

# 2018 ANNUAL RESULTS

## GLOSSARY

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This glossary includes definitions of alternative performance measures (APMs) that are considered useful by CNP Assurances to measure and analyse the Group's performance. The APMs reporting scope is unchanged from prior periods. All APMs are identified by an asterisk (\*). They should be treated as additional information and not as substitutes for the balance sheet and income statement prepared in accordance with IFRS.

They may not be comparable with those published by other companies, as their definition may vary from one company to another. Prudential measures determined in accordance with the Solvency II Directive, and actuarial measures determined in accordance with European Insurance CFO Forum Market Consistent Embedded Value<sup>®</sup> Principles are not considered to be APMs.

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## Adjusted net asset value (ANAV)

- ▶ Market value of assets not held to back technical reserves. ANAV corresponds to equity attributable to owners of the parent net of subordinated notes classified in equity, intangible assets, other items included in the value of In-Force business (VIF) and contingent liabilities. This indicator is net of non-controlling interests. ANAV breaks down between required capital and free surplus.

€m	31/12/2018	31/12/2017
Equity attributable to owners of the parent (1)	17,781	18,257
Subordinated notes classified in equity (2)	1,881	1,765
Intangible assets (3)	685	664
Items included in the value of In-Force business (4)	1,568	1,917
Contingent liabilities (5)	1,046	0
<b>ANAV = (1) - (2) - (3) - (4) - (5)</b>	<b>12,600</b>	<b>13,911</b>

## Administrative costs\*

- ▶ Costs of administering and managing insurance contracts, excluding commissions paid to the distribution networks. The calculation base includes non-controlling interests.

## 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. This indicator is net of non-controlling interests and ceded premiums. Annual premium equivalent 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.

€m	31/12/2018	31/12/2017
Value of new business (VNB) (1)	659	782
Annual premium equivalent (APE) (2)	3,090	3,316
<b>APE margin = (1) / (2)</b>	<b>21.3%</b>	<b>23.6%</b>

## Change at constant exchange rates

- ▶ Indicators at constant exchange rates are calculated by translating current period data at the prior period exchange rate. This technique strips out the currency effect from the change in the indicator concerned.

## Change on a comparable consolidation scope basis

- ▶ Indicators on a comparable consolidation scope basis are calculated by excluding (i) the contribution of businesses discontinued or sold during the current period from the prior period data and (ii) the contribution of businesses acquired during the current period from current period data. This technique strips out the effect of acquisitions and divestments from the change in the indicator concerned.

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## Combined ratio (personal risk/protection segment)\*

- ▶ Calculated for the personal risk/protection insurance segment by dividing EBIT by premium income net of ceded premiums and deducting the result from 100%. The combined ratio is an indicator of personal risk/protection business profitability.

€m	31/12/2018	31/12/2017
EBIT (personal risk/protection segment) (1)	1,184	1,153
Premium income net of ceded premiums (personal risk/protection segment) (2)	6,211	6,568
<b>Combined ratio (personal risk/protection segment) = 100% - (1) / (2)</b>	<b>80.9%</b>	<b>82.5%</b>

## Cost/income ratio\*

- ▶ Administrative costs divided by net insurance revenue (NIR). The cost/income ratio is an indicator of operating efficiency.

€m	31/12/2018	31/12/2017
Administrative costs (1)	922	938
Net insurance revenue (NIR) (2)	3,113	3,048
<b>Cost/income ratio = (1) / (2)</b>	<b>29.6%</b>	<b>30.8%</b>

## Debt-to-equity ratio\*

- ▶ Subordinated notes classified in debt or equity, divided by the sum of subordinated notes classified in debt and total equity less intangible assets. Measures the proportion of financing represented by total subordinated notes (classified in both debt and equity).

€m	31/12/2018	31/12/2017
Subordinated notes classified in equity (1)	1,881	1,765
Subordinated notes classified in debt (2)	5,337	5,300
Total equity (3)	19,521	20,023
Intangible assets (4)	732	799
<b>Debt-to-equity ratio = [(1) + (2)] / [(2) + (3) - (4)]</b>	<b>29.9%</b>	<b>28.8%</b>

## Dividend cover

- ▶ Operating free cash flow (OFCF) net of cash flows from subordinated notes issues and repayments, divided by dividends. Indicator of the Group's ability to pay dividends to shareholders. This ratio is calculated only for annual results presentations.

€m	31/12/2018	31/12/2017
Net operating free cash-flow (OFCF) (1)	1,462	1,113
Dividends (2)	611	577
<b>Dividend cover = (1) / (2)</b>	<b>2.4 x</b>	<b>1.9 x</b>

## Earnings per share (EPS)

- ▶ Attributable net profit less net finance costs on subordinated notes classified in equity, divided by the weighted average number of shares outstanding (IFRS calculation method).

€m	31/12/2018	31/12/2017
Attributable net profit (1)	1,367	1,285
Net finance costs on subordinated notes classified in equity (2)	50	48
Weighted average number of shares (3)	686,4 M	686,5 M
<b>Earnings per share = [(1) - (2)] / (3)</b>	<b>1.92 €</b>	<b>1.80 €</b>

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## Earnings before interest and taxes (EBIT)\*

- ▶ Corresponds to attributable net profit before finance costs, income tax expense, non-controlling and net 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.

€m	31/12/2018	31/12/2017
Attributable net profit (1)	1,367	1,285
Finance costs (2)	-248	-247
Income tax expense (3)	-901	-1,001
Non-controlling and net equity-accounted interests (4)	-281	-329
Fair value adjustments and net gains (losses) (5)	89	200
Non-recurring items (6)	-216	-227
<b>EBIT = (1) - (2) - (3) - (4) - (5) - (6)</b>	<b>2,924</b>	<b>2,889</b>

## Eligible own funds held to cover the MCR

- ▶ Sum of Tier 1 and Tier 2 own funds eligible for inclusion in the minimum capital requirement. 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 held to cover the SCR

- ▶ 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.

## Fair value adjustments and net gains (losses)

- ▶ Measures the impact on attributable net profit of changes in asset prices (i.e. realised and unrealised capital gains net of recognised impairment losses), impairment losses and exceptional changes in intangible asset values. Fair value adjustments and net gains (losses) are calculated net of policyholder participation, non-controlling interests and income tax expense.

## Free surplus

- ▶ Portion of adjusted net asset value (ANAV) that may be freely used by management to pay dividends and build the business by selling new contracts or acquiring new subsidiaries or associates, net of non-controlling interests.

## IFRS book value\*

- ▶ Equity net of subordinated notes classified in equity and non-controlling interests. Measures the value for owners of the parent of their share of equity, excluding the share of subordinated note-holders.

€m	31/12/2018	31/12/2017
Equity attributable to owners of the parent (1)	17,781	18,257
Subordinated notes classified in equity (2)	1,881	1,765
<b>IFRS book value = (1) - (2)</b>	<b>15,899</b>	<b>16,492</b>

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## Insurance leverage ratio\*

- Sum of total equity and subordinated notes classified in debt, divided by insurance investments less derivative instruments liabilities. Indicator of the Group's solvency before risk-weighting. The higher the ratio, the greater the insurer's ability to absorb potential losses.

€m	31/12/2018	31/12/2017
Total equity (1)	19,521	20,023
Subordinated notes classified in debt (2)	5,337	5,300
Subordinated notes classified in equity (3)	1,881	1,765
Insurance investments (4)	380,061	387,088
Derivate instrument liabilities (5)	1,193	1,110
<b>Insurance leverage ratio = [(1) + (2)] / [(4) - (5)]</b>	<b>6.56%</b>	<b>6.56%</b>
<b>o/w equity = [(1) - (3)] / [(4) - (5)]</b>	<b>4.66%</b>	<b>4.73%</b>
<b>o/w subordinated notes = [(2) + (3)] / [(4) - (5)]</b>	<b>1.91%</b>	<b>1.83%</b>

## Interest cover\*

- EBIT divided by interest paid on total subordinated notes (classified in both debt and equity). Indicator of the Group's ability to pay the interest due to holders of its subordinated notes.

€m	31/12/2018	31/12/2017
EBIT (1)	2,924	2,889
Finance costs on subordinated notes classified in debt (2)	248	247
Finance costs on subordinated notes classified in equity (3)	73	74
<b>Interest cover = (1) / [(2) + (3)]</b>	<b>9.1 x</b>	<b>9.0 x</b>

## 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.

## Mathematical reserves

- Sum of the surrender value of savings contracts and the discounted present value of liabilities for pensions contracts.

## 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 equity accounted interest

- Share of profit for the year of equity accounted interest, net of the deferred profit-sharing impact for the portion of securities backing policyholders commitments

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## 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 insurance contracts before deducting administrative costs.

€m	31/12/2018	31/12/2017
Net insurance revenue (1)	3,113	3,048
Revenue from own-funds portfolios (2)	733	779
Administrative costs (3)	922	938
<b>EBIT = (1) + (2) - (3)</b>	<b>2,924</b>	<b>2,889</b>

## Net new money

- ▶ Collected premiums less paid claims and benefits (death benefit, endowments, partial and total surrenders, annuities) before changes in outstanding claims reserves, including the deposit component of financial contracts without a discretionary participation feature (French GAAP method, based on management reporting data). This indicator includes non-controlling interests and is gross of reinsurance. Net new money measures the impact on technical reserves of collected premiums and paid claims and benefits.

## Non-recurring items

- ▶ Indicator used to separately identify non-recurring income and expenses that affect attributable net profit. Non-recurring items are calculated net of non-controlling interests and income tax expense.

## Operating free cash flow (OFCF)

- ▶ Measures the generation of free surplus to pay dividends and build the business by selling new contracts or acquiring new subsidiaries or associates. OFCF is calculated net of non-controlling interests. Issues and redemptions of subordinated notes may be included in or excluded from the calculation.

## Outstanding claims reserve

- ▶ Estimated claims and benefits payable to policyholders and beneficiaries in future periods (death benefit, endowments, partial and total surrenders, annuities, claims) in respect of claims incurred as of the measurement date.

## Payout ratio\*

- ▶ Dividend per share divided by earnings per share. Measures the proportion of attributable net profit, less finance costs on subordinated notes classified in equity, distributed to owners in the form of dividends. This ratio is calculated only for annual results presentations.

€m	31/12/2018	31/12/2017
Dividend per share (1)	0.89 €	0.84 €
Earnings per share (2)	1.92 €	1.80 €
<b>Payout ratio = (1) / (2)</b>	<b>46%</b>	<b>47%</b>

## Policyholders' surplus reserve (PSR)

- ▶ Cumulative underwriting and investment income attributable to policyholders that is distributed on a deferred basis.

## Premium income\*

- ▶ Earned premiums and premium loading on IAS 39 contracts, including non-controlling interests and ceded premiums. Premium income is an indicator of underwriting volume.

€m	31/12/2018	31/12/2017
Earned premiums (1)	32,315	32,077
Premium loading on IAS 39 contracts (2)	52	50
<b>Premium income = (1) + (2)</b>	<b>32,367</b>	<b>32,127</b>

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## Proportion of savings/pensions mathematical reserves represented by unit-linked (UL) contracts\*

- ▶ Unit-linked savings/pensions mathematical reserves divided by total savings/pensions mathematical reserves. This indicator measures the proportion of mathematical reserves related to unit-linked contracts, which do not generally include a capital or yield guarantee.

€m	31/12/2018	31/12/2017
UL savings/pensions mathematical reserves (1)	56,169	54,010
Total savings/pensions mathematical reserves (2)	275,945	275,382
<b>Proportion of savings/pensions mathematical reserves represented by UL contracts = (1) / (2)</b>	<b>20.4%</b>	<b>19.6%</b>

## Proportion of savings/pensions premiums represented by unit-linked (UL) contracts\*

- ▶ Unit-linked savings/pensions premium income divided by total savings/pensions premium income. This indicator measures the proportion of premium income related to unit-linked contracts, which do not generally include a capital or yield guarantee.

€m	31/12/2018	31/12/2017
UL savings/pensions premium income (1)	10,778	9,468
Total savings/pensions premium income (2)	25,731	24,712
<b>Proportion of savings/pensions premiums represented by UL contracts = (1) / (2)</b>	<b>41.9%</b>	<b>38.3%</b>

## Restricted Tier 1 own funds

- ▶ Subordinated notes classified in Tier 1, including grandfathering of undated subordinated notes issued before Solvency II came into effect.

## Return on equity (ROE)\*

- ▶ Attributable net profit divided by average IFRS book value for the period. Measures the return on equity contributed by owners of the parent.

€m	31/12/2018	31/12/2017
Annualized attributable net profit (1)	1,367	1,285
Average IFRS book value (2)	16,196	16,130
<b>Return on equity (ROE) = (1) / (2)</b>	<b>8.4%</b>	<b>8.0%</b>

## Revenue from own-funds portfolios\*

- ▶ Mainly revenue generated by investments held to back equity and subordinated notes, net of amortisation of the value of acquired In-Force business and distribution agreements. This indicator includes non-controlling interests. It is the margin generated on investments held to back equity and subordinated notes, before deducting administrative costs.

€m	31/12/2018	31/12/2017
Net revenue generated by investments held to back equity and subordinated notes (1)	758	804
Amortisation of value of In-Force business and distribution agreements (2)	25	25
<b>Revenue from own-funds portfolios = (1) – (2)</b>	<b>733</b>	<b>779</b>

## 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.



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## 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.

## Surrender rate

- ▶ Paid partial and total surrenders divided by mathematical reserves at the beginning of the period, including the deposit component of financial contracts without a discretionary participation feature (French GAAP method, based on management reporting data). Measures the impact on mathematical reserves of surrenders paid to policyholders.

## Technical reserves\*

- ▶ Insurance and financial liabilities net of deferred participation, including non-controlling interests. The change in technical reserves reflects net new money, the amount set aside for policyholder dividends and changes in the value of units in unit-linked contracts. Technical reserves may be calculated gross or net of reinsurance. They measure the insurer's liability towards insureds.

€m	31/12/2018	31/12/2017
Insurance and financial liabilities (1)	357,599	365,204
Deferred participation reserve (2)	22,107	30,336
Deferred participation asset (3)	0	0
Reinsurers' share of insurance and financial liabilities (4)	21,556	22,735
<b>Technical reserves gross of reinsurance = (1) - (2) + (3)</b>	<b>335,491</b>	<b>334,869</b>
<b>Technical reserves net of reinsurance = (1) - (2) + (3) - (4)</b>	<b>313,935</b>	<b>312,134</b>

## 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.

## Total revenue\*

- ▶ Net insurance revenue (NIR) plus revenue from own-funds portfolios. This indicator includes non-controlling interests and is net of reinsurance. It is the margin before deducting administrative costs.

€m	31/12/2018	31/12/2017
Net insurance revenue (1)	3,113	3,048
Revenue from own-funds portfolios (2)	733	779
<b>Total revenue = (1) + (2)</b>	<b>3,846</b>	<b>3,827</b>

## 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.

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## 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 written 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.

## Withdrawal rate

- ▶ Paid claims and benefits (death benefit, endowments, partial and total surrenders, annuities) divided by mathematical reserves at the beginning of the period, including the deposit component of financial contracts without a discretionary participation feature (French GAAP method, based on management reporting data). Measures the impact on mathematical reserves of claims and benefits paid to policyholders and beneficiaries.