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# **GLOSSARY**

## **Quarterly indicators**

### **First 9 months of 2020**

**19/11/2020**

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# GLOSSARY

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 APM reporting scope has been modified compared to previous periods, with the introduction of a new indicator of attributable recurring profit. 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.

# GLOSSARY

## 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	30/09/2020	31/12/2019
Value of new business (VNB) (1)	201	543
Annual premium equivalent (APE) (2)	1,653	3,186
<b>APE margin = (1) / (2)</b>	<b>12.2%</b>	<b>17.1%</b>

## Attributable recurring profit\*

- 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. This indicator was introduced to measure the margin after non-controlling and net equity-accounted interests and after finance costs.

€m	30/09/2020	30/09/2019
Attributable net profit (1)	918	987
Income tax expense (2)	-448	-544
Fair value adjustments and net gains (losses) (3)	109	273
Non-recurring items (4)	-168	-429
<b>Attributable recurring profit = (1) - (2) - (3) - (4)</b>	<b>1,425</b>	<b>1,686</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.

## Cost/income ratio\*

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

€m	30/09/2020	30/09/2019
Administrative costs (1)	627	676
Net insurance revenue (NIR) (2)	2,163	2,333
<b>Cost/income ratio = (1) / (2)</b>	<b>29.0%</b>	<b>29.0%</b>

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

- Corresponds to attributable recurring profit before finance costs, non-controlling and net equity-accounted interests. This indicator includes non-controlling interests and is gross of income tax expense. EBIT represents the margin after deducting administrative costs.

€m	30/09/2020	30/09/2019
Attributable recurring profit (1)	1,425	1,686
Finance costs (2)	-194	-189
Non-controlling and net equity-accounted interests (3)	-325	-403
<b>EBIT = (1) - (2) - (3)</b>	<b>1,943</b>	<b>2,279</b>

## 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.

## 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	30/09/2020	31/12/2019
Equity attributable to owners of the parent (1)	19,264	19,393
Subordinated notes classified in equity (2)	1,881	1,881
<b>IFRS book value = (1) - (2)</b>	<b>17,383</b>	<b>17,512</b>

## 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	30/09/2020	30/09/2019
Net insurance revenue (1)	2,163	2,333
Revenue from own-funds portfolios (2)	407	621
Administrative costs (3)	627	676
<b>EBIT = (1) + (2) - (3)</b>	<b>1,943</b>	<b>2,279</b>

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## 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.

## Premium income\*

- ▶ Earned premiums and premium loading on IAS 39 contracts, including non-controlling interests and reinsurance. Premium income is an indicator of underwriting volume. 2019 nine-month premium income has been restated to exclude the top line contribution of Fourgous and Eurocroissance transfers for a total of €788 million. Fourgous and Eurocroissance transfers in the nine months of 2020 were not material.

€m	30/09/2020	30/09/2019
Earned premiums (1)	18,622	25,064
Premium loading on IAS 39 contracts (2)	27	46
<b>Premium income = (1) + (2)</b>	<b>18,649</b>	<b>25,111</b>

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

- ▶ Unit-linked savings and pensions premiums 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. First nine months 2019 premium income has been restated to exclude the top line contribution of Fourgous and Eurocroissance transfers for a total of €788 million (€192 million in unit-linked). Fourgous and Eurocroissance transfers in the first nine months of 2020 were not material.

€m	30/09/2020	30/09/2019
UL savings/pensions premium income (1)	7,037	8,263
Total savings/pensions premium income (2)	13,886	19,971
<b>Proportion of savings/pensions premiums represented by UL contracts = (1) / (2)</b>	<b>50.7%</b>	<b>41.4%</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	31/03/2020	31/03/2019
Net revenue generated by investments held to back equity and subordinated notes (1)	146	153
Amortisation of value of In-Force business and distribution agreements (2)	6	6
<b>Revenue from own-funds portfolios = (1) – (2)</b>	<b>140</b>	<b>147</b>

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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.

## 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.

## 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	30/09/2020	31/12/2019
Insurance and financial liabilities (1)	369,804	378,313
Deferred participation reserve (2)	28,473	29,255
Deferred participation asset (3)	0	0
Reinsurers' share of insurance and financial liabilities (4)	21,153	21,410
<b>Technical reserves gross of reinsurance = (1) - (2) + (3)</b>	<b>341,331</b>	<b>349,058</b>
<b>Technical reserves net of reinsurance = (1) - (2) + (3) - (4)</b>	<b>320,178</b>	<b>327,648</b>

## 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	30/09/2020	30/09/2019
Net insurance revenue (1)	2,163	2,333
Revenue from own-funds portfolios (2)	407	621
<b>Total revenue = (1) + (2)</b>	<b>2,570</b>	<b>2,954</b>

## 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.



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