REPORT OF THE BOARD OF DIRECTORS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

assurances

Contents

SIGNIFICANT EVENTS OF THE PERIOD

First half

1 February – €500 million Tier 2 subordinated notes issue

On 1 February 2019, CNP Assurances announced the imminent completion, on 5 February 2019, of a €500 million Tier 2 subordinated notes issue under the EMTN programme set up in December 2018. The 10-year bullet notes bear a fixed rate of 2.75%.

The issue proceeds are eligible for inclusion in Solvency II regulatory capital. The notes were rated BBB+ by Standard & Poor's and A3 by Moody's. They will allow CNP Assurances to prepare for future call dates.

7 February – CNP Assurances scores 99/100 on the equal opportunities index

By 1 March, the 1,400 companies in France that employ more than 1,000 people will need to have measured their performance on the basis of five indicators and published their overall score, based on the equal opportunities index calculation method. CNP Assurances is already ahead of the game and has published its own score of 99/100 – the result of a long-term commitment to tackling discrimination and promoting diversity. The firm obtained the maximum score for practically all of the indicators: gender pay gap for people of comparable ages in comparable positions, individual pay rise differences and discrepancies in promotions between men and women, pay rises when women come back from maternity leave, gender-based apportionment of the ten employees with the highest salaries.

19 February – CNP Assurances and Zelros optimize the customer experience with AI

CNP Assurances partnered with the insurtech Zelros and deployed a virtual assistant using artificial intelligence technologies to facilitate the work of its customer relationship management teams in individual insurance.

Since September 2018, employees in the individual insurance customer relations departments of CNP Assurances have been using the assistance of a conversational AI or chatbot integrated into their working environment. This assistant has already been used 30,000 times since its creation and its deployment is scheduled to continue among 120 call centre staff in 2019.

This assistant is an interface to chat in natural language with the different databases and thus respond more quickly to customer requests. In the upcoming months, new databases will be regularly added to complete the assistant's capabilities.

22 March – Framework agreement in Brazil

As previously announced, CNP Assurances signed a framework agreement with Caixa Seguridade on 29 August last year regarding their new exclusive distribution agreement in the Caixa Econômica Federal network in Brazil. Implementation of this agreement, which only affects part of the scope of their current partnership, remains subject to a number of conditions precedent being fulfilled. The new Caixa Seguridade management team has engaged discussions with CNP Assurances in order to reach agreements on adjustments or any supplements to the 29 August 2018 framework agreement. CNP Assurances will inform the market of any changes to the framework agreement resulting from these discussions, in particular any developments that potentially modify its communication of 30 August 2018 on this subject.

14 April – With Youse Home, CNP Assurances' start-up wins the Argus d'Or affinity insurance award

Youse France, CNP Assurances' wholly-owned subsidiary, has won the Argus d'Or affinity insurance award for its rental guarantee package, Youse Home.

The 15th edition of the Argus d'Or insurance awards singled out the best innovation, insurance, communications campaign and guarantee initiatives. Youse France, CNP Assurances' wholly-owned subsidiary, picked up the Argus d'Or award in the affinity insurance category. This category is for the best insurance coverage that is in some way innovative or which meets customers' new requirements/expectations.

"Youse Home" is the start-up's new rental guarantee package designed to compensate for the disconnect between the security needs of property owners and changes in working people's lifestyles. Youse Home looks at tenants' solvency based on their banking habits, without taking the usual conditions into account (whether or not they are employed on permanent contracts, or have a creditworthy guarantor, etc.). For property owners, Youse France serves as a payment intermediary and undertakes to pay rent on a fixed date, thus doing away with any delays and payment risks.

18 April – CNP Assurances announces plans to move its head office to Issy-Les-Moulineaux

The CNP Assurances Annual General Meeting that took place on 18 April 2019 approved all the resolutions proposed by the Board of Directors pertaining to the plans to transfer the Group's head office to Issy-Les-Moulineaux. The project reflects the desire of CNP Assurances to offer its employees in and around Paris a quality work environment.

The annual general meeting approved an agreement on a protocol signed between Caisse des Dépôts (CDC) [1] and Altarea Cogedim, as sellers, and CNP Assurances, subject to suspensive conditions, to buy a building complex under construction in Issy-Les-Moulineaux to which CNP Assurances intends to transfer its head office by 2022 at the latest.

The project is in line with the CNP Assurances Group's determination to offer its employees in and around Paris a quality work environment in the new eco-district "Issy Cœur de Ville" in the centre of Issy-Les-Moulineaux, Hauts-de-Seine, and to unite all the teams that are currently spread out on two sites: in Paris Montparnasse and in Arcueil-Cachan, near Paris. At the same time, Caisse des Dépôts, advised by CDC Investissement Immobilier (formerly CDC GPI) and Altarea Cogedim, in the scope of a joint venture have signed with CNP Assurances a reciprocal promise of sale, subject to suspensive conditions, of the current CNP Assurances head office in Paris Montparnasse. The future buyers intend to redesign the site to create an office building up to the latest standards. CNP Assurances will stay in its current head office in Paris until all staff members have moved to Issy-Les-Moulineaux.

21 May – CNP Assurances, a partner in the national Les Entrep' programme to promote entrepreneurship among young people

CNP Assurances and the Association Nationale Les Entrepreneuriales (national entrepreneurial association) both wish to raise young peoples' awareness of the importance of entrepreneurship and have entered into a partnership agreement to roll out the Les Entrep' programme among as many young people in France as possible.

The ANLE, an association recognised as being in the public interest, is rolling out the Les Entrep' programme across France via its regions. The programme, which provides people with training in how to set up companies, is completely free and is open to any young person who has obtained their *baccalauréat* school diploma. As part of its transformation, which involves in particular opening up to start-ups, CNP Assurances has implemented a number of initiatives designed to help entrepreneurs set up companies.

[1] *Shareholder at 40.8% of CNP Assurances*

In addition to helping to produce a small private online course (SPOC) on jobs in the insurance sector and in so doing contributing to the Les Entrep' site's e-learning content, CNP Assurances will share the wide-ranging expertise of its staff with these young people. The Les Entrep' programme encourages people to show initiative, it showcases people's expertise and it introduces these young people to corporate life by providing them with a practical training path and an opportunity for professionals and company directors to share their experience with them.

4 June – CNP Assurances increases its ownership in its subsidiary CNP Cyprus Insurance Holdings to 100%

On 4 June 2019, CNP Assurances announced that it had signed an agreement to acquire Bank of Cyprus's 49.9% interest in CNP Cyprus Insurance Holdings, a 50.1%-owned subsidiary of CNP Assurances since the end of 2008.

The acquisition consideration amounts to €97.5 million and will be financed by CNP Assurances using its own resources.

CNP Cyprus Insurance Holdings is the second largest insurance operator in Cyprus, offering the full spectrum of life and non-life insurance products and services distributed through the largest network of independent agents in the country. In 2018, CNP Cyprus Insurance Holdings contributed €157 million to CNP Assurances' premium income (up by 8.4% compared to the previous year) and €7.3 million to the Group's net profit.

The acquisition of the Bank of Cyprus's stake enables CNP Assurances to take full control of its subsidiary and thereby strengthen its position in Cyprus, a market with attractive growth potential in which CNP Cyprus Insurance Holdings is a leading player with a market share of 21% in life and 13% in non-life.

The completion of this acquisition will be subject to the approval of the relevant regulatory authorities. Closing of the transaction is expected in the second half of 2019.

4 June – Planned change in the Company's shareholder base

The CNP Assurances Board of Directors met on Tuesday, 4 June 2019, to examine the implications of the plan to change the Company's shareholder base. This plan was proposed by the Company's public shareholders and it would change the distribution of CNP Assurances' share capital to give direct control over it to La Banque Postale.

At the special meeting, the Board confirmed the Company's multi-partner model both in France and outside of France. The directors performed a review of strategy and unanimously approved the areas of concentration previously affirmed, reiterating their priorities:

- consolidating and strengthening existing partnerships;
- optimising operational efficiency to better serve customers, particularly by digitising management processes; and
- seeking out new partnerships and regions for growth.

The planned change in the distribution of the share capital held by public shareholders in favour of La Banque Postale will be an opportunity, when the time comes, to extend and grow the business partnership with the bank. In this regard, La Banque Postale has committed to extend its current agreements with CNP Assurances until at least 2036.

In addition, BPCE Group and La Banque Postale informed the Board of Directors of their plan for an expanded industrial partnership that will involve several components, particularly including BPCE Group's intention to extend, starting 1 January 2020, the current expiration dates of the agreements made in 2015 between BPCE/Natixis and CNP Assurances (particularly covering term creditor insurance, group health insurance, and personal risk insurance). The dates will be extended from 31 December 2022 to 31 December 2030. The Board of Directors noted that this extension would require moving forward, also to 1 January 2020, the change to 50-50% co-insurance sharing for term creditor insurance set forth in the partnership agreements made in 2015.

As part of this plan for an expanded industrial partnership, and concurrent to the operation between CNP Assurances and La Banque Postale, BPCE and La Banque Postale told the Board of Directors that they would sign a new shareholders' agreement in their capacity as long-term shareholders of CNP Assurances. Thus, BPCE would continue to be represented on the CNP Assurances Board of Directors and in several committees of the Board of Directors, in line with its current participation in the governance bodies of CNP Assurances.

The Board of Directors also confirmed to the Chief Executive Officer of CNP Assurances their wish to see the multi-partner model take shape concretely as opportunities come along that might serve as mechanisms for growth in the European and Latin American markets.

La Banque Postale expressed its intention, in agreement with the Caisse des Dépôts, to establish rules for governance at CNP Assurances that will stimulate the development of a multi-partner business model that respects all shareholders. These rules will cover the composition of the Board of Directors and of its committees, and the term of the Chief Executive Officer. The purpose will be to guarantee the rights of all business partners in France, both current and future, whether or not they are shareholders.

The Board of Directors unanimously finds that in this context, the planned change in the shareholder base and the plans for renewed partnerships are in the corporate interests of CNP Assurances. The Board reaffirms that it intends to place the Company on a path for growth in the coming years.

Subsequent events

Undated subordinated debt repayment

On 18 July 2019, the Group exercised its right to repay USD 500 million worth of perpertual subordinated notes issued on 18 July 2013.

Corporation tax rate increase applicable from 1 January to 31 December 2019

The law dated 24 July 2019 creating a tax on digital services and updating the phasing of the reduction in the standard corporate income tax was published on Journal Officiel on 25 July 2019.

This law modifies, for companies with revenues equal or greater than 250 millions euros, the standard corporate income tax rate applicable on financial year from 1 January to 31 December 2019. This rate is set at 33 1/3% (34,43% including the 3,3% contribution), instead of 31% (32,02% including the 3,3% contribution) as set previously. As a reminder, this rate applies to the portion of profits above 500 000 euros, the portion below being taxed at 28% (28,92% including the 3,3% contribution).

The impacts of this corporate tax rate change were analysed by the Group and are not material.

MARKET AND BUSINESS REVIEW

Economic and financial environment

Gravity-defying markets

Exuberant financial asset prices

The financial markets posted one of their best half years in 20 years, which is translated by an almost 20% increase in the main stock market indices, with the Eurostoxx 50 gaining 18% the CAC gaining 17%, the S&P 500 gaining 20% and the emerging market equities gaining 10%. Moreover, the gains were not limited to the stock markets, they extended to all classes of financial assets. Government bond prices rose in tandem with significant reductions in interest rates (the Bund rate was reduced by 57 bps to -0.33%, the OAT rate by 80 bps to -0.10% and the T-bond rate by 68 bps to 2.01%), corporate bond prices benefited from sharply narrower spreads (the investment grade bond index fell by 35 bps to 52 and the high yield bond index by 101 bps to 253) and commodity prices also increased (with the Brent oil price up 18% and the price of gold up 19%).

An abrupt u-turn by the monetary authorities

These soaring prices were in sharp contrast with the freefall observed in the fourth quarter of 2018 when losses of 15% to 20% were recorded, depending on the index. The rebound completely offset the end-2018 correction and in some markets prices even climbed above last year's highs. There can be no doubt that policy reversals by the world's main central banks (Federal Reserve, ECB, BoE) were the principal drivers of this rally, with moves to restore interest rates to more normal levels abandoned at the beginning of the year and forward guidance priming the markets for rate cuts (announcement by Federal Reserve Chairman Jerome Powell in June and ECB President Mario Draghi's speech on possible further stimulus). The outlook for US money market rates swung from a 75-bps increase for 2018 to a 75-bps decrease for 2019.

A lack of compelling arguments to support such an abrupt policy reversal

The main explanation provided by the central banks for this policy u-turn is the absence of inflation (despite unemployment being near an all-time low) and the need to return to the banks' target inflation rate of 2% (even though inflation is close to 2018 levels overall, at 2% in the United States and 1.5% in the euro zone). The more obvious explanation, however, is the fall in prices at the end of 2018, which was linked to political uncertainty and fears of excessive tightening at the Federal Reserve, not only through rate hikes (100 bps increase in 2018), but also by reducing its balance sheet (down USD 600 billion on an annual basis).

A clear economic slowdown despite efforts to kick-start growth in China

At the end of the day, the Fed seems to have over-reacted given that the United States is currently creating over 150,000 jobs each month and the economy is still growing at a brisk pace (expanding 3.1% in the first quarter). Euro zone growth was also higher than expected in the first quarter. However, the reality behind these reassuring figures is far more mixed. First, the growth surge in the first quarter was largely due to inventory building, a return to normal for some industries (automotive industry in Europe), and the positive effect of lower imports (in the United States), which will adversely affect GDP in the coming quarters. Added to this, China's fiscal stimulus (around 3% of GDP) has been slow to kick-start demand and the benefits have been largely confined to the domestic economy with little or no impact on global demand. Furthermore, the PMI and ISM leading indicators are trending downwards with no improvement in sight for the coming months. For all of these reasons, there is a real risk of a global economic slowdown in the second half of the year, especially as the effects of President Trump's tax reforms in the United States start to wear off.

Unresolved political risks are preventing investment decisions being made

The slowdown could become even more pronounced in the coming months, if the political fears that seemed to have abated in the early part of the year flare up again. Although talks are still ongoing, no real progress seems to have been made in the trade negotiations between China and the United States. The same applies to the Brexit negotiations and the discussions between Italy and the European Union. Not only are these tensions affecting world trade, which is currently more or less flat, they are also weighing on corporate investment decisions. In fact, corporate margins appear to be under growing pressure, as evidenced by the downward revision of results for the first half of 2019.

Market inconsistencies and high risks in the second half

In this environment, predictions of a 10% rebound in corporate earnings in the second half of 2019 and in 2020 look optimistic, and underline just how overvalued these already generous stock prices are (average P/Es of 16.5x in the United States and 13.8x in the euro zone). When all is said and done, there seems to be a clear disconnect between share prices on the one hand and, on the other, the macroeconomic outlook (slowdown), corporate earnings trends (margin erosion), and political risks (the failure by the United States and China to resolve their trade dispute had a 7% negative impact in May). Above all, however, current prices reflect inconsistencies between the bond markets, which have priced in a recession, and the stock markets, where prices reflect expectations of a new growth spurt in 2020. These inconsistencies along with the lack of political visibility suggest that there is an increased risk of a market correction or realignment in the second half of the year.

Regulatory and tax environment

The Group's business has been affected by two major developments that have taken place since 1 January 2019:

Introduction of a new withholding tax on personal income

Effective from 1 January 2019, France's withholding tax on personal income is a new method of tax collection whereby the amount is adjusted immediately to take into account changes in a taxpayer's situation (increases or decreases in their earnings, life events that affect how much tax they owe for the year) without modifying the calculation rules. In the case of annuities, the tax may be withheld at source by the payer (e.g. for annuities paid by a parent to a child) or a deducted in instalments during the year (e.g. for life annuity payments). The system notably concerns the following sources of income:

- Health and accident insurance benefits paid under an employee benefits plan ("Article 83" plan), which are taxed as salary for as long as the person concerned remains on the company's payroll.

- Income replacement benefits, namely:

  - ✓ benefits paid after the person's employment contract is terminated,
  - ✓ disability benefits,
  - ✓ social security pensions,
  - ✓ company pensions paid under "Article 83" plans,
  - ✓ pensions paid under PERP, Madelin or PREFON-retraite plans,
  - ✓ lump-sum payments made in settlement of plans for which the annuities would represent very small amounts,
  - ✓ benefits paid under education annuity plans and orphans' allowances,
  - ✓ spousal annuities, widows' pensions,
  - ✓ unemployment benefits.

Special tax on death cover provided under term creditor insurance policies

Effective from 1 January 2019, the portion of term creditor insurance premiums covering death risk is subject to the tax on insurance policies, currently levied at the rate of 9%.

The new rule concerns:

- Policies purchased since 1 January 2019.
- Policies rolled over or renewed by decision of the insured on revised terms (including revised premium rates) since 1 January 2019.
- Substitute policies, i.e. term creditor insurance cover for an existing loan purchased from a new insurer since 1 January 2019.
- Policies amended after 1 January 2019. Insurance contracts relating to a loan contract renegotiated after 1 January 2019.

First-half 2019 business review

Consolidated premium income for the period totalled €17.6 billion, up 3.6% (up 4.6% like-for-like) versus the first half of 2018.

In France, premium income rose by 3.9% to €11.9 billion.

In Savings/Pensions, premium income amounted to €9.8 billion, an increase of 5.3%. Gains at CNP Patrimoine, in the premium savings segment (with premiums up €1.0 billion) and at La Banque Postale (up €0.2 billion) more than offset the slowdown in the flow of new money generated by the BPCE network. Unit-linked sales remained high, at 20.4% of total premiums (versus 22.9% in first-half 2018) in a sluggish market and despite a decline in Fourgous transfers. Savings/Pensions net new money reflected a €1.4 billion net outflow from traditional products and a €1.2 billion net inflow to unit-linked contracts.

Personal Risk/Protection premium income contracted by 2.0% to €2.1 billion. Personal Risk and Health insurance premiums fell by 13.7% to €0.7 billion, due to a more selective approach to this business leading to late-2018 contract terminations. Term Creditor Insurance premiums rose by 5.3% to €1.4 billion, led by the La Banque Postale and BPCE networks. The increase also reflected the positive effect of prior year adjustments.

The APE margin declined to 13.3% from 19.7% in 2018, due to the effect of lower interest rates on Savings/Pensions margins.

In Europe excluding France, premium income amounted to €2.5 billion, a decrease of 5.3%.

Savings/Pensions premium income contracted by 8.1% to €2.0 billion. The strong €0.3 billion increase in premium income recorded by CNP Luxembourg helped to offset the decline in premiums for CNP UniCredit Vita and for CNP Partners (down €0.5 billion) in an Italian insurance market hit by the withdrawal of certain tax-advantaged products. Unit-linked contracts accounted for a very high 60.6% of total Savings/Pensions premiums in first-half 2019 (first-half 2018: 71.7%). All told, net new money for the period reflected a €0.5 billion net inflow to unit-linked contracts and a €0.2 billion net inflow to traditional products.

Personal Risk/Protection premium income rose 6.8% to €0.5 billion, with growth led mainly by CNP Santander but also by an increase in new money at CNP UniCredit Vita.

The APE margin in the Europe excluding France region was 18.8% in first-half 2019 (2018: 16.9%).

All told, premium income totalled €14.4 billion **in Europe**, an increase of 2.2%. The APE margin stood at 14.0% versus 19.3% in 2018, reflecting the significant adverse effect of the economic environment.

In Latin America, premium income totalled €3.2 billion, up 10.6% as reported (up 16.3% at constant exchange rates).

Savings/Pensions premium income grew 16.7% (up 22.5% at constant exchange rates) to €2.4 billion, led by strong sales of pensions contracts. Unit-linked contracts remained the dominant product, accounting for 98.6% of premium income.

Personal Risk/Protection premium income came in at €0.8 billion, down slightly by 4.9% but up 0.5% excluding the currency effect, despite the growth in Term Creditor Insurance premiums (up 5.0% at constant exchange rates) following Caixa Econômica Federal's decision to increase originations in some segments of its lending business.

Caixa Seguradora continued to outperform the Brazilian insurance market, lifting its market share to 11.4% from 9.9% at end-2018.

The APE margin remained high, at 28.7% (2018: 30.1%) in an environment shaped by very strong growth in pensions business.

Average net technical reserves stood at €318.3 billion (first-half 2018: €313.4 billion).

Premium income by country

IFRS premium income				
(in € millions)	**H1 2019**	**H1 2018**	**% change (reported)**	**% change (like-for-like)**
France	**11,908**	**11,460**	**+3.9**	**+3.9**
Brazil	3,173	2,862	+10.9	+16.2
Italy	1,428	1,927	-25.9	-25.9
Luxembourg	501	163	+207.9	+207.9
Germany	233	240	-2.8	-2.8
Spain	143	141	+1.5	+1.5
Cyprus	78	74	+6.1	+6.1
Poland	45	40	+14.6	+14.6
Denmark	12	9	+32.8	+32.8
Norway	12	10	+20.8	+20.8
Austria	12	4	+163.7	+163.7
Argentina	11	16	-30.4	+24.9
Portugal	3	3	+14.2	+14.2
Other International	10	8	+28.5	+28.5
Total International	**5,662**	**5,496**	**+3.0**	**+6.0**
Total	**17,570**	**16,955**	**+3.6**	**+4.6**

(1) Corresponding to premiums written by CNP Luxembourg

Premium income by segment

(IN € MILLIONS)	H1 2019	H1 2018	% change (reported)	% change (like-for-like)
Savings	11,273	10,886	+3.5	+3.6
Pensions	2,908	2,630	+10.6	+15.0
Personal Risk	823	935	-12.0	-10.1
Term Creditor Insurance	2,162	2,075	+4.2	+5.0
Health Insurance	208	239	-12.9	-12.6
Property & Casualty	196	190	+3.4	+7.8
Total	**17,569.8**	**16,955.4**	**+3.6**	**+4.6**

CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. As required by IAS 34, the accounting policies applied to prepare the interim consolidated financial statements were the same as those used for the annual financial statements.

(en € millions)	Geographical area			Own-funds portfolio	**Total H1 2019**	Total H1 2018	% Change *(reported)*	% change (like for like) (1)
	France	Latin America	Europe excl. France					
Premium income	**11 908**	**3 184**	**2 478**		**17 570**	**16 955**	**3,6%**	**4,6%**
Net insurance revenues	919	539	149		1 607	1 474	9,1%	11,1%
Revenue from own-funds portfolios				405	405	467	-13,4%	-12,5%
Administrative costs					-446	-441	1,1%	2,7%
EBIT					**1 566**	**1 499**	**4,4%**	**6,2%**
Finance costs					-128	-122	4,7%	4,7%
Net share of profit of equity-accounted companies (2)					7	22	-69,9%	-79,1%
Income tax expense					-276	-244	13,4%	18,6%
Recurring profit attributable to owners of the parent (3)					**1 168**	**1 156**	**1,0%**	**2,1%**
Non-controlling interests					-370	-397	-6,7%	-5,3%
Net gains and fair value adjustments					124	122	0,0%	2,5%
Non-recurring items					-235	-209	0,0%	12,6%
Attributable net profit					**687**	**672**	**2,2%**	**3,3%**

(1) Constant scope for 2019 does not include the consolidation of Filassistance and Assuristance

(2) In 2018, share of profit of equity accounted companies was presented before deferred policyholders' participation. This policyholders' participation amounted to 18,8 €M.

(3) Recurring profit attributable to owners of the parent: corresponds to attributable net profit before income tax expense, fair value adjustments and net gains (losses), non-recurring items. This indicator excludes non-controlling interests and is gross of income tax expense. Non-controling interests and income tax expense were restated accordingly.

Note: The Brazilian real lost 4.8% against the euro, with the average exchange rate standing at 4.34 in first-half 2019 versus 4.14 in the year-earlier period.

EBIT is a key performance indicator used by the Group, because it is not affected by the timing and magnitude of profit-taking on equities and investment property (as reflected in realised capital gains attributable to owners of the parent) or by changing market prices.

EBIT corresponds to attributable profit for the period adjusted for:

- finance costs;
- non-controlling interests;
- share of profit of equity-accounted companies.

The main business indicators are:

- **premium income**, which came in at €17.57 billion (see comments in the Market and Business Review);
- average **technical reserves** (excluding the deferred participation reserve and net of ceded reserves), which rose by 1.6% in first-half 2019 to €318.3 billion.

Total net insurance revenue was up 9.1% at €1,607 million, up 11.1% like-for-like.

Net insurance revenue Europe

In Europe, the 9.6% increase in net insurance revenue was driven by Savings in France and was notably due to reversals of provisions following the favourable stock market trends and the growth of CNP Santander's term creditor business.

Net insurance revenue Latin America

In Latin America, the 14.0% increase in net insurance revenue at constant exchange rates mainly corresponded to growth in technical reserves for Pensions, reversals of provisions on outstanding Personal Risk claims reserves, the increase in consumer credit business and the rise in Youse's net insurance revenue.

Revenue from own-fund portfolios amounted to €405 million, representing a decline of 13.4% (down 12.5% like-for-like).

Administrative costs were under tight control at €446 million (up 2.7% like-for-like).

EBIT

At €1,566 million, **EBIT** was up 4.4% (up 6.2% like-for-like).

Finance costs were down slightly at €128 million (down €6 million compared with June 2018) following a €500 million Tier 2 subordinated debt issue in February and the payment of the first coupons on the deeply-subordinated debt issue in June 2018.

The **consolidated tax rate** shed 2.6 points to stand at 31.7% in June 2019 as a result of lower tax rates in France (down 2.4 points) and Brazil (down 5 points).

The 13.4% increase in **non-controlling interests** is mainly related to Brazil, CNP Unicredit VIta and Santander.

The impacts of net gains (losses) on the disposal of investments, fair value adjustments to financial assets and non-recurring items appear at the foot of the income statement.

Fair value adjustments and capital gains and losses were stable at a positive €124 million in June versus a positive €122 million one year earlier.

Non-recurring items in first-half 2019 represented an expense of €235 million after tax. This amount corresponds mainly to the €324 million pre-tax policyholder surplus reserve and to the €15 million in provisions for contingencies booked for term creditor insurance in Brazil.

Attributable net profit came to €687 million, an increase of 2.3% (up 3.3% like-for-like).

Consolidated balance sheet at 30 June 2018

Total assets amounted to €437.3 billion at 30 June 2019 compared with €415.5 billion at 31 December 2018.

Insurance and financial liabilities totalled €220.3 billion at 30 June 2019, down 4.5% from 31 December 2018.

Equity attributable to owners of the parent was higher than it was at 31 December 2018, at €18,960 million, with the payment of a €611 million cash dividend for 2018 offset by first-half 2019 profit of €687 million. The total includes €1,881 million in deeply subordinated notes reclassified in accordance with the IFRIC interpretation published in November 2006.

Solvency capital

CNP Assurances calculates its consolidated SCR Solvency II coverage ratio using the standard formula without applying transitional measures (except for grandfathering of subordinated debt), without using the Brazilian solvency regulation, and net of the current year's dividend. The consolidated SCR coverage ratio was 169% at 30 June 2019 versus 187% at 31 December 2018. The change in the coverage ratio over the first half is mainly attributable to the sharp decline in risk-free interest rates offset by buoyant stock markets. The ratio at 30 June 2019 reflects the €500 million Tier 2 debt issue in February 2019 and repayment of the USD 500 million Tier 1 debt issue in July 2019.

Asset portfolio and financial management

Insurance investments at 30 June 2019 totalled €398.3 billion versus €380.1 billion at 31 December 2018, an increase of €18.3 billion.

Most investments are measured at fair value, except for held-to-maturity investments and property assets not backing linked liabilities, which are measured using the cost model.

At 30 June 2019, available-for-sale financial assets represented 76.0% of total investments, financial assets at fair value through profit or loss (trading securities) represented 21.9%, and held-to-maturity investments and other investments (mainly investment property and loans) accounted for 2.2%.

RISK FACTORS

The risks described on pages 107 to 123 and pages 226 to 238 of the 2018 Registration Document are inherent in the economic, competitive and regulatory environment in which the Group operates.

Pages 226 to 238 correspond to notes 23, 24 and 25 on the other analyses presented in the Registration Document with the analyses of the various risks and MCEV data.

OUTLOOK

CNP Assurances will continue to deploy its multi-partner business model, with the aim of accelerating the development of partnerships both in France and in international markets. Group strategy will focus on expanding its presence in European and Latin American markets. To support this strategy, around 50% to 60% of retained earnings will be used to finance organic growth initiatives and acquisitions.

CNP Assurances will also pursue an attractive dividend policy, with:

- priority given to matching or increasing the dividend per share from year to year,

and

- a payout ratio (2) at between 40% and 50%.

(2) Payout ratio = Dividend per share/Attributable net profit adjusted to exclude interest on subordinated debt