric to increase its growth in the individual health and funeral insurance segments by providing access to the individual clients of CNP Assurances.

CNP Assurances and UniCredit renew their partnership in Italy

CNP Assurances and UniCredit have renewed their life insurance partnership in Italy organised through the company CNP UniCredit Vita, 57.5% held by CNP Assurances, 38.8% held by UniCredit and 3.7% held by Cardif. Concluded for seven years as from 1 January 2018, the partnership takes the form of a shareholders' agreement among CNP Assurances, UniCredit and Cardif, supplemented by a distribution agreement between CNP UniCredit Vita and UniCredit. The distribution agreement embodies new ambitions, consolidates the CNP Assurances Group's position in Italy and provides for the creation of a dedicated sales organisation to enhance the distribution of unit-linked savings products, individual protection insurance and term creditor insurance, in line with the CNP Assurances Group's strategy for refocusing the product mix. The partnership's geographic scope remains unchanged, covering Central and Southern Italy, including Sardinia and Sicily (i.e., 1,365 UniCredit branches and points of sale).

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[10] On 22 February 2018, in the press release reporting its 2017 results, CNP Assurances announced that it was stepping up its commitment to reducing the carbon footprint of the equity portfolio, setting an objective of 0.25 teqCO_2/€k invested by end-2021 (versus 0.33 teqCO_2/€k invested). This represents a target reduction of 47% from the 2014 baseline, compared with the 30% target set in 2017 that is referred to in the press release reproduced here.

Caisse des Dépôts and CNP Assurances complete their acquisition of 49.9% of RTE

Caisse des Dépôts and CNP Assurances have completed the acquisition of a 49.9% indirect stake in RTE, after obtaining anti-trust approval of the deal.

One of the core aims of this investment is to support France's energy and environmental transition, in line with the Group's strategy as a responsible and long-term investor.

CNP Assurances with Open CNP at the 5th annual France Digitale Day

For the second consecutive year, CNP Assurances partnered France Digitale Day.

During France Digitale Day 2016, CNP Assurances announced a budget of €100 million for its Open CNP programme, to be spent over five years. This Open Innovation programme, an integral part of the insurer's digital strategy, aims to support the growth of innovative start-ups financially while developing win-win situations through partnerships.

In 2016, Open CNP completed three transactions, acquiring equity stakes in:

- Lendix, the leading French crowd-lending platform for SMEs.
- H4D, a leading provider of telemedicine solutions.
- Alan, which offers start-ups and SMEs supplementary health insurance with 100% on-line direct underwriting.

In 2017, the Open CNP programme continued its support for start-ups by taking a stake in Stratumn, a leader in network solutions providing secure processing links between companies and their stakeholders via blockchain technology. Then most recently, it invested in MyNotary, the leading French collaborative platform designed to facilitate the co-construction of real property contracts on line.

Open CNP should eventually be in a position to provide support for between 15 and 20 start-ups.

Signing of a non-binding Memorandum of Understanding with Caixa Seguridade

On 29 September 2017, CNP Assurances signed a non-binding Memorandum of Understanding with Caixa Seguridade establishing the conditions for a new exclusive distribution agreement in Brazil as of 1 January 2018. This new agreement would enable CNP Assurances to secure an important portion of its business in the Caixa Econômica Federal network for the very long term (23 years).

On 4 April 2018, CNP Assurances announced that following a management change at Caixa Econômica Federal, CNP Assurances and Caixa Seguridade had agreed to pursue and complete their negotiations with a view to signing a binding Memorandum of Understanding.

In the meantime, the current agreements remain in force.

Transfer of a portfolio of contracts to Arial CNP Assurances

On 15 December 2015, AG2R La Mondiale and CNP Assurances signed a framework partnership contract in the field of retirement savings. The strategic partnership, covering both retirement savings plans and employee benefit plans, is being led by a joint subsidiary named Arial CNP Assurances. Arial CNP Assurances combines the teams, resources and business portfolios of the two partners, and is aiming to become the leading company retirement savings plan provider. CNP Assurances and AG2R La Mondiale have demonstrated their support for the new venture, of which they own 40% and 60% respectively, by agreeing to reinsure the contracts sold by Arial CNP Assurances.

The partnership contract covered the following main aspects:

- Contribution of each of the partners' group pensions contracts (traditional and unit-linked funds). The contributions were subject to the condition precedent of the signature of a reinsurance treaty between the partnership vehicle, Arial CNP Assurances, and each partner, with each transferred contract being reinsured on a 100% basis.
- A commitment to reinsure the new business written by Arial CNP Assurances, pro rata to each partner's ownership interest.

The transfer by CNP Assurances to Arial CNP Assurances of a portfolio of group pensions contracts (traditional and unit-linked funds) was authorised by France’s insurance supervisor, ACPR, on 11 September 2017 (decision 2017-C-35 published in the French legal gazette *Journal Officiel*, edition 0252 dated 27 October 2017), allowing the project to be implemented.

The transfer was backdated to 1 January 2017 and all transactions carried out by CNP Assurances in respect of the transferred portfolio were considered as having been carried out by Arial CNP Assurances as from that date for accounting and tax purposes.

The transfer concerned (i) a portfolio of company retirement savings plans invested in both traditional and unit-linked funds representing liabilities of €4,013 million and (ii) unit-linked asset portfolios and mutual fund units with an equivalent value, transferred at net book value. The net assets (assets less liabilities) transferred by CNP Assurances amounted to €23.99. As consideration for the transferred net assets, CNP Assurances received one new Arial CNP Assurances share, credited as fully paid.

7. Parent company business review

As an insurer, co-insurer and reinsurer, CNP Assurances provides its customers and partners with unique expertise in protection insurance and savings solutions. Thanks to a multi-partner, multi-channel business model, the Group's solutions are distributed in Europe and Latin America by its many banking and social economy partners.

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

(In € millions)	**2017**	2016	% change (reported)	% change (like-for-like)
Savings	19,728	21,629	-8.8%	-9.0%
Pensions	4,984	3,300	+51.0%	+44.2%
Personal Risk	1,958	1,763	+11.1%	+9.0%
Term Creditor Insurance	4,393	4,001	+9.8%	+8.7%
Health Insurance	676	498	+35.7%	+34.1%
Property & Casualty	389	345	+12.6%	+6.3%
TOTAL	**32,127**	**31,536**	**+1.9%**	**+0.7%**

Average exchange rates for 2016: Argentina: €1 = ARS 16.35 – Brazil: €1 = BRL 3.86
Average exchange rates for 2017: Argentina: €1 = ARS 18.75 – Brazil: €1 = BRL 3.61

Premium income breaks down as follows by country:

(In € millions)	**2017**	2016	% change (reported)	% change (like-for-like)
France	22,821	24,251	-5.9%	-5.4%
Brazil	5,261	3,549	+48.3%	+38.6%
Italy	2,851	2,771	+2.9%	+2.9%
Germany	469	431	+8.9%	+8.9%
Spain	221	242	-8.6%	-8.6%
Luxembourg [1]	180	0	n.m.	n.m.
Cyprus	143	139	+2.8%	+2.8%
Poland	67	57	+18.5%	+18.5%
Argentina	41	48	-13.8%	-1.1%
Other services	72	49		
TOTAL	**32,127**	**31,536**	**+1.9%**	**+0.7%**

Average exchange rates for 2016: Argentina: €1 = ARS 16.35 – Brazil: €1 = BRL 3.86
Average exchange rates for 2017: Argentina: €1 = ARS 18.75 – Brazil: €1 = BRL 3.61
[1] CNP Luxembourg was consolidated for the first time at 31 December 2017 with retroactive effect to 1 January 2017.

7.1. France

In the French individual insurance market, CNP Assurances focuses on the bancassurance model, marketing insurance products through the banking networks of our two long-standing partners, La Banque Postale and the savings bank network (BPCE group). As well as being distribution partners, La Banque Postale and the BPCE group are also shareholders, with a joint 36.25% stake in CNP Assurances. The two networks, which have a deep presence in France, accounted for 53.5% of our Group's 2017 premium income (based on IFRS). Last year saw the ramp-up of term creditor insurance business and growth in unit-linked pensions business in the networks covered by the partnership with BPCE, in line with the strategy of our BPCE business unit. In the networks covered by the partnership with La Banque Postale, highlights of 2017 included the successful launch of new *eurocroissance* funds and further diversification towards unit-linked funds, which accounted for a significantly higher proportion of both new money and technical reserves compared with 2016.

During the year, we continued to focus our development strategy on the wealth management segment, establishing new partnerships and continuing to offer innovative products to our various distribution partners in France and Luxembourg, including private banking institutions, 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, which has evolved into a social protection and wealth management expert serving the SME, micro-enterprise, self-employed and personal markets. It is growing the business by targeting its own portfolio of 280,000 individual customers and the customers of its partners, leveraging distribution agreements such as those signed with two employee benefits institutions, Klésia in 2016 and Malakoff Médéric at the end of 2017.

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. In an increasingly digital society where ties between generations are being stretched and transformed, we are developing guarantees, services and a distribution model that break the mould.

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

7.2. Europe excluding France

CNP Assurances was Europe's fourth biggest insurer at end-2016, with some 750 employees serving this market (excluding France). The Group's development in Europe, covering 14 countries, has been based on our historical model, which consists of setting up long-term partnerships with established distribution networks, preferably banking groups, and giving partners a stake in results through ownership of shares in the partnership vehicle. Savings, term creditor insurance and personal risk policies are distributed through the Group's subsidiaries and branches. We are also diversifying our distribution methods by developing an open model based on multi-channel distribution and a direct sales capability to offer white-label insurance products to targeted partners.

7.2.1 Partnership with UniCredit in Italy

At the end of 2017, CNP Assurances and UniCredit renewed their partnership for a period of seven years ending on 31 December 2024. The partnership is organised around their joint subsidiary, CNP UniCredit Vita, which offers a full range of personal insurance products. This long-standing partnership began with the acquisition of Fineco Vita in 2005. The renewed agreement embodies new ambitions, consolidates our position in Italy and provides for the creation of a dedicated sales organisation to enhance the distribution of unit-linked savings products, individual protection insurance and term creditor insurance, in line with our strategy for refocusing the product mix.

7.2.2 Partnership with Santander Consumer Finance in ten European countries

In 2014, we set up a long-term partnership spanning ten European countries with Santander Consumer Finance, a leading provider of consumer finance. This partnership has increased the pace of growth in open model term creditor insurance distribution (currently through more than 120,000 points of sale). In 2017, the new joint subsidiary, CNP Santander Insurance, generated premium income of €692 million, a performance in line with its business plan objectives. Germany accounted for over half of the total, while Spain, Poland and the Nordic countries accounted for most of the rest.

7.2.3 Open model distribution

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

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

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

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

We are also setting our sights on expanding in buoyant new markets in Northern and Continental Europe. In 2015, we opened a representation office in Munich to develop a term creditor insurance offer for home buyers.

7.3. Latin America

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

7.3.1 Brazil

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

Caixa Seguradora offers life insurance, pension, savings and health insurance products for companies and individuals, as well as insurance for consórcio contracts that pool the savings of bank clients who want to buy an apartment, a car or some other asset. Most of its individual insurance offerings target members of the Brazilian middle class which has been expanding rapidly over the last ten years.

With over eleven million personal risk/protection policyholders and 3 million holders of savings/pensions contracts, Caixa Seguradora is Brazil's fourth biggest insurer.

In September 2017, CNP Assurances signed a non-binding Memorandum of Understanding with Caixa Seguridade, establishing the conditions for a new exclusive distribution agreement in Brazil.

7.3.2 Argentina

In Argentina, CNP Assurances Compañia de Seguros is cementing its position as one of the country's main providers of personal risk insurance with close to four million policyholders. The company specialises in personal risk insurance. It is owned jointly by CNP Assurances and Credicoop Bank, the Group's long-standing commercial partner.

CNP Assurances Compañia de Seguros has developed commercial ties with numerous players on the market and its products are currently sold in over 450 bank branches throughout Argentina, as well as through a network of brokers, cooperatives, mutual insurance companies and non-profits. The company has also ventured into direct selling, with a team of insurance advisors on hand to advise prospective customers by phone.

7.4. Intra-group transactions

Intra-group transactions fall into several different categories:

- Transactions involving equity instruments and asset and liability transfers:
- In 2017, CNP Assurances received €282 million in dividends from consolidated subsidiaries, comprising €61 million from its French subsidiaries, €205.8 million from its Brazilian subsidiaries, €14.4 million from CNP UniCredit Vita and €0.8 million from CNP Cyprus Insurance Holdings.
- Intra-group reinsurance transactions: CNP Assurances provides reinsurance cover for its subsidiaries under proportional and non-proportional treaties. The main treaties in force during the period were as follows:

Ceding insurer	Reinsurer	Type	Business line
Arial CNP Assurances	CNP Assurances	Proportional	Savings/Pensions
CNP UniCredit Vita	CNP Assurances	Proportional	Personal Risk/ Protection
CNP Luxembourg	CNP Assurances	Proportional	Savings/Pensions
CNP Partners	CNP Assurances	Proportional	Savings/Pensions

- Internal cost-sharing transactions, payments due and receivable in respect of group relief, current account advances, related party transactions, etc.
- Transactions related to off-balance sheet commitments, including a commitment by CNP Assurances to honour the obligations of CNP Caution in the event of the latter's insolvency.

A2. Underwriting performance

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

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

1. Premium income

Premium income (IFRS) *(In € millions)*		**2017**	2016	% change (reported)	% change (like-for-like)
France	Savings/Pensions	**18,113**	20,025	-9.5%	-8.9%
	Personal Risk/Protection	**4,707**	4,227	+11.4%	+11.4%
	Total	**22,820**	**24,251**	**-5.9%**	**-5.4%**
Latin America	Savings/Pensions	**3,539**	2,063	+71.6%	+60.5%
	Personal Risk/Protection	**1,763**	1,534	+15.0%	+8.0%
	Total	**5,302**	**3,596**	**+47.4%**	**+38.1%**
Europe excl. France	Savings/Pensions	**3,060**	2,842	+7.7%	+1.4%
	Personal Risk/Protection	**944**	847	+11.5%	+11.5%
	Total	**4,004**	**3,689**	**+8.6%**	**+3.7%**
Group	**Total**	**32,127**	**31,536**	**+1.9%**	**+0.7%**

Consolidated premium income for the year under IFRS came to €32.1 billion, up 1.9% on 2016 as reported and 0.7% like-for-like. The total breaks down as follows by region:

- In France, premium income amounted to €22.8 billion, a decline of 5.9% as reported and 5.4% like-for-like versus 2016. Personal Risk/ Protection premiums rose by a strong 11.4%. New money invested in unit-linked contracts increased year-on-year, contrasting with a net outflow of funds from traditional savings contracts.
- In Latin America, growth momentum was maintained across all business segments, with premium income rising by 47.4% as reported and 38.1% like-for-like. Caixa Seguradora increased its market share to 8.1% in 2017 from 5.9% the year before.
- In Europe excluding France, premium income rose by 8.6% as reported to €4.0 billion. Like-for-like growth of 3.7% reflected a sharp rise in Personal Risk/Protection premiums as the CNP Santander partnership picked up steam, led by the Nordic countries and Poland. New money invested in unit-linked contracts increased year-on-year, contrasting with a net outflow of funds from traditional savings contracts.

2. Net insurance revenue

Net insurance revenue *(In € millions)*		**2017**	2016	% charge (reported)	% change (like-for-like)
France	Savings/Pensions	**1,155**	1203	-4.0%	
	Personal Risk/Protection	**560**	396	+41.4%	
	Total	**1,715**	**1,599**	**+7.2%**	**+7.2%**
Latin America	Savings/Pensions	**200**	167	+19.9%	
	Personal Risk/Protection	**875**	771	+13.4%	
	Total	**1075**	**938**	**+14.6%**	**+7.5%**
Europe excl. France	Savings/Pensions	**102**	102	+0.4%	
	Personal Risk/Protection	**156**	143	+9.0%	
	Total	**258**	**245**	**+5.5%**	**+5.4%**
Group	**Total**	**3,048**	**2,782**	**+9.6%**	**+7.1%**

Net insurance revenue rose by 9.6% as reported (7.1% like-for-like) to €3,048 million in 2017.

- In France, the €116 million increase in net insurance revenue was primarily attributable to sustained momentum in the Personal Risk/Protection business (which added €164 million to net insurance revenue), reflecting confirmed growth in term creditor insurance business, improved loss ratios and stable regulatory discount rates.
- In Latin America, net insurance revenue grew by €137 million, led by continued strong business momentum in the region, particularly in the Personal Risk/Protection segment.
- In Europe excluding France, net insurance revenue increased by €13 million, helped by rapid expansion of Personal Risk/Protection business written by CNP Santander.

3. Value of new business

(In € millions)		**2017**	2016	Change
France	New Business Value	**498**	232	+266
	Annual Premium Equivalent (APE)	**2,317**	2,328	-11
	APE margin	**21.5%**	10.0%	+11.5 pts
Latin America	New Business Value	**225**	146	+79
	Annual Premium Equivalent (APE)	**690**	501	+189
	APE margin	**32.6%**	29.1%	+3.5 pts
Europe excl. France	New Business Value	**59**	58	+1
	Annual Premium Equivalent (APE)	**309**	300	+9
	APE margin	**19.1%**	19.3%	-0.2 pts
Group	Value of new business (VNB)	**782**	436	+346
	Annual Premium Equivalent (APE)	**3,316**	3,129	+187
	APE margin	**23.6%**	13.9%	+9.7 pts

The value of new business written in 2017 totalled €782 million, an increase of 80% compared with 2016. France was the main contributor to the increase (writing new business of €498 million), thanks to favourable economic conditions and the shift in product and volume mix in favour of term creditor insurance and unit-linked savings products following expansion of the distribution base. New business value in Brazil reflected the strong growth in premium income across most business segments and the use of experience-based non-economic assumptions.

A3. Investment performance

1. Description of the asset portfolio

The aggregate market value of the Group's investment portfolios stood at just under €390 billion at 31 December 2017, an increase of 1% on the year-earlier total.

In France, at CNP Assurances, the investment focus was on sovereign debt (mainly French and Spanish), which offered higher yields than in 2016 and a more attractive risk/return ratio than the credit market. We maintained our prudent approach to investing in the credit market, adding to our portfolio of AA-rated bonds, maintaining the AAA-rated portfolio and scaling back investment in bonds rated BBB or lower.

European issues accounted for 90% of bond purchases and American issuers for 7%.

We regularly use forward financial instruments to hedge policyholder and own-funds portfolios against the main market risks. At 31 December 2017, we held caps on a notional amount of €53 billion as a hedge against rising interest rates. The notional amount of hedges against equity risks totalled €7.8 billion at 31 December 2017, representing three times the end-2016 amount.

The proportion of the total portfolio represented by diversified investments rose by 1.22% in 2017 (based on market values), mainly due to increased investment in real estate and listed equities.

In Italy, at CNP UniCredit Vita, the asset allocation remained stable in 2017 (based on market values), with a slightly higher weighting of hedged equities in the diversified investments portfolio.

In Brazil, Caixa Seguradora adjusted its asset allocation strategy in response to ultimately accurate predictions that inflation and interest rates would fall, by slightly extending the fixed income portfolio’s duration.

In Spain, CNP Partners’ portfolio at 31 December 2017 comprised fixed income investments for 87% of the total and diversified investments for 13%.

In Ireland, CNP Santander focused primarily on investing in fixed income securities.

At Group level, the asset-backed securities portfolio is not material compared to total insurance investments.

2. Investment income and expenses

Investment income and expenses for 2017 can be analysed as follows for Solvency II purposes (based on QRT S.09):

(In € millions)	Type	**2017**	2016	Change
CNP Assurances	Dividends	1,774.2	1,681.5	+92.7
	Rent	40.0	42.4	-2.4
	Interest	5,762.0	5,955.5	-193.6
	Realised gains and losses	795.2	405.5	+389.7
	Total	**8,371.4**	**8,084.9**	**+286.5**
Préviposte	Dividends	0.0	29.0	-29.0
	Rent	0.0	0.0	0.0
	Interest	0.0	165.0	-165.0
	Realised gains and losses	0.0	16.0	-16.0
	Total	**0.0**	**210.0**	**-210.0**
Caixa Saguradora	Dividends	0.0	0.1	-0.1
	Rent	0.8	0.6	+0.2
	Interest	81.2	107.1	-25.9
	Realised gains and losses	27.7	-1.0	+28.7
	Total	**109.7**	**106.8**	**+2.9**
CNP UniCredit Vita	Dividends	53.7	44.1	+9.6
	Rent	0.0	0.0	0.0
	Interest	140.8	177.9	-37.1
	Realised gains and losses	19.9	-46.2	+66.1
	Total	**214.4**	**175.8**	**+38.6**
CNP Partners	Dividends	2.9	1.4	+1.5
	Rent	0.0	0.0	0.0
	Interest	35.3	35.1	+0.2
	Realised gains and losses	7.9	0.2	+7.7
	Total	**46.1**	**36.7**	**+9.4**
Other subsidiaries	Dividends	17.8	26.0	-8.2
	Rent	0.4	1.0	-0.6
	Interest	28.2	50.0	-21.8
	Realised gains and losses	6.8	25.0	-18.2
	Total	**53.3**	**102.0**	**-48.7**
Group total	Dividends	1,633.2	1,552.4	+80.9
	Rent	41.2	43.8	-2.6
	Interest	6,048.9	6,491.4	-442.5
	Realised gains and losses	859.4	396.9	+462.6
	Total	**8,582.8**	**8,716.2**	**-133.4**

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

Note 2: the Group total is different from the sum of the amounts reported for the individual subsidiaries because it does not include intragroup revenues (mainly dividends paid by subsidiaries).

The increase in dividend income reflects the rising stock market prices, while the decrease in interest income is due to the persistently low interest rates. In recent years, the Group has had no alternative but to invest in bonds paying low rates of interest and this is naturally reflected in the interest income received last year.

3. Gains and losses recognised directly in equity

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

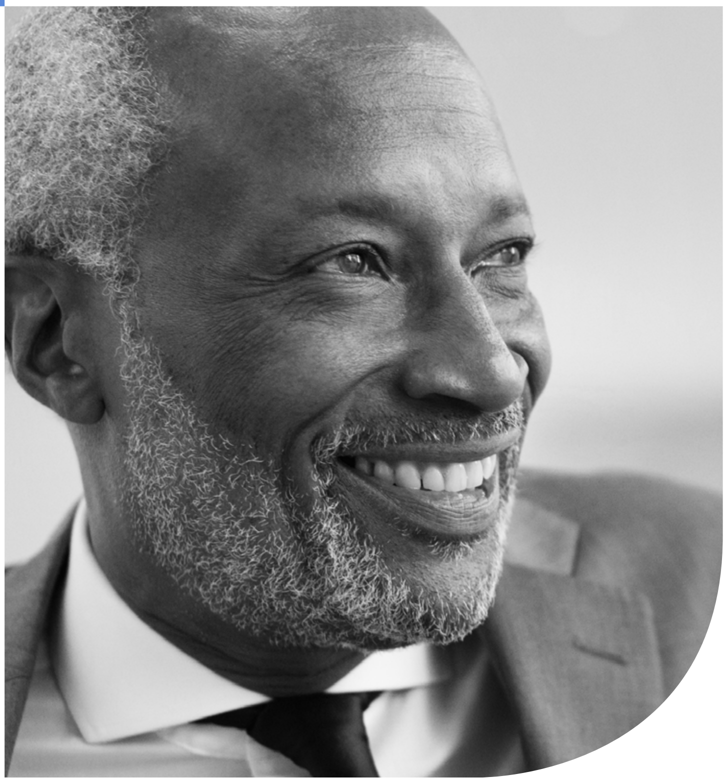
IFRS revaluation reserve (available-for-sale financial assets) *(In € millions)*	**31 Dec. 2017**	**31 Dec. 2016**	Change	*Fair value adjustments recorded in equity*	*Fair value adjustments recorded in profit or loss*
Debt instruments	**19,426**	23,335	-3,909	*(3,822)*	*(88)*
Equity instruments	**14,700**	12,285	+2,415	*2,555*	*(278)*
Total	**34,126**	35,620	-1,494	(1,267)	(366)

Fair value adjustments recorded in equity declined by €1.3 billion in 2017 versus 2016, while disposals had the effect of reducing the reserve by €0.3 billion. These amounts are stated before deferred taxes and deferred participation.

The decreases reflect two negative impacts. First, the unfavourable impact of the prevailing low interest rates which affect a significant proportion of the portfolio. Second, the €16.1 billion estimated impact on the Brazilian subsidiary's revaluation reserve of the country's turbulent political and economic environment, which led to a steep fall in local interest rates and a decline in the real against the euro.

A4. Performance of other activities

The contribution of other activities was not material in 2017.



B. System of governance

This section presents the Group's system of governance.

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

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

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

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

B1. Information on the system of governance

1. Organisation of powers

The current governance structure separates the powers of the Board of Directors, which is responsible for deciding the Group's strategy and overseeing its implementation, from those of Executive Management.

An overview of the organisation of powers is provided below. For a detailed description, refer to the CNP Assurances Registration Document (section 3 – Corporate Governance).

1.1. Board of Directors

1.1.1 Main roles and responsibilities of the Board of Directors

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

The Board approves the financial statements of the Company and the Group, and obtains assurance concerning the quality and reliability of financial and other information given to shareholders and other stakeholders. It also obtains assurance concerning the effectiveness of the internal control and risk management systems. These three roles are fulfilled jointly with the members of Executive Management, who are responsible for preparing matters and proposals for submission to the Board for review and approval. The Board of Directors prepares the management report and the corporate governance report, and validates the ORSA report, the regular reports submitted to the Insurance Supervisor and this Solvency and Financial Condition Report.

The Board fulfils other specific roles, such as authorising related party agreements governed by Article L.225-38 of the French Commercial Code, appointing executive directors, assessing their performance and determining their remuneration, allocating among Board members the directors' fees awarded by the General Meeting and calling General Meetings.

1.1.2 Committees of the Board of Directors

Three Committees of the Board (the Audit and Risks Committee, the Strategy Committee and the Remuneration and Nominations Committee) help to prepare decisions of the Board within their clearly defined terms of reference. These Committees facilitate Board decisions by performing the background analysis of technical issues.

1.2. Chairman of the Board of Directors

The CNP Assurances Group 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 ensures that the Board members respect the roles and prerogatives of Executive Management.

He makes sure the Board of Directors is kept permanently informed of all of the Company's activities and performances.

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. In 2017, the Board met nine times.

The Chairman oversees the transparency of decision-making processes, with a particular focus on the clarity, accuracy and completeness of information provided to the Board in respect of matters submitted for its decision.

He is closely involved in the Company's strategic management. He meets with the Chief Executive Officer every week (or more frequently if necessary) to receive information about material events and situations that concern the Group's strategy, organisation, major investment or divestment projects or other matters.

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, as set out in its internal rules which may be consulted on the CNP Assurances website[11]. The restrictions on his powers concern in particular acquisitions exceeding certain financial limits or that are not fully aligned with the strategy decided by the Board.

The Chief Executive Officer actively participates in Board Meetings and keeps the Board abreast of the day-to-day management of the Company and all significant events affecting the Group. He helps devise and update the strategy decided by the Board.

The Chief Executive Officer is responsible for managing day-to-day operations. A key concern of Executive Management is to ensure that internal operations comply with the policies and strategies decided by the Board and that the link between strategy and shareholder value is maintained.

The Chief Executive Officer is assisted in his managerial and operational duties by the Deputy Chief Executive Officers and the members of the Executive Committee.

The Chief Executive Officer and the Deputy Chief Executive Officer and Finance Director are the two persons who effectively run CNP Assurances.

1.4. Executive Committee

The Chief Executive Officer has set up an Executive Committee to lead the Group's operations and implement the strategy decided by the Board of Directors. The Committee comprises the Chief Executive Officer, the three Deputy Chief Executive Officers and ten other senior executives.

The Executive Committee meets once a week. As well as acting in a strategic planning role, it coordinates and rolls out Group-level initiatives and monitors cross-functional projects. It combines a very broad range of technical, marketing, managerial and operational skills within an internal structure.

The Executive Committee discusses cross-functional and strategic management issues for final decision by the Chief Executive Officer. Periodic management indicators are used to track the Group's business.

The Committee reviews budgets, financial statements, quarterly risk reports and profit forecasts by business segment, and also examines proposed acquisitions.

[11] *http://www.cnp.fr/en/The-Group/Governance/Corporate-governance*

It oversees the consistency of action plans implemented by the business units and subsidiaries. It monitors the Group’s results and financial ratios and reviews the action plans to be implemented by the Group. It particularly focuses on ensuring the efficiency of internal control, internal audit and risk management systems, which are key drivers of good corporate governance.

At least one Executive Committee member sits on the Board of Directors of each of the main subsidiaries, providing further assurance of consistent strategic management across the Group. In addition, the International Partnerships department coordinates the operational management of the international subsidiaries.

2. Persons who hold the key functions at Group level

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

They are regularly invited to attend Board Meetings to provide the Board with insight into the risks, responsibilities and challenges associated with these functions.

The Risk Management function is presented in section B3 below. It is run by the Group Risk department, which is responsible for coordinating the risk management system. The department (i) applies the risk appetite defined in the Group’s risk management strategy through risk policies and economic capital estimates; (ii) ensures that all risks are covered by the system and that the related surveillance measures are effective; (iii) rolls down the risk-acceptance framework to the different businesses through such measures as underwriting policies, delegations of authority and investment guidelines and (iv) delivers a preliminary opinion on decisions with a significant impact on the Company's risk profile based on the four-eyes principle.

The Compliance function is presented in section B5 below. It is run by the Compliance department. The department identifies, assesses and prevents the occurrence of compliance risks, and provides advice and guidance in the following main areas: (i) business ethics (professional secrecy and confidentiality, prevention of insider trading, anti-bribery and corruption measures); (ii) policyholder protection (know-your-client procedures, duty of advice, policyholder information, complaint processing procedures); (iii) marketing practices (advertising, sales and marketing documents, policy marketing rules); (iv) product and contract compliance; (v) procedures to combat money laundering and the financing of terrorism; and (vi) procedures to combat internal and external fraud.

The Actuarial function is presented in section B7 below. It is run by the Group Actuarial department. Its activities include calculating the Group’s insurance indicators (embedded value and new business value, technical reserves under French GAAP, IFRS and Solvency II) and forecasting underwriting results. It also establishes standards for the determination of technical reserves and new business value, leads actuarial research and development activities and prepares executive summaries and analysis reports.

The Internal Audit function is presented in section B6 below. It 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. 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 other members of the Executive Committee and the heads of the Internal Audit and Compliance functions. These executives may then delegate some of their own powers and responsibilities.

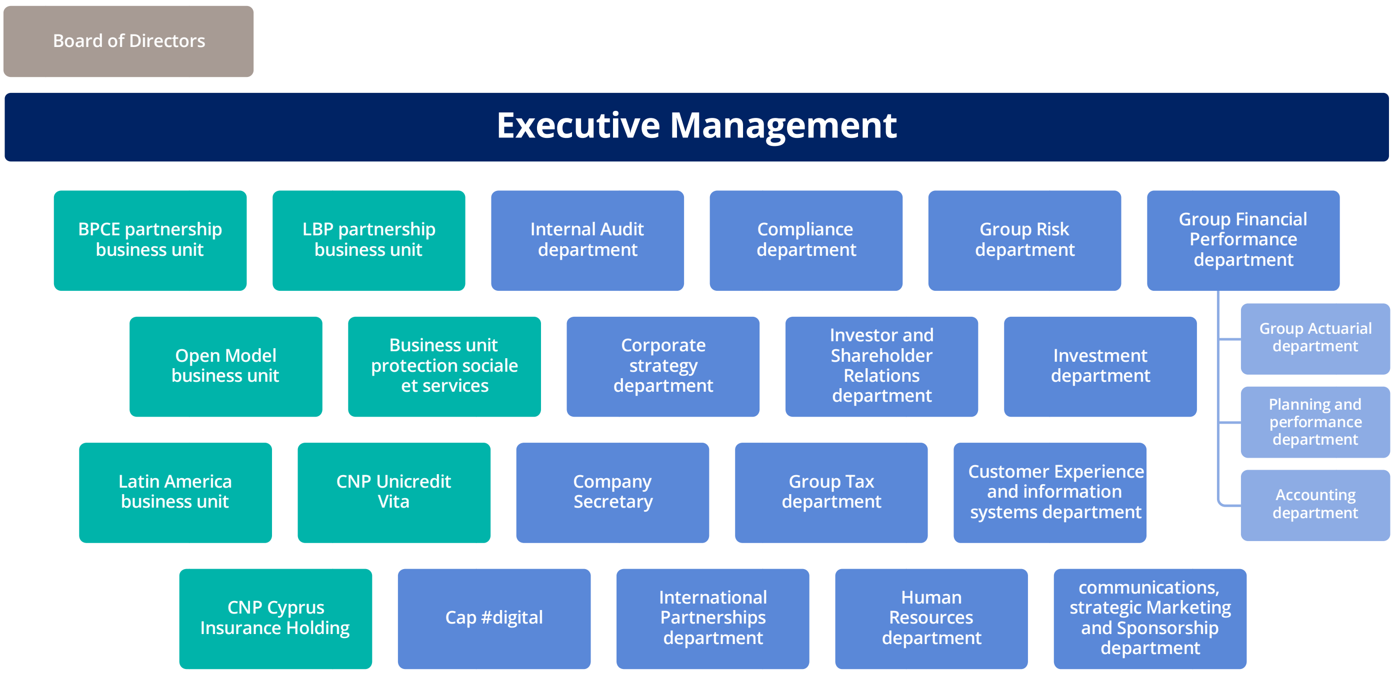
The formal delegations of authority describe the powers concerned, detailing the action that may be taken and the commitments that may be given to third parties on behalf of CNP Assurances. They respond to:

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

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

4. Group organisation

The CNP Assurances Group 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.

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

There were no material changes in the Group's system of governance in 2017.

6. Remuneration policies and practices

6.1. Remuneration policy applicable to employees of CNP Assurances

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

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

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

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

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

Salary

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

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

Bonus

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of the remuneration system

Performance assessment

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

Characteristics of material risk-taker bonuses

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

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

Bonus payments are subject to the following conditions:

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

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

Characteristics of senior management and key executive supplementary pension plans

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

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

7. Agreements and commitments authorised during the year

Information about material transactions with shareholders in 2017, 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 following transactions and agreements were approved at the Annual General Meeting on 27 April 2018:

- Transfer of a portfolio of company retirement savings contracts by CNP Assurances to Arial CNP Assurances (ACA).
- Delegated asset management mandate, investment advice agreement and service level agreement with La Banque Postale Asset Management. These agreements replace the delegated asset management mandate signed in 2006.
- Acquisition by GRT Gaz of the entire capital of Elengy (CNP Assurances is a shareholder of GRT Gaz).
- Renewal of the asset management mandate with AEW Ciloger for a further five years.

Detailed information about these transactions and agreements is provided in the CNP Assurances Registration Document (section 3 – Corporate Governance).

B2. Fit and proper requirements

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

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

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

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

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

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

2. Fit and proper assessment process

A formal fit and proper policy has been drawn up and distributed throughout CNP Assurances and the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2.2 Responsibility for the process of continuous fit and proper assessments

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

2.2.3 Other responsibilities

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

B3. Risk management system

1. Risk management principles

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

The following risk management principles have been defined:

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

2. Risk management framework

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

The overall system is organised around:

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

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

3. Overall risk management system

3.1. Risk management activities and processes

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

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

The risk management process is defined by:

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

It is supported by a:

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

3.2. Governance

3.2.1 The Group Risk Committee

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. It regularly tracks the Group's risk exposure, solvency capital, allocation and use of economic capital and risk consolidation by type of risk both on a static basis and by performing stress tests. It reviews the annual solvency assessment process and related financing requirements both at Group and subsidiary level and approves delegated exposure limits. The Committee validates risk assessment guidelines and methodologies, i.e., high level investment guidelines and limits, currency risk exposure guidelines and limits, reinsurance policy and the underwriting policy framework. It also validates the policies, procedures and guidelines for monitoring and managing risks and solvency capital, drawing upon reviews of specific risks (market, underwriting, operational risk, etc.) already performed by the other committees, as well as on reviews of equivalent-type structures in Group subsidiaries.

3.2.2 The Underwriting Risk Committee and the Commitments Committee

These committees oversee liability risk management.

The Commitments Committee 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. The Committee is tasked with validating risk acceptance in line with the Group's risk appetite and the strategic guidelines issued by Executive Management. 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. It also deals with any urgent business concerning insurance risk that arises between two Group Risk Committee meetings.

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 Group's risk profile with its profitability and value creation objectives and reviews the strategy adopted by the Group Risk Committee within the underwriting and financial risk tolerance framework. The Committee issues opinions and recommendations and alerts the Group Risk Committee to any significant risks. Its opinions are based on specific work carried out by its subcommittees. As part of the underwriting risk management process, the Committee makes proposals concerning the Group's reinsurance policy and reviews the overall consistency of the reinsurance programme based on the underwriting risk maps for each entity and the Group's overall risk management guidelines.

3.2.3 The Investment Committee, Asset Risk Monitoring Committee, Strategic Allocation Committee and ALM Committee

These committees oversee the asset risk management framework.

The Group Investment Committee oversees the asset risk acceptance process and approves investment files. It authorises, modifies or suspends exposure limits (amount and duration) for individual counterparties above a certain level and may even decide to liquidate a position. It makes decisions concerning (i) investments in equities and debt securities, either directly or through a fund (excluding mutual funds, for which investment decisions are made directly at Group level) in excess of a certain amount; (ii) the addition of mutual funds to the list of authorised investments; (iii) reverse transactions (limits by issuer); (iv) the granting of significant waivers, the signature of addenda to the issue documentation, acceptance of restructuring operations and initiation of debt recovery procedures; and (v) lower level appeals against decisions of the Investment department, the Group Risk department or the subsidiaries, and changes to investment guidelines for which a decision is needed between two Group Risk Committee Meetings. The Investment Committee uses the committee files received from the businesses and the second-tier analysis performed by the Group Risk department teams.

The Asset Risk Monitoring Committee oversees all of the Group's asset risks. It tracks standards, investment policies, limits, delegations of authority and asset risk mitigation measures. To this end, it is notified when limits are breached so that it can determine whether to authorise the overrun or require the sale of the portion of the investment that breaches the limit. It may refer significant breaches or propose adjustments to guidelines or limits to the Group Risk Committee (or to the Investment Committee in urgent cases that arise between two Group Risk Committee meetings). The Committee examines current risk monitoring issues such as awareness of emerging risks (on economic or market-related matters, on a type of product, name, sector, etc.), decisions to monitor or suspend counterparties following a deterioration in the related risk or a lack of visibility or decisions to put a certain matter on the agenda of a Reserving committee meeting and regularly reviews different categories of assets, including unlisted equities.

The Strategic Asset Allocation Committee ensures that investment rules and exposure limits by class of asset are consistent with the guidelines issued by the Group Risk Committee. The Strategic Asset Allocation Committee draws up strategic investment allocation guidelines based on asset/liability management (ALM) modelling of the different portfolios, yield targets and capital consumption data.

The ALM Committee monitors the asset-liability management risk identification and measurement process. Asset/liability management seeks to contain risks affecting liquidity, earnings and the Group's net worth in the event of unfavourable trends in the markets (mainly lower interest rates) and/or policyholder behaviour.

3.2.4 Operational risk monitoring

A number of committees and applications have been deployed to closely monitor operational risk. Operational risk management focuses on safeguarding the Company's asset portfolio and preventing/containing losses resulting from inadequate or failed processes, people and systems. It enhances customer service quality and the Company's ability to fulfil its commitments to customers.

An Operational Risk and Internal Control Committee has been set up for each business unit and corporate function to track the main operational risks and decide on appropriate action plans to contain these risks as effectively as possible. The Committee tracks key risk exposure indicators, studies the causes and impacts of the most significant reported incidents affecting the business unit or its subsidiaries (or the group function), assesses the level of compliance with risk guidelines and policies and whether an incident or project has highlighted the need to revise the guidelines. It may submit the principle of such a revision to the Group Risk Committee if appropriate. It devises and monitors action plans and performs a review of any alerts issued during the period in response to major incidents.

3.3. Standards and policies

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

These include:

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

3.4. Reporting

The Group Risk department prepares quarterly risk reports for Executive Management. The reporting process involves identifying key risk indicators and setting up data collection procedures. The quarterly risk reports are also submitted to the members of the Audit and Risk Committee.

The department also produces the ORSA report each year (see section B4).

3.5. Deployment of the risk management system throughout the Group

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

In particular:

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

B4. Own risk and solvency assessment (ORSA)

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

1. Overview of the ORSA process

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

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

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

2. Prospective own risk and solvency assessment framework

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

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

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

The assessment of CNP Assurances' overall solvency needs takes into account macro-economic forecasts and long-term business growth projections. In this way, the Group's own risks are taken into account prospectively through the inclusion of projections and the risk tolerance limit.

Annual solvency capital requirement calculations lead to an ORSA-based allocation of capital. This allocation is a core component of the Group’s risk management system:

- It reflects the risk exposure of each entity/business unit/business segment.

- It provides an economic vision of risk diversification between the various business segments/entities.
- It provides a means of ensuring compliance with the Group’s risk tolerance limit.

A system was set up in 2017 to track uses of capital during the year in order to ensure that they do not exceed the capital allocated to the business unit or business segment concerned and also that the Group’s risk tolerance is not exceeded.

To this end, the new system is used to:

- Determine the ORSA solvency coverage ratio and capital use at quarterly intervals, taking into account:
  - the volume of insurance obligations recorded in liabilities by the business units;
  - the investments and hedging instruments purchased by the Investments department;
  - strategic decisions that have a material impact on the risk profile.
- Identify the source of any over/under-use of ORSA capital, in order to adjust exposure levels/volumes as necessary.

3. Prospective ORSA process

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

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

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

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

B5. Internal control system and Compliance function

1. Internal control system

1.1. Description of the internal control system

The main protagonists in risk management and internal control are, at the highest level in the Company, the Board of Directors, its Audit and Risk Committee, and Executive Management.

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.

Controls are performed at several levels:

- First-tier controls are set up by each operating or corporate department to manage the risks associated with their activities.

- The second level of control (risk oversight) covers the key functions identified in Solvency II (Risk Management, Compliance and Actuarial functions) and the permanent control system.
- Third-tier controls (periodic controls) are performed by the internal auditors.

Regular coordination meetings are organised between the control functions (Risk Management, Compliance and Internal Audit).

1.2. System of permanent controls

The system of permanent controls consists of continuously assessing controls and residual risks within each business process.

The cornerstones of the system are:

- The **process manual,** which includes a description of the sequence of activities in each process.
- The **operational risk directory,** which highlights the risks representing internal control priorities.

The deliverable from the system consists of an annual assessment of how well individual process-related risks are managed. The assessment is based on regular reviews of controls over the risks inherent in the activities making up each process.

Two categories of risks are covered:

- The **risks and controls** identified by the businesses through a bottom-up approach that are taken into account for operational management purposes.
- The **key risks and controls** identified by Executive Management through a top-down approach, that are taken into account by the business units' Management Committees and CNP Assurances' core functions.

The operating departments (or businesses) input data into the system which is managed by the internal control teams.

Based on these identified risks and controls, the system of permanent controls is organised around an assessment cycle comprising four successive stages:

The four stages of the permanent control assessment cycle

To encourage the businesses to take ownership of the system, the risk management assessment is organised around self-assessments performed by the businesses on first tier controls and tests performed by the internal control teams

- **Control self-assessments** are based on a standard questionnaire in which respondents assess the level of risk coverage from six angles, including the documentation and evidencing of controls and the action taken to remedy any weaknesses revealed by the controls.
- **Certification tests (only for risks identified by Executive Management):** the consistency of replies to the self-assessment questionnaire is checked and tests are also performed on at least 30% of the self-assessed controls over risks identified by Executive Management. The tests consist of checking that each control has

been assessed based on the way it works in practice by certifying the information used for the self-assessment.

- **Residual risk rating:** risks are rated based on their potential impact and probability of occurrence. The five ratings are: Key (rating applied automatically to Category 2 controls, i.e., controls identified by Executive Management), Critical, High, Moderate and Low. The inherent risk corresponds to the "spontaneous" risk in the absence of any controls. The residual risk takes into account the effectiveness of existing control and risk management processes.
- **Action to improve control effectiveness:** action plans targeting control weaknesses are drawn up by the business concerned. They may be implemented jointly with the internal control teams if necessary (to determine the methodological framework, objectives and level of priority). The plans' status is reviewed at regular intervals. The businesses are encouraged to implement simplified stop-gap procedures addressing control weaknesses pending completion of the related action plans to improve control effectiveness.

1.3. Deployment throughout the CNP Assurances Group

The subsidiaries deploy an equivalent system aligned with the methodology adopted by CNP Assurances and, in the case of international subsidiaries, with local regulations and the recommendations of the local insurance supervisor.

They set up internal control structures and undertake the work required to deploy the internal control system in their organisation according to their size. They are supported in this by CNP Assurances' internal control teams and most of them use the risk management and control software supplied by the Company. Nonetheless, in accordance with the proportionality principle, the subsidiaries are not required to implement risk management and control systems covering the Category 1 and Category 2 risks that are specific to CNP Assurances.

Each subsidiary reports to its governance structures and to the Group on its progress in deploying the system and, once the system has been fully deployed, on the results of its risk management assessments.

The subsidiaries also develop their own internal control policies, which must be consistent with the Group policies described in this document.

2. Compliance function

2.1. Organisation

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 banking and 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 CNP Assurances' Ethics Officer.

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

The Compliance organisation

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

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

2.2. The Compliance function's role and responsibilities

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

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

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

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

The Compliance function's work consists of:

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

- Advising and alerting Executive Management and the Board.

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

2.3. Deployment in the subsidiaries

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

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

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

B6. Internal Audit function

1. Organisational framework

Our internal audit processes are certified by the French chapter of the Institute of Internal Control (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.

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

2. The Internal Audit function's independence and objectivity

The head of Internal Audit:

- 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;
- Is the person who holds the Internal Audit key function under Solvency II and does not hold any other Solvency II key function;
- Reports periodically to the Audit and Risk Committee of the Board of Directors, 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;
- 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. At least one year must have elapsed before an internal auditor can be assigned to the audit of his or her previous area of responsibility.

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

3. Group internal audit organisation

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

He organises annual meetings with the people responsible for the Internal Audit function in the majority-owned subsidiaries.

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

The head of Internal Audit also prepares a consolidated report on major internal audit findings and related action plans.

4. Process for preparing the annual internal audit plan

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

- The Group's strategy and competitive environment.
- The risk map prepared by the Group Risk department, as updated to reflect the main regulatory changes and emerging risks.
- Financial and internal control indicators.
- The dates the entities and main business processes 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 Solvency II key functions 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.

5. Execution of internal audits

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

- **Engagement letter**: signed by the Chief Executive Officer, the letter describes the scope, nature, objectives and expected duration of the audit.
- **Preparation, execution and conclusion**: these three phases are devoted to identifying, analysing, assessing and documenting the internal auditors' observations, and drafting recommendations. 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).

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 defined in Solvency II. It is required to be independent from the other key functions and operating units.

The Actuarial function is run by the Group Actuarial department. The principles and procedures governing its work are described in the actuarial policy which applies to the Group Actuarial department and to the actuarial departments of the various units, except when it is specifically stated that the policy is applicable only at Group level or at unit level.

As in prior years, during 2017 the person who holds the Actuarial key function was supported by:

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

The same person held the Actuarial function in 2017 as in 2016. On 1 December 2017, his responsibilities were extended to include management control, accounting and underwriting activities. A new Group Chief Actuary was subsequently appointed and became the person who holds the Actuarial function with effect from 1 March 2018.

All of the Actuarial function's activities are discussed in the Actuarial Report submitted to the Executive Committee and the Board of Directors. The most recent Actuarial Report was approved by the Board of Directors on 21 February 2018.

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

1. Coordinate the calculation of technical reserves

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

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

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

The Company and Group Actuarial functions also assess the control system's effectiveness and calibrate their own controls based on the results of the assessment. The system launched in 2016 at Company level and expanded in 2017 to include the other Group units provides confirmation that the amounts set aside in technical reserves are accurate and appropriate, by allowing controls to be performed and evidenced at the same time as the reserves are calculated.

The local Actuarial functions and the Group Actuarial function deal directly with the insurance supervisor during the supervisor’s audits of technical reserves.

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

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

2. Assess data quality

The Actuarial function is responsible for assessing the accuracy, completeness and relevance of the data used to calculate technical reserves. To fulfil this responsibility, it uses a data measurement and quality control plan aligned with the Group's reserving policy and policy for managing data quality. This plan is monitored and implemented as part of a Group process coordinated by the Group Risk Management function.

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

Material observed weaknesses or opportunities for improvement are described in the Actuarial Report, which also describes the main steps taken to guarantee data completeness and quality.

3. Appropriateness of methods, underlying models and assumptions

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

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

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

The function's opinion on the adequacy of technical reserves is supported by its review of the documentation describing the models, modelling laws and assumptions, technical solutions and operational processes used for the calculations. A validation report has been prepared for the Company listing the assumptions and future management decisions that affect the determination of technical reserves. The report has been approved by Executive Management. This governance system is gradually being rolled out to the Group’s other units.

4. Express an opinion on the overall underwriting policy

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

5. Express an opinion on the adequacy of reinsurance arrangements

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

6. Participate in the risk management system

The Group Actuarial function also participates actively in the risk management system, either directly or through the activities of the subsidiaries' Actuarial functions, including by.

- Setting the technical reserve calculation inputs to enable the Risk department to determine the related stressed SCR.
- Reviewing the classification of health insurance technical reserves, which affects the corresponding capital charge.
- Taking part in technical research to determine the technical shocks used to prepare the ORSA.
- Making recommendations during meetings of the Group Risk committee, the other reinsurance risk committees and the Group Executive Committee.

B8. Outsourcing

1. Outsourcing policy

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

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

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

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

2. Map of outsourced critical and important functions and activities

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

The Group outsources (to a varying extent depending on the subsidiary) certain critical or important functions and activities, as defined in Solvency II, in the areas of:

- Policy administration and customer relationship management.
- Asset management.
- Information systems management.

3. Material intra-group outsourcing agreements

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

C. Risk profile

Risk overview

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

Risks identified for the application of the standard formula		Net Solvency Capital Requirement (SCR) calculated on the basis of the standard formula at 31 December 2017 In € millions	In %[12]
Market risk	*Interest rate risk* *Equity risk* *Property risk* *Currency risk* *Spread risk* *Concentration risk*	**11,977**	54%
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*	**4,310**	19%
Health underwriting risk	*SLT Health[13] underwriting risk* *NSLT Health[14] underwriting risk* *Health catastrophe risk*	**2,122**	10%
Non-life underwriting risk		**907**	4%
Counterparty default risk		**1,301**	6%
Intangible asset risk		**0**	0%
Operational risk		**1,491**	7%

As this risk profile shows, the Company's primary exposure is to market risk, which accounts for 54% of the solvency capital requirement (SCR), and its exposure to underwriting risk arises mainly from the life business.

Risks are mitigated by the diversification effect, which is estimated at 26% based on the following formula: (sum of net SCRs excluding operational risk SCR - net basic SCR)/sum of net SCRs excluding operational risk SCR.

[12] *Percentage of the sum of the SCRs by risk.*
[13] *SLT Health = health obligations assigned to the lines of business for life insurance.*
[14] *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:

Risks identified for the application of the standard formula			Net SCR at 31 December 2017 In € millions	In %
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*		**4,310**	19%
Health underwriting risk	*SLT Health underwriting risk*	*SLT Health lapse (surrender) risk* *Health expense risk* *Health mortality risk* *Health longevity risk* *Health disability-morbidity risk* *Health revision risk*	**2,122**	10%
	NSLT Health underwriting risk	*NSLT Health lapse (surrender) risk* *NSLT Health premium and reserve risk*		
	Health catastrophe risk			
Non-life underwriting risk	*Non-life catastrophe risk* *Non-life premium and reserve risk* *Non-life lapse (surrender) risk*		**907**	4%

1. Description of the main risks

1.1. Lapse (surrender) risk

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. By default, new policies are non-transferable.

In the term creditor insurance segment, surrender risk covers:

- The risk of policyholders repaying their loan early, automatically resulting in the insurance being cancelled.
- A decision by the policyholder to switch to a new insurer. This risk has increased since the "Bourquin amendment" came into effect on 1 January 2018, allowing policyholders to change insurer at any time during the life of their loan.

1.2. Morbidity risk (temporary and permanent disability)

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

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

1.3. Mortality risk

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

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

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

1.4. Longevity risk

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

1.5. Expense risk

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

The main expense items are employee benefits expense, IT costs, office rent and sales commissions.

1.6. Catastrophe risk

Catastrophe scenarios (particularly pandemic risks) can have an adverse effect on death cover provided under all Group policies and disability cover provided under term creditor insurance, employee benefits and personal risk policies. Healthcare costs could also rise sharply, for example in the case of a pandemic. The Brazilian subsidiary is also exposed to natural catastrophe risk on its home-owner's insurance business.

1.7. Non-life premium and reserve risk

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

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

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

1.8. Financial risk generated by underwriting activities

The insurance policies sold by the Group generate financial risks.

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

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

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

2. Changes during the period

Term creditor insurance in France

In the term creditor insurance segment in France, 2017 was devoted to preparing for the application, as from 2018, of legislation giving insureds an annual right to switch to a different insurer. The new legislation may trigger a significant shift in the term creditor insurance market towards individual insurance products, which currently account for only around 15% of the market for home buyer insurance in France.

Our response has been to adjust our offer and implement an appropriate system to track the cancellation risk on in-force term creditor insurance contracts.

Traditional savings/unit-linked product mix

In the savings segment, the strategic refocusing on unit-linked contracts launched several years ago picked up speed in 2017.

In France, this led to a strong inflow of new money into unit-linked funds and a net outflow from traditional savings funds that resulted in a reduction in the related technical reserves. The accelerating flow of new money into unit-linked funds was also a feature of the French savings market as a whole. For CNP Assurances, it was the result of a strategy implemented jointly with our distribution partners, to promote (a) transfers from traditional savings accounts with a unit-linked formula to *eurocroissance* contracts and (b) so-called "Fourgous" transfers from a traditional savings account to a traditional savings account with a unit-linked formula. In both cases, the transfers do not trigger any taxation of capital gains and policyholders do not forfeit the tax benefits that are subject to a minimum investment period. In exchange for these tax benefits, at least 10% of the savings transferred to a *eurocroissance* contract must be invested in a diversified growth fund, and at least 20% of the savings transferred under the "Fourgous" system must be invested in unit-linked funds.

A similar shift towards unit-linked business is underway in our other host countries in Europe.

- In Italy, CNP UniCredit Vita has considerably reduced the flow of new money into traditional savings accounts while continuing to attract significant levels of investment in unit-linked contracts which accounted for over half of the subsidiary's mathematical reserves at 31 December 2017.
- Also in Italy, unit-linked contracts represented more than 50% of the technical reserves of CNP Partners' local branch at 30 June 2017.
- In Luxembourg, unit-linked contracts represent more than 40% of the technical reserves of CNP Luxembourg.

"L.441" points-based supplementary pension plans

The rules governing "L.441" points-based supplementary pension plans (also known as "4 June plans") have been changed following adoption of the Sapin II portmanteau legislation in late 2016 and publication of the related enabling legislation. Under the new rules, mathematical reserves are increased or reduced by the amount of unrealised capital gains or losses for liability adequacy testing purposes, the deduction from investment income is capped at 15% and the cash value of each pension "point" may be reduced in certain extreme circumstances (subject to acceptance by the plans' sponsors in the case of plans in progress when the new rules came into effect).

We have been working with the plans' sponsors since the fourth quarter of 2017 to assess the impact of the new rules and adjust the contracts as required (in all cases, the ban on reducing the pension point's cash value has been maintained).

Sharply higher sales of unit-linked pension products and consumer finance term creditor insurance in Brazil

In a persistently turbulent economic and political environment, our Brazilian subsidiary continued to grow its business, led by:

- Unit-linked pension products, helping to drive a 60.5% increase in the Latin America business unit's savings/pensions premium income.
- Consumer finance term creditor insurance, contributing to 15% growth in the Latin America business unit's personal risk/protection premium income.

3. Underwriting policies and oversight system

3.1. Underwriting process

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

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

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

The CNP Assurances underwriting policies include:

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

3.2. The Underwriting Risk Committee

The Underwriting Risk Committee is tasked with identifying and tracking underwriting risk. Its activities are described in detail in section B3.

3.3. Underwriting risk indicators

3.3.1 Principles

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

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

3.3.2 Tracking indicators

The underwriting risk indicators comprise:

- Risk measurement indicators, with analyses concerning the change over time and the variance compared with the best estimate and/or the risk quantile used in the ORSA process.
- Risk profile tracking indicators, which break down premium income or mathematical reserves based on discriminating risk deviation factors.

4. Risk mitigation

4.1. Monitoring and corrective action

The underwriting process and oversight system described above represent the main risk mitigation factor, because they enable us to closely monitor risks, implement corrective action or adjust the levels of cover in order to keep loss ratios under control in such areas as employee benefits plans, long-term care and group pensions segments.

4.2. Reinsurance mechanisms

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

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

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

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

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

5. Risk sensitivity

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

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

The main results are as follows:

31 Dec. 2017 ***(In € millions)***	**Central value**	Surrenders -10%	Costs -10%	Loss ratio -5% (longevity risk)	Loss ratio -5% (mortality & disability risk)
MCEV© VIF	**9,329**	251	306	61	177
Group VNB	**782**	42	46	1	63
VNB France	**498**	24	37	1	52
VNB Latin America	**225**	16	6	0	7
VNB Europe excl. France	**59**	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 (IFRS) *(In € millions)*	31 Dec. 2017
Bonds and other fixed income	251,559.0
Equities and other variable income	29,484.8
Investment property and property funds	7,277.0
Property-related loans and receivables	4,159.6
Derivative instruments	907.8
Other loans and receivables	810.9
Other	175.4
Total	**294,374.5**

1. Description

1.1. Interest rate risk

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

1.1.1 Risk of falling interest rates

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

In the longer term, persistently low interest rates could make contractual loading more difficult to apply and expose the insurer to a risk of narrower 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 could be a risk that asset yields will be insufficient to cover contractually guaranteed yields, forcing the Group to use its own funds portfolio to pay the guaranteed amount.

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

1.1.2 Risk of rising interest rates

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

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

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

The current low interest rate environment exacerbates the risk of a rapid increase in rates, because the longer this environment lasts, the longer it will take us to adapt to the higher rates.

1.2. Equity risk

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

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

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

Infrastructure investments correspond to financing for existing or planned projects in the transport, energy, environmental services, telecommunications and public buildings sectors, and shares in infrastructure companies.

The underlying risks concern the project's ability to deliver the expected return on investment. For investments in shares, there is a further risk associated with the potential absence of a liquid market.

1.3. Property

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

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

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

1.4. Currency risk

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

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

2. Changes during the period

Last year's net outflow of funds from traditional savings contracts led to a decrease in financial liabilities in the consolidated balance sheet at 31 December 2017.

Interest rates recovered slightly in 2017 but nevertheless were still very low, with the European 10-year swap rate hovering between 0.6% and 1%. We responded to the resulting increase in the Group's exposure to persistently low rates by scaling back our investments in the bond market which we viewed as over-priced. This led to a small decrease in the proportion of insurance investments represented by fixed income securities and an increase in the amount held in cash.

In 2017, European and non-European stock markets performed very well. This performance was achieved in an environment shaped by low volatility, raising the question of whether it could be sustained. During the year, we continued to realign the asset portfolio, maintaining the same equity weighting while stepping up the related hedging programme. At 31 December 2017, we held a portfolio of puts on a notional amount of €7.8 billion, representing three times the end-2016 figure of €2.5 billion.

The portfolio of infrastructure investments increased significantly in 2017, mainly following the roughly €1 billion invested alongside Caisse des Dépôts to acquire a joint 49.9% interest in RTE. At 30 September 2017, infrastructure investments represented 0.9% of total insurance investments (excluding unit-linked portfolios) versus 0.5% at 31 December 2016.

The property portfolio also increased during the year, through investments held in unit-linked funds.

Concerning currency risks, the euro strengthened considerably during 2017 as the economic situation improved and geopolitical tensions eased in the eurozone and the European Central Bank announced plans to reduce its bond-buying programme. At the same time, the US dollar was weakened by geopolitical risks and the Brazilian real lost 16% over the year against the euro as a result of the monetary policy pursued by the country's central bank. The real's weakness increased the Group's exposure to currency risk.

3. Investment policies, asset standards and monitoring processes

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

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

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

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

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

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

- ALM risk management policy.
- Foreign exchange standard.
- Liquidity standard.
- 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.
- A concentration standard.

3.1. ALM risk management policy

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

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

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

Strategic ALM priorities are defined:

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

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

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

3.2. Foreign exchange standards

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

Subsidiaries located outside the eurozone give rise to a currency risk in the accounts of both the Company and the Group. For subsidiaries located outside the eurozone 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, property and infrastructure 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 must provide assurance that the objectives of security, quality and liquidity are met, and that the Group's commitments and technical reserves are covered.

Investments in unlisted assets must be 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.

In the case of infrastructure financing, the project must be able to generate sufficient cash flow to service the debt. For investments in the shares of infrastructure companies, we check the existence of a liquid market for the shares and seek assurance that the company generates recurring revenues and has a strong balance sheet.

3.5. Investment standards – UCITS

The UCITS investment standard describes the criteria that the funds are required to fulfil. The main criteria are as follows:

- The fund must be approved by France's securities regulator (AMF) or a European regulator.
- The fund or the manager must have a track record of at least three years.
- The management team must be stable.
- The fund and the manager must fulfil certain size criteria.

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.). The equity risk hedging programme was considerably expanded in 2017. At the year-end, the Group held a portfolio of CAC 40 and Euro Stoxx 50 index options (puts) on a total notional amount of €7.8 billion (representing three times the end-2016 amount) with an average remaining life of 3.9 years and average strike prices of 2,939 pts (CAC 40) and 2,445 points (Euro Stoxx 50).
- 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. The purpose of this reserve is to smooth policyholders' yields over time by deferring payment of part of their share of annual underwriting profit and investment income. At 31 December 2017, the policyholders' surplus reserve in France totalled €10.9 billion, representing 4.7% of technical reserves.

5. Risk sensitivity

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

The main sensitivities at 31 December 2017 are as follows:

Indicator	Value at 31 Dec. 2017	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	€1,285m	-€27m	+€28m	+€36m	*n/a*
MCEV©	€23,241m	+€1,248m	-€1,158m	*n/a*	-€2,763m
SCR coverage ratio	190%	+12 pts	-13 pts	*n/a*	-7 pts

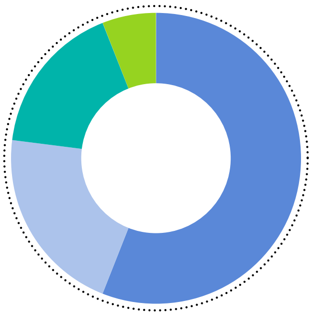
Combined stress tests are performed as part of the ORSA process.

C3. Credit risk

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

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

Bond portfolio by type of issuer (carrying amount in %)



	31 Dec. 2017	31 Dec. 2016
Government bonds	56%	51%
Corporate bonds	21%	23%
Banking sector bonds	17%	19%
Covered bonds	6%	6%

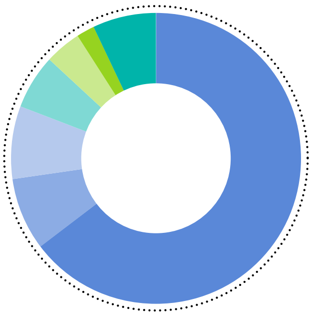
The bond portfolio may be analysed by issuer rating as follows:

Bond portfolio by issuer rating[15] Unaudited management reporting data (carrying amount in %)

	31 Dec. 2017	31 Dec. 2016
AAA	8%	8%
AA	46%	42%
A	17%	17%
BBB	20%	21%
Non-investment grade	7%	7%
Unrated	2%	4%

The government bond portfolio breaks down by country as follows:

Government bond portfolio by country (gross exposure – at cost[16] in %)



	31 Dec. 2017	31 Dec. 2016
France	64%	63%
Italy	8%	9%
Spain	8%	7%
Belgium	6%	6%
Austria	4%	4%
Brazil	2%	2%
Other	7%	9%

[15] Second-best rating: method consisting of using the second-best rating awarded to an issue by the three leading agencies, S&P, Moody's and Fitch.
[16] Carrying amount, including accrued interest.

1. Description

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

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

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

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

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

2. Changes during the period

Credit spreads widened in 2017 and volatility declined as geopolitical tensions eased.

In this environment, we pursued a prudent investment strategy, reducing our overall bond exposure as a proportion of total insurance investments and in absolute value, with increased investment in government bonds (mainly Spanish and French) more than offset by reductions in the bank and corporate bond portfolios.

3. Investment policies, asset standards and monitoring processes

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

In particular:

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

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

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

Credit standards set exposure limits by issuer.

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

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

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

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

3.2. Standards on exposure limits by rating band

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

3.3. Concentration standards

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

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

4. Risk mitigation

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

To protect the IFRS income statement against changes in credit spreads, a credit risk hedging programme was set up in 2017 along the same lines as the equity risk hedging programme.

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

5. Risk sensitivity

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

Indicator	Value at 31 Dec. 2017	Sensitivity to a 50-bps increase in corporate bond spread[17]
SCR coverage ratio	190%	+2 pts

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

C4. Liquidity risk

The capital required to cover liquidity risk is difficult to estimate and there is no specific liquidity risk module in the Solvency II standard formula.

1. Description

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

The risk differs depending on the portfolio:

- For traditional savings, personal risk and term creditor insurance portfolios, the risk is that of being unable to deal with a wave of surrenders or a very large volume of benefit claims.
- For own funds portfolios, aside from extreme situations where own funds are used to pay benefits, the risk mainly concerns exceptional payments that could be due following the occurrence of operational risks.
- For unit-linked portfolios, the contract holders are given a guarantee that they will be able to cash in their units at any time. The risk in this case is that we may have to use own funds to purchase the units.
- For pensions portfolios, liquidity risk is considered to be very low because policyholder surrender options are limited.

2. Changes during the period

There were no material changes in liquidity risk in 2017. Loss ratios remained below the thresholds specified in the liquidity risk standards.

Last year saw a sharp rise in policyholder investment in unit-linked property funds. This led to an increase in liquidity risk because, in the event of a wave of surrenders, if the underlying properties could not be sold on the market, the Group could incur losses due to its inability to use the proceeds from the sale of the assets to finance the surrender value due to the policyholders.

[17] *After recalibration of the volatility adjustment.*

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.
- The value of unlisted assets held in unit-linked funds is restricted by a series of criteria and limits defined in the underwriting policy and by a blanket limit at Group level.

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:

- 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.
- 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).

5. Risk sensitivity

The liquidity indicator is in itself a measure of the Group's sensitivity to liquidity risk. In 2017, liquidity 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 €1.7 billion.

C5. Operational risk

	Group SCR at 31 Dec. 2017 *(In € millions)*
Operational risk	1,491

1. Description

Operational risk is the risk of loss from inadequate or failed internal processes, personnel or systems, or from external events.

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

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

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

2. Changes during the period

Changes during the period concern the Company's operational risk profile.

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

The Group's operational risk profile was relatively stable in 2017 compared with the previous year.

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

- **Product, policy and policyholder relations compliance**: we operate in an increasingly heavily regulated environment in both Europe and Brazil, resulting not only from the Solvency II directive, but also from new regulations in the areas of policyholder protection, money laundering, corruption and data protection.

- **Outsourcing and delegated management:** the CNP Assurances Group business model is based on outsourcing solutions and extensive delegations of management powers to distribution partners. As a result, the Group is heavily exposed to outsourcing risk.
- **Process execution, delivery and management**: process complexity due to our diverse range of markets, products and partner types exposes the Group to the risk of a major failure.
- **Information systems and data processing**: the insurance business involves processing vast quantities of data which may be lost, stolen or processed in a manner that breaches our regulatory or contractual obligations, exposing the Group to significant IT risks.

  2017 saw a sharp increase in intruder risk and the risk of cyber attacks. We experienced numerous attempts to hack into our systems, so far with limited consequences.
- **Internal and external fraud:** in an environment shaped by complex processes and information systems, many of our distribution and management procedures are exposed to the risk of fraudulent statements, misappropriations of funds, money laundering and bribery attempts. The risk for the Group is exacerbated by the very challenging economic environment.

3. Operational risk management policy

To identify, measure and manage these operational risks, the Group has issued a formal operational risk management policy.

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

The policy is organised around:

- **An operating incident reporting system** to ensure that we learn the lessons of past errors. The system's objectives are to:
  - Help us to take a step back and investigate material incidents in order to identify appropriate preventive measures. This is separate from routine incident management systems that are designed to resolve the problem without delay or limit its immediate consequences.
  - Build a historical database that can be used to perform quantitative operational risk analyses.
  - Improve the internal control system, when an incident is caused by control failures.
- **Key risk indicators** used to benchmark and monitor current risks. The indicators are defined and calculated at operating level and are aggregated in scorecards 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.
- **Stress scenario simulations** in order to increase the organisation's preparedness for possible future situations.
- **Business continuity and crisis management plans**. We ensure that appropriate business continuity plans are in place, particularly in areas where the Group is the most vulnerable. CNP Assurances and all of the subsidiaries regularly review, test and update their business continuity plans. A dedicated crisis management team has been set up to manage crises involving CNP Assurances (and also the subsidiaries).
- **A Group insurance programme** with a particular focus on liability risk and cyber risk.
- **Operational risk action plans,** including such measures as process and internal control improvements.

4. Risk mitigation

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

Product, policy and policyholder relations compliance

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

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

Outsourcing risks

See section B8.

Process execution, delivery and management

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

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

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

Information systems and data processing

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

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

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

Internal and external fraud

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

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

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

5. Risk sensitivity

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

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

C6. Other material risks

1. Emerging risks

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

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

The emerging risk monitoring process may be summarised as follows:

- Emerging risks are identified and monitored, at present primarily by the Group Risk department, which documents any observed changes.
- Identified emerging risks are recorded on a watchlist and rated by severity.
- 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.

2. Reputational risk

Reputational risk is a cross-functional risk that is closely linked to underwriting, financial and operational (legal and employee-related) risks.

This is because an event that unfavourably affects stakeholders' perception of the Group may temporarily or durably damage its reputation.

Reputational risk is managed through a monitoring system, crisis management plans and remedial action plans.

Monitoring system

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

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

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

A dedicated unit has been set up in the Communications, Strategic Marketing and Sponsorship 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.

Crisis management plans

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

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

Remedial action plans

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

3. Model risk

Model risk concerns all modelling processes used to produce Solvency II pillar 1, ORSA, MCEV© and New Business Value metrics for the Group's insurance portfolio.

It includes risks concerning the quality of the metrics produced using the models (design errors, implementation errors, poor quality of the underlying data, etc.), the time taken to produce metrics using the models (underperforming modelling system, difficulty in setting the right parameters) and analysis of the metrics taking into account the model's limits (poor interpretation of the results, use of the results for purposes other than those for which the model was developed, failure to see the bigger picture).

It is identified as a specific risk that is managed according to the following principles:

- Use of a common system for the various metrics (Solvency II, pillar 1, ORSA, MCEV© and VNB), so that skills are shared among the various teams and each team can capitalise on the work of the others.
- A comprehensive governance system organised around committees, so that initial and revised model assumptions and laws are presented to and approved by decision-makers at the appropriate level in the organisation depending on the potential impact of the update.
- Extensive documentation of the model addressing the needs of the various user groups (users, decision-makers, modellers, etc.), to avoid any loss of modelling knowledge.
- Independent reviews of the models. In addition to the various external reviews, an internal model review and validation team performs independent reviews of the models and their successive updates.
- Group-level mapping of the models and related inherent risks, used to measure model risk.
- A model development policy defining the requirements in terms of deliverables and processes for each model update and their communication to the various development teams.

4. Strategic risks

The Group's partnerships give rise to a strategic risk. These partnerships may simply be commercial arrangements, such as a distribution agreement, or involve the investment of capital in a joint subsidiary. The potential risk of the partnerships not being renewed is closely monitored by the Board of Directors and the Chief Executive Officer, assisted by the Executive Committee.

Other strategic risks include:

- Credit rating downgrade risk.
- Competition risk.
- Risks related to new regulations.
- Risks related to new tax rules.

5. Concentration risk

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

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

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

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

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

D. Valuation for solvency purposes

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

The economic balance sheet is based to a large extent on the fair value measurement of assets and liabilities in the Group's IFRS balance sheet 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 consolidated 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 concern:

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

In the Solvency II economic balance sheet, transactions denominated in foreign currencies are measured and reported in accordance with IAS 21. The functional currency of subsidiaries, in which the majority of transactions are denominated, is their local currency.

Assets and liabilities of international operations – mainly international subsidiaries and independent branches – including fair value adjustments recorded on consolidation, are translated into euros, i.e., the Group’s presentation currency, at the closing exchange rate.

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

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

D1. Assets

1. Valuation principles

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

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

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

1.2. Criteria for identifying active markets versus 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 in the notes to the IFRS financial statements considered in the economic balance sheet as being valued based on quoted market prices in active markets.

1.3. Specific asset valuation methods

1.3.1 Intangible assets

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

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

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

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

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

1.3.2 Operating property (owner-occupied) and investment 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.

1.3.3 Financial assets

In view of the quality of the financial assets in the portfolio (more than 96% of which were rated BBB or over at 31 December 2017), 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 alternative valuation methods used to determine the estimated fair value of assets valued using level 2 or level 3 inputs (see below) in the IFRS balance sheet are also used for the Solvency II economic balance sheet. For these assets, wherever possible we use values obtained from arrangers or external valuers.

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

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

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

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

- 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.

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

- Level 1: financial instruments measured using quoted prices in active markets. The fair value of most financial instruments held by the Group is determined based on the quoted market price, whenever quoted prices are readily and regularly available and represent actual and regularly occurring market transactions conducted on an arm’s length basis. The active market for such transactions is the market in which the most recent prices were quoted and the largest trading volume was observed. The following financial assets are measured at their quoted market price:
  - equities, measured on the basis of quoted prices on their reference market;

  - mutual fund units, measured at their net asset value;
  - bonds, EMTNs and MTNs. For each instrument, the value is determined based on the most recent quoted prices available – on the stock exchange, from brokers, trading rooms or trading platforms, the ICMA Price Service (average prices) or BGN (average prices excluding highs and lows), taking into account liquidity factors in the choice of market;
  - BTAN treasury notes, at the prices quoted under the Banque de France's centralised quotation system;
  - derivatives traded on an organised market.

- Level 2: financial instruments measured by standard valuation techniques using mainly observable inputs. This category includes:
  - structured products valued by the Group, arrangers or external valuers;
  - OTC derivative contracts;
  - private equity;
  - 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.

  The Group uses valuations of its complex products prepared internally, or by an external arranger or valuer. They include structured products and derivative instruments used for hedging purposes. Due to their complexity, the valuation process involves using sophisticated models and methods, generally based on a probabilistic approach.

  Unlisted securities are valued:
    - using generally accepted market practices, primarily by reference to the prices of similar, comparable market transactions; or
    - by discounting the future cash flows expected to be generated by the investment.

- Level 3: financial instruments measured using inputs not based on observable market data (unobservable inputs). Unobservable inputs are defined as inputs based neither on observable market transactions involving the same instrument at the measurement date, nor on observable market data available at the same date. Very few financial instruments used by the Group fall into this category, but it would be used, for example, to classify asset-backed securities. For such instruments, assurance is obtained that any change in inputs used for measurement purposes based on reasonable alternative scenarios would not have any material impact on the financial statements.

(a) <u>Remeasurement at fair value of financial assets initially measured at amortised cost</u>

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

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

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

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

In the Solvency II economic balance sheet, the CNP Assurances Group values its investments as follows:

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

Investments in related property companies are measured based on appraisal values determined by an independent expert because the assets are not traded on a stock market.

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

1.3.4 Other assets

(a) Treasury shares

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

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

(b) Other assets

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

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

Items included in other assets and valued for the purpose of calculating the best estimate of insurance liabilities are eliminated from the Solvency II economic balance sheet as they are included in the best estimate. This concerns accrued income, which amounted to €14.3 million at 31 December 2017.

2. Differences compared to book value

2.1. Intangible assets

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

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

Intangible assets cancelled from the economic balance sheet at 31 December 2017 amounted to €2.5 billion. Deferred acquisition costs of €1.2 billion have been reclassified in the economic balance sheet, corresponding to the portion of these costs taken into account in the best estimate of insurance liabilities.

2.2. Insurance investments

Operating property (owner-occupied) and investment property

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

Investment properties held in unit-linked portfolios are included in the Solvency II economic balance sheet at the portfolio value. Fair value adjustments to other investment properties in the Solvency II economic balance sheet totalled €617.7 million in 2017.

Financial assets

At 31 December 2017, insurance investments and derivative instruments totalled €388.9 billion in the Solvency II economic balance sheet versus €386.1 billion in the IFRS balance sheet, representing a difference of €2.8 billion. The difference includes the value of derivative instruments recorded as liabilities[18].

In the IFRS balance sheet, financial assets are initially recognised at fair value. The carrying amount includes directly attributable transaction costs, except in the case of financial assets at fair value through profit or loss. Loans and receivables and held-to-maturity investments are measured at amortised cost by the effective interest method. They are remeasured at fair value in the Solvency II economic balance sheet, representing an adjustment of €23.9 million in 2017.

"Participations" as defined in Article 13 (20) of Solvency II (ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking that is not included in the Solvency II scope of consolidation) are also remeasured at fair value in the Solvency II economic balance sheet, representing an adjustment of €1,028.9 million in 2016.

[18] *Derivatives recorded as liabilities: €1.1 billion.*

2.3. Other assets

At 31 December 2017, other assets amounted to €9.9 billion under Solvency II versus €10.3 billion under IFRS, representing a difference of €0.4 billion.

Treasury shares

Own shares recorded as a deduction from equity in the IFRS balance sheet (under "Treasury shares") were reclassified as assets in the Solvency II economic balance sheet in an amount of €2.4 million and remeasured at market value. In 2017, the adjustment gave rise to a deferred tax effect.

Own shares are carried in the Solvency II economic balance sheet for an amount of €2.8 million at 31 December 2017.

Property, plant and equipment held for own use

Fair value adjustments to owner-occupied properties amounted to €135.3 million.

Cash deposits

At 31 December 2017, cash deposits were reported for an amount of €235.4 million in both the Solvency II economic balance sheet and the IFRS balance sheet.

Receivables and cash

At 31 December 2017, receivables and cash totalled €9.3 billion in both the Solvency II economic balance sheet and the IFRS balance sheet.

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.

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 liabilities are segmented into homogeneous risk groups, and as a minimum by lines of business.

1. Methods and assumptions

1.1. General principles and description of the models

The amounts reported by subsidiaries in their Solvency II reports may differ from the amounts published in the Group report, for two reasons: (i) certain supervisors do not permit the use in regulatory reports of amounts that anticipate adjustments to be recorded in the companies' local statutory financial statements, with the result that the local reporting deadline is misaligned with the Group reporting deadline, and (ii) the transitional measures concerning technical reserves were applied by CNP Partners in its solo SFCR, but not in CNP Assurances' group SFCR. Technical reserve calculations at Group level do not take into account all the issues encountered locally by the various units, and no transitional measures are applied to technical reserves at Group level.

Substantially all statutory technical reserves are calculated using models. When a model cannot be used, a prudent approach is systematically adopted. The best estimate calculation takes into account all future cash flows related to the insurance liabilities observed at the period-end. Expected benefit payments and expenses are modelled, together with future premiums within the limits set by the regulations. The main accounting phenomena and mechanisms are taken into account, such as changes in the policyholder surplus reserve and statutory technical reserves.

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

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

1.2. Main changes of method

The models used to calculate technical reserves were adjusted in 2017 to take account of the various regulatory changes and changes in partnership arrangements. The adjustments primarily concerned the models used to calculate technical reserves for points-based pension plans and term creditor insurance.

1.3. Economic assumptions

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

1.3.1 Reference interest rate curve

The reference interest rate curve corresponds to the EIOPA basic risk free interest rate term structure plus an adjustment for credit risk and volatility where possible. The adjusted term structure is extrapolated using a mechanism to ensure a smooth convergence to the ultimate forward rate. The ultimate forward rate is 4.2% as from 2038 in Europe and 5.2% in Brazil. Based on our analyses, the sensitivity of technical reserves and own funds to an increase or decrease of less than fifty basis points in the ultimate forward rate is limited.

1.3.2 Matching adjustment

Best estimates do not take into account any matching adjustment.

1.3.3 Volatility adjustment

The table below shows the credit risk and volatility adjustments applied at 31 December 2017 for the Group's various host countries:

(basis points)	France	Italy	Spain	Ireland	Luxembourg	Cyprus	Brazil
Credit risk adjustment (CRA)	10	10	10	10	10	10	35
Volatility adjustment (VA)	4	-	4	-	4	-	NA

The impact of the volatility adjustment on technical reserves and solvency indicators at 31 December 2017 is presented below:

Impact of volatility adjustment on technical reserves *(In € billions)*	Before volatility adjustment	**After volatility adjustment**	Impact
Technical reserves	361.5	**361.2**	(0.3)

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. CNP Partners is the only subsidiary to apply transitional measures for the calculation of technical reserves. However, the effect of these measures is not taken into account in determining the best estimate of the Group's insurance liabilities.

1.4. Assumptions used to calculate liabilities

The assumptions used to calculate liabilities, concerning such issues as mortality, temporary and permanent disability, surrender rates and loss experience, are reviewed annually at all reporting levels based on past experience. The reviews do not automatically lead to the assumptions being revised if they are considered as still being appropriate. Assumptions are determined based on statistical analyses provided that adequate representative experience-based historical data is available that is considered a reliable indicator of future trends. If adequate experience-based data is not available, the underwriting teams use their professional judgement to determine the assumptions, based on market practices, similar assumptions covering a comparable scope, regulatory tables, projected loss ratios and premium-neutral loss ratios which assume that premiums are exactly equal to the related benefits and expenses.

The professional judgements used to determine loss assumptions concern the following aspects: (i) the period covered by historical data, (ii) the affinity group selection process, (iii) the variables that explain the underlying phenomena, (iv) the reference tables used to calibrate biometric assumptions, (v) the statistical methods, (vi) the treatment of manifestly inaccurate or missing data, (vii) backtesting criteria, (viii) the use of forward-looking information not included in the data.

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

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

1.5. Future management actions

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

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

In the most unusual situations, such as an extended period of negative long- and short-term interest rates, the investment strategy is realigned by adjusting the asset allocation between the various classes in order to reduce the portfolio's exposure to equity or interest rate risk. In this type of environment, the savings portfolio is also adjusted to reduce the capital charge. Future management decisions also take into account expected policyholder behaviours.

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

1.6. Risk margin calculation

The Solvency II Delegated Regulation describes the recommended method of calculating the risk margin and three simplified methods. The methods used at 31 December 2017 were as follows:

- *For the Company,* the factor-based approach adopted in 2016 was applied. This method consists of calculating the risk margin based on more detailed required capital projections, using a specific method to estimate the future capital charge for each risk sub-module.
- *For the Italian subsidiary, CNP UniCredit Vita,* the duration-based approach used in 2016 was replaced by the factor-based approach in 2017.
- *For CNP Caution,* the factor-based approach was used in 2017, while for *the other subsidiaries*, the duration-based approach continued to be applied.

2. Uncertainties

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

- The impact of model uncertainties on the economic balance sheet is either estimated and allocated to technical reserves in a way that maximises them (this is the case, for example, of the convergence gap or model leaks) or used to adjust the model in a way that favours policyholders.
- Uncertainties concerning the metrics used to calculate technical reserves are addressed on a prudent basis, for example by aligning assets with liabilities for certain product categories in a way that is unfavourable to the Group. In addition, data quality enhancements provide a significant measure of comfort, by limiting the overall level of uncertainty.
- Uncertainties concerning assumptions are managed expertly by the underwriters using their professional judgement, with the overarching aim of ensuring that technical reserves are not understated. No assumption weaknesses have been identified that would adversely affect the overall level of technical reserves. Validation reports have been prepared by substantially all Group units listing the assumptions and future management decisions that affect the determination of technical reserves. The reports have been approved by Executive

Management. However, work to structure and document assumption choices needs to be pursued in the subsidiaries.

3. Main differences compared to the financial statements

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

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

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

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

4. Main results

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

	31 December 2017			31 December 2016			*Change*
(In € billions)	Best estimate	Risk margin	**Technical reserves**	Best estimate	Risk margin	**Technical reserves**	***Technical reserves***
Savings/Pensions	348.1	3.3	**351.4**	348.5	3.1	**351.6**	***-0.2***
Personal Risk/ Term Creditor Insurance	7.5	1.3	**8.7**	8.2	0.8	**9**	***-0.3***
Personal insurance	**355.6**	**4.6**	**360.1**	**356.6**	**3.9**	**360.5**	***-0.4***
Property & Casualty	**1.0**	**0.1**	**1.1**	**1.3**	**0.1**	**1.4**	***-0.3***
Total before reinsurance	**356.6**	**4.6**	**361.2**	**357.9**	**4**	**361.9**	***-0.7***
Ceded technical reserves			**28.4**			**25.5**	***2.9***
Reinsurance ratio (%)			**7.9%**			**7.1%**	***0.8 pts***

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

Gross technical reserves at 31 Dec. 2017 *(In € billions)*	Best estimate	Risk margin	Risk margin in %	**Technical reserves**
France	330.0	4.1	1.2%	**334.1**
Latin America	11.3	0.4	3.5%	**11.7**
Europe excluding France	15.3	0.1	0.7%	**15.4**
Group	**356.6**	**4.6**	**1.3%**	**361.2**

The risk margin represented 1.3% of the Group's gross technical reserves before reinsurance at 31 December 2017.

D3. Other liabilities

1. Valuation principles

1.1. Deferred taxes

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

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

The measurement of deferred tax assets and liabilities at 31 December 2017 takes into account the enacted reduction in the corporate income tax rate payable by the Company and the other French units from 33 1/3% (excluding the *contribution additionnelle* surtax) to 25% between 2019 and 2022 (as provided for in the 2018 Finance Act published in the French legal gazette *Journal Officiel* dated 30 December 2017).

1.2. Subordinated debt

1.2.1 Remeasurement of subordinated debt at best estimate

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

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

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

1.3. Other liabilities

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

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

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

Employee benefit obligations

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

2. Differences compared to book value

2.1. Subordinated debt

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

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

At 31 December 2017, subordinated debt totalled €7.5 billion in the Solvency II economic balance sheet versus €7.1 billion in the IFRS balance sheet, representing an adjustment of €0.4 billion.

2.2. Other liabilities

At 31 December 2017, other liabilities totalled €32.8 billion in the Solvency II economic balance sheet versus €30.8 billion in the IFRS balance sheet.

The €2 billion difference can be explained as follows:

- Reinsurance deposits under the partnership agreement with BPCE were increased by €1.4 billion in the Solvency II economic balance sheet. This was because, under Solvency II, the value of in-force business (VIF) and the best estimate of insurance liabilities are taken into account to determine the ceded amounts and the underlying assets are remeasured at fair value.
- Accrued charges are cancelled in the Solvency II economic balance sheet, because they are qualified as insurance liabilities and taken into account in the best estimate. At 31 December 2017, accrued charges amounted to €0.29 billion.
- The effect of changes in scope of consolidation was approximately €1 billion.

No specific adjustments are made to employee benefit obligations in the Solvency II economic balance sheet compared to the IFRS balance sheet. The total obligation recognised at 31 December 2017 amounted to €309.5 million.

Details of the amounts recognised are provided in the Registration Document (see note 15.3 to the consolidated financial statements in the 2017 Registration Document).

D4. Alternative valuation methods

In the Solvency II economic balance sheet, instruments measured using level 1 inputs in the notes to the IFRS financial statements are considered as being valued based on quoted market prices in active markets.

Assets measured using alternative methods based on level 2 or 3 inputs in the IFRS financial statements, are measured on the same basis in the Solvency II economic balance sheet in accordance with section D.1 Assets – 1. Valuation principles.

E. Capital management

E1. Own funds

1. Capital management objectives, policies and procedures

1.1. Principles

The Group's capital management principles are designed to fulfil two objectives:

- Comply with the Group's current and five-year projected solvency capital requirement, as calculated in accordance with the principles set out in Article 45 (ORSA) of the Solvency II directive.
- Maintain a good quality credit rating.

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

1.2. Procedures

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

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

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

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

2. Group solvency capital requirement calculation method

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

Except for Arial CNP Assurances which is consolidated by the proportional method and Wiz Soluçoes e Corretagem de Seguros SA which is accounted for by the equity method (in both cases for amounts that are not material at Group level), all units are consolidated by the full consolidation method.

3. Own funds measurement process

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

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

4. List of own funds items

4.1. Basic own funds

Basic own funds consist of the following items:

- Share capital, classified as Tier 1.
- Share premium account, classified as Tier 1.
- Subordinated notes are measured at best estimate[19], 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.

- The Group reconciliation reserve, corresponding to the sum of the following items:

[19] *Excluding changes in the Company's own credit risk.*

(In € billions)	**31 Dec. 2017**
Excess of assets over liabilities	22.6
Treasury shares (held directly or indirectly)	-0.0
Foreseeable dividends, distributions and expenses	-0.8
Other components of basic own funds[20]	-2.4
Adjustment for restricted own funds items in respect of matching adjustment portfolios and ring fenced funds	-0.0
Other unavailable own funds	-0.0
Reconciliation reserve	**19.4**

Part of the excess of assets over liabilities shown in the above table corresponds to the expected profit in future premiums (EPIFP). Part of this expected profit is deducted from available own funds (see 4.3 below). The contribution of EPIFP to available own funds was €0.9 billion in 2017.

(In € billions)	**31 Dec. 2017**
Expected profit in future premiums (EPIFP) — Life business	1.7
Expected profit in future premiums (EPIFP) — Non-life business	0.0
Total expected profit in future premiums (EPIFP)	**1.7**

4.2. Ancillary own funds

The Group does not have any ancillary own funds.

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

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

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

Deductions for the portion of subsidiaries’ own funds that is not available at Group level increased by €0.2 billion in 2017, corresponding primarily to growth in the Brazilian subsidiary’s own funds.

[20] *Details of the other components of basic own funds are provided in QRT S.23.01.22 (see Appendix).*

5. Information about the nature of own funds

5.1. Description of eligible own funds for SCR calculations

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

(In € billions)	**Own funds**	**SCR**
CNP Assurances	27.1	13.5
Caixa Seguradora	2.7	1.0
CNP UniCredit Vita	0.8	0.4
CNP Caution	0.6	0.1
CNP Santander Insurance Life	0.3	0.1
CNP Santander Insurance Europe	0.2	0.1
CNP Partners	0.2	0.1
MFPrévoyance	0.2	0.1
Arial CNP Assurances[21]	0.1	0.0*
CNP Cyprialife	0.1	0.0*
CNP Asfalistiki	0.0*	0.0*
Assuristance[22]	0.0*	0.0*
CNP Europe Life Ltd	0.0*	0.0*
CNP Luxembourg	0.0*	0.0*
CNP Assurances Compania de Seguros	0.0*	0.0*

** Amounts of less than €0.1 billion after rounding.*

Notes:

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

The Group's eligible own funds total €26.1 billion versus an SCR of €13.7 billion. The €26.1 billion in eligible own funds for the Group's SCR calculations break down as follows:

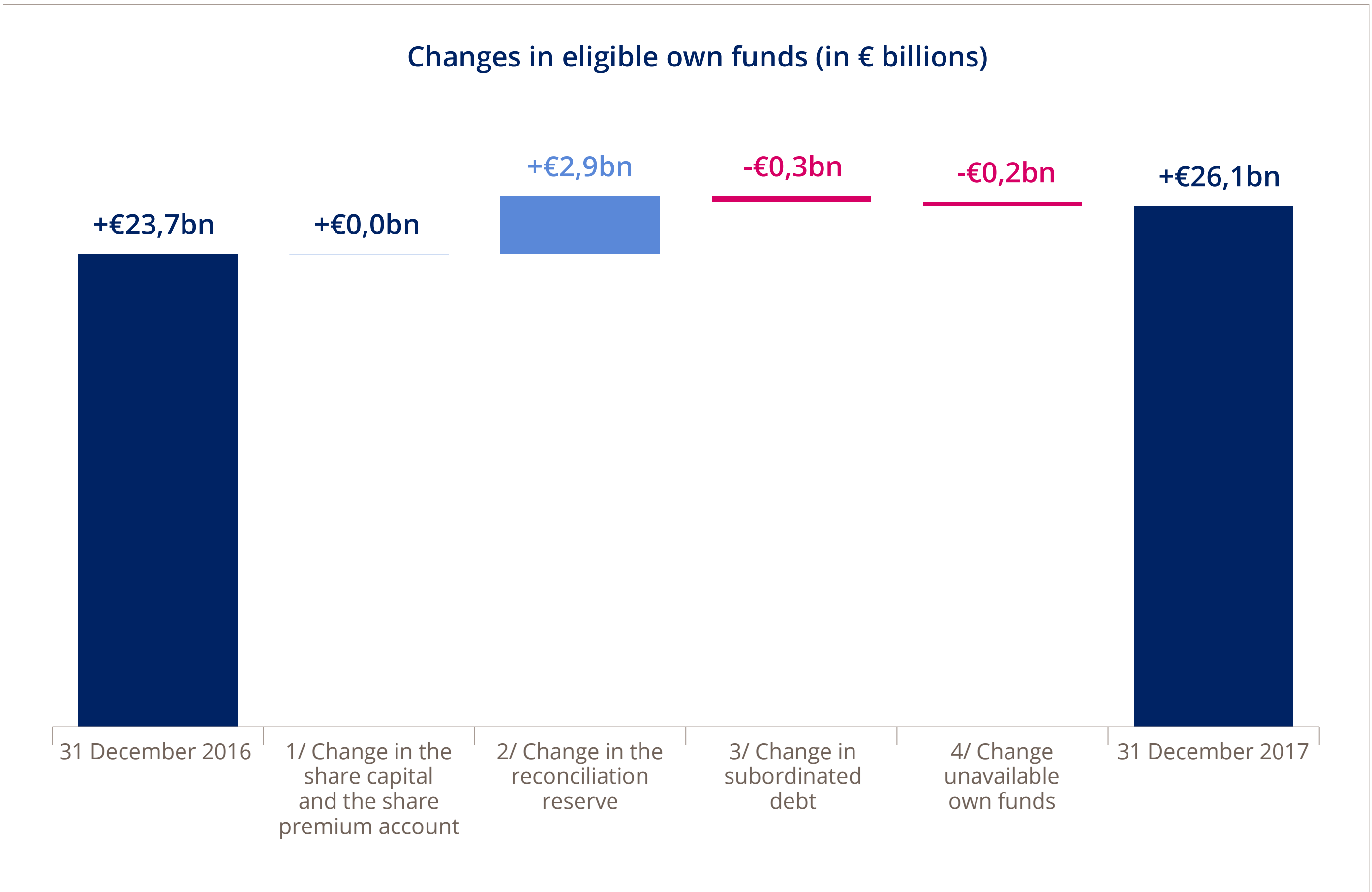
- €18.6 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and the share premium account.
- €7.5 billion of subordinated debt, breaking down as follows, with 2016 comparatives:

(In € billions)	**31 Dec. 2017**	**31 Dec. 2016**
Restricted Tier 1	2.6	2.8
Tier 2	3.9	4.0
Tier 3	1.0	1.0
Total	**7.5**	**7.8**

[21] Note that Arial CNP Assurances is consolidated by the proportional method in the economic balance sheet.
[22] The amounts reported for Assuristance correspond to combined figures for Filassistance and Garantie Assistance, which were merged in 2017.

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 2017, these quantitative caps on the components of eligible own funds for SCR calculations were not met.

5.2. Analysis of changes during the reference period



There were no changes in share capital or the share premium account during 2017. The Group's eligible own funds increased by €2.4 billion between 31 December 2016 and 31 December 2017.

- The increase in the reconciliation reserve and unavailable own funds reflected:
  - Resilient financial market conditions.
  - The contribution of operations, including the positive effect of the shift in product mix towards unit-linked contracts.
  - Growth in the Brazilian subsidiary's own funds, which contributed to the increase in the reconciliation reserve and unavailable own funds (in the amount of €3.3 billion at 31 December 2017).

  The increase was partly offset by the effect of experience-based adjustments to biometric and behavioural assumptions in France.
- The reduction in subordinated debt corresponds to negative fair value adjustments following changes in market interest rates and exchange rates during the year.

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

The €22.6 billion of eligible own funds for the CNP Assurances Group's MCR calculations break down as follows:

- €18.6 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and the share premium account.
- €4.0 billion of subordinated debt allocated as follows (with 2016 comparatives):

(In € billions)	**31 Dec. 2017**	**31 Dec. 2016**
Restricted Tier 1	2.6	2.8
Tier 2	1.4	1.3
Tier 3	0.0	0.0
Total	**4.0**	**4.1**

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

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

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

The difference between IFRS equity (€20.0 billion) and Solvency II own funds (€26.1 billion) can be explained as follows:

- Remeasurement of assets due to differences between IFRS and Solvency II principles: +€5.1 billion.
- Remeasurement of liabilities due to differences between IFRS and Solvency II principles: -€2.4 billion[23].
- Inclusion of subordinated debt in Solvency II own funds: +€7.5 billion.
- Deduction of forecast dividends from Solvency II own funds: -€0.8 billion.
- Deduction of own funds not available at Group level from Solvency II own funds: -€3.3 billion.

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

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

The 17 subordinated notes issues concerned together represent €5.3 billion out of a total of €7.5 billion worth of subordinated debt (at fair value) in the economic balance sheet at 31 December 2017. The terms and conditions applicable to these issues vary from one issue to another.

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

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

1. SCR and MCR calculation method and 2017 amounts

1.1. SCR calculation method

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

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

1.2. SCR and MCR at 31 December 2017

The Group's SCR at 31 December 2017 was €13.7 billion and the SCR coverage ratio at that date was 190%. The Group's MCR at 31 December 2017 was €7.0 billion and the MCR coverage ratio at that date was 324%.

2. Minimum capital requirement (MCR)

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

(In € billions)	**MCR at 31 Dec. 2017**
CNP Assurances	6.1
Caixa Seguradora	0.5
CNP UniCredit Vita	0.2
CNP Santander Insurance Europe	0.1
CNP Santander Insurance Life	0.1
CNP Partners	0.1
CNP Caution	0.0*
Arial CNP Assurances	0.0*
Assuristance	0.0*
MFPrévoyance	0.0*
CNP Europe Life Ltd	0.0*
CNP Cyprialife	0.0*
CNP Asfalistiki	0.0*
CNP Luxembourg	0.0*
CNP Assurances Compania de Seguros	0.0*
CNP Assurances Group	**7.0**

** Amounts of less than €0.1 billion after rounding.*

3. Solvency capital requirement (SCR)

3.1. Quantitative SCR information by risk module

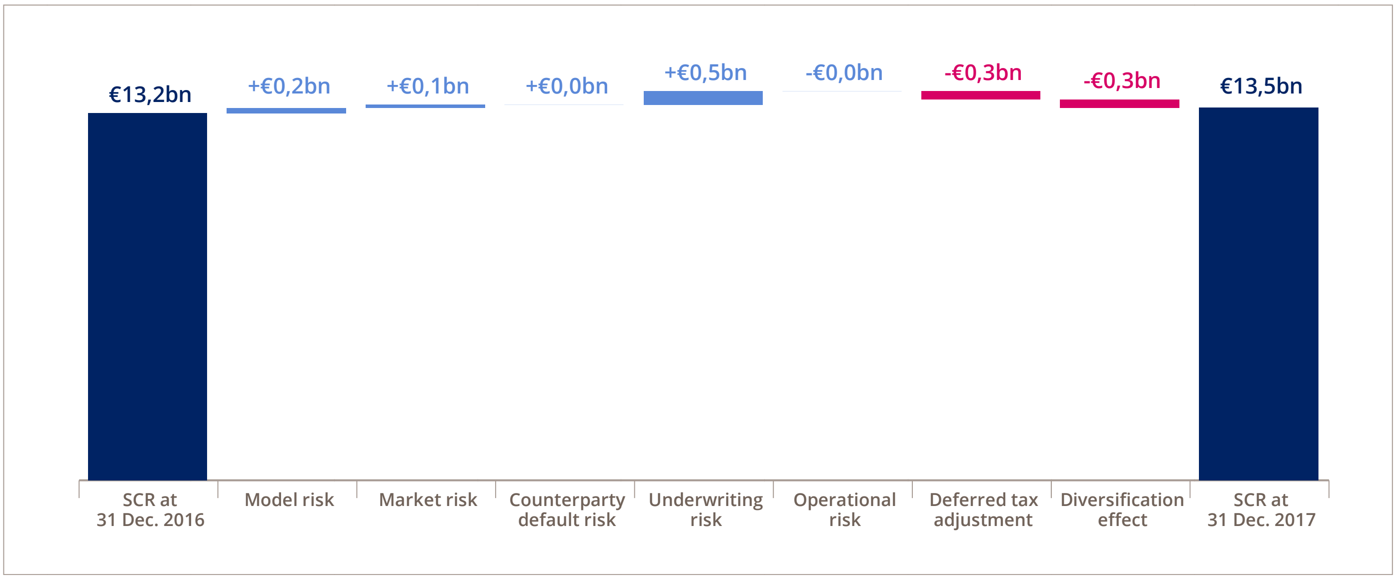
Breakdown of the Group's SCR by risk module, net of losses absorbed by future discretionary benefits:

(In € billions)	**31 Dec. 2017**
Market risk SCR	12.0
Counterparty default risk SCR	1.3
Life underwriting risk SCR	4.3
Health underwriting risk SCR	2.1
Non-life underwriting risk SCR	0.9
Diversification effect	-5.4
Intangible asset risk SCR	0.0
Basic SCR	**15.2**
Operational risk SCR	1.5
Loss-absorbing capacity of deferred taxes	-3.0
Other*	0.0
SCR	**13.7**

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

3.2. Significant changes during the period

Change in CNP Assurance Group SCR by risk module *(in € billions)*



At 31 December 2017, the Group's SCR was €13.7 billion, representing an increase of €0.3 billion from the previous year-end.

The increase can be explained as follows:

- Changes in model risk, including improved policyholder dividend projections for traditional savings contracts and the effect of regulatory changes concerning points-based pension plans, led to a €0.3 billion increase in SCR.
- Underwriting risk SCR rose by €0.5 billion due to experience-based adjustments to biometric and behavioural assumptions.
- The adjustment for deferred taxes reduced SCR by €0.3 billion, reflecting improved projected future margins on pensions/savings business, partly offset by the enacted future reduction in the French corporate income tax rate.
- The €0.3 billion diversification benefit was attributable to the higher proportion of non-financial risks compared with 2016.

4. Impact of volatility adjustment on solvency indicators

The impact of the volatility adjustment on solvency indicators is presented below:

Impact of volatility adjustment on solvency indicators *(In € billions)*	Before volatility adjustment	**After volatility adjustment**	Impact
Solvency capital requirement (SCR)	13.8	13.7	-0.1
Basic own funds	25.9	26.1	+0.2
Eligible own funds to cover the SCR	25.9	26.1	+0.2
Solvency II SCR coverage ratio	**188%**	**190%**	**+3 pts**

The impact of the volatility adjustment in 2017 was considerably less than the 11-point impact in 2016.

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.

Presentation currency: € thousands
Legal name: CNP ASSURANCES
Year ended: 31 December 2017

F. Appendix: Quantitative Reporting Templates (QRTS) for public disclosure

S.02.01.02 – Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	86,489
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	268,776
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	334,122,017
Property (other than for own use)	R0080	887,940
Holdings in related undertakings, including participations	R0090	2,660,175
Equities	R0100	28,043,881
Equities - listed	R0110	18,128,778
Equities - unlisted	R0120	9,915,103
Bonds	R0130	228,410,272
Government Bonds	R0140	126,052,341
Corporate Bonds	R0150	88,811,819
Structured notes	R0160	13,035,016
Collateralised securities	R0170	511,096
Collective Investments Undertakings	R0180	72,814,007
Derivatives	R0190	797,533
Deposits other than cash equivalents	R0200	505,961
Other investments	R0210	2,249
Assets held for index-linked and unit-linked contracts	R0220	55,484,946
Loans and mortgages	R0230	396,670
Loans on policies	R0240	391,800
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	4,870
Reinsurance recoverables from:	R0270	28,396,467
Non-life and health similar to non-life	R0280	163,391
Non-life excluding health	R0290	47,892
Health similar to non-life	R0300	115,499
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	25,250,830
Health similar to life	R0320	284,204
Life excluding health and index-linked and unit-linked	R0330	24,966,626
Life index-linked and unit-linked	R0340	2,982,245
Deposits to cedants	R0350	235,402
Insurance and intermediaries receivables	R0360	3,231,694
Reinsurance receivables	R0370	183,594
Receivables (trade, not insurance)	R0380	4,895,243
Own shares (held directly)	R0390	2,767
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	1,014,872
Any other assets, not elsewhere shown	R0420	33,467
Total assets	R0500	428,352,402

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	R0510	2,100,601
Technical provisions - non-life (excluding health)	R0520	266,159
TP calculated as a whole	R0530	
Best Estimate	R0540	151,813
Risk margin	R0550	114,346
Technical provisions - health (similar to non-life)	R0560	1,834,443
TP calculated as a whole	R0570	
Best Estimate	R0580	1,767,135
Risk margin	R0590	67,308
Technical provisions - life (excluding index-linked and unit-linked)	R0600	306,051,603
Technical provisions - health (similar to life)	R0610	4,901,674
TP calculated as a whole	R0620	
Best Estimate	R0630	4,800,456
Risk margin	R0640	101,218
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	301,149,929
TP calculated as a whole	R0660	
Best Estimate	R0670	297,088,909
Risk margin	R0680	4,061,020
Technical provisions - index-linked and unit-linked	R0690	53,065,232
TP calculated as a whole	R0700	
Best Estimate	R0710	52,764,188
Risk margin	R0720	301,044
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	209,745
Pension benefit obligations	R0760	339,992
Deposits from reinsurers	R0770	15,052,447
Deferred tax liabilities	R0780	3,102,044
Derivatives	R0790	1,109,527
Debts owed to credit institutions	R0800	472,120
Financial liabilities other than debts owed to credit institutions	R0810	10,311,843
Insurance & intermediaries payables	R0820	1,600,003
Reinsurance payables	R0830	691,927
Payables (trade, not insurance)	R0840	3,936,118
Subordinated liabilities	R0850	7,503,210
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	7,503,210
Any other liabilities, not elsewhere shown	R0880	169,430
Total liabilities	R0900	405,715,842
Excess of assets over liabilities	R1000	22,636,561

Solvency II economic balance sheet – Assets

Assets, Solvency II values *(In € billions)*	**31 Dec. 2017**	Corresponding section of the SFCR
Intangible assets	0	D1
Deferred tax assets	0.1	D3
Pension benefit surplus	0	D3
Property, plant and equipment held for own use	0.3	D1
Investments (other than assets held for index-linked and unit-linked contracts)[1]	334.1	D1
Asset held in unit-linked and index-linked contracts	55.5	D1
Loans and mortgages	0.4	D1
Reinsurance recoverables	28.4	D2
Other assets and miscellaneous receivables[2]	9.6	D1
Total	**428.4**	

[1] Not including derivative instruments with a negative fair value for €1.1 billion.
The €388.9 billion in insurance investments referred to in the narrative report comprises investments (including derivative instruments with a negative fair value), assets held in unit-linked and index-linked funds, loans and mortgages.

[2] Not including property, plant and equipment held for own use in the amount of €0.3 billion.
The €9.9 billion in other assets referred to in the narrative report comprises other assets and miscellaneous receivables and property, plant and equipment held for own use.

Liabilities, Solvency II values *(In € billions)*	**31 Dec. 2017**	Corresponding section of the SFCR
Non-life technical provisions	2.1	D2
Technical provisions – Life (excluding index-linked and unit-linked)	306.1	D2
Technical provisions – Index-linked and unit-linked funds	53.1	D2
Subordinated liabilities	7.5	D3
Deferred tax liabilities	3.1	D3
Derivatives	1.1	D3
Other liabilities and miscellaneous payables	32.8	D3
Total liabilities	**405.7**	
Excess of assets over liabilities	22.6	

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	223,186	350,374	124,642	34,582	88,898	643	285,293	13,038	24,129	1,132	76,784	178,194					1,400,894
Gross - Proportional reinsurance accepted	R0120	316,971	0	0	0	0	0	0	0	0	0	0	22,997					339,968
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140	160,788	3,501	725	797	303	99	11,690	2,776	5,644	0	3,161	11,338	0	0	0	0	200,822
Net	R0200	379,369	346,873	123,917	33,785	88,594	544	273,603	10,262	18,485	1,132	73,623	189,853	0	0	0	0	1,540,040
Premiums earned																		
Gross - Direct Business	R0210	225,116	382,335	129,987	31,677	62,621	649	275,897	11,689	21,480	1,132	81,417	173,428					1,397,428
Gross - Proportional reinsurance accepted	R0220	459,460	0	0	0	0	0	0	0	0	0	0	23,168					482,628
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240	142,289	3,034	500	787	280	100	13,541	2,504	2,885	0	2,517	23,526	0	0	0	0	191,962
Net	R0300	542,288	379,302	129,487	30,890	62,341	549	262,355	9,186	18,595	1,132	78,901	173,070	0	0	0	0	1,688,094
Claims incurred																		
Gross - Direct Business	R0310	206,181	325,731	116,487	18,949	41,400	203	60,272	4,534	21,124	147	16,747	26,367					838,142
Gross - Proportional reinsurance accepted	R0320	394,656	0	0	0	0	0	0	0	0	0	0	9,146					403,802
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340	155,329	830	178	199	50	(12)	1,571	275	4,724	0	149	4,900	0	0	0	0	168,192
Net	R0400	445,508	324,902	116,309	18,750	41,350	215	58,701	4,259	16,399	147	16,598	30,613	0	0	0	0	1,073,751
Changes in other technical provisions																		
Gross - Direct Business	R0410	7,721	166	13,694	0	0	0	(1,105)	0	(106)	0	995	304					21,669
Gross - Proportional reinsurance accepted	R0420	(1,585)	0	0	0	0	0	0	0	0	0	0	(1,785)					(3,370)
Gross - Non- proportional reinsurance accepted	R0430																	
Reinsurers'share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0500	6,136	166	13,694	0	0	0	(1,105)	0	(106)	0	995	(1,481)	0	0	0	0	18,299
Expenses incurred	R0550	103,793	47,154	18,986	8,589	49,868	142	84,733	2,698	7,561	315	37,591	110,086	0	0	0	0	471,516
Other expenses	R1200																	2,000
Total expenses	R1300																	473,516

		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	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	1,589,229	13,458,555	9,515,573	4,145,402	0	0	5,173	1,944,121	30,658,053
Reinsurers' share	R1420	353,149	1,159,418	242,398	270,484	0	0	0	0	2,025,449
Net	R1500	1,236,080	12,299,137	9,273,175	3,874,918	0	0	5,173	1,944,121	28,632,604
Premiums earned										
Gross	R1510	1,593,573	13,539,574	9,499,229	3,919,789	0	0	46,587	2,252,453	30,851,206
Reinsurers' share	R1520	374,078	1,159,358	241,553	285,522	0	0	0	0	2,060,512
Net	R1600	1,219,495	12,380,216	9,257,676	3,634,267	0	0	46,587	2,252,453	28,790,694
Claims incurred										
Gross	R1610	922,702	23,511,318	4,204,746	1,453,915	0	0	6,944	319,551	30,419,176
Reinsurers' share	R1620	230,621	1,588,624	124,457	86,369	0	0	0	0	2,030,070
Net	R1700	692,081	21,922,694	4,080,289	1,367,546	0	0	6,944	319,551	28,389,105
Changes in other technical provisions										
Gross	R1710	(81,858)	468,292	(4,121,109)	31,368	0	0	2,357	(22,192)	(3,723,142)
Reinsurers' share	R1720	(43,427)	(132,841)	1,452	19,982	0	0	0	0	(154,834)
Net	R1800	(38,431)	601,133	(4,122,561)	11,386	0	0	2,357	(22,192)	(3,568,308)
Expenses incurred	R1900	547,908	1,522,192	400,949	1,543,591	0	0	38,996	111,802	4,165,438
Other expenses	R2500									10,522
Total expenses	R2600									4,175,960

S.05.02.01 – Premiums, claims and expenses by country

Non-life insurance and reinsurance obligations

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Top 5 countries (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0070
	R0010	FR	BR	DE	ES	IT	
		C0080	C0090	C0100	C0110	C0120	C0140
Premiums written							
Gross - Direct Business	R0110	658,517	536,124	84,501	10,571	13,871	1,303,584
Gross - Proportional reinsurance accepted	R0120	316,971	0	1,540	11,774	6,224	336,509
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0
Reinsurers' share	R0140	93,140	87,458	(1,648)	2	241	179,192
Net	R0200	882,348	448,667	87,689	22,343	19,855	1,460,901
Premiums earned							
Gross - Direct Business	R0210	703,722	493,303	76,541	12,213	14,949	1,300,728
Gross - Proportional reinsurance accepted	R0220	459,460	0	3,712	11,774	6,224	481,170
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0
Reinsurers' share	R0240	74,340	85,345	8,168	2	2,003	169,858
Net	R0300	1,088,842	407,957	72,085	23,985	19,170	1,612,039
Claims incurred							
Gross - Direct Business	R0310	540,489	239,651	6,925	1,850	3,616	792,531
Gross - Proportional reinsurance accepted	R0320	394,656	0	116	901	7,852	403,526
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0
Reinsurers' share	R0340	52,558	108,695	0	0	0	161,253
Net	R0400	882,587	130,956	7,041	2,751	11,468	1,034,803
Changes in other technical provisions							
Gross - Direct Business	R0410	22,446	(1,100)	323	0	0	21,669
Gross - Proportional reinsurance accepted	R0420	(1,585)	0	0	0	(1,785)	(3,370)
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0	0	0
Reinsurers'share	R0440	0	0	0	0	0	0
Net	R0500	20,861	(1,100)	323	0	(1,785)	18,299
Expenses incurred	R0550	180,259	180,991	53,975	16,080	6,848	438,153
Other expenses	R1200						1,113
Total expenses	R1300						439,266

Life insurance and reinsurance obligations

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Top 5 countries (by amount of gross premiums written) - life obligations	Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0210
	R1400	FR	BR	DE	ES	IT	
		C0220	C0230	C0240	C0250	C0260	C0280
Premiums written							
Gross	R1410	21,977,084	4,944,644	407,415	198,744	2,842,950	30,370,838
Reinsurers' share	R1420	1,939,367	76,392	(9,552)	243	9,945	2,016,395
Net	R1500	20,037,716	4,868,252	416,967	198,501	2,833,005	28,354,442
Premiums earned							
Gross	R1510	22,448,918	4,721,986	389,346	197,263	2,866,432	30,623,946
Reinsurers' share	R1520	1,913,778	74,852	40,896	243	16,938	2,046,708
Net	R1600	20,535,140	4,647,134	348,450	197,020	2,849,494	28,577,238
Claims incurred							
Gross	R1610	25,812,450	1,950,864	41,904	128,608	2,415,246	30,349,072
Reinsurers' share	R1620	2,007,117	9,628	308	3	1,783	2,018,839
Net	R1700	23,805,333	1,941,236	41,596	128,605	2,413,463	28,330,234
Changes in other technical provisions							
Gross	R1710	(208,917)	(2,945,160)	5,140	(13,916)	(567,719)	(3,730,572)
Reinsurers' share	R1720	(174,543)	0	1,662	(55)	(538)	(173,474)
Net	R1800	(34,373)	(2,945,160)	3,478	(13,861)	(567,181)	(3,557,097)
Expenses incurred	R1900	3,014,370	401,926	291,369	57,496	270,472	4,035,633
Other expenses	R2500						10,022
Total expenses	R2600						4,045,655

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

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	361,217,436	(0)	0	292,327	0
Basic own funds	R0020	26,087,946	0	0	(172,053)	0
Eligible own funds to meet Solvency Capital Requirement	R0050	26,087,946	(0)	0	(172,053)	0
Solvency Capital Requirement	R0090	13,706,778	0	0	106,996	0

S.23.01.22 – Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors						
Ordinary share capital (gross of own shares)	R0010	686,618	686,618			
Non-available called but not paid in ordinary share capital at group level	R0020					
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					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	19,441,459	19,441,459			
Subordinated liabilities	R0140	7,503,208		2,634,229	3,877,926	991,054
Non-available subordinated liabilities at group level	R0150	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
The amount equal to the value of net deferred tax assets not available at the group level	R0170	0				0
Other items approved by supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	R0190	1,647,287	1,647,287	0	0	0
Minority interests (if not reported as part of a specific own fund item)	R0200	0	0	0	0	0
Non-available minority interests at group level	R0210	1,612,899	1,612,899	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270	3,260,186	3,260,186	0	0	0
Total deductions	R0280	3,260,186	3,260,186	0	0	0
Total basic own funds after deductions	R0290	26,087,946	18,584,738	2,634,229	3,877,926	991,054
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					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Own funds of other financial sectors						
Reconciliation reserve	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	26,087,946	18,584,738	2,634,229	3,877,926	991,054
Total available own funds to meet the minimum consolidated group SCR	R0530	25,096,892	18,584,738	2,634,229	3,877,926	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	26,087,946	18,584,738	2,634,229	3,877,926	991,054
Total eligible own funds to meet the minimum consolidated group SCR	R0570	22,615,905	18,584,738	2,634,229	1,396,939	
Minimum consolidated Group SCR	R0610	6,984,693				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	3.24				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	26,087,946	18,584,738	2,634,229	3,877,926	991,054
Group SCR	R0680	13,706,778				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.90				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	22,636,561
Own shares (included as assets on the balance sheet)	R0710	2,767
Forseeable dividends, distributions and charges	R0720	788,870
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	
Other non available own funds	R0750	
Reconciliation reserve before deduction for participations in other financial sector	R0760	19,441,459
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	1,653,861
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total EPIFP	R0790	1,653,861

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

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	33,103,646		
Counterparty default risk	R0020	1,388,539		
Life underwriting risk	R0030	7,397,592		None
Health underwriting risk	R0040	3,225,330		None
Non-life underwriting risk	R0050	909,456		None
Diversification effect	R0060	(8,632,502)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	37,392,061		
Calculation of Solvency Capital Requirement		C0100		
Operational risk	R0130	1,491,148		
Loss-absorbing capacity of technical provisions	R0140	(22,173,807)		
Loss-absorbing capacity of deferred taxes	R0150	(3,002,624)		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160			
Solvency capital requirement excluding capital add-on	R0200	13,706,778		
Capital add-on already set	R0210	0		
Solvency capital requirement	R0220	13,706,778		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400			
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	13,531,110		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	175,668		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430			
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0		
Minimum consolidated group solvency capital requirement	R0470	6,984,693		
Information on other entities				
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500			
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510			
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520			
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530			
Capital requirement for non-controlled participation requirements	R0540			
Capital requirement for residual undertakings	R0550			
Overall SCR				
SCR for undertakings included via D and A	R0560			
Solvency capital requirement	R0570	13,706,778		

S.32.01.22 – Undertakings in the scope of the Group

Country	Identification code of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
							% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
CY	LEI/549300E1TVPTEUKMTJ15	CNP Cyprialife	1	Cyprus Limited Company	1	Supervisory Authority	50.10	100.00	50.10		1	50.10	1		1
CY	LEI/635400OJWQDTW9KI2E51	CNP Asfalistiki	2	Cyprus Limited Company	1	Supervisory Authority	50.10	100.00	50.10		1	50.10	1		1
FR	LEI/969500GJQEPAPEKJAX76	Filassistance International	2	Société anonyme	2	ACPR	66.00	100.00	66.00		1	66.00	1		1
FR	LEI/969500330J87723S1285	CNP Caution	2	Société anonyme	2	ACPR	100.00	100.00	100.00		1	100.00	1		1
FR	LEI/9695000KPL9MXREMO263	MFPrévoyance	4	Société anonyme	2	ACPR	65.00	100.00	51.00		1	65.00	1		1
IE	LEI/635400VBRWZ7L36SLG55	CNP Europe Life Ltd	1	incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland	100.00	100.00	100.00		1	100.00	1		1
IE	LEI/6354001NC5BJ3Z7GSG05	CNP Santander Insurance Europe Dac	4	incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland	51.00	100.00	51.00		1	51.00	1		1
IT	LEI/0SNYM8YYKYB4ZH7G4F66	CNP UNICREDIT VITA	1	Società per azioni	2	IVASS	57.50	100.00	57.50		1	57.50	1		1
FR	LEI/969500QKVPV2H8UXM738	CNP ASSURANCES	4	Société anonyme	2	ACPR	100.00	100.00	100.00		1	100.00	1		1
LU	LEI/222100YKBGQFZEHE4Y78	CNP Luxembourg	1	Société anonyme	2	Commissariat aux assurances	100.00	100.00	100.00		1	100.00	1		1
FR	LEI/9695008H4RKQ5E1SRK50	ARIAL CNP ASSURANCES	4	Société anonyme	2	ACPR	40.00	40.00	40.00		1	40.00	1		2
ES	LEI/95980020140005248944	CNP Partners	4	Société anonyme	2	DGSFP	100.00	100.00	100.00		1	100.00	1		1
IE	LEI/635400FVDVPKRG2JWN68	CNP Santander Insurance Life Dac	4	incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland	51.00	100.00	51.00		1	51.00	1		1
FR	SC/969500QKVPV2H8UXM738FR00002	Assuristance	6	Société anonyme	2		66.00	100.00	66.00		1	66.00	1		1
CY	SC/969500QKVPV2H8UXM738CY00001	CNP Cyprus Insurance Holdings	5	Cyprus Limited Company	1		50.10	100.00	50.10		1	50.10	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00005	Caixa Vida e Previdência	1	Société anonyme	2	SUSEP	51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00007	Caixa Assessoria e Consultoria	99	Société anonyme	2		51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00011	Odonto Empresas Convenios Dentarios LTDA	2	Société à responsabilité limitée SARL	2	Agência Nacional de Saúde Suplementar	51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00012	Holding Caixa Seguros Participaçoes em Saude Ltda	5	Société à responsabilité limitée SARL	2		51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00006	Caixa Consórcios	99	Société anonyme	2		51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00002	Caixa Seguros Participações Securitárias Ltda.	5	Société anonyme	2		51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00004	Caixa Capitalização	1	Société anonyme	2	SUSEP	26.39	100.00	26.39		1	26.39	1		1
AR	SC/LEI/969500QKVPV2H8UXM738AR00001	CNP Assurances Compañia de Seguros	1	Société anonyme	2	Superintendencia de Seguros de la Nación	76.47	100.00	76.47		1	76.47	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00013	CNP Holding Brasil	6	Société anonyme	2		100.00	100.00	100.00		1	100.00	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00014	Wiz Soluçoes e Corretagem de Seguros S.A	99	Société anonyme	2		12.94	12.94	12.94		1	12.94	1		3
BR	SC/LEI/969500QKVPV2H8UXM738BR00003	Caixa Seguradora (ex Caixa Seguros)	4	Société anonyme	2	SUSEP	51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00001	Caixa Seguros Holding S.A.	6	Société anonyme	2		51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00009	Previsul	4	Société anonyme	2	SUSEP	51.75	100.00	51.75		1	51.75	1		1
BR	SC/LEI/969500QKVPV2H8UXM738BR00008	Caixa Saúde SA	2	Société anonyme	2	Agência Nacional de Saúde Suplementar	51.75	100.00	51.75		1	51.75	1		1

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

G. Glossary

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

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

APE margin (also referred to as new business margin): Value of new business (VNB) 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 (BU): Units responsible for business development and insurance contract administration processes.

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

EIOPA: European Insurance and Occupational Pensions Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Value of new business (VNB): Measures the value of insurance policies sold during the period, calculated using a market-consistent method of valuing assets and liabilities. VNB 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.

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