Insuring a more open world

2019 SFCR report

Solvency and Financial Condition Report

CNP Assurances group

Foreword

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 CNP Assurances, consolidating the operations of CNP Assurances SA and its main subsidiaries in France and abroad.

This document covers the reference period from 1 January 2019 to 31 December 2019.

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 2019 report was approved by CNP Assurances group's Board of Directors at its meeting on 7 April 2020.

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

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

Contents

Executive summary

As an insurer, co-insurer and reinsurer, CNP Assurances group makes its unique protection and savings expertise available to its policyholders and partners in France, Europe and South America. CNP Assurances group is France's leading provider of term creditor insurance [1] and the country's second largest life insurer [2], as well as the third largest insurance company in Brazil [3].

Key figures

	2019	2018	% change
Premium income (IFRS)	**€33,496m**	€32,367m	+3%
Net insurance revenue [4]	**€3,220m**	€3,113m	+3%
Value of New Business [5]	**€543m**	€659m	-18%
Technical reserves (gross of reinsurance) [6]	**€369.3bn**	€354.3bn	+4%
Eligible own funds covering the SCR	**€34.8bn**	€25.1bn	+39%
SCR	**€15.3bn**	€13.4bn	+14%
SCR coverage ratio	**227%**	187%	+40 pts
Eligible own funds covering the MCR	**€29.9bn**	€21.6bn	+38%
MCR	**€7.7bn**	€6.8bn	+13%
MCR coverage ratio	**388%**	317%	+71 pts

Business and performance

Antoine Lissowski, CNP Assurances group's Chief Executive Officer, said: "CNP Assurances group's 2019 results are an illustration of our business model's robustness, rooted in our diverse business base and our relationships with partners around the world. Our financial strength is now recognised in our solvency ratio, with the inclusion on a conservative basis of the policyholders' surplus reserve."

In 2019:

- Our multi-partner and international business model was reaffirmed, with the planned link-up with La Banque Postale Group and extension of the agreements with the BPCE group in France (until 2030) and Caixa Seguridade in Brazil (until 2046).
- We continued to respond to the low interest rate environment in Europe by adjusting policyholder participation rates, driving faster change in the product mix, and increasing our focus on risk-based business lines, which accounted for 51% of EBIT and 63% of VNB for the year.
- The Group's financial strength was recognised in our solvency coverage ratio, with the inclusion of part of the policyholders' surplus reserve in solvency capital leading to a significant increase in the ratio at end-2019.
- The individual Savings/Pensions offer was revamped, with the implementation of the transferability options introduced in the PACTE Law, the gradual roll-out of PER pension savings products and the launch of innovative products such as the protected Pergola contract.

[1] *Source: 2018 retirement savings plan rankings, Argus de l'assurance, October 2019*

[2] *Source: 2018 data, FFA, July 2019*

[3] *Data published in October 2019 by SUSEP (Brazilian insurance supervisor that oversees Caixa Seguradora)*

[4] *Based on the IFRS consolidated financial statements*

[5] *Based on MCEV© measurement principles*

[6] *Based on Solvency II measurement principles.*

Net insurance revenue (NIR) for 2019 came to €3,220 million, up 3% (up 4.4% like-for-like). The period-on-period increase under French GAAP was 0.6%.

System of governance

CNP Assurances group's 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 Deputy Chief Executive Officers and ten other senior executives.

The holders of the four key functions (Risk Management, Compliance, Actuarial and Internal Audit) report to the Chief Executive Officer.

These initiatives were part of the process of continuous improvement for our risk management and internal control systems conducted in cooperation with our partner networks. We consider that these systems are appropriate for our business model.

Following the transactions on 4 March 2020 whereby La Banque Postale became a majority shareholder in CNP Assurances group, the Board of Directors noted the resignation of the French State and the six directors representing Caisse des Dépôts and appointed six new directors proposed by La Banque Postale.

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, CNP Assurances group's broad and diverse range of products has a significant diversification effect. In all, diversification benefits are estimated at 27%.

2019 saw European interest rates fall to an extremely low level, bottoming out in the third quarter (on 15 August 2019) at an unprecedented -0.44% for France's 10-year OAT and -0.71% for Germany's 10-year Bund, with little prospect of an upturn. We continued to adapt to this low interest rate environment by adjusting policyholder participation rates, driving faster change in the product mix, and increasing our focus on risk-based business lines.

The low rates and rising stock prices led us to adjust our strategic asset allocation, by reducing our exposure to equities and increasing our sovereign debt position (especially French) with extended durations.

In 2020, the spread of the Covid-19 pandemic has revealed a certain number of risks affecting the Group's solvency coverage ratio and earnings. As of 31 March 2020, CNP Assurances group's financial strength, resulting from a very conservative risk management policy in line with our long-term strategy, was not compromised and the consolidated solvency coverage ratio remained very high.

Valuation of assets and liabilities

Assets and liabilities in CNP Assurances group's Solvency II 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 Statutory Auditors.

Solvency II consolidated technical reserves gross of reinsurance amounted to €369.3 billion at 31 December 2019.

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 strategic 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 Solvency II balance sheet, amounted to €34.8 billion at 31 December 2019. The total breaks down as €26.1 billion[7] in basic own funds classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €8.7 billion in subordinated liabilities (of which a portion is covered by the grandfathering clause).

The €26.1 billion in basic own funds reflects the inclusion, for the first time, of part of the policyholders' surplus reserve. The included amount of €9.1 billion was calculated using the method recommended by the insurance supervisor (ACPR) pursuant to the Ministerial Order on life insurance companies' surplus own funds published in the Journal Officiel dated 28 December 2019, which applies to all organisations governed by France's Insurance Code [8].

Its Solvency Capital Requirement, calculated using the Solvency II Standard Formula without applying transitional measures, was €15.3 billion at 31 December 2019.

The Group's SCR coverage ratio under Solvency II was 227% at 31 December 2019, representing a 40-point increase compared with the previous year-end. Inclusion of part of the policyholders' surplus reserve in basic own funds boosted the ratio by 60 points. SCR coverage ratio calculations take into account the volatility adjustment provided for in the Solvency II directive (Article 77 *quinquies*) which had a +8-point positive impact on the ratio at 31 December 2019.

The Group's Solvency II own funds eligible for inclusion in the MCR coverage ratio, based on the Solvency II balance sheet, amounted to €29.9 billion at 31 December 2019. The total included €26.1 billion in basic own funds, classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €3.8 billion in subordinated liabilities.

The Group's Minimum Capital Requirement was €7.7 billion at 31 December 2019.

The Group's MCR coverage ratio at that date was therefore 388%. This represented an increase of 71 points from 31 December 2018.

[7] This amount, calculated in early 2020, takes into account the distribution of part of the Group's 2019 profit in dividends. However, in light of the Covid-19 pandemic, at the Annual General Meeting on 17 April 2020, the Board of Directors plans to recommend appropriating the total profit for 2019 to retained earnings and to waive payment of a dividend.

[8] The portion of the policyholders' surplus reserve eligible for inclusion in solvency capital at 31 December 2019 was calculated by the flat rate method recommended by the ACPR, which considers that 70% of the total reserve is eligible for inclusion.

A

Business & 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, 4 Place de Budapest, 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

31 December 2019
Number of shares: 686,618,477
Number of voting rights: 1,224,278,213

Shareholders	Number of shares	% of capital	% of voting rights [9]
Caisse des Dépôts et Consignations (France)	280,615,140	40.87%	45.84%
Sopassure (La Banque Postale and BPCE holding company, France)	248,926,986	36.25%	40.67%
French State (France)	7,645,754	1.11%	1.25%
TOTAL SHARES HELD IN CONCERT [10]	**537,187,880**	**78.24%**	**87.76%**
Public, Company employees and other	149,430,597	21.76%	12.24%
of which:	of which:	of which:	of which:
CNP Assurances (treasury shares)	505,717	0.07%	-
TOTAL CNP ASSURANCES SHARES	**686,618,477**	**100.00%**	**100.00%**

Since the IPO in October 1998, the composition of CNP Assurances group 's Board of Directors has reflected its ownership structure and particularly the holdings of its four historical shareholders – Caisse des Dépôts, La Banque Postale and BPCE (whose interests are held through a joint holding company, Sopassure) and the French State – that are united by a shareholders' agreement.

As part of the constitution of a large state-owned financial group announced by CNP Assurances group 's public sector shareholders on 30 August 2018, various exchanges and transfers of CNP Assurances group shares were made between the French State, Caisse des Dépôts, La Poste and La Banque Postale on 4 March 2020. CNP Assurances group's post-4 March 2020 ownership structure is as follows:

- La Banque Postale [11] 62.13%
- BPCE [12] 16.11%
- Free-float [13] 21.76%

The share exchanges and transfers led to the termination of the shareholders' agreement.

[9] 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

[10] 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

[11] Wholly-owned by La Poste Group, which in turn is 66%-owned by Caisse des Dépôts, a public financial institution

[12] Following the exercise of La Banque Postale's call option on 13,833,334 CNP Assurances group shares held by BPCE.

[13] Including treasury shares (505,717 shares at 31 December 2019).

4. Material subsidiaries and other related companies

The undertakings included in the CNP Assurances Group at 31 December 2019 are as follows:

Name	Country	% of capital	% of voting rights
CNP ASSURANCES	France	100.00%	
CNP Asfalistiki	Cyprus	100.00%	100.00%
CNP Caution	France	100.00%	100.00%
CNP Cyprialife	Cyprus	100.00%	100.00%
CNP Cyprus Insurance Holdings	Cyprus	100.00%	100.00%
CNP Europe Life Ltd	Ireland	100.00%	100.00%
CNP Holding Brasil	Brazil	100.00%	100.00%
CNP Luxembourg	Luxembourg	100.00%	100.00%
CNP Partners	Spain	100.00%	100.00%
CNP Assurances Compañia de Seguros	Argentina	76.47%	76.47%
Assuristance	France	66.00%	66.00%
Filassistance International	France	66.00%	66.00%
MFPrévoyance	France	65.00%	65.00%
CNP UNICREDIT VITA	Italy	57.50%	57.50%
Caixa Seguros Holding SA	Brazil	51.75%	51.75%
Caixa Seguros Participações Securitárias Ltda	Brazil	51.75%	51.75%
Holding Caixa Seguros Participações em Saude Ltda	Brazil	51.75%	51.75%
Odonto Empresas Convenios Dentarios LTDA	Brazil	51.75%	51.75%
Previsul	Brazil	51.75%	51.75%
Caixa Assessoria e Consultoria	Brazil	51.75%	51.75%
Caixa Saúde 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 Consórcios	Brazil	51.75%	51.75%
CNP Santander Insurance Europe Dac	Ireland	51.00%	51.00%
CNP Santander Insurance Life Dac	Ireland	51.00%	51.00%
ARIAL CNP ASSURANCES	France	40.00%	40.00%
Caixa Capitalização	Brazil	26.39%	26.39%
Wiz Soluçoes e Corretagem de Seguros SA	Brazil	12.94%	12.94%

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 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 Participações, Santander Insurance Service Ireland).

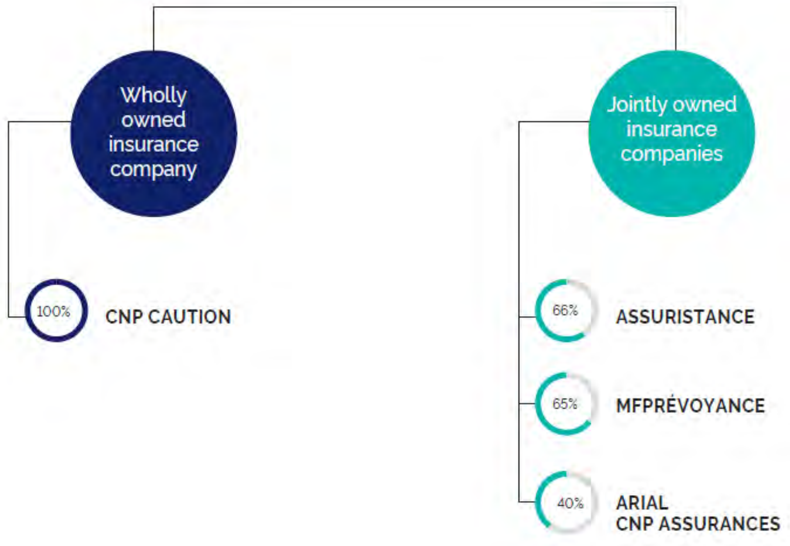
- The IFRS scope of consolidation includes certain UCITS and non-insurance entities (property companies as well as Ecureuil Vie Développement, Coentreprise de Transport d'Electricité and Holding d'Infrastructure Gazière) that are excluded from the Solvency II scope.

The list of CNP Assurances group branches at 31 December 2019 was as follows:

Entity	Branch	Country	City
CNP Assurances	CNP Assurances Denmark branch	Denmark	Copenhagen
CNP Assurances	CNP Assurances Italy branch	Italy	Milan
CNP Assurances	CNP Assurances Spain branch	Spain	Madrid
CNP Assurances	CNP Assurances New Caledonia branch	New Caledonia	Noumea
CNP Assurances	CNP Assurances Polynesia branch	Polynesia	Papeete
CNP Caution	CNP Caution Italy	Italy	Milan
CNP Caution	CNP Caution Spain	Spain	Madrid
CNP Santander Insurance Life	Santander Insurance Life Ltd Italy branch	Italy	Turin
CNP Santander Insurance Europe	Santander Insurance Europe Ltd Italy branch	Italy	Turin
CNP Partners	CNP Partners Italy branch	Italy	Milan
CNP Asfalistiki	CNP Asfalistiki Greece branch	Greece	Athens

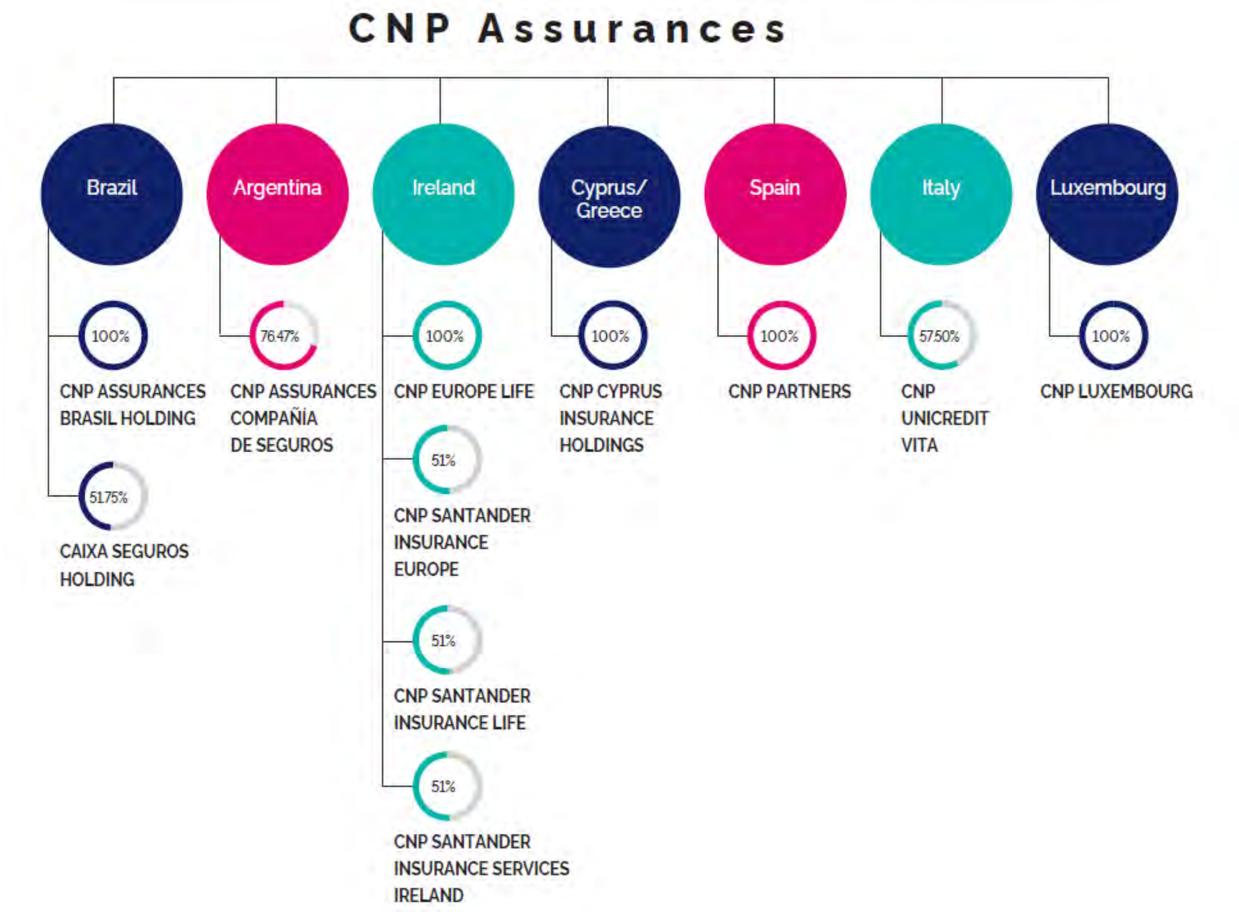
5. Simplified Group structure

- Simplified organisational structure of CNP Assurances group's main companies in France at 31 December 2019 [14]



[14] The percentages shown indicate the interest in share capital directly and indirectly held in each subsidiary

► Simplified organisational structure of CNP Assurances' main international subsidiaries as of 31 December 2019 [15]



6. Significant events of the year

6.1. Economic and financial environment

Lower interest rates, narrower credit spreads and sharply higher stock prices

2019 saw a fall in interest rates in both developed and emerging markets. The European 10-year swap rate fell by 60 basis points, France’s 10-year OAT rate by 65 basis points, Italy’s 10-year government bond rate by 130 basis points and Brazil’s Selic rate by 200 basis points over the year. The lower interest rates were accompanied by narrower credit spreads and exceptional increases in stock prices. Most of the world’s main indices ended the year up by more than 20%: the CAC 40 was up by 26%, the Euro Stoxx 50 by 25% and the S&P 500 by 29%.

The main commodity prices rebounded strongly, with gold prices up 18% and oil prices (brent) up 25%. Lastly, on the currency markets, the dollar strengthened against its reference basket (up 1.5%), reflecting significant rises against the euro (up 4%), the Yuan (up 2% and emerging currencies in general (up 4.8%).

Economic slowdown confirmed in all regions of the world, with growth held back by the manufacturing sector

The above advances took place in an environment shaped by a loss of momentum that affected all regional economies to a similar extent. Global economic growth declined from 3.7% to 3%, reflecting steep falls in the euro

[15] *The percentages shown indicate both the interest in share capital and the voting rights directly and indirectly held in each subsidiary*

zone (to around 1%), China (around 6%) and emerging economies as a whole (around 4%). The worsening economic situation was due to persistently sluggish global trade (which declined in value on flat volumes), its negative effects on the manufacturing sector (production output and inventory build-ups) and its consequences in terms of investment (with companies scaling back their capital spending programmes). Even the United States showed signs of weakness, with growth at around 2%, after delivering a resilient performance in 2018. Global economic growth escaped these trends, however, thanks to solid consumer demand. Consumer purchasing power was supported by dynamic job markets (with the developed countries enjoying almost full employment) and moderate inflation (at 2% in the United States, 1% in Europe and an average of 4% in emerging economies).

Disappointing corporate earnings performances, with sharp contrasts between sectors

Buoyant consumer spending boosted earnings in the consumer goods and services sectors. The technology sector also benefited from resilient digitisation budgets. However, some sectors that are more cyclical (automotive, energy) or more dependent on global trade (metals, chemicals) were adversely affected by the cycle downturn and reported sharply lower earnings. Overall, corporate earnings were flat (Europe) or declined (United States), confounding predictions of earnings growth made at the start of the year. These contrasting earnings performances were mirrored in the performances of the indices, which differed not from region to region but from one type of stock to another, with growth stocks, defensive stocks and large caps outperforming other stocks by a wide margin.

A still uncertain political environment but surprisingly little volatility

Investors continued to search for visibility throughout 2019, due to the uneasiness observed on the markets in the fourth quarter of 2018 and uncertainty concerning the geopolitical environment. The trade war between the United States and China continued to shape market performances. Similarly, local political spats (UK/Brexit, Italy/EU, China/Hong Kong) sparked fears among investors. However, these upheavals did not prevent stock prices from rising more or less continuously in 2019 to end the year at annual highs (the S&P500 in the United States set a new record of 3,230 points), with very little volatility (the VIX and V2X volatility indices ended the year at 12 points).

Markets boosted by the central banks' monetary stimulus policies

As has been the case for several years, the explanation of this general euphoria surrounding financial assets (and also real assets not traded on commodity markets, which saw their prices soar) lay in the policies implemented by the central banks. Moves by the Federal Reserve to tighten its monetary policy in 2018 caused the markets to tumble. January 2019 saw a radical about-face, when the Federal Reserve announced a pause in its policy, and promises of a looser policy to come fed the stock market rally from March onwards. Even the ECB, which had not moved to tighten its monetary policy, reduced its prime rate (by 10 basis points) and revived its programme of bond purchases (investing €20 billion per month in the programme). These coordinated announcements led to widespread declines in long-term interest rates. The central banks responded by breaking with tradition and launching a period of monetary stimulus without waiting for the cycle to end. Justifying this decision by the current moderate level of inflation, this policy made 2019 a vintage year in terms of financial performance if not economic performance.

6.2. Significant events for CNP Assurances

6.2.1 Partnerships

Proposed extension of the distribution partnerships with La Banque Postale and the BPCE group

The change in the distribution of the share capital held by public shareholders in favour of La Banque Postale will be an opportunity 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 group until at least 2036.

In addition, the BPCE group and La Banque Postale informed the Board of Directors of their plan for an expanded industrial partnership that will involve several components, and in particular of the 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 group (covering term creditor insurance, group health insurance, and personal risk insurance). The dates will be extended from 31 December 2022 to 31 December 2030.

Extension of the distribution partnerships with the BPCE group

On 19 December 2019, the BPCE group and CNP Assurances group signed agreements extending the 2015 distribution partnerships between BPCE/Natixis and CNP Assurances group that were originally due to expire on 31 December 2022 and consolidating CNP Assurances group's multi-partner model.

The agreements also provide for the co-insurance rate for group term creditor insurance policies between Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances group to be balanced at 50/50 and for 34% of individual term creditor insurance business written by BPCE Vie to be reinsured by CNP Assurances.

BPE, La Banque Postale's private bank, and CNP Assurances group announce the launch of BPE Emeraude

BPE Emeraude offers savers the opportunity to invest in a wide range of funds under "client-directed management" and "financial advisor-directed management" formulas. In particular, it responds to the expectations of clients who want to delegate the management of their savings by choosing the "financial advisor-directed management" formula. BPE Emeraude offers a choice of seven strategies (ranging from moderate to very high risk), three of which involve equities. Under the "client-directed management" formula, clients may notably invest in the best French property funds (SCPI) on the market, including those of AEW Ciloger and Sofidy, as well as in temporary EMTN-type (Euro Medium Term Notes) funds.

6.2.2 International

Signature of an addendum to the framework agreement of 29 August 2018 between CNP Assurances and Caixa Seguridade

CNP Assurances group has completed its discussions with Caixa Seguridade concerning their new exclusive distribution agreement in the Caixa Econômica Federal network in Brazil and signed an addendum to the framework agreement dated 29 August 2018, which concerned only part of the scope of their partnership. The main changes introduced in the addendum are as follows:

- CNP Assurances group will benefit from a 5-year extension of the exclusive distribution agreement, which will now run until 13 February 2046 (versus the original expiry date of 13 February 2041).
- CNP Assurances group's share of pensions, personal risk and consumer finance term creditor insurance business written under the 29 August 2018 agreement will be kept at 51.75% until December 2020 (as opposed to being reduced immediately to 40% as previously agreed).
- CNP Assurances group will continue to write all the other classes of business through its subsidiary Caixa Seguros Holding until the current operating agreement expires on 14 February 2021 and none of these businesses will be discontinued ahead of that date.
- The amount to be paid by CNP Assurances group has been increased from R$ 4.65 billion to R$ 7.0 billion and the payment date has been set in December 2020.

The addendum also includes incentives to outperform the first five years' volume and margin objectives, in the form of additional payments, capped at R$ 0.8 billion (Group share) based on 31 December 2020 values. The addendum will have the effect of increasing the Group's SCR coverage ratio by an estimated three points.

CNP Assurances group continues to expect the investment in the new agreement to generate an internal rate of return in excess of 15%, contributing to the Group's long-term value creation process. The agreement is subject to various conditions precedent, including the issuance of the necessary approvals by the competent supervisory and competition authorities. Subject to these approvals being obtained, the transaction is expected to be completed at the end of December 2020.

Increase in CNP Assurances group's ownership in its subsidiary CNP Cyprus Insurance Holdings to 100%

On 4 June 2019, CNP Assurances group signed an agreement to acquire Bank of Cyprus's 49.9% interest in CNP Cyprus Insurance Holdings, which had been 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 group 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' consolidated 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 group 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 transaction was completed on 7 October 2019, once the necessary regulatory approvals had been obtained.

6.2.3 Share capital

€500 million Tier 2 subordinated notes issue

On 5 February 2019, CNP Assurances group completed a €500 million Tier 2 subordinated notes issue under the EMTN programme set up in December 2018. The 2.75% notes have a 10-year life and are repayable at maturity.

The issue proceeds will be eligible for inclusion in Solvency II regulatory capital. The notes have been rated BBB+ by Standard & Poor's and A3 by Moody's. The issue will allow CNP Assurances to refinance upcoming debt maturities.

CNP Assurances group carries out an inaugural green subordinated bonds issue

A player in the transition towards a carbon-neutral economy, on 26 November 2019, CNP Assurances announced that it had successfully launched its inaugural green subordinated bonds issue. The bonds are due in July 2050 and have a first call date in July 2030.

This inaugural €750 million issue constitutes Tier 2 regulatory capital in accordance with Solvency II requirements. It was a great success and was heavily oversubscribed, with orders close to €2 billion. The fixed 2% coupon represents the lowest coupon obtained by CNP Assurances group on Tier 2 capital.

The funds raised through this operation will enable CNP Assurances group to finance green projects in the following areas:

- High energy-performance buildings (new builds and renovations).
- Sustainably-managed forests;
- Green infrastructure such as renewable energy projects and low-carbon transportation systems.

The projects financed within the framework of this issue will help CNP Assurances group to meet its objective of doubling its green investments to €20 billion by end-2023, versus €10.4 billion at end-2018.

In application of the best standards of the green bonds market (Green Bond Principles), CNP Assurances will publish a report on the use of the funds raised every year, and depending on the data available, the environmental impact of the projects financed (CO_2 emissions avoided, energy saved).

In June 2019, CNP Assurances group became the first European issuer in the insurance sector to publish a green bond framework. The issued bonds are also the first callable green bonds from a European insurer.

€250 million subordinated private placement notes issue

On Tuesday, 10 December 2019, CNP Assurances group placed €250 million worth of subordinated notes with an institutional investor.

The notes were issued in response to a specific request from the investor. The proceeds will support business growth and strengthen the Group's balance sheet.

The issue was structured to qualify as Tier 3 capital for the calculation of the SCR coverage ratio under Solvency II. The notes pay interest at an annual rate of 0.80%. This is the lowest rate ever obtained by a European insurer for this type of subordinated debt issue. The notes mature on 15 January 2027.

7. Business review

7.1. Premium income

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

(In € millions)	**2019**	2018	% change (reported)	% change (like-for-like)
Savings	20,488	20,642	-0.7%	-0.7%
Pensions	6,273	5,089	+23.3%	+25.7%
Personal Risk	1,618	1,738	-6.9%	-5.8%
Term creditor insurance	4,305	4,075	+5.6%	+6.1%
Health Insurance	420	449	-6.3%	-6.2%
Property & Casualty	393	374	+5.1%	+7.4%
TOTAL	**33,496**	**32,367**	**+3.5%**	**+4.0%**

Average exchange rates for 2019: Argentina: €1 = ARS 53.88 – Brazil: €1 = BRL 4.41
Average exchange rates for 2018: Argentina: €1 = ARS 32.99 – Brazil: €1 = BRL 4.31

Premium income breaks down as follows by country:

(In € millions)	**2019**	2018	% change (reported)	% change (reported) Like-for-like change
France	21,630	21,571	+0.3%	+0.3%
Brazil	6,733	5,452	+23.5%	+26.5%
Italy	3,261	3,638	-10.4%	-10.4%
Luxembourg	793	616	+28.8%	+28.8%
Germany	472	483	-2.2%	-2.2%
Spain	242	263	-8.1%	-8.1%
Cyprus	163	153	+6.5%	+6.5%
Poland	92	83	+11.2%	+11.2%
Argentina	21	27	-22.8%	+26.2%
Other	89	83	+7.2%	+7.2%
TOTAL	**33,496**	**32,367**	**+3.5%**	**+4.0%**

Average exchange rates for 2019: Argentina: €1 = ARS 53.88 – Brazil: €1 = BRL 4.41
Average exchange rates for 2018: Argentina: €1 = ARS 32.99 – Brazil: €1 = BRL 4.31

7.2. An international multi-partner business model

The CNP Assurances group business model is based on long-term partnership agreements with major banks and social economy lenders. Combining insurance expertise with a local presence, it is a model that has proved its efficiency over the years.

The breakdown of offers by segment is as follows:

OFFERS BY SEGMENT	
SAVINGS/PENSIONS	SAVINGS Traditional life insurance and life insurance with a unit-linked or *Croissance* (growth fund) formula
	PENSIONS Private and company-sponsored plans
PERSONAL RISK/PROTECTION*	PERSONAL RISK INSURANCE Death, temporary and permanent disability insurance, long-term care insurance, unemployment insurance, loss of income insurance, support and assistance services
	TERM CREDITOR AND GUARANTEE INSURANCE Home loans, consumer finance and business loans
	HEALTH INSURANCE
	PROPERTY & CASUALTY

We work closely with every distribution partner to build offers geared to the profiles of our respective clients in terms of age, appetite for risk and income level.

Five major banking partners

In France, our products are distributed through two long-standing partners, La Banque Postale and the BPCE group (Banque Populaire and Caisse d'Épargne networks), under long-term agreements. As CNP Assurances group shareholders, they have a direct stake in the Group's performance and its future. In international markets, the Group has set up joint ventures with banking groups that have a strong franchise and broad distribution network in their respective home markets, such as Caixa Econômica Federal in Brazil, UniCredit in Italy and Santander Consumer Finance in 12 European countries. These partners' participation as shareholders in the joint ventures' governance and financial performance incentivises the networks and, as such, is a critical growth driver.

350 non-exclusive partners in France

We have developed non-exclusive partnerships with 40 wealth management firms and with 205 lenders for term creditor insurance. We are also the preferred partner of more than 100 employee benefits institutions, mutual insurers, non-profits and brokers operating in the social protection market.

Proprietary distribution

Our in-house team of insurance advisors, which operates under the Amétis name, serves its own clients and also markets white label products to social protection partners.

7.3. Intra-group transactions

Intra-group transactions fall into several different categories:

► Transactions involving equity instruments and asset and liability transfers; In 2019, CNP Assurances group received €421 million in dividends from consolidated subsidiaries, comprising €181 million from its French subsidiaries, €178 million from its Brazilian subsidiaries, €38 million from CNP Santander Insurance Life Ltd and €15 million from CNP Cyprus Insurance Holdings.

- Intra-group reinsurance transactions: CNP Assurances group 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	Segment
Arial CNP Assurances	CNP Assurances	Proportional	Savings/Pensions
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 corresponding to off-balance sheet commitments, including a commitment by CNP Assurances to honour CNP Caution's obligations in the event of the latter's insolvency, and pledges guaranteeing reinsurance commitments to Arial CNP Assurances and CNP Luxembourg.

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

1.1. Premium income for the period

Premium income (IFRS) *(In € millions)*		**2019**	2018	% change (reported)	% change (like-for-like)
France	Savings/Pensions	**17,487**	17,424	+0.36%	+0.36%
	Personal Risk/Protection	**4,143**	4,148	-0.11%	-0.11%
	Total	**21,630**	**21,571**	**+0.27%**	**+0.27%**
Latin America	Savings/Pensions	**5,216**	4,001	+30.37%	+33.63%
	Personal Risk/Protection	**1,539**	1,479	+4.02%	+7.21%
	Total	**6,754**	**5,480**	**+23.26%**	**+26.50%**
Europe excluding France	Savings/Pensions	**4,058**	4,307	-5.79%	-5.79%
	Personal Risk/Protection	**1,054**	1,009	+4.50%	+4.50%
	Total	**5,112**	**5,316**	**-3.83%**	**-3.83%**
Group	**Total**	**33,496**	**32,367**	**+3.49%**	**+4.04%**

The Group's consolidated premium income for 2019 totalled €33 billion, up 3.5% (up 4.0% like-for-like).

- **In France,** premium income rose slightly by 0.3% to €22 billion, with Savings/Pensions premiums accounting for €17 billion and Personal Risk/Protection accounting for €4 billion.
  - Savings/Pensions premium income was 0.4% higher, at €17 billion (€8 billion for LBP and €5 billion for BPCE). In the Savings segment, strong growth of 42% at CNP Patrimoine offset a 14% decline in premium income for the BPCE network that was mainly due to lower Fourgous transfers by the banking group's customers. The proportion of Savings/Pensions premiums represented by unit-linked contracts remained high, at 20.1%. Savings/Pensions net new money reflected a €3.3 billion net inflow to unit-linked contracts and a €3.0 billion net outflow from traditional products.
  - Personal Risk/Protection premium income was virtually stable (down 0.1%) at €4 billion, with 4.5% growth in term creditor insurance premiums (generated mainly by the BPCE network) almost entirely offsetting the decline in premiums from group insurance.
- **In Latin America**, premium income totalled €7 billion, up 23.3% as reported (up 26.5% at constant exchange rates).
  - Savings/Pensions premium income was 30.4% higher (up 33.6% at constant exchange rates) at €5 billion, with Caixa Seguradora accounting for substantially all of this amount as it went from strength to strength in this segment, which is a strategic priority for Caixa Econômica Federal. The proportion of Savings/Pensions premiums represented by unit-linked contracts remained very high, at 98.7%.
  - Personal Risk/Protection premiums totalled €2 billion (primarily generated by Caixa Seguradora), up 4% as reported (up 7% at constant exchange rates). The solid growth was attributable to higher sales of consumer

finance credit insurance (*Prestamista*). The increase in premiums from home loan credit insurance (*Hipotecario*) was due for the most part to a low basis of comparison.

- **In Europe excluding France**, premium income amounted to €5 billion, a slight decrease of 3.8%.
  - Savings/Pensions premium income contracted by 5.8%, despite the very good performance by CNP Luxembourg which reported premiums up 29% at €793 million, of which 45% came from unit-linked contracts.
  - Personal Risk/Protection premiums came to €1 billion, an increase of 4.5% that was led by CNP Santander (notably in Poland, Spain, Italy and Austria).

2. Net insurance revenue

2.1. Net insurance revenue for the period

Net insurance revenue *(In € millions)*		**2019**	2018	% charge (reported)	% change (like-for-like)
France	Savings/Pensions	**1,251**	1,212	+3.21%	
	Personal Risk/Protection	**563**	592	-4.89%	
	Total	**1,814**	**1,804**	**+0.55%**	**+0.55%**
Latin America	Savings/Pensions	**227**	195	+16.69%	
	Personal Risk/Protection	**890**	874	+1.84%	
	Total	**1,117**	**1,069**	**+4.55%**	**+7.43%**
Europe excluding France	Savings/Pensions	**80**	96	-15.99%	
	Personal Risk/Protection	**208**	145	+43.74%	
	Total	**289**	**241**	**+19.98%**	**+19.98%**
Group	**Total**	**3,220**	**3,113**	**+3.43%**	**+4.42%**

Net insurance revenue (NIR) rose by 3.4% (4.4% like-for-like) to €3,220 million in 2019.

- **In France**, net insurance revenue came to €1,814 million, up 0.6%. The Savings/Pensions business's contribution increased, reflecting the improved margin on technical reserves, while that of the Personal Risk/Protection business contracted slightly due to the ongoing more selective approach to new personal risk business.
- **In Latin America**, net insurance revenue came to €1,117 million, an increase of 4.5% as reported (up 7.4% at constant exchange rates) that was attributable to strong growth in technical reserves in the pensions business, growth in consumer finance credit insurance business and an improved personal risk loss experience.
- **In Europe excluding France**, net insurance revenue was up a strong 20.0% at €289 million, driven by excellent momentum in the Personal Risk/Protection business.

3. Value of New Business

(In € millions)		**2019**	**2018**	Change
France	Value of New Business	**263**	414	-151
	Annual Premium Equivalent (APE)	**2,146**	2,101	+45
	APE margin	**12.3%**	19.7%	-7.4 pts
Latin America	Value of New Business	**206**	178	+28
	Annual Premium Equivalent (APE)	**692**	591	+101
	APE margin	**29.7%**	30.1%	-0.4 pts
Europe excluding France	Value of New Business	**74**	67	+7
	Annual Premium Equivalent (APE)	**348**	399	-51
	APE margin	**21.4%**	16.9%	+4.5 pts
Group	Value of New Business (VNB)	**543**	659	-116
	Annual Premium Equivalent (APE)	**3,186**	3,090	+95
	APE margin	**17.1%**	21.3%	-4.3 pts

The Value of New Business amounted to €543 million in 2019, down €116 million or 17.6% compared with 2018. Excluding the currency effect, the year-on-year change was a decline of €109 million or 16.6%. Most of the decline concerned France (down €151 million or 36.4%) and was attributable to lower interest rates, despite a positive contribution from operations. In Latin America, VNB increased by €28 million, reflecting growth in the Pensions and Personal Risk/Term Creditor Insurance segments. In Europe excluding France, the €7 million increase in VNB was attributable to higher margins in the Personal Risk/Term Creditor Insurance segments, which offset the decline in Savings new money in Italy..

A3. Investment performance

1. Description of the asset portfolio

The aggregate market value of the Group's investment portfolio came to more than €400 billion at 31 December 2019, including unit-linked portfolios of €60 billion.

1.1. Asset allocation

The Group's asset portfolio breaks down as follows, based on assets under management and IFRS measurement principles:

Market value (in %)	31 Dec. 2019	31 Dec. 2018	Year-on-year change
Fixed income	82%	81%	-1 pt
Listed equities	10%	10%	0 pts
Property	5%	5%	0 pts
Private equity	2%	2%	- 1 pt
Cash, foreign currency and other	1%	2%	- 1 pt
TOTAL excluding unit-linked portfolios	**100%**	**100%**	

CNP Assurances and CNP Caution

In a year that saw significant shifts in the market (stock prices rallied, while interest rates collapsed and credit spreads narrowed), the asset management strategy focused on dynamically managing fixed income positions and diversification portfolios, as illustrated by:

- The decision to invest in government bonds with longer maturities, to capture the higher yields and increase the duration of the fixed income portfolios backing savings and pensions liabilities.
- The decision to invest in corporate bonds with longer maturities, to capture the higher yields and benefit from the flatter yield curve and narrower spreads that were a feature of the second half of the year.
- The decision, in early June, to reallocate investments in favour of fixed income funds (traditional fixed income funds, emerging market debt funds, funds managed according to total return strategies); this decision enabled the Group to capture the 5.3% gain in fixed income prices during the summer.
- The decision to tactically manage equity positions, (with an increase in positions in January followed by profit-taking in April), and the decision to sell €2.8 billion worth of equities and equity funds as from September in order to lock in the capital gains and adapt to the new market environment (i.e., the cost of negative interest rates in terms of solvency capital).

Caixa Seguradora

The Brazilian subsidiary's asset allocation focused on increasing the sovereign debt portfolio in order to protect investment revenues from the effects of the successive cuts in the Selic rate, which was reduced from 6.5% to 4.5%. The lower interest rates also created a need to diversify the portfolio by investing in unlisted assets, within the limits set by our ALM models.

1.2. Asset-backed securities

Within the Group, only CNP Assurances SA holds a portfolio of asset-backed securities. The portfolio's unamortised nominal value at 31 December 2019 was €3.7 billion (versus €4.3 billion at end-2018) and its market value was €3.6 billion. The portfolio includes securitization funds for a total nominal amount of €428 million, asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDOs)/collateralised bond obligations (CBOs) and collateralised loan obligations (CLOs).

1.3. Unlisted asset classes (private equity, property and infrastructure)

Private equity

During 2019, CNP Assurances group committed to investing €518 million in 14 private equity funds in France, Europe and the United States. These funds invest mainly in SMEs and midcaps operating in various economic sectors.

At 31 December 2019, the private equity portfolio represented a net commitment of €4.7 billion for a carrying amount of €2.6 billion.

In early 2020, we contacted the managers of these private equity portfolios to obtain details of ESG screening results.

Property & forestry assets

The strategy of investing in property and forestry assets was actively pursued in 2019, albeit at a slower rate than in the previous two years, to take advantage of the historically attractive risk premium offered by these assets in a low interest rate environment and the buoyant economy and rental market. New investments in this asset class approved in 2019 totalled €1.6 billion, corresponding mainly to commercial property and

CNP Assurances group also pursued its geographical diversification strategy, focusing on property markets outside France (Germany) as well as on the Paris market. Dynamic portfolio management strategies were applied to take advantage of an active market, shaped by restructuring operations, sales of obsolete assets, relocations, etc. As a general principle, CNP Assurances group invests directly in property and forestry assets, rather than through funds.

Infrastructure

The Group continued to invest in infrastructure assets, with commitments of €250 million and US$100 million to three funds, invested mainly in Europe and the United States.

1.4. Portfolio hedges

CNP Assurances group uses forward financial instruments to hedge its asset portfolios. The purpose of the hedges is to reduce the risks associated with the underlying assets. Hedges on a notional amount of €120.3 billion were outstanding at 31 December 2019. Hedged risks include the risk of an increase in interest rates, which is hedged using interest rate and spread caps on long-term rates. The lower interest rates and limited volatility in 2019 reduced the cost of these protections and we therefore chose to purchase hedges on a notional amount of €35.2 billion during the year.

To protect the IFRS income statement against the risk of wider credit spreads, changes in credit indices were hedged by purchasing CDS options on a notional amount of €1 billion in exchange for option premiums of €8.7 million.

To lock in unrealised gains and reduce sensitivity levels, equity risk hedges were purchased on a notional amount of €3.5 billion in 2019 (versus €2.2 billion in 2018).

In addition to these interest rate and equity risk hedges, a R$ 3 billion currency hedge was set up to avoid any increase in the cost of the cash payment to be made under the binding agreement with Caixa Seguradora.

1.5. Sustainable development commitments and indicators

During 2019, CNP Assurances group continued to invest in socially responsible investment (SRI) funds and green transition funds, in line with the following objectives:

- To hold at least €20 billion worth of green investments as of 31 December 2023: with green investments totalling €14.4 billion, the objective was 72% met at 31 December 2019.
- To invest at least €5 billion in green investments in the period to 31 December 2021 [16]: this objective has already been met, with the €6.9 billion spent on green investments in the period to 31 December 2019 representing 139% of the target.
- To reduce the listed equities portfolio's greenhouse gas emissions by 47% between 31 December 2014 and 31 December 2021. This objective has already been met, with greenhouse gas emissions reduced by 51% in the five years to 31 December 2019 (representing a reduction in the carbon footprint from 0.468 teq CO_2/€k invested at 31 December 2014 to 0.227 teq CO_2/€k invested at 31 December 2019).
- To no longer invest in companies that derive more than 10% of revenues from thermal coal or are developing new coal-fired power stations. No investments were made in 2019 in any of the companies concerned by this ban;
- To no longer invest in companies that derive more than 20% of revenues from thermal coal or are developing new coal-fired power stations. The Group no longer holds any investments in companies on the exclusion list.

2. Investment income and expenses

Net investment income [17] *(In € millions)*	2019	2018	Year-on-year change
Net investment income	6,275	7,689	-1,414
Net profits on disposal of investments	1,795	195	+1,601
Investment expenses	(251)	(248)	-2
Net investment income	**7,820**	**7,635**	**+185**

Net investment income under IFRS totalled €7.8 billion in 2019. The €185 million increase compared with the previous year corresponded to the net impact of:

- a €1,300 million reduction in net investment revenue, due for the most part to the decline in interest income from the bond portfolio in France, as higher yielding bonds matured and the proceeds were reinvested in bonds offering much lower market yields, and
- higher net realised gains on investments in France, mainly reflecting:
  - an €800 million increase in gains on bonds that matured during the year, and
  - a €600 million increase in realised gains on the sale of equities to take advantage of the sharp rise in market prices.

[16] *Green bonds, infrastructure investments and private equity*

[17] *Source: IFRS consolidated accounts*

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 hold-to-maturity investments ("HTM") have no impact on equity.

IFRS revaluation reserve (available-for-sale financial assets) *(In € millions)*	**31 Dec. 2019**	**31 Dec. 2018**	Change	*Fair value adjustments recorded in equity*	*Fair value adjustments recorded in profit or loss*
Debt instruments	17,416	14,836	+2,580	+3,225	-645
Equity instruments	14,589	9,784	+4,805	+5,269	-463
Total	**32,264**	**24,708**	**+7,556**	**+8,494**	**-1,109**

The €7.4 billion increase in the IFRS revaluation reserve reflected the combination of:

- financial market trends (higher stock prices and lower interest rates) which had the effect of increasing both unrealised gains and unrealised losses, and
- realised capital gains and losses, which had the effect of reducing the revaluation reserve.

A4. Other income and expenses

The Group defines as “Other income and expenses” the income tax expense and finance costs reported in the consolidated financial statements.

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 CNP Assurances 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 group 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 CNP Assurances and CNP Assurances 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, this Solvency and Financial Condition Report and the Regular Supervisory 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 remuneration awarded to the Board by the General Meeting and calling General Meetings.

1.1.2 Committees of the Board of Directors

Five Committees of the Board (the Audit and Risk Committee, the Strategy Committee, the Remuneration and Nominations Committee, the Follow-up Committee on the Implementation of the BPCE and LBP Partnerships and the Ad Hoc Committee [18]) 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 roles and responsibilities of the Chairman of the Board of Directors are clearly defined by the Board. The Chairman's role does not concern exclusively the Board's organisation and practices. The Board's internal rules state that he may be invited to represent CNP Assurances group in its public relations, notably with major partners or government authorities, at national or international level.

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 CNP Assurances group's activities and performances.

[18] The Ad Hoc Committee's work concerned (1) the expected implications of the planned increase in La Banque Postale's ownership interest; (2) the ongoing development of CNP Assurances' multi-partner model, with the Group's current partners and new partners in France and abroad, and (3) the required governance arrangements to support ongoing implementation of the multi-partner model.

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 2019, the Board met ten times.

He 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.

The Chairman is closely involved in CNP Assurances group'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 CNP Assurances group's strategy, organisation, major investment or divestment projects or other matters.

Prior to the Board Meetings at which these topics are discussed, the Chairman receives the briefing documents needed to ensure that he fully understands CNP Assurances group's risk exposure. To this end, he receives advance briefing documents from the Group Risk Committee, allowing him to discuss the topic concerned with the Chief Executive Officer.

He receives the quarterly risk reports and monthly management reports, as well as summary information about operations with the main distribution partners.

1.3. Chief Executive Officer

The Chief Executive Officer has the broadest powers to act in CNP Assurances group'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 [19]. 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 CNP Assurances group 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 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 effectively run CNP Assurances group, and are in charge of partnerships and business development.

1.4. Executive Committee

The Executive Committee generally 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, long-term business projections, financial statements, financial investment strategies and profit forecasts by business segment. It also reviews proposed business acquisitions and the business plans of the main French and foreign subsidiaries.

[19] *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 CNP Assurances. It particularly focuses on ensuring the efficiency of internal control, internal audit and risk management systems, which are key drivers of good corporate governance.

Summary minutes are kept of each Executive Committee meeting.

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.

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 CNP Assurances group'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 detects, identifies, assesses and prevents the occurrence of compliance risks, and provides advice and guidance in the following main areas: (i) governance (existence of appropriate committees, verification of independent advisors' professional qualifications); (ii) business ethics (professional secrecy and confidentiality, prevention of insider trading, anti-bribery and corruption measures); (iii) policyholder protection (know-your-client procedures, duty of advice, policyholder information, complaint processing procedures); (iv) marketing practices (advertising, sales and marketing documents, alignment of products with target clients, policy marketing rules); (v) procedures to combat money laundering and the financing of terrorism; (vi) procedures to combat insurance fraud and (vii) protection of personal data.

The Actuarial function, which is presented in section B7 below, is run by the Chief Actuary. The Actuarial department's activities include coordinating technical reserve calculations and analysing the underlying assumptions. It also examines the measures taken in the areas of reinsurance and underwriting. The results of the actuaries' work, in terms of estimating the impact on the Group's earnings and risk profile, are systematically taken into account.

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 members of the Executive Committee and the heads of the four key functions (Risk Management, Compliance, Actuarial and Internal Audit). These executives may then delegate some of their own powers and responsibilities.

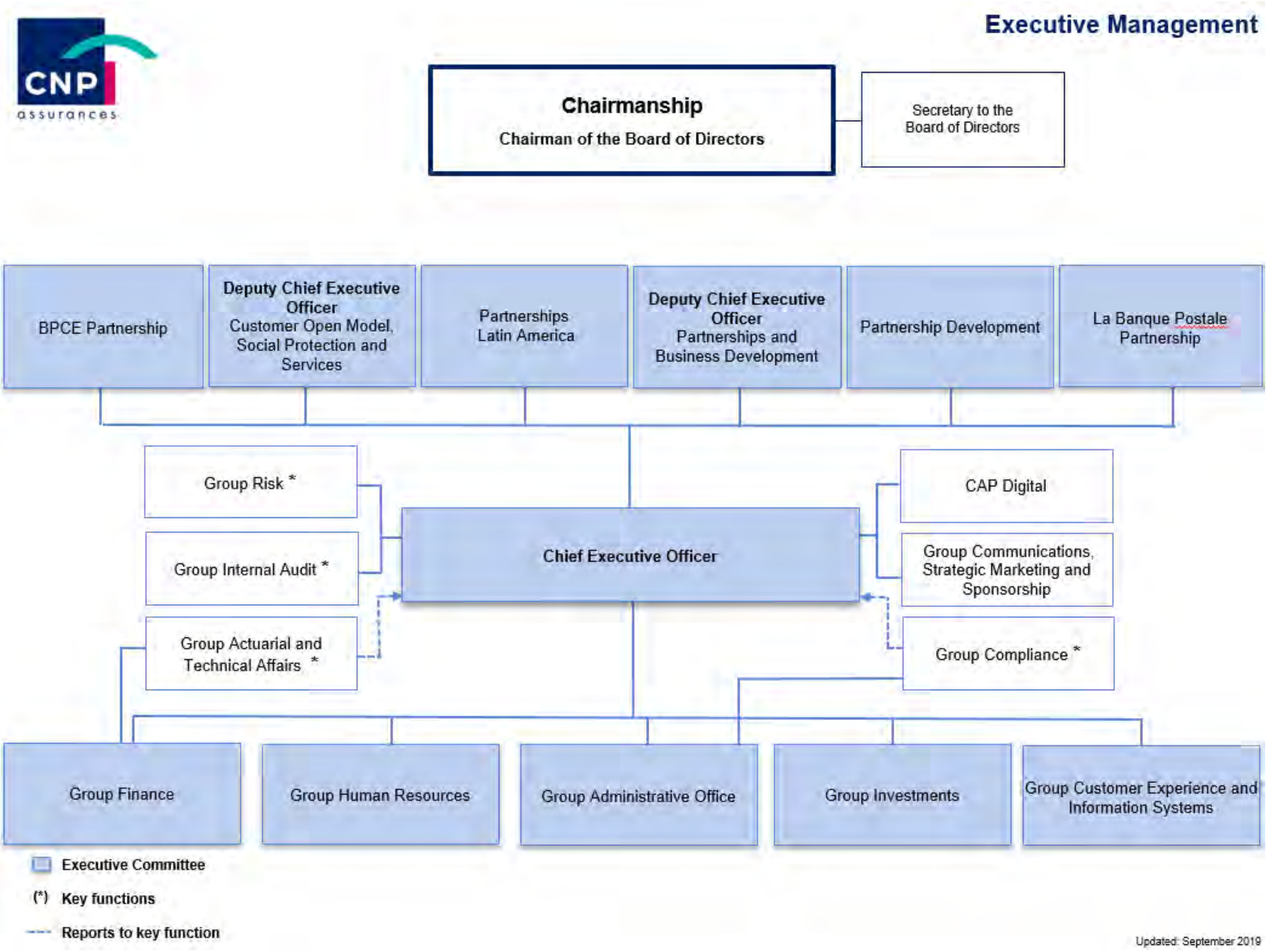
The formal delegations of authority describe the powers concerned, detailing the action that is likely to be taken and the commitments that are likely to be given to third parties on behalf of CNP Assurances. They respond to:

- Organisational imperatives, by reflecting CNP Assurances 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

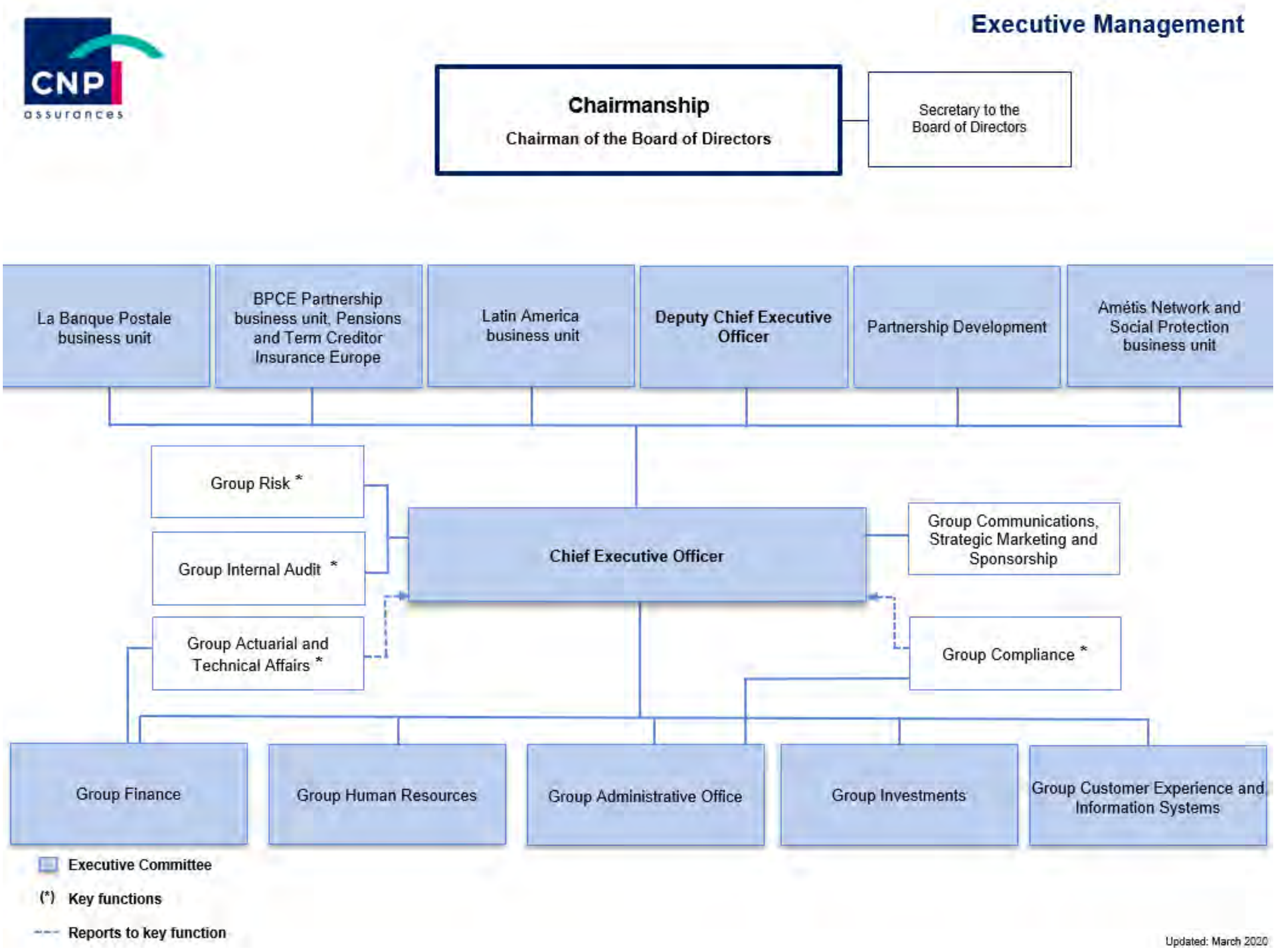
CNP Assurances is organised around business units and corporate functions, as shown below (based on the organisation at 31 December 2019):



Note 1: The subsidiaries not shown in the above chart are included in the business units.

Note 2: As the persons responsible for key functions, the Chief Actuary and the Chief Compliance Officer report to the Chief Executive Officer.

Note 3: Following the organisational changes implemented at the beginning of 2020, CNP Assurances group's organisation structure at the end of March 2020 was as follows:



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

There were no material changes in CNP Assurances group's system of governance in 2019. However, during the year, Jean-Christophe Mérer was appointed as Chief Risk Officer and Corinne Gouthière as Internal Audit Director.

In addition, Yves Couturier, Deputy Chief Executive and Head of the Open Model and Social Protection & Services business units, retired on 3 February 2020, leading to the appointments presented in the organisation chart below.

Following the transactions on 4 March 2020 whereby La Banque Postale became a majority shareholder in CNP Assurances, the Board of Directors noted the resignation of the French State and the six directors representing Caisse des Dépôts and appointed six new directors proposed by La Banque Postale. The current membership of the Board of Directors is as follows:

- nine directors recommended by La Banque Postale;
- two directors recommended by BPCE;

- two directors representing employees; and
- four independent directors

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 CNP Assurances group 's strategic priorities and objectives, as well as its business and financial performance goals. A formal remuneration policy has been drawn up and distributed throughout CNP Assurances and the Group. The final version was approved by CNP Assurances SA's Board of Directors on 14 November 2019.

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

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

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

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

6.1.1 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.

6.1.2 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.

6.1.3 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 group’s profits and growth. They also promote a sense of belonging and encourage employees to work together.

6.2. Remuneration policy and practices regarding corporate officers

The remuneration of corporate officers is decided by the Board of Directors and shareholders at the annual general meeting 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 2018.

CNP Assurances 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 variable remuneration are set annually by the Board of Directors. The Board also decides on any quantifiable and qualitative objectives used to determine the variable remuneration to be paid the following year, based on the recommendations of the Remuneration and Nominations 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 CNP Assurances 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 CNP Assurances 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 CNP Assurances or the Group. Under no circumstances are the bonuses of holders of key functions determined by reference to the performance of the business units or operating areas that they control or for which they act as co-decisionmaker.

Characteristics of material risk taker bonuses

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

- Flexibility: the bonus clause in eligible employees' employment contracts specifically states that CNP Assurances 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 CNP Assurances, 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.

6.4. Directors' remuneration

The total fixed amount of directors' remuneration voted by shareholders in General Meeting – currently set at €830,000 – is allocated by the Board among its members.

The allocation is based exclusively on the directors' attendance rates at meetings of the Board of Directors and the Committees of the Board, as follows:

- €3,800 for each meeting of the Board of Directors and €3,050 for each meeting of a Board Committee (where applicable) attended by the director,
- €3,050 for each meeting of a Committee of the Board chaired by the director.

No remuneration is paid by CNP Assurances group to the Chairman of the Board of Directors or the Chief Executive Officer.

7. Agreements and commitments authorised during the year

Information about material transactions with shareholders in 2019 and early 2020, persons who exercise a significant influence over CNP Assurances, and members of the executive management is provided 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 17 April 2020:

- The new agreement in Brazil giving the Caixa Econômica Federal network exclusive rights to distribute life insurance (*vida*), consumer finance term creditor insurance (*prestamista*) and private pension plans (*previdência*).
- Agreements between the BPCE group and CNP Assurances

Detailed information about these transactions and agreements is provided in the CNP Assurances group Universal 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 CNP Assurances 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

1.1. Directors

The Remuneration and Nominations Committee obtains assurance that the members of the Board of Directors collectively possess the appropriate qualifications, experience and knowledge about (i) insurance and financial markets; (ii) CNP Assurances' business strategy and model; (iii) its system of governance; (iv) financial and actuarial analysis, and (v) the regulatory framework and requirements that are appropriate to the exercise of the responsibilities assigned to the Board of Directors.

1.2. Persons who effectively run CNP Assurances

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

1.3. Key functions

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

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

2. Fit and proper assessment process

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

2.1. System applicable to the directors and to the persons who effectively run CNP Assurances SA

Prior to the nomination or renewal of directors and persons who effectively run CNP Assurances, the Remuneration and Nominations Committee performs a fit and proper review based on the Nomination and 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.

2.2. System applicable to the persons who hold key functions in the Group and to the persons who hold key functions in and who effectively run the European subsidiaries

The persons who hold the key functions at Group level, the persons who effectively run the Group and the persons who hold the key functions within the European 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, the Group Chief Compliance Officer and the Group Chief Administrative Officer.

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 and 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) Persons who hold key functions or effectively run the 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 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.

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.

2.3. Fit and proper policy

A formal fit and proper policy has been drawn up, reviewed and distributed throughout CNP Assurances and the Group. The final version was approved by CNP Assurances SA's Board of Directors on 14 November 2019.

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 annual solvency assessment process.
- 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.
- 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 It also approves delegated exposure limits. The Committee validates risk assessment guidelines and methodologies, i.e., high level investment guidelines and limits, underwriting policy framework and reinsurance policy. It also validates the policies, procedures and guidelines for monitoring and managing risks and solvency capital, drawing upon the work of committees set up to review specific risks (underwriting risk committee, commitments committee, asset risk monitoring committee, investment committee, ALM committee, operational risk and internal control committee, etc.) and equivalent 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 or subsidiary. The Committee is tasked with validating risk acceptance in line with the 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. It alerts the Group Risk Committee to any material risks identified in the course of its work. It contributes to monitoring the application of underwriting policies as part of the overall risk monitoring process. To this end, the Underwriting Risk Committee examines risk underwriting/selection and pricing decisions proposed by the business units/subsidiaries, in order to determine and assess the Group's main underwriting risk exposures. It examines the overall consistency of the Group's reinsurance plan, based on each entity's underwriting risk map and the Group's risk management strategy.

This continuous monitoring of risk exposures ensures that we are able to act quickly to correct any deviation from CNP Assurances group's risk profile.

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. The Committee is responsible for making decisions concerning:

- The authorisation, modification or suspension of the exposure limit (amount and duration) for an individual issuer or counterparty that exceeds the amount that can be authorised at a lower level or between two Asset Risk Monitoring Committee meetings, and – if necessary – the liquidation of a position.
- Investments in excess of a certain amount in equities and debt securities, to be held either directly or through a fund (excluding investment funds/hedge funds not regulated by the UCITS directive, for which investment decisions are made directly at Group level).
- Decisions to add investment funds/hedge funds not regulated by the UCITS directive (including ETF) to the list of authorised investments.
- Securities lending transactions and purchases of forward contracts (counterparty limits, collateralisation rules, etc.).

The Investment Committee uses the files received from the Investments department 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 may also validate the authorisation, modification or suspension of the exposure limit (amount and duration) for an individual fixed income issuer or hedging counterparty, and – if necessary – the liquidation of a position. It tracks standards, risk policies, limits, delegations of authority and asset risk mitigation measures. If the limits are breached, it determines whether to authorise the overrun or require the sale of the portion of the investment that breaches the limit. In the case of a major breach of asset standards, it submits the matter to the Group Risk Committee or the Investment Committee as appropriate. In the case of a major amendment to asset standards, it submits the matter to the Group Risk Committee or the Investment Committee as appropriate. 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.

Each year, 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 **Asset/Liability Management (ALM) Committee** tracks the identification and measurement of ALM risks, and draws up annual ALM and financial risk hedging programmes. Asset/liability management seeks to contain risks affecting liquidity, earnings and CNP Assurances 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 CNP Assurances group's asset portfolio and preventing/containing losses resulting from inadequate or failed processes, people and systems. It enhances customer service quality and CNP Assurances group'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):
  - the underwriting policies;
  - the reserving policy;
  - the investment policy and asset standards (including concentration standards, liquidity standards, currency risk standards);
  - the ALM risk management policy;
  - the operational risk management policy;
  - the 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 partly based on an analysis of the related return on ORSA capital and underwriting policies that take into account profitability targets for each product type. The Group Risk department has developed and made available to the business units various tools enabling them to independently measure the return on ORSA capital. These tools help them to take ownership of the metric in question, which is central to commitment decisions. Investment decisions also take into account the impact of investment income on ORSA capital where necessary.
  - 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.
- Decisions designed to ensure compliance with the Group’s risk tolerance limit through an ORSA capital allocation system and a system to regularly monitor 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. This report may be updated during the year in the event of a material change in the Group’s risk profile.

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 group 's 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 is set up 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 CNP Assurances group's risk tolerance is not exceeded.

To this end, the 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. A process-led ORSA analysis and control plan is deployed to further improve the quality of the calculations.

In the rare cases where the 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

The main protagonists in risk management and internal control are, at the highest level in CNP Assurances, the Board of Directors, the 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.
- Second-tier controls cover the key Risk Management function (see section B3 Risk Management), key Compliance function (see section B5.2 Compliance) and key Actuarial function (see section B7 Actuarial function) and the system of permanent controls (see below).
- Third-tier controls (periodic controls) are performed by the internal auditors (see section B6 Internal Audit Function).

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

1.1. 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:

- Category 1 risks and controls identified by the businesses through a bottom-up approach, and that are taken into account for operational management purposes.
- Category 2 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 the Group's core functions.

The operating departments (or businesses) input data into the system which is managed by the permanent 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 three angles – design, procedure and evidencing. Self-assessment quality reviews are performed by the permanent control teams. The review consists of a formal process to check that the self-assessment methodology and the methodology to drive continuous improvement in the risk management system have been properly applied.
- Certification tests (only for category 2 risks): 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 category 2 risks. 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 four ratings are: Critical (rating applied automatically to Category 2 controls, High, Moderate and Low. The inherent risk corresponds to the "spontaneous" risk in the absence of any risk management processes. The residual risk corresponds to the estimated risk after taking into account the effectiveness of existing risk management processes, as assessed by the control system.
- 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.

1.2. Deployment throughout the CNP Assurances Group

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

They set up permanent control structures and undertake the work required to deploy the permanent control system in their organisation according to their size. The subsidiaries generally use the risk management and control system made available by CNP Assurances, which also provides support services. These services include help in deploying the system and the provision of training in the use of the system and the related methodology.

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.

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. The European subsidiaries submit their internal control policy to CNP Assurances group's Internal Control department for approval during the annual review by the subsidiaries' governance structures.

2. Compliance function

2.1 Structure, role and responsibilities

The Group's Compliance organisation and control system are described in a code of conduct and a Group policy, both of which are based on industry best practice and aligned with the applicable regulations.

Effectively managing compliance issues is key to earning the trust not only of policyholders and insureds but also of distribution partners. Their trust is essential to drive business growth and promote shared values.

Compliance policy and organisation

The Compliance policy applies to all Group insurance companies and describes each company's roles and responsibilities. It is updated each year to take into account regulatory changes, changes in application scope and the updated Compliance plan for the coming year. The updated policy is submitted to the Board of Directors for approval.

The approved policy is then circulated to all Compliance officers and correspondents at CNP Assurances group and the subsidiaries and posted on the Group's Intranet. Presentations are organised after each modification.

The Compliance policy is supported by a set of specific policies on such issues as bribery and corruption, conflicts of interest, data protection, money-laundering, product governance and fraud.

The subsidiaries develop their own compliance policies, which must be consistent with Group policy. They submit their compliance policies to the Group Compliance Officer for approval during the annual review by the subsidiaries' governance structures.

Compliance function scope, role and responsibilities

The Compliance function is responsible for ensuring that the Group's insurance and reinsurance businesses comply with all applicable laws, regulations and standards, and with internal rules. It detects, identifies and assesses compliance risks, issues warnings about actual or potential breaches, and provides advice in the following main areas:

- Governance: existence of appropriate committees, verification of independent advisors' professional qualifications.
- Business ethics: professional secrecy and confidentiality, prevention of insider trading, anti-bribery and corruption measures, whistleblowing procedure.
- Client protection: know-your-client procedure, duty to provide impartial advice, client information obligations, complaint processing.
- Marketing practices: advertising, sales and marketing documents, alignment of products with target clients, policy marketing rules.
- Prevention of money laundering and financing of terrorism: risk classification, consistency of transactions with client profiles, management of asset freezes and embargoes, opinion on the acceptance of complex new client relationships, monitoring of politically exposed persons, reporting of suspect transactions to Tracfin.
- Prevention of insurance fraud: prevention, detection and management of potential cases of fraud, organisation of fraud investigations.
- Protection of personal data: approval of data collection documents, analysis of data protection risks associated with new computer applications, determination of sensitive data volumes, requests to consult, rectify, delete or oppose personal data.

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.

To effectively fulfil the above responsibilities, the Compliance function also trains employees on key issues related specifically to CNP Assurances group's businesses and skill sets, and conducts regular communication and awareness-raising initiatives.

These interlocking activities guarantee the compliance system's robustness.

Compliance processes

The Group Compliance function contributes actively to strengthening risk management systems by playing a coordination role and performing second-tier controls that complement the system of permanent controls. The Group Compliance department does not play any operational role to avoid the occurrence of any conflict of interests.

The Group Compliance department drafts policies, codes of business ethics and compliance standards and procedures. It supports line managers in structuring their own compliance rules and expresses an opinion on matters submitted to it for review.

As part of his whistleblowing and advisory role, the Chief Compliance Officer reports regularly to the Chief Executive Officer and the Chairman of the Board of Directors.

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 group's Ethics Officer.

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

The European and international 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 reports to its governance structures at least once a year on the assessment of its compliance system's effectiveness, and issues immediate warnings about any identified weaknesses or major risks.

The Group Compliance department's team is supported by local compliance officers appointed in each business unit and corporate department and in each of the European and international subsidiaries. They are the first point of contact of the head office-based Group Compliance department and cover three areas: compliance, financial security and data protection.

As the interface between the Group Compliance department and their local structure, they prepare descriptions of their unit's transaction processing procedures, and ensure that the procedures are communicated to employees and implemented in accordance with the applicable regulations and the Group's internal principles. They also draw up action plans to achieve any necessary improvements.

2.2 Significant events of 2019

2019 was used as an opportunity to strengthen Compliance management processes and document compliance systems in more detail, as well as to inform and train employees about the compliance processes that were significantly upgraded in 2018 following regulatory changes. The upgrades included:

- ► Deployment of a system to prevent bribery and corruption in application of France's Sapin II Law (on transparency, the prevention of bribery and corruption and modernisation of the economy).
- ► Improved protection of personal data, in application of the European General Data Protection Regulation (GDPR).

- Deployment of systems for defining and monitoring new products, in application of the Insurance Distribution Directive (IDD).

In addition, work continued on the project to strengthen the system to combat money laundering and the financing of terrorism. This project was launched in 2016 to improve Group compliance with increasingly strict regulatory obligations by covering its money laundering and terrorist financing risks more effectively.

All Group companies were specifically involved in projects to implement new anti-bribery and corruption regulations and data protection regulations.

B6. Internal Audit function

1. Scope of the function’s activities

Group Internal Audit audits the activities and processes of CNP Assurances group and its controlled subsidiaries, including activities delegated to partners or outsourced by the Group.

Our internal audit processes are certified by the French chapter of the Institute of Internal Auditors (IFACI) and comply with the Institute of Internal Auditors' (IIA) international standards. Compliance with these standards is assessed annually and certified every three years by IFACI Certification.

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 group 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:

- CNP Assurances group's strategy and competitive environment.
- Financial and internal control indicators.
- The dates when the risks, the entities and the 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 Risk 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).
- Archiving: once the final report has been issued, the documents and working papers are archived by the internal auditors.

B7. Actuarial function

The positioning and roles of the Actuarial function have been identified with the aim of fulfilling as far as possible the competence and independence objectives defined in Solvency II. It is required to be independent from the other key functions and operating units.

The principles and systems governing the Group Actuarial function's work are presented in the Group Actuarial function policy. This document describes:

- the function's role and responsibilities
- the function's expected qualities
- the function's position in the Group's committee structure
- relations with the actuarial functions in the Group companies.

The Group actuarial policy also applies to the subsidiaries' Actuarial functions, except when it is specifically stated that the policy is applicable only at Group level or at subsidiary level.

CNP Assurances group's Actuarial function is run by the Group Chief Actuary who is a qualified actuary. The Group Chief Actuary has direct access to the Group's decision-making bodies and reports directly to the Chief Executive Officer, allowing him to fulfil his whistle-blowing role.

As in prior years, during 2019 the person who holds the Actuarial key function was supported by:

(i) The Actuarial functions in the various Group units which have similar responsibilities at the level of their respective units.
(ii) The Actuarial Standards department, which centralises the Actuarial function's activities.

All of the Actuarial function's activities are presented 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 19 February 2020.

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 CNP Assurances group level, the second and third lines of defence are combined.

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. Ensure 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:

- models are proportionate to the nature, size and complexity of the underlying risks and are correctly used;
- calculation assumptions are evidenced;
- the data used for assumption calibration purposes are complete and of sufficiently high quality.

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.

Communication of the modelling principles to the subsidiaries' executive management involves making a broader presentation of the models' main components and preparing a validation report and an analysis plan to support the assumptions. This process provides an opportunity to summarise the future management decisions taken into account in the models and the main modelling choices. It also serves to alert management to the models' main limitations.

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 in the process, as well as on the function's own research and on ex-post analyses of the actual margins earned on new business. The opinion is considered by Executive Management which makes the final decision. In the cases specified in the underwriting policy, the final risk acceptance decision is made by Executive Management during Commitments Committee meetings.

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:

- Controlling the settings for the technical reserve calculation inputs to enable the Risk department to determine the related stressed SCR.
- Taking part in technical research to determine the technical stresses used to prepare the ORSA.
- Making recommendations during meetings of the Group Risk committee, the other reinsurance risk committees.

B8. Outsourcing

1. Outsourcing policy

1.1. Objectives and scope

Our outsourcing policy describes the rules applicable to outsourcing activities conducted under the responsibility of the Outsourcing Director who reports to the Group Administrative Officer. The policy's operational roll-out and implementation are the responsibility, in their respective areas, of the heads of the business units and Group functions.

The Group outsourcing policy is updated once a year to take into account market changes and ensure that it complies with the latest regulatory requirements.

The policy is submitted to the CNP Assurances group Board of Directors for approval.

The Group outsourcing policy has been drawn up in application of the Solvency II directive. It complies with the measures approved by the European Parliament, which underscore the requirements for outsourced activities:

- *Article 38*: the insurer guarantees access by the supervisor to data on the outsourced activities so that the activities can be supervised.
- *Article 41*: the insurer has a formal outsourcing policy.
- *Article 49*: the insurer retains responsibility for compliance with the directive's requirements of any outsourced activities.

It is aligned with the European General Data Protection Regulation, which requires contractors to fulfil a certain number of obligations.

Outsourcing [20] is defined as the execution by a third party of a service or activity that is part of CNP Assurances' business model and would otherwise be performed in-house.

This definition includes:

- Delegated management, corresponding to policy administration activities performed by a third party that has close ties with CNP Assurances. Examples include distribution partners, brokers and companies that have capital ties with CNP Assurances.
- Activities and functions entrusted to a subsidiary or other Group entity.
- Risk selection for contracts that include coverage of an insurance risk, leading to an insurance policy being written in the name and on behalf of CNP Assurances.

This definition does not include:

- The presentation of insurance operations, except for risk selection, as explained above.
- The collection of group insurance and term creditor insurance premiums.

Solvency II requires special care to be taken when outsourcing critical or important [21] operational functions and activities.

For CNP Assurances, this relates to:

- delegated management of any of the key functions defined in Solvency II:
    - the Risk Management function,
    - the Compliance function,

[20] Definition based on "Advice for Level 2 Implementing Measures on Solvency II: System of Governance".

[21] Definitions based on Directive 2009/138/EC "Solvency II", Government Order 2015-378 dated 2 April 2015, Decree 2015-513 dated 7 May 2015, and EIOPA guidelines.

  - the Internal Audit function, and
  - the Actuarial function;
- outsourcing of operational functions and activities that are essential for the continued operation of the business, or could, if they were altered or quality standards were not met, have a serious adverse effect on the continued delivery of a satisfactory quality of service to insureds, policyholders and beneficiaries and to reinsured companies;

Based on the guidelines set out in the outsourcing policy, the subsidiaries have rolled down the policy's principles, governance and management rules into their local outsourcing policies, after adapting them to their specific operating and regulatory environments.

The subsidiaries' policies describe their scope of application and define the "critical and important" functions and activities that may or may not be outsourced.

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".

1.2. Committees

1.2.1 Outsourcing Commitments Committee

At the level of CNP Assurances, the Outsourcing Commitments Committee is led by the Outsourcing Director.

Its members include:

- the Group Chief Administrative Officer;
- the Group Chief Risk Officer;
- the Customer Experience and Information Systems Director;
- the Group Human Resources Director;
- the Planning and Performance Director; and
- depending on the issues covered, the head of the business unit or the Group function concerned.

The Committee reviews the project, checks whether it complies with CNP Assurances group 's outsourcing rules and policy, and issues a recommendation.

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. Each subsidiary implements its own process on a basis that ensures the costs do not outweigh the benefits.

1.2.2 Outsourcing Qualification Committee

At the level of CNP Assurances, the Outsourcing Qualification Committee is led by the Outsourcing Director. Its members include:

- the head of operational risks and internal control (Group Risk department);
- the head of the business law unit (Group Legal department);
- the Group Chief Compliance Officer;
- the Data Protection Officer;
- the head of the crisis management and business continuity unit;
- the information systems security manager; and
- depending on the issues covered, the head of the business unit or the Group function concerned.

After reviewing the outsourcing qualification file prepared by the business unit or Group function, the Committee determines whether the activity to be outsourced is either critical or important.

1.2.3 Outsourcing Management Committee

At the level of CNP Assurances, the Outsourcing Management Committee is led by the Outsourcing Director. Its members include:

- the Group Chief Administrative Officer;
- the Group Chief Risk Officer;
- the Group Human Resources Director;
- the Planning and Performance Director; and
- depending on the issues covered, the head of the business unit or the Group function concerned.

Once a year, the Committee holds a meeting for each business unit, Group function or contractor working for several business units and/or functions.

Its role consists of overseeing all outsourced activities for the scope concerned and reviewing possible future developments concerning these activities.

1.2.4 The Operational Risk and Internal Control Committee

- See section B5 for details concerning this Committee.
- The Committee’s role includes monitoring outsourcing risks and changes in the coverage of outsourcing risks.

2. Outsourced critical and important functions and activities

All CNP Assurances group subsidiaries have mapped their outsourced functions and activities and identified those qualified as "critical and important".

The Group outsources (to a varying extent depending on the entity) 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 (and other than the outsourcing agreements mentioned above) is the agreement between CNP Assurances and CNP Technologie 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 group 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 2019	
		In € millions	In % [22]
Market risk	*Interest rate risk* *Equity risk* *Property risk* *Currency risk* *Spread risk* *Concentration risk*	**11,895**	53%
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*	**4,929**	22%
Health underwriting risk	*SLT Health [23] underwriting risk* *NSLT Health [24] underwriting risk* *Health catastrophe risk*	**2,036**	9%
Non-life underwriting risk		**874**	4%
Counterparty default risk		**1,206**	7%
Intangible asset risk		**0**	0%
Operational risk		**1,552**	7%

As this risk profile shows, CNP Assurances group's primary exposure is to market risk, which accounts for just over half 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 27% based on the following formula: (sum of net SCRs excluding operational risk SCR - net basic SCR)/sum of net SCRs excluding operational risk SCR.

[22] *Percentage of the sum of the SCRs by risk*

[23] *SLT Health = health obligations assigned to the lines of business for life insurance*

[24] *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 2019 In € millions	In %
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*		**4,929**	22%
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*	**2,036**	9%
	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*		**874**	4%

1. Description of the main risks

1.1. Surrender or cancellation risk

Traditional savings contracts include an early surrender option for a contractually fixed amount. Surrender rates depend on how the financial markets perform, the yield offered by other competing financial products, our policyholders' behaviour and their confidence in CNP Assurances, and the tax rules applicable to investments in life insurance products. A wave of surrenders could 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.

Concerning traditional savings products with a unit-linked formula, there is a risk of policyholders transferring their savings from unit-linked funds to the traditional fund. This is unfavourable for the Group due to the significant risk of losses on these funds in the current low interest rate environment.

For group pensions contracts, surrender risk corresponds to the risk of the subscriber requesting the policy be transferred.

In term creditor insurance, surrender risk includes the risk of a contract being surrendered due to the early repayment or renegotiation of the underlying loan (which is more likely in a period of falling interest rates) or the contract's cancellation.

1.2. Morbidity risk (temporary and permanent disability, long-term care insurance)

Personal risk/protection and term creditor insurance contracts comprise various types of temporary or permanent disability and long-term care cover. These guarantees expose the Group to morbidity risks. Morbidity risk is the risk of an increase in the incidence or duration of sick leave or long-term care needs. It also includes the risk of an increase in healthcare costs.

1.3. Mortality risk

Mortality risk corresponds to the risk of higher-than-expected mortality rates among insureds.

The Group is exposed to mortality risk on the death cover included in most of its personal risk and term creditor insurance policies.

In addition, an increase in the mortality rate would reduce future margins on Savings business and could have an adverse impact on the Group's financial position. Some unit-linked contracts also include death cover. The combination of less favourable financial market conditions and higher-than-expected mortality rates would erode margins on these contracts.

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, comprehensive home-owner's insurance, health insurance 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.

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 group would be exposed to a risk of being unable to fund these guarantees or possibly even cover the policy administrative costs.

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

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

2. Changes during the period

2.1. Adaptation of savings products to the very low interest rate environment

The very low interest rate environment in Europe creates a risk for the traditional savings business. For this reason, significant and considered practical measures were taken in the second half of 2019. The main measures were as follows:

- The up-front loading on traditional funds was increased.
- A minimum unit-linked weighting was imposed for certain contracts.
- Policyholder participation rates were adjusted.
- Policyholder dividend matrices were developed, depending on the unit-linked weighting (for introduction in 2020).
- PACTE Law transfer rules were developed that were designed to increase the unit-linked weighting.

2.2. PACTE Law

The PACTE Law, promulgated in May 2019, mainly affects pension savings and life insurance.

The main provisions related to pension savings (Article 71 of the Law) concern the creation of a harmonised pension savings plan (PER) to build up savings through voluntary payments, transfers from employee savings plans and compulsory contributions. At the end of the saving period, savers can choose to receive either a lump sum or a regular pension (except for the capital represented by compulsory contributions which can only be taken out as a regular pension).

The main impacts are as follows: (1) existing pension savings plans will be withdrawn from the market no later than 1 October 2020; (2) savers will be able to make transfers between all types of PER, and (3) insurers will have an even greater duty to provide advice and information to policyholders.

For life insurance, the main provisions (Article 72 of the Law) concern the ability for policyholders to transfer their savings from one life insurance contract to another traditional contract with a unit-linked formula or *Croissance* contract with the same insurer, and the introduction of new duties in terms of the information to be given to policyholders (unit-linked fund performance, fees, yield, participation rate) and stricter anti-disinheritance obligations.

The Group has responded to the new environment created by the PACTE Law by:

- Designing group and individual PER products.

- Organising the conversion or transfer of existing group contracts to PACTE-compliant contracts:
  - this is the case for the points-based Prefon pension plan, which has offered plan participants the option of transferring their savings to PACTE-compliant funds since December 2019;
  - the same measure will be examined for “Article 83” pension plans before the end of 2020.
- Defining the process for PACTE transfers (life insurance to life insurance), one of the key aims being to use the transfers as an opportunity to increase the unit-linked weighting.

2.3. Launch of a protected unit-linked fund, Pergola

CNP Patrimoine’s Pergola 90 offer launched in 2019 is destined for wealth management clients. In the current climate of low rates, this innovative product makes it possible to supplement the secure portion of savings invested in life insurance and endowment contracts, while benefiting from the rise of equity and bond markets. Policyholders benefit from protection at all times for their investment at 90% of the highest historic level reached by Pergola 90. The product provides daily liquidity.

This type of protected unit-linked fund can represent an attractive alternative to traditional funds and accompany the transformation of the traditional/unit-linked fund mix for savings contracts.

3. Underwriting policies and oversight system

3.1. Underwriting process

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

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

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

The CNP Assurances underwriting policies include:

- Underwriting standards.
- Pricing standards.
- A description of the internal controls applied by the operating units to guarantee compliance with underwriting procedures.
- A description of the periodic reports required by 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 reporting

3.3.1 Principles

The Group Risk reporting system includes quarterly underwriting risk indicators covering CNP Assurances group's most material risks. These include surrender, morbidity (analysed by type of cover: temporary and permanent disability, health and long-term care), mortality, longevity and unemployment risks and risks related to Savings/Pensions financial options and guarantees (capital guarantees, guaranteed yield and transaction options). Focus reports may also be prepared on emerging risks, newly introduced products and strategic growth priorities. The market's view of topical issues or recent publications is also included.

The underwriting risk reports are used to detect any deviations from CNP Assurances group's risk profile to be submitted to the Underwriting Risk Committee and also to commission detailed analyses from the business units and Group 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 reporting system is organised by risk and includes:

- Risk measurement indicators.
- 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 the employee benefits plan, long-term care insurance 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 the Group also calculates the sensitivity of MCEV© metrics – Value of New Business (VNB) and value of In-Force business (VIF) – to surrender, expense and claims shocks.

The main results are as follows:

31 Dec. 2019 *(In € millions)*	Central value	Surrenders -10%	Costs -10%	Loss ratio -5% (longevity risk)	Loss ratio -5% (mortality & disability risk)
MCEV© VIF	6,921	107	528	(103)	131
Group VNB	543	40	49	(3)	67
VNB France	263	19	36	(1)	55
VNB Latin America	206	20	8	0	7
VNB Europe excluding France	74	2	6	(1)	4

C2. Market risk

This section deals with the market risks (interest rate, equity, property and currency risks) that are the most likely to have a material adverse effect on the Group. 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. 2019	31 Dec. 2018	Change
Bonds and other fixed income	256,327	251,654	+4,673
Equities and other variable income	31,793	29,602	+2,191
Investment property and property funds	7,840	7,577	+263
Property-related loans and receivables	4,217	4,080	+137
Derivative instruments	941	1,087	-146
Other loans and receivables	481	812	-331
Other	578	1,159	-581
Total	**302,179**	**295,970**	**+6,209**

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, interest and redemption proceeds are reinvested at a lower rate, leading to a gradual erosion of bond portfolio yields.

A prolonged fall in interest rates makes contractual loading more difficult to apply to savings and pension products and exposes the insurer to a risk of lower margins, especially on traditional life insurance products. To address this risk, we limit the duration and level of yield guarantees, thereby allowing asset managers to reduce the weighting of long-dated bonds in the managed portfolios.

In more extreme scenarios, despite the relatively low proportion of contracts with a guaranteed yield, there could be a risk that asset yields will be insufficient to cover contractually guaranteed yields, forcing CNP Assurances group to use its own funds portfolio to pay the guaranteed amount.

Traditional savings and 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 investment portfolios may lag behind the market, generating a mismatch between the yields paid on our products and those available on competing 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 us 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 offered by other players, thus pushing the surrender rate even higher.

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

1.2. Equity risk

Equity risk measures the sensitivity of equities to changes in stock market prices. Volatility measures the extent of equity price changes and is used to quantify the yield and price risk. High volatility means high potential gains but also a higher risk of losses. High volatility means high potential gains but also a higher risk of losses.

In the case of a prolonged fall in value of certain equities held in the portfolio, impairment provisions may have to be set aside for unrealised losses on these investments, 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 CNP Assurances group of this flexibility and could even reduce our ability to pay guaranteed yields.

The private equity portfolio also exposes CNP Assurances 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 consist of providing financing for current or planned projects in the transport, energy, environmental services, telecommunications and public works sectors.

Infrastructure investments represent an important portfolio diversification opportunity for CNP Assurances. They include direct investments in infrastructure projects and units in infrastructure funds which provide an opportunity to invest in diversified portfolios of assets in this class. The portfolio is invested primarily in European infrastructure projects.

There are two types of risk inherent to private equity and infrastructure investments: the risk of a fall in the probability of the underlying companies or projects and the risk associated with the lack of a liquid market for these investments which require a medium or long-term perspective.

1.3. Property risk

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

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

The value of properties owned directly by CNP Assurances group 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. Although property companies are rarely exposed to leverage risks, they should also be taken into consideration given the current environment, in which interest rates could rise.

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 Brazilian reals. Caixa Seguros Holding's contribution to the Group's financial performance – in terms of both premium income and earnings – is already substantial, We purchase currency hedges to manage this risk; however, these are based on analyses and forecasts and may prove inadequate or ineffective.

In addition, the Group is exposed to a currency risk on the annual dividends paid by Caixa Seguros Holding in R$.

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

2. Changes during the period

A description of the economic environment and financial market conditions in 2019 is provided in section A1. In summary, 2019 was shaped by very low – and in some cases negative – interest rates in Europe and very strong gains on the world's stock markets at the end of the year.

In this economic environment, we adjusted the asset allocation by selling several billion euros worth of equities, taking advantage of the high market prices while also improving the solvency coverage ratio. In addition, the bond portfolios' average durations were extended – the average duration of new sovereign debt investments in France was 20 years (versus an average 11 years in 2018), although the average yield on the year's investments in France was lower, at 0.8%. At CNP UniCredit Vita in Italy, the same approach was adopted, and the average duration of the subsidiary's sovereign debt investments for the year was also longer.

Concerning currency risk, following the increase in the payment to be made upon renewal of the partnership with Caixa Econômica Federal, the related hedge against a fall in the Brazilian currency was also increased.

Brazil's Selic rate fell significantly over the year, leading Caixa Seguradora to increase the average duration of its bond portfolios.

3. Investment policies, asset standards and monitoring processes

3.1. Investment policy and asset standards

Market risks are managed by implementing an investment policy. 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 standards
- Liquidity standard (see section C4 Liquidity risk)
- Investment standards – Equities
- Investment standards – Unlisted investments (Private Equity, Infrastructures, Property).
- Investment standards – UCITS
- Standards dealing with derivatives transactions and counterparty limits.
- Credit standards by issuer/group of issuers (see section C3 Credit risk).
- Standards on exposure limits by rating band (see section C3 Credit risk).
- Concentration standard (see section C3 Credit risk).

3.2. 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, 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. At 31 December 2019, CNP Assurances group held a portfolio of caps on a total notional amount of €99.5 billion with an average remaining life of four-and-a-half years and an average strike price equal to the 10-year euro swap [25] rate plus 310 basis points.
- Equity risk: purchases of puts hedging the risk of a fall in certain stock indices, aligned with the hedging objectives (management of IFRS earnings volatility, Group solvency, policyholder participation, etc.). At end-2019, the

[25] *Unaudited management reporting data*

Group held a portfolio of CAC 40 and Euro Stoxx 50 index options (puts) on a total notional amount of approximately €12.5 billion with an average remaining life of 2 years and average strike prices of 3,546 points (CAC 40) and 2,690 points (Euro Stoxx 50) [26].

- Currency risk: the majority of the Group's exposures to currency risks are hedged. In particular, a hedge against a fall in the Brazilian R$ has been set up to protect the value of profits dividended up by Caixa Seguradora. At the same time, a hedge against an increase in the real has been purchased to avoid any rise in the cost of the R$-denominated payment to be made on renewal of the distribution agreements with Caixa Seguridade.

In addition, part of CNP Assurances group'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 profit participation. At 31 December 2019, the policyholders' surplus reserve totalled €13.8 billion.

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 2019 are as follows:

Indicator	Value at 31 Dec. 2019	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	€1,412m	-€11.8m	+€12.4m	+7.7	*n/a*
MCEV©	€20,562m	+€2,960.6m	-€3,272.1m	*n/a*	-€3,056.1m
Solvency II coverage ratio	227%	+20 pts	-23 pts	*n/a*	-7 pts

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

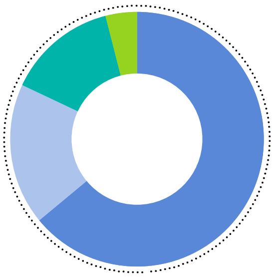
[26] *Unaudited management reporting data*

C3. Credit risk

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

CNP Assurances group's exposure to spread risk on the bond portfolio is presented below:

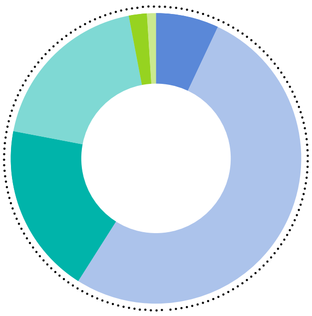
Bond portfolio by type of issuer (carrying amount in %)



	31 Dec. 2019	31 Dec. 2018	Change (points)
Government bonds	64%	60%	+4
Corporate bonds	18%	21%	-3
Banking sector bonds	14%	14%	-0
Covered bonds	4%	5%	-1

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

Bond portfolio by issuer rating[27]. Unaudited management reporting data (carrying amount in %)

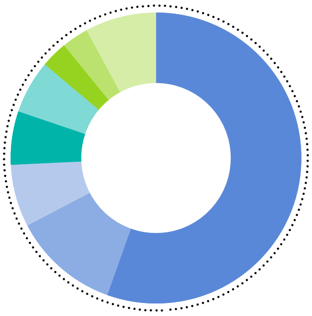


	31 Dec. 2019	31 Dec. 2018	Change (points)
AAA	7%	8%	-1
AA	52%	47%	+5
A	19%	18%	+1
BBB	19%	19%	0
Non-investment grade	2%	7%	-5
Unrated	1%	1%	0

The corporate bond portfolio is invested for the most part in bonds with a better than A rating.

The government bond portfolio breaks down by country as follows:

Government bond portfolio by country (gross exposure – at cost[28] in %)



	31 Dec. 2019	31 Dec. 2018	Change (points)
France	56%	57%	-1
Brazil	12%	10%	+2
Spain	7%	7%	0
Italy	6%	7%	-1
Belgium	6%	5%	+1
Austria	3%	3%	0
Germany	3%	2%	+1
Other	8%	8%	0

The Group's government bond portfolio is invested for the most part in European sovereign debt, primarily French.

[27] *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.*

[28] *Carrying amount, including accrued interest*

1. Description

1.1. Credit risk

The credit risk on a bond is the risk of partial or total issuer default. It concerns both corporate bonds and government bonds. This depends on the issuer's financial bill of health as generally reflected in agency financial ratings (which can range from AAA to D). The credit spread is the risk premium – in other words, the difference between the yield on a bond and that on a risk-free government bond with the same characteristics.

Credit spreads vary according to investor perceptions of the credit risk represented by the issuer.

Historically, spreads on corporate bonds tend to narrow in periods of growth and they widen during a recession when the number of issuer defaults tends to increase. In addition, spreads may widen or narrow for reasons specific to the issuer, whatever the economic conditions

1.2. Counterparty default risk

Counterparty default risk is the risk of default by a counterparty other than an issuer of bonds held in the Group's portfolio. It mainly concerns derivative products, reinsurance transactions and securities lending (repo) transactions. It also concerns, to a lesser extent, group insurance clients when earned premiums not yet written are recognised.

2. Changes during the period

In 2019, the significant reduction in interest rates led to narrower credit spreads. In this environment, the Group increased its sovereign debt portfolios and reduced its exposure to credit risks on corporate issuers (other than banks).

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.

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.

Credit standards set exposure limits by issuer.

In addition to exposure limits by issuer, limits are set at portfolio level by rating band. Standards address concentration risk by setting exposure limits by issuer group and by portfolio (except for the French sovereign debt portfolio).

4. Risk mitigation

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

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.

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. 2019	Sensitivity to a 50-bp increase in corporate bond spread [29]	Sensitivity to a 50-bp increase in government bond spread [30]
Solvency II coverage ratio	227%	+8 pts	-7 pts

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

[29] *After recalibration of the volatility adjustment*

[30] *After recalibration of the volatility adjustment*

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 CNP Assurances 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 2019. Liquidity indicators remained below the thresholds specified in the liquidity risk standards.

3. Investment policies, asset standards and monitoring processes

The market risk policies and standards (see section C2) also apply to liquidity risk. In particular:

- Liquidity standards have been developed.
- 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.

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 the least liquid (property and shares in non-trading property companies).
- Sell the units in equity and bond funds, the government bonds maturing in more than one year and rated BBB+ or lower and the corporate bonds maturing in more than one year.
- Stop reinvesting portfolio cash flows (investments that reach maturity, interest, dividends and rent).
- Stop investing net new money.

5. Risk sensitivity

The standard liquidity indicator is in itself a measure of CNP Assurances group 's sensitivity to liquidity risk.

In 2019, 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 €3.3 billion.

C5. Operational risk

	Group SCR at 31 Dec. 2019 *(In € millions)*
Operational risk	1,552

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 an operational 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 CNP Assurances group from fulfilling its regulatory obligations or complying with internal standards in its relations with policyholders.
- Process execution, delivery and management: business continuity risks, as well as regulatory or contractual processing times and processing failures or errors, and outsourcing risks and compliance risks related to regulations other than insurance law.
- 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 (including money laundering and terrorist financing).
- Project management: risk of budget overspend, project management failures or failures in related change management processes.

2. Changes during the period

Changes during the period concern CNP Assurances group’s operational risk profile.

The Group's operational risk profile was relatively stable in 2019 compared with the previous year. The main residual risks identified during the year are in the following categories:

- **Product, policy and policyholder relations compliance:**

The Group is subject to increasingly strict regulations both in Europe and in Brazil. During the year, we continued to work on risk management and control systems to comply with the Insurance Distribution Directive (IDD) and the General Data Protection Regulation (GDPR) that came into effect in Europe in 2018. The work also concerned the extensive body of regulations covering the prevention of money laundering and the financing of terrorism, as well as the prevention of bribery and corruption. At the same time, the growing digitisation of policyholder relationships is also leading to changes in the regulatory environment.

► **Outsourcing and delegated management:**

The CNP Assurances Group business model is based on outsourcing solutions and extensive delegations of management powers to distribution partners. The Group is therefore exposed to significant outsourcing risks, related to service quality, dependence on contractors and regulatory compliance.

In addition, with the application of the GDPR, all of our European subsidiaries will have to step up their controls to ensure that contractors comply with their obligation to protect personal and sensitive data.

For this reason, a Group Outsourcing department was set up in 2019 to strengthen cross-functional outsourcing processes by updating the contractor map and systematically seek Group-level back-up. In addition, an outsourcing audit team has been set up within the Internal Audit department, to help strengthen operational controls performed by contractors and controls over compliance risks.

► **Process execution, delivery and management:**

The process complexity resulting from the diverse markets, products and partnership arrangements exposes the Group to regulatory risks (aside from insurance law compliance risks), business continuity risks and the risk of human error during manual transactions. Major organisational changes currently in progress that may alter the Group's risk profile include:

- The growing use of teleworking solutions.
- For the accounting function, the changes needed to apply IFRS 17 (recognition and measurement of insurance contracts) and IFRS 9 (application of new classification and measurement rules to financial instruments).

► **Information systems and data processing:**

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. As the incidence of cybercrime increases, intruder risk is also still a concern.

Data protection was at the centre of the information systems security strategy in 2019, with the deployment of a Group-level information systems security policy combining technical, human resources and organisational measures.

► **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.

We pursued our drive to strengthen risk management systems to combat money laundering and terrorist financing, with the deployment of new tools in the subsidiaries and action to optimise controls in this area.

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 (in line with the principle of proportionality in Solvency II). 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. All incidents representing a loss of more than €10,000 must be reported, along with any incident that did not generate any loss but could have had material consequences if the circumstances had been different. 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 CNP Assurances group is most vulnerable. CNP Assurances and all of the subsidiaries must regularly review, test and update their business continuity plans. A dedicated crisis management team has been set up to manage crises.
- An insurance programme: A group-wide insurance programme has been set up covering general liability, corporate and directors' liability, fraud, property damage (vehicle fleet, IT equipment, buildings), assistance (during business travel or expatriation) and cyber security.
- Operational risk action plans, including such measures as process and internal control improvements.

4. Risk mitigation

The system of permanent controls represents a key component of the system to manage operational risk and helps to mitigate this risk (see section B5.1).

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 compliance policy and 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 throughout the Group to compliance risks related to new product launches, with specific committees set up to manage these risks.

For more information about the Compliance function, see section B5.2.

Outsourcing and delegated management

A dedicated department was set up in 2019 to manage these risks, supported by risk maps, an outsourcing policy, a contractor selection process, a monitoring process and periodic audits (see section B8 for more details).

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, based on its Group-wide crisis management and business continuity policy. 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 and compliance with contractual undertakings.

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 therefore 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. CNP Assurances group’s business model, in which many transactions are performed by partners, has shaped the related controls.

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

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 CNP Assurances group 's main risks, using predefined inputs (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 CNP Assurances.

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
- Examine 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.

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.

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 CNP Assurances 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.

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

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 Value of New Business (VNB) metrics for CNP Assurances 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 inputs) 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 main strategic risks are as follows (see below for more details):

- Partnership risk.
- Country risk.
- Risks related to new regulations.

Partnership risk

We enter into various strategic partnerships, directly or through subsidiaries, to strengthen our presence in certain markets. These partnerships represent a means of sharing the business and financial risk with the partners concerned. They may simply be commercial arrangements, such as a distribution agreement, or involve the investment of capital in a joint subsidiary.

Integrating these partnerships or joint subsidiaries into the Group can sometimes take longer, be more difficult and require bigger teams of employees and managers than originally expected, and this may negatively affect consolidated earnings. The constantly evolving nature of the business means that there is no guarantee that the financial performance of acquirees or partners will be aligned with the business plans on which the original investment decision was based. Underperformance may result in impairment losses being recognised on goodwill or other intangible assets that will negatively affect the Group's financial position.

It may be necessary to rethink a partnership in the event of changes either to the project itself or to the local political and economic situation or the partner's own financial situation, or because of a disagreement between partners.

In 2019, over three-quarters of our premium income (on an IFRS basis) was generated through our five main distribution partners (La Banque Postale for 26%, BPCE for 19%, Caixa Seguridade for 20%, Banco UniCredit for 9% and Banco Santander for 2%).

Country risk

The Group has operations in many countries, in Europe and Latin America. The sustainability and development of its businesses depends in part on these countries' economic health and political stability.

More specifically, the financial viability of certain businesses may depend on local regulations and government commitments in our host countries, especially in cases where we are called on to advance funds on behalf of the

State. Regulatory changes (for example, the statutory increases in life annuities introduced in 2017) or a government decision to renege on its commitments may lead to litigation, with a significant adverse effect on the Group's earnings if the courts rule against us. For example, under the State-sponsored insurance system in Brazil administered by the various local insurers ("branch 66" insurance administered on a run-off basis since 2009), Caixa Seguradora is required to settle claims directly and then recover the amounts involved from a dedicated fund.

We have large subsidiaries in Brazil and Italy (accounting for 20% and 10% of consolidated premium income in 2019, respectively), two countries that experienced political and economic upheaval in 2019 in different environments and for different reasons.

Risks related to new regulations

The introduction of new regulations in Europe or the Group's other host countries could prove both complex and costly for the Group. Many different departments may be concerned by the change, information systems may have to be adapted and significant costs may have to be incurred for staff training to ensure compliance with the new regulatory framework. Since 2018, for example, we have had to implement major projects to comply with the new General Data Protection Regulation (GDPR) and the Insurance Distribution Directive (IDD).

In addition, new regulations may be adopted that affect our business model. The new insurance accounting standard IFRS 17, which is due to come into effect in the near future, may have a significant impact on the IFRS earnings reported by CNP Assurances group every quarter. Similarly, discussions currently in progress about the revisions to be made to Solvency II include consideration of yield curve and interest rate module issues. The Group's risk profile is heavily weighted towards financial risks and it could be faced with a significant reduction in its solvency margin as a result of these revisions. Lastly, if adopted, the proposed capping of life insurance commission rates in Germany risks having a material impact on CNP Santander Insurance's business in this country.

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 shares and bonds.

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

CNP Assurances group does not expect to make any material adjustments to its asset allocation strategy during the projection period.

6. Climate risk

Climate risk falls into several categories:

- Physical risks, i.e., risks resulting from damage caused directly by climate phenomena.
- Transition risks, i.e., risks resulting from the effects of deploying a low carbon business model. This includes regulatory risk (arising from a change in public policy leading for example to a ban or restrictions on certain activities, or from changes in tax laws), technological risk (arising from innovations and disruptive technologies that help to combat global warming) and market risk (changes in supply and demand from companies and individuals).
- Liability risks (increase in complaints and litigation).
- Reputational risk (changed customer and stakeholder perception of the Group).

Climate risk is therefore treated as a cross-functional risk that may aggravate other identified risks. The Executive Committee and the Audit and Risk Committee were informed about these risks during a specific presentation in November 2019.

CNP Assurances group's business consists primarily of writing personal insurance and climate risk is therefore assessed and managed mainly in terms of its impact on asset portfolios. This risk is closely monitored by the Climate Risk Committee: This committee, which has been operational since early 2019, meets each quarter to monitor regulatory developments and the roadmap for managing climate risk in all parts of CNP Assurances group's activities. The results of the work of the Climate Risk Committee were presented to the Executive Committee and the Audit and Risk Committee.

To mitigate the impact of climate risk on its assets, the Group has taken the following action:

- Campaigns are organised among the teams responsible for investments to raise awareness of climate change issues.
- The investment policy specifically prohibits investment in coal stocks.
- The carbon footprint of the directly owned equity and property portfolios is being reduced by calculating and monitoring their footprint and setting objectives for its reduction.
- Assets are managed according to ESG criteria.
- The investment policy is designed to promote energy and ecological transition (forests, green bonds, high energy performance buildings, green infrastructure such as renewable energy projects and low-carbon transportation systems).
- The location of forestry assets in France has been diversified, with close attention paid to avoiding areas exposed to significant natural disaster risks.
- The equities portfolio (other than equity funds) is managed using a low carbon index that takes into account corporate strategies in favour of the energy transition.
- New objectives have been set for reductions in the carbon footprint of the portfolio of listed equities, after the objectives set in 2016 were met in 2019.
- A shareholder activism policy has been deployed to promote energy and ecological transition.
- The physical risk related to the forest and property portfolios is analysed based on scenarios developed by the UN's Intergovernmental Panel on Climate Change (IPCC).
- Physical risks concerning directly held listed securities (equities, corporate bonds, sovereign debt) have been mapped.
- Energy transition risk has been analysed for directly held listed securities by measuring each issuer's contribution to energy transition, and projections have been prepared for the period to 2023 for the sectors most exposed to transition risk.
- Analyses have been performed to determine the alignment of certain categories of investments with the Paris Agreement's 2°C scenario.

Climate risk is also monitored during the quarterly meetings of the Socially Responsible Investment (SRI) Committee held with our asset managers, LBPAM and Ostrum AM.

To mitigate the impact of climate risk on its insurance liabilities, the Group has taken the following action:

- The risk of higher-than-expected mortality rates (whatever the cause, including a pandemic or a heatwave) has been covered.
- The potential consequences of physical risks on insurance liabilities have been measured by simulating the effects of higher-than-expected mortality rates due to climate change on all of our businesses.
- The potential impact of climate risk on our internal operations is managed through initiatives to reduce the carbon footprint of our operations and also through our business continuity plan.

C7. Other information

In 2020, the spread of the Covid-19 pandemic has revealed a certain number of risks affecting the CNP Assurances group's solvency coverage ratio and earnings.

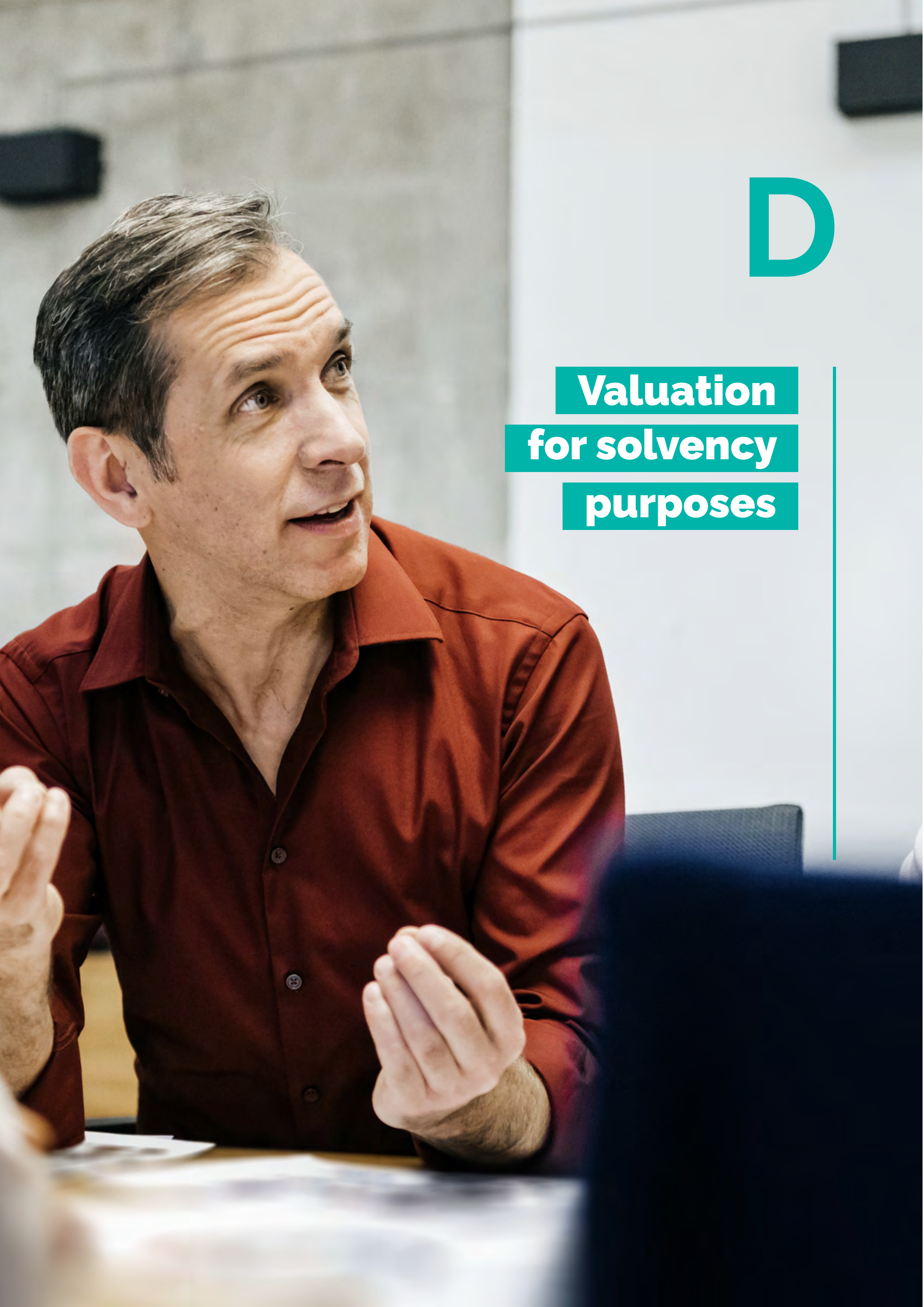
Potential impacts were already visible in March, concerning equity risk, credit risk, currency risk, mortality and sick leave risk, and operational risks in terms of process execution.

In response to these unusual circumstances, a crisis management plan was deployed in March across all levels of the organisation. All employees are now working from home to continue providing the full range of policyholder services.

CNP Assurances group's financial strength results from a very conservative risk management policy aligned with our long-term strategy. This policy has enabled us to accumulate substantial unrealised capital gains, and we have also set up hedging programmes covering equity risks, currency risks and interest rate risks. Market levels in the most recent period also enabled us to build up significant liquidity.

Insurance risks have been managed by building up a Savings/Pensions portfolio with guaranteed yields close to zero and through measured revaluations that have enabled us to constitute a policyholders' surplus reserve representing more than 6% of technical reserves. The final element in the system is the risk-sharing clause in our partnership agreements and a reinsurance treaty covering pandemic risks.

In the current market conditions, the CNP Assurances group's solvency coverage ratio remained high in March 2020.



D

Valuation for solvency purposes

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

The Solvency II 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 ensures that a reliable Solvency II balance sheet will be produced as part of an orderly, well-managed process. It also ensures consistency with the IFRS financial statements.

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 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 Solvency II 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 Solvency II 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 Solvency II 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 Solvency II 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 Solvency II 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 value

Since 2005, the Group has used IFRSs as its primary basis of accounting. Therefore, 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.

For its Solvency II balance sheet, the CNP Assurances group uses the fair value of assets and liabilities as calculated for IFRS accounting purposes, insofar as this value complies with Solvency II asset and liability valuation principles.

This ensures that a reliable Solvency II balance sheet will be produced as part of an orderly, well-managed process. It also ensures consistency with the IFRS financial statements.

The restatements of the IFRS financial statements are explained and documented. They are tracked in a table that reconciles the IFRS balance sheet to the Solvency II balance sheet, line by line. However, the value of certain items may be estimated using simplified methods (cost, for example), provided that they do not represent material exposures or the difference compared with the fair value that would have been recognised in the account is not material.

1.2. Criteria for identifying active markets versus inactive markets

The extent to which an active market exists is assessed for the measurement of assets in the Solvency II balance sheet.

Fair value measurements in the Solvency II 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 Solvency II balance sheet as being valued based on quoted market prices in active markets.

The general principles and instructions for classifying financial instruments using the fair value hierarchy in IFRS 13 are disclosed in the notes to the IFRS financial statements.

1.3. Specific asset valuation methods

1.3.1 Intangible assets

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

1.3.2 Investment flows

(a) Property

Owner-occupied and investment property (other than property held in unit-linked portfolios) and shares in unlisted property companies are measured in the Solvency II 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 balance sheet at fair value.

(b) Financial assets

In view of the quality of the financial assets in the portfolio (more than 97.5% of the bond portfolio consisted of bonds rated BBB or over at 31 December 2019), 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 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 balance sheet. For these assets, wherever possible we use values obtained from arrangers or external valuers.

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

For Solvency II purposes, assets measured at amortised cost in the IFRS balance sheet are remeasured at fair value on a consistent basis with the value reported in the notes to the IFRS financial statements.

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.

Structured product valuation principles

The aim of the valuation techniques is to obtain estimated values that approximate the economic value of a position using prices and rates corresponding to the underlying assets or benchmark interest rates. The prices quoted by the arrangers correspond to the estimated amount that a buyer would be willing to pay to purchase the asset. Actual prices could be significantly different from these estimates, due to various factors such as credit spreads, market liquidity, the size of the position, financing costs, and hedging costs and risks.

The valuation techniques used:

- Make maximum use of market inputs.
- Incorporate all factors that market participants would consider in setting a price; and
- Are consistent with accepted economic methodologies for pricing financial instruments.

The prices established by the counterparties are obtained in principle every month, in particular following the signature of a liquidity letter. The valuations communicated by the counterparties correspond to an economic value of the securities.

The CNP Assurances group verifies the reliability of these data from an evaluation whenever possible (estimated future cash flows for example) or questions counterparties as to the methodologies used if necessary. The values of the counterparties examined so far have been confirmed by the CNP Assurances group, which ensures both the quality of the counterparty valuation methods and the quality of the ratings of the issues and the absence of a credit incident.

Fair value hierarchies

Financial instruments are classified in three categories based on the fair value hierarchy (see Note 8.3 to the Group's IFRS consolidated financial statements), 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, BMTNs: 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 listed on an organised market.

Level 2: financial instruments measured by standard valuation techniques using mainly observable inputs. This category includes:

- Certain structured products measured using an internal model and mainly market parameters.
- Derivative instruments purchased over-the-counter that are measured using an internal model and mainly market parameters.
- TCN money-market securities are no longer listed and are 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 equivalent-type properties.
- any other over-the-counter financial instruments.

Structured products held by the CNP Assurances group consist of financial instruments for which income is indexed to indices, baskets of equities, hedge funds, interest rates and credits. They may also comprise embedded derivatives that can modify the structure of revenues or repayments.

CNP Assurances group uses valuations of its complex products prepared internally, or by an external valuer, acting as a delegate. 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.

Overall, these two product categories are valued using industry models and the market data required for each model at the calculation date (see below).

Structured products	Models/Methods
Interest-rate linked structured notes	4-Factor Libor Market Model (LMM) Hybrid Equity Black-FX Model Hull-White 1-Factor Model
Equity linked structured notes	Dupire model Heston model Dupire hybrid equation - Hull-White 1-Factor Model
Inflation-indexed complex structured products	Jarrow-Yildirim model

Asset class	Financial instruments	Models/Methods
Inflation derivatives	Inflation swaps	Future cash flows discounted using bi-curve model
	Swaps with an embedded option	Black model
	Caps/floors	SABR smile model
		Hull-White One-Factor Model (stochastic volatility)
		CMS replication
Inflation derivatives	Swap inflation	Black model
		SABR smile model
Credit derivatives	CDS options	Black-Scholes formula (Markit volatilities)
Equity derivatives	Floors	Heston model calibrated across the SX5E's entire implicit volatility surface and Black-Scholes using historical volatility for the EMTXGC and QW1M funds
	CAC and SX5E puts	Black-Scholes model with volatility surface developed based on option prices quoted on Bloomberg
Currency derivatives	JPY swaps (with currency option at each swaplet)	FX Basket (FXBA) model with Black-Scholes (Reuters volatilities)
Funds	Fund options (Quattro)	Black Basket model with historical volatility

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.

This category includes CNP Assurances group's investments in unlisted companies and certain asset-backed securities. Unlisted securities are measured using information not available on an active market. The main valuation techniques are the market multiples method, comparisons with recent market transactions and the discounted dividends method, corresponding to the techniques commonly used to manage these instruments.

as well as certain complex structured products for which values are obtained from the counterparty.

(c) Remeasurement at fair value of financial assets initially measured at amortised cost

Financial assets are measured in the same way in the IFRS balance sheet and the Solvency II 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 Solvency II balance sheet. The fair value in the Solvency II balance sheet is consistent with that presented in the notes to the IFRS balance sheet.

(d) Investments in associates

In the Solvency II 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 companies are measured based on their adjusted net asset value excluding intangible assets, as determined based on IFRS.

Jointly controlled companies are consolidated by the proportional method in the Solvency II balance sheet.

1.3.3 Other assets and miscellaneous receivables

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

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 balance sheet as they are included in the best estimate. This concerns accrued income, which amounted to €3.9 million at 31 December 2019.

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 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 Solvency II balance sheet at 31 December 2019 amounted to €2.5 billion.

2.2. Insurance investments

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 balance sheet at the portfolio value. Fair value adjustments to other investment properties in the Solvency II balance sheet totalled €673.6 million in 2019.

Financial assets

At 31 December 2019, insurance investments and derivative instruments totalled €405.3 billion in the Solvency II balance sheet versus €403.2 billion in the IFRS balance sheet, representing a difference of €2.2 billion. The difference includes the value of derivative instruments recorded as liabilities [31].

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 balance sheet, representing an adjustment of €8.5 million in 2019.

"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 balance sheet, representing an adjustment of €1.2 billion.

2.3. Other assets

At 31 December 2019, other assets amounted to €11.4 billion under Solvency II versus €11.9 billion under IFRS, representing a difference of €0.5 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 balance sheet in an amount of €9.1 million and remeasured at market value. The adjustment gave rise to a deferred tax effect.

Own shares are carried in the Solvency II balance sheet for an amount of €9 million at 31 December 2019.

Property, plant and equipment held for own use

Fair value adjustments to owner-occupied properties amounted to €8.2 million.

[31] *Derivatives recorded as liabilities: €1.1bn*

Cash deposits

At 31 December 2019, cash deposits were reported for an amount of €258.8 million in both the Solvency II balance sheet and the IFRS balance sheet.

Receivables and cash

At 31 December 2019, receivables and cash totalled €10.6 billion in both the Solvency II 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 obligations 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

Several adjustments were made to insurance models in 2019.

For CNP Assurances, these adjustments mainly consisted of taking into account gross guarantees before loading for traditional savings contracts and the new standards concerning the treatment of the policyholders' surplus reserve. For Term Creditor Insurance, the process for aggregating data on insurance liabilities was streamlined.

In the historically low interest rate environment, the lack of a deep market (particularly for interest rate options) caused a certain amount of uncertainty concerning the consistency of asset prices on the financial markets. This situation led us to employ a technique that uses forwards to extend the dispersion on the most extreme downward trajectories.

The trigger point for employing this technique is calibrated so that observed option price replication differences stay within the range of buy/sell prices for the products concerned. The modelling tools were also adjusted to better reflect the actual situation.

Concerning the Brazilian subsidiary, the review of models for substantially all products was pursued during the year.

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. At 31 December 2019, the ultimate forward rate was 3.90% in Europe and 5.50% in Brazil. Based on our analyses, the sensitivity of technical reserves and own funds to a 50-point increase or decrease in the ultimate forward rate is limited (5-point negative impact on the Solvency II coverage ratio at 31 December 2019).

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 2019 for the Group's various host countries in the euro zone:

(basis points)	France	Italy	Spain	Ireland	Luxembourg	Cyprus	Brazil
Credit risk adjustment (CRA)	10	10	10	10	10	10	35
Volatility adjustment (VA)	7	-	7	-	7	-	NA

The impact of the volatility adjustment on technical reserves at 31 December 2019 is presented below:

Impact of volatility adjustment on technical reserves *(In € billions)*	Before volatility adjustment	**After volatility adjustment**	Impact
Technical reserves	370.2	**369.3**	(0.85)

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 in its solo SFCR. 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.

After interest rates settled in negative territory, we adjusted our financial strategy and, in the interests of consistency, the assumptions concerning future management decisions used for modelling purposes were similarly adjusted.

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 2019 were as follows:

- ► For CNP Assurances, CNP Caution and CNP UniCredit Vita, a factor-based approach that uses simplified required capital projections to calculate the risk margin.
- ► For the other subsidiaries, a duration-based approach.

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. Consequently, their overall impact on technical reserves is not understated:

- ► The impact of model uncertainties on the Solvency II 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 dealt with in the model on a prudent basis.
- ► Data uncertainties are also addressed on a conservative basis. In this regard, the system for monitoring data quality provides a significant degree of assurance and limits the overall level of data 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 the Group units listing the assumptions and future management decisions that affect the determination of technical reserves. The reports have been approved by Executive Management.

The plan to enhance the overall reliability of actuarial calculations – by streamlining and documenting the controls to be performed during the production process – has been rolled out to all units. The plan's roll-out, along with the preparation of model documentation and a validation report containing a description and explanation of the main assumptions, has helped to further reduce the uncertainty concerning technical reserve calculations.

3. Main differences compared to the financial statements

Both the IFRS consolidated balance sheet and the Solvency II 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, the French GAAP method also does not allow the insurer to take unrealised gains into account in the measurement of obligations towards policyholders.

Conversely, technical reserve calculations under Solvency II are principles-based and as such allow insurers to identify for themselves the methods and 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 2019			31 December 2018			*Change*
(In € billions [32]*)*	Best estimate	Risk margin	**Technical reserves**	Best estimate	Risk margin	**Technical reserves**	***Technical reserves***
Savings/Pensions	357.8	3.5	361.2	342.5	3.5	346.0	*+15.2*
Personal Risk/ Term Creditor Insurance	7.0	1.0	7.9	+7.2	0.9	8.1	*-0.2*
Personal insurance	**364.7**	**4.4**	**369.1**	**349.6**	**4.5**	**354.1**	*+15.0*
Property & Casualty	**0.0**	**0.2**	**0.2**	**0.0**	**0.1**	**0.2**	*0.0*
Total before reinsurance	**364.7**	**4.6**	**369.3**	**349.7**	**4.6**	**354.3**	*+15.0*
Ceded technical reserves			**28.7**			**27.5**	*+28.7*
Reinsurance ratio (%)			7.8%			7.8%	*0.0%*

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

Gross technical reserves at 31 December 2019 *(In € billions)*	Best estimate	Risk margin	Risk margin in %	**Technical reserves**
France	330.9	3.8	1.1%	**334.8**
Latin America	15.9	0.7	4.0%	**16.5**
Europe excluding France	17.9	0.1	0.7%	**18.0**
Group	**364.7**	**4.6**	**1.3%**	**369.3**

The risk margin represented 1.3% of the Group's gross technical reserves before reinsurance at 31 December 2019.

[32] Due to their nature, reserves corresponding to own-funds portfolios have been reallocated from the Property & Casualty segment to the Savings/Pensions segment

D3. Other liabilities

1. Valuation principles

1.1. Deferred tax assets and liabilities

1.1.1 Deferred tax calculation base

Deferred tax assets and liabilities are recognised in the Solvency II balance sheet for differences between the tax basis of assets and liabilities and their value in the Solvency II balance sheet. There are several categories of differences:

- Differences between the tax basis and the statutory balance sheet, then
- Differences between the statutory balance sheet and the IFRS balance sheet, then
- Differences between the IFRS balance sheet and the Solvency II balance sheet.

They include:

- Timing differences between the recognition of expenses for financial reporting and tax purposes.
- Assets: mainly differences in the method used to measure financial assets between the statutory balance sheet (cost model) and the Solvency II balance sheet (fair value model).
- Liabilities: mainly differences in the measurement of technical reserves between the statutory balance sheet and the Solvency II balance sheet.

Deferred taxes are recognised on these timing differences and differences in the value of assets and liabilities between the two reporting models.

1.1.2 Deferred tax calculation method

In the Solvency II 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 Solvency II balance sheet and their tax basis:

- All deferred tax liabilities are recognised in the balance sheet. Deferred tax assets are recognised only if it is highly probable that sufficient future profits will be available to permit their recovery
- Deferred tax assets and liabilities are offset at the level of each taxable entity or tax group
- Deferred tax assets and liabilities are not discounted
- Deferred taxes are adjusted for the effect of enacted future changes in tax rates based on estimates of the periods in which the assets are expected to be recovered or the liabilities are expected to be settled.

In order to use the work performed for consolidated reporting purposes, deferred taxes recorded in the Solvency II balance sheet correspond to the sum of (i) deferred taxes in the IFRS balance sheet and (ii) deferred taxes arising on differences between the IFRS balance sheet and the Solvency II balance sheet.

Deferred taxes in the Solvency II balance sheet also include deferred taxes on fast close adjustments, based on expected future cash flows.

1.2. Subordinated liabilities

The subordinated notes issued by the Group are measured in the Solvency II 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 future 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).

1.3. Other liabilities and miscellaneous payables

The value of other liabilities and miscellaneous payables is broadly aligned with their value in the IFRS balance sheet. The amounts reported in the Solvency II balance sheet also include fast close adjustments to other liabilities and miscellaneous payables, based on expected future cash flows. 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.

The payment to Caixa Seguridade provided for in the August 2018 binding framework agreement concerning exclusive distribution rights in Brazil (as increased in an addendum dated 20 September 2019) has been identified as a contingent liability.

This liability has been deducted from own funds in CNP Assurances' solo Solvency II balance sheet. It is expected to be settled at the end of December 2020. The contingent liability has been conservatively estimated at a fixed amount of R$ 7 billion (€1.5 billion in the IFRS balance sheet at 31 December 2019, translated at the 31 December 2019 R$/€ spot rate, after taking into account the discounting effect).

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.

No specific adjustments are made to employee benefit obligations in the Solvency II balance sheet compared to the IFRS balance sheet.

2. Differences compared to book value

2.1. Subordinated liabilities

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 balance sheet. Subordinated debt classified as equity in the IFRS balance sheet is reclassified as debt in the Solvency II balance sheet.

At 31 December 2019, subordinated debt totalled €8.7 billion in the Solvency II balance sheet versus €8.3 billion in the IFRS balance sheet, representing an adjustment of €0.4 billion.

2.2. Other liabilities

At 31 December 2019, other liabilities totalled €35.5 billion in the Solvency II balance sheet versus €32.6 billion in the IFRS balance sheet. The €2.9 billion difference can be explained as follows:

- Reinsurance deposits under the partnership agreement with BPCE were increased by €1.2 billion in the Solvency II 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 balance sheet, because they are qualified as insurance liabilities and taken into account in the best estimate. At 31 December 2019, accrued charges amounted to €0.22 billion.
- The effect of changes in scope of consolidation was approximately €0.5 billion.

No specific adjustments are made to employee benefit obligations in the Solvency II balance sheet compared to the IFRS balance sheet. The total obligation recognised at 31 December 2019 amounted to €305.3 million. Details of the amounts recognised are provided in note 13.3.4 to the consolidated financial statements in the 2019 Universal Registration Document.

D4. Alternative valuation methods

In the Solvency II 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 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.

All entities are taken into account on a full consolidation basis, with the noteworthy exception of Arial CNP Assurances which is included on a proportional basis.

3. Own funds measurement process

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

- Preparation of a Solvency II 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 for an amount of €0.7 billion at 31 December 2019.
- Share premium account, classified as Tier 1 for €1.7 billion at 31 December 2019.
- The Group reconciliation reserve, corresponding to the sum of the following items:

(In € billions)	**31 Dec. 2019**
Excess of assets over liabilities	30.2
Treasury shares (held directly or indirectly)	0.0
Foreseeable dividends, distributions and expenses	(0.8)
Other components of basic own funds [33]	(11.5)
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	**17.8**

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 €1.7 billion in 2019 [34].

(In € billions)	**31 Dec. 2019**
Expected profit in future premiums (EPIFP) — Life business	2.9
Expected profit in future premiums (EPIFP) — Non-life business	0.4
Total expected profit in future premiums (EPIFP)	**3.3**

- Inclusion of part of the policyholders' surplus reserve in surplus own funds based on ACPR calculation guidelines, following publication of the Ministerial Order on life insurance companies' surplus own funds published in the Journal Officiel dated 28 December 2019 [35]. Surplus own funds represented €9.1 billion at 31 December 2019.
- Subordinated notes are measured at best estimate [36], 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 Restricted Tier 1, Tier 2 and Tier 3 in line with the principles of the vested rights protection clause.

[33] Details of the other components of basic own funds are provided in QRT S.23.01.22 (see Appendix) The amount reflects the inclusion, for the first time, of part of the policyholders' surplus reserve. The included amount was calculated using the method recommended by the insurance supervisor (ACPR) pursuant to the Ministerial Order on life insurance companies' surplus own funds published in the Journal Officiel dated 28 December 2019, which applies to all organisations governed by France's Insurance Code.

[34] Before tax

[35] The portion of the policyholders' surplus reserve eligible for inclusion in solvency capital at 31 December 2019 was calculated by the flat rate method recommended by the ACPR, which considers that 70% of the total reserve is eligible for inclusion

[36] Excluding changes in CNP Assurances group's own credit risk

- 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 Restricted 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 after 2015 have been structured so as to be eligible for inclusion in Restricted Tier 1, Tier 2 or Tier 3, even if the transitional measures are not applied.

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 amounted to €3.2 billion at 31 December 2019.

5. Information about the nature of own funds

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

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

(In € billions)	**Own funds**	**SCR**
CNP Assurances	35.7	14.7
CNP Caution	0.6	0.1
Arial CNP Assurances [37]	0.1	0.0*
Assuristance [38]	0.0*	0.0*
MFPrévoyance	0.2	0.1
Caixa Seguradora	3.1	1.3
CNP Europe Life Ltd	0.0*	0.0*
CNP Cyprialife	0.1	0.0*
CNP Asfalistiki	0.0*	0.0*
CNP Santander Insurance Europe	0.3	0.2
CNP Santander Insurance Life	0.2	0.1
CNP Partners	0.2	0.1
CNP UniCredit Vita	0.9	0.4
CNP Luxembourg	0.0*	0.0*
CNP Assurances Compania de Seguros	0.0*	0.0*
CNP Assurances group	**34.8**	**15.3**

** 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 €34.8 billion versus an SCR of €15.3 billion. The €34.8 billion in eligible own funds for the Group's SCR calculations breaks down as follows:

- €26.1 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and share premium account and surplus own funds.
- €8.7 billion of subordinated debt, breaking down as follows, with 2018 comparatives:

(In € billions)	**31 Dec. 2019**	**31 Dec. 2018**
Restricted Tier 1	2.3	2.7
Tier 2	5.2	3.9
Tier 3	1.3	1.0
Total	**8.7**	**7.6**

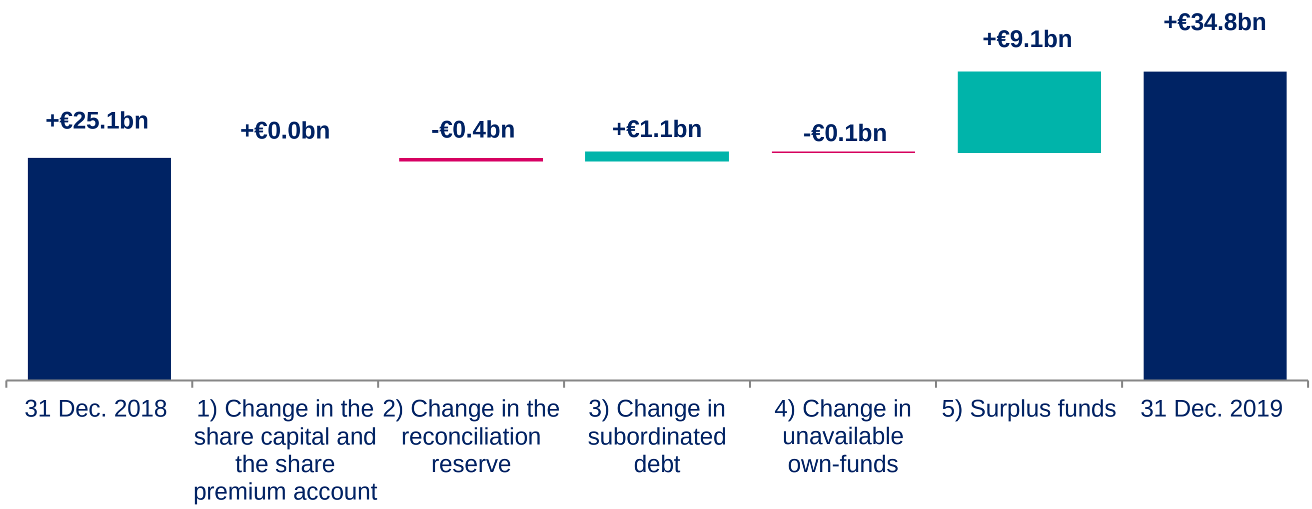
This analysis distinguishes between unrestricted Tier 1 capital, which is not subject to any cap, and restricted Tier 1 capital, which is capped under Solvency II. The components of Tier 2 and Tier 3 capital are also capped. At

[37] *Arial CNP Assurances is consolidated by the proportional method in the Solvency II balance sheet*

[38] *The amounts reported for Assuristance correspond to combined figures for Filassistance and Garantie Assistance, which were merged in 2017*

31 December 2019, 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



Changes in own funds (In € billions)

There were no changes in share capital or the share premium account during 2019.

The Group's eligible own funds increased by €9.7 billion between 31 December 2018 and 31 December 2019, mainly as a result of:

- The decrease in the reconciliation reserve:
  - the fall in interest rates was partly offset by higher stock prices, which had the effect of reducing future Savings/Pensions margins.
  - The inclusion in own funds of profit for the period, net of dividends:
  - advance recognition of the R$ 7 billion payment for the renewal of distribution agreements in Brazil [39] (R$ 4.65 billion at 31 December 2018).
- Inclusion of part of the policyholders' surplus reserve in surplus own funds, for an amount of €9.1 billion based on ACPR calculation guidelines, following publication of the Ministerial Order on life insurance companies' surplus own funds published in the Journal Officiel dated 28 December 2019.
- €0.75 billion Tier 2 subordinated notes issue and €0.25 billion Tier 3 debt issue at the end of 2019 [40].
- Deductions for the portion of subsidiaries' own funds that is not available at Group level (see section 4.3) decreased by €0.1 billion in 2019, primarily due to the Brazilian subsidiary's increased spread SCR.

[39] The agreement is subject to various conditions precedent, including the issuance of the necessary approvals by the competent supervisory and competition authorities. Subject to these approvals being obtained, the transaction is expected to be completed at the end of December 2020.

[40] A third subordinated notes issue was carried out in 2019 for an amount of €500 million. The issue proceeds offset the retirement of the same amount of subordinated notes earlier in the year, resulting in no net impact on eligible own funds.

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

The €29.9 billion of eligible own funds for the CNP Assurances Group's MCR calculations break down as follows:

- €26.1 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and share premium account and surplus funds.
- €3.8 billion of subordinated debt, breaking down as follows, with 2018 comparatives:

(In € billions)	**31 Dec. 2019**	**31 Dec. 2018**
Restricted Tier 1	2.3	2.7
Tier 2	1.5	1.4
Tier 3	0.0	0.0
Total	**3.8**	**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 French GAAP equity and Solvency II own funds

The difference between IFRS equity (€21.2 billion) and Solvency II own funds (€34.8 billion) can be explained as follows:

(In € billions)	**31 Dec. 2019**
IFRS consolidated equity	**19.4**
Non-controlling interests	1.8
Total IFRS equity	**21.2**
Changes in scope of consolidation	(0.2)
Reclassification of subordinated debt classified as equity	(1.9)
Elimination of intangible assets	(2.0)
Measurement of assets at fair value	1.7
Remeasurement of technical reserves net of reinsurance	13.5
Remeasurement of subordinated debt	(0.3)
Contingent liability (1)	(1.5)
Other adjustments	(0.2)
Excess of assets over liabilities	**30.2**
Subordinated debt	8.7
Unfungible own funds	(3.2)
Projected dividends	(0.8)
Other	0.0
Eligible own funds for SCR calculations	**34.8**

(1) Liability recognised by CNP Assurances group pursuant to the Brazilian agreement initiated in 2018: €1,483 million

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 restricted 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 14 subordinated notes issues concerned together represent €4.4 billion out of a total of €8.7 billion worth of subordinated debt (at fair value) in the Solvency II balance sheet at 31 December 2019. The terms and conditions applicable to these issues vary from one issue to another.

E2. Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

1. SCR and MCR calculation method and 2019 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.

Furthermore, no simplification techniques or undertaking-specific parameters (USPs) were used for the SCR and MCR calculations.

1.2. SCR and MCR at 31 December 2019

The Group's SCR at 31 December 2019 was €15.3 billion and the SCR coverage ratio at that date was 227%. The Group's MCR at 31 December 2019 was €7.7 billion and the MCR coverage ratio at that date was 388%.

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**
CNP Assurances	6.6
CNP Caution	0.0*
Arial CNP Assurances	0.0*
Assuristance	0.0*
MFPrévoyance	0.0*
Caixa Seguradora	0.3
CNP Europe Life Ltd	0.0*
CNP Cyprialife	0.0*
CNP Asfalistiki	0.0*
CNP Santander Insurance Europe	0.0*
CNP Santander Insurance Life	0.0*
CNP Partners	0.0*
CNP UniCredit Vita	0.2
CNP Luxembourg	0.0*
CNP Assurances Compania de Seguros	0.0*
CNP Assurances group	**7.7**

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

3. Solvency Capital Requirement (SCR)

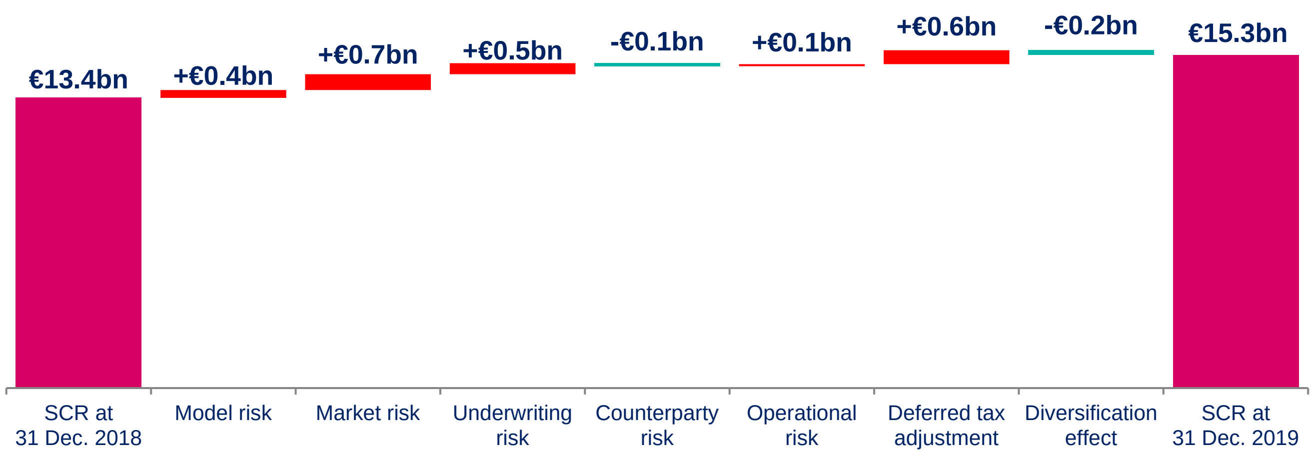
3.1. Quantitative SCR information by risk module

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

(In € billions)	**31 Dec. 2019**
Market risk SCR	11.9
Counterparty default risk SCR	1.2
Life underwriting risk SCR	4.9
Health underwriting risk SCR	2.0
Non-life underwriting risk SCR	0.9
Diversification effect	(5.6)
Intangible asset risk SCR	0.0
Basic SCR	**15.4**
Operational risk SCR	1.6
Loss-absorbing capacity of deferred taxes	(1.7)
Other*	0.0
SCR	**15.3**

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

3.2. Significant changes during the period



Changes in the components of Group SCR (In € billions)

At 31 December 2019, the Group's SCR was €15.3 billion, representing an increase of €1.9 billion from the previous year-end. The increase can be explained as follows:

- Model changes, consisting primarily of improvements to the traditional savings contract models, led to a €0.4 billion increase in SCR.
- Changes in market risk led to a €0.7 billion increase in SCR. This mainly concerned equity risk and was attributable to higher stock prices, with the resulting increase in SCR partly offset by taking into account the

reduced impact of a sharp fall in the price of equities held over the long term and sales of equities between Q2 and Q4 2019.

- Changes in underwriting risk led to a €0.5 billion increase in SCR, mainly concerning longevity risk and cost risk in an environment shaped by lower risk-free interest rates.
- The loss-absorbing capacity of deferred taxes was reduced by €0.6 billion (with a negative impact on SCR coverage), reflecting expectations of lower future margins.

4. Impact of volatility adjustment on solvency indicators

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

(In € billions)	Before volatility adjustment	**After volatility adjustment**	Impact
Solvency Capital Requirement (SCR)	15.6	**15.3**	-0.3
Minimum Capital Requirement (MCR)	7.9	**7.7**	-0.1
Basic own funds	34.1	**34.8**	+0.6
Eligible own funds to cover the MCR	29.3	**29.9**	+0.6
Eligible own funds to cover the SCR	34.1	**34.8**	+0.6
Solvency II coverage ratio	**219%**	**227%**	**+8 pts**

The lower impact was due to the tighter spreads observed during 2019 (8-point impact in 2019 versus 21-point impact in 2018).

E3. Use of duration-based equity risk sub-module

CNP Assurances does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

E4. Differences between the standard formula and any internal model used

CNP Assurances does not use any internal models.

E5. Non-compliance with MCR and SCR

CNP Assurances has not breached its obligations in terms of MCR and SCR.

F

Appendix: QRTS

Quantitative reporting templates for public disclosure

Presentation currency: € thousands
Legal name: CNP ASSURANCES
Year ended: 31 Dec. 2019

S.02.01.02 – Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	51,734
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	104,955
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	339,953,697
Property (other than for own use)	R0080	928,191
Holdings in related undertakings, including participations	R0090	3,308,403
Equities	R0100	28,876,851
Equities - listed	R0110	18,217,246
Equities - unlisted	R0120	10,659,605
Bonds	R0130	235,356,299
Government Bonds	R0140	139,368,017
Corporate Bonds	R0150	83,333,277
Structured notes	R0160	12,342,390
Collateralised securities	R0170	312,615
Collective Investments Undertakings	R0180	70,411,658
Derivatives	R0190	525,904
Deposits other than cash equivalents	R0200	533,974
Other investments	R0210	12,418
Assets held for index-linked and unit-linked contracts	R0220	66,207,460
Loans and mortgages	R0230	311,716
Loans on policies	R0240	306,612
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	5,104
Reinsurance recoverables from:	R0270	28,723,934
Non-life and health similar to non-life	R0280	123,340
Non-life excluding health	R0290	64,245
Health similar to non-life	R0300	59,095
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	25,558,296
Health similar to life	R0320	16,595
Life excluding health and index-linked and unit-linked	R0330	25,541,701
Life index-linked and unit-linked	R0340	3,042,298
Deposits to cedants	R0350	258,753
Insurance and intermediaries receivables	R0360	3,090,032
Reinsurance receivables	R0370	105,477
Receivables (trade, not insurance)	R0380	6,092,346
Own shares (held directly)	R0390	8,966
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1,278,543
Any other assets, not elsewhere shown	R0420	436,330
Total assets	R0500	446,623,944

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	R0510	2,266,561
Technical provisions - non-life (excluding health)	R0520	492,681
TP calculated as a whole	R0530	5,668
Best Estimate	R0540	261,131
Risk margin	R0550	225,882
Technical provisions - health (similar to non-life)	R0560	1,773,880
TP calculated as a whole	R0570	
Best Estimate	R0580	1,706,436
Risk margin	R0590	67,444
Technical provisions - life (excluding index-linked and unit-linked)	R0600	302,952,930
Technical provisions - health (similar to life)	R0610	4,668,173
TP calculated as a whole	R0620	
Best Estimate	R0630	4,577,543
Risk margin	R0640	90,630
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	298,284,756
TP calculated as a whole	R0660	
Best Estimate	R0670	294,410,212
Risk margin	R0680	3,874,545
Technical provisions - index-linked and unit-linked	R0690	64,106,070
TP calculated as a whole	R0700	
Best Estimate	R0710	63,738,884
Risk margin	R0720	367,186
Contingent liabilities	R0740	1,483,021
Provisions other than technical provisions	R0750	317,297
Pension benefit obligations	R0760	335,140
Deposits from reinsurers	R0770	14,144,415
Deferred tax liabilities	R0780	1,761,933
Derivatives	R0790	1,131,979
Debts owed to credit institutions	R0800	203,438
Financial liabilities other than debts owed to credit institutions	R0810	12,603,965
Insurance & intermediaries payables	R0820	1,688,980
Reinsurance payables	R0830	511,538
Payables (trade, not insurance)	R0840	4,189,853
Subordinated liabilities	R0850	8,704,599
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	8,704,599
Any other liabilities, not elsewhere shown	R0880	48,986
Total liabilities	R0900	416,450,706
Excess of assets over liabilities	R1000	30,173,238

Solvency II balance sheet – Assets *(In € billions)*

Assets, Solvency II values (In € billions)	**31 Dec. 2019**	Corresponding section of the SFCR
Intangible assets	0.0	D1
Deferred tax assets	0.1	D3
Pension benefit surplus	0.0	D3
Property, plant and equipment held for own use	0.1	D1
Investments (other than assets held for index-linked and unit-linked contracts)[1]	340.0	D1
Asset held in unit-linked and index-linked contracts	66.2	D1
Loans and mortgages	0.3	D1
Reinsurance recoverables	28.7	D2
Other assets and miscellaneous receivables [2]	11.3	D1
Total	***446.6***	

Notes:

- The €405.4 billion portfolio of investments and derivative instruments referred to in section D1 corresponds to the sum of investments other than assets held for index-linked and unit-linked contracts (€340 billion), assets held for index-linked and unit-linked contracts (€66.2 billion), loans and mortgages (€0.3 billion) less derivative instruments with a negative fair value (€1.1 billion).
- The €11.4 billion portfolio of other assets referred to in section D1 corresponds to the sum of other assets and miscellaneous receivables (€11.3 billion) and owner-occupied property (€0.1 billion).
- The €35.5 billion worth of other liabilities referred to in section D3 corresponds to the sum of other liabilities and miscellaneous payables (€34 billion) and contingent liabilities (€1.5 billion).

Liabilities, Solvency II values *(In € billions)*	**31 Dec. 2019**	Corresponding section of the SFCR
Non-life technical provisions	2.3	D2
Technical provisions – Life (excluding index-linked and unit-linked)	303.0	D2
Technical provisions – Index-linked and unit-linked funds	64.1	D2
Subordinated liabilities	8.7	D3
Deferred tax liabilities	1.8	D3
Derivative instruments	1.1	D1
Contingent liability	1.5	D3
Other liabilities and miscellaneous payables	34.0	D3
Total	***416.5***	
Excess of assets over liabilities	30.2	E1

S.05.01.02 – Premiums, claims and expenses by line of business

Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted 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	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0200
Premiums written														
Gross - Direct Business	R0110	144,416	314,482	130,079	30,918	70,129	689	272,705	13,877	33,913	1,291	83,682	211,028	1,307,208
Gross - Proportional reinsurance accepted	R0120	272,802	9	0	0	0	0	0	0	0	0	0	18,485	291,296
Gross - Non-proportional reinsurance accepted	R0130													
Reinsurers' share	R0140	47,606	4,842	393	763	352	79	12,030	2,892	2,661	0	657	11,569	83,844
Net	R0200	369,612	309,649	129,686	30,155	69,777	610	260,675	10,985	31,252	1,291	83,025	217,944	1,514,660
Premiums earned														
Gross - Direct Business	R0210	147,288	322,027	123,253	29,302	66,294	678	260,254	13,092	35,044	1,292	81,792	198,092	1,278,406
Gross - Proportional reinsurance accepted	R0220	298,825	16	0	0	0	0	0	0	0	0	0	24,218	323,059
Gross - Non-proportional reinsurance accepted	R0230													
Reinsurers' share	R0240	43,980	2,791	465	755	348	79	11,607	3,434	3,394	0	659	18,763	86,276
Net	R0300	402,133	319,252	122,788	28,547	65,945	599	248,646	9,658	31,649	1,292	81,133	203,547	1,515,190
Claims incurred														
Gross - Direct Business	R0310	123,746	355,555	115,575	17,996	30,752	63	57,410	5,828	5,531	401	15,791	23,008	751,655
Gross - Proportional reinsurance accepted	R0320	260,028	(3,080)	0	0	0	0	0	0	0	0	0	6,778	263,726
Gross - Non-proportional reinsurance accepted	R0330													
Reinsurers' share	R0340	5,171	(12,726)	73	70	5	11	20,436	419	(865)	0	98	1,460	14,153
Net	R0400	378,602	365,201	115,502	17,926	30,747	52	36,973	5,409	6,396	401	15,693	28,326	1,001,228
Changes in other technical provisions														
Gross - Direct Business	R0410	(18,042)	0	5,858	0	0	0	0	0	(8,012)	17	595	(335)	(19,919)
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	(3,793)	(3,793)
Gross - Non- proportional reinsurance accepted	R0430													
Reinsurers'share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	R0500	(18,042)	0	5,858	0	0	0	0	0	(8,012)	17	595	(4,128)	(23,712)
Expenses incurred	R0550	89,581	57,392	16,329	9,003	37,058	175	84,411	3,408	21,047	482	37,680	134,530	491,095
Other expenses	R1200													89
Total expenses	R1300													491,184

Life insurance and reinsurance obligations

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	1,194,442	13,622,892	11,912,430	4,028,062	0	0	1,759	1,533,641	32,293,226
Reinsurers' share	R1420	77,389	575,709	189,986	222,897	0	0	0	0	1,065,981
Net	R1500	1,117,053	13,047,183	11,722,444	3,805,165	0	0	1,759	1,533,641	31,227,245
Premiums earned										
Gross	R1510	1,243,228	13,572,337	11,911,263	3,982,494	0	0	16,879	1,848,960	32,575,162
Reinsurers' share	R1520	61,532	603,983	190,295	192,592	0	0	0	0	1,048,401
Net	R1600	1,181,696	12,968,355	11,720,969	3,789,903	0	0	16,879	1,848,960	31,526,761
Claims incurred										
Gross	R1610	611,079	18,066,253	4,960,155	1,387,135	0	0	(1,550)	864,884	25,887,956
Reinsurers' share	R1620	14,094	1,321,710	95,683	(243,749)	0	0	0	0	1,187,737
Net	R1700	596,985	16,744,543	4,864,472	1,630,884	0	0	(1,550)	864,884	24,700,218
Changes in other technical provisions										
Gross	R1710	(2,896)	(450,272)	(5,612,340)	(103,610)	0	0	(10,272)	(1,094)	(6,180,484)
Reinsurers' share	R1720	5,140	653	(427)	(6,464)	0	0	0	0	(1,098)
Net	R1800	(8,036)	(450,925)	(5,611,913)	(97,146)	0	0	(10,272)	(1,094)	(6,179,386)
Expenses incurred	R1900	598,991	1,628,398	510,582	1,640,610	0	0	10,150	85,634	4,474,365
Other expenses	R2500									4,878
Total expenses	R2600									4,479,243

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	633,804	417,646	83,799	15,355	18,558	1,169,162
Gross - Proportional reinsurance accepted	R0120	272,811	0	3,792	9,547	7,271	293,421
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0
Reinsurers' share	R0140	53,043	8,272	189	263	202	61,969
Net	R0200	853,572	409,374	87,402	24,639	25,627	1,400,614
Premiums earned							
Gross - Direct Business	R0210	639,003	399,124	86,128	17,482	36,936	1,178,673
Gross - Proportional reinsurance accepted	R0220	298,841	0	4,049	9,547	10,620	323,057
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0
Reinsurers' share	R0240	47,952	9,425	4,520	100	(1,389)	60,608
Net	R0300	889,892	389,699	85,657	26,929	48,945	1,441,122
Claims incurred							
Gross - Direct Business	R0310	576,146	113,006	7,524	2,380	2,979	702,035
Gross - Proportional reinsurance accepted	R0320	256,947	0	224	848	5,251	263,270
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0
Reinsurers' share	R0340	(18,905)	25,564	173	0	(48)	6,784
Net	R0400	851,998	87,442	7,575	3,228	8,278	958,521
Changes in other technical provisions							
Gross - Direct Business	R0410	(19,925)	7	0	0	0	(19,918)
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	(3,793)	(3,793)
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0	0	0
Reinsurers'share	R0440	0	0	0	0	0	0
Net	R0500	(19,925)	7	0	0	(3,793)	(23,711)
Expenses incurred	R0550	183,086	166,047	65,075	29,938	17,583	461,729
Other expenses	R1200						0
Total expenses	R1300						461,729

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
		C0150	C0160	C0170	C0180	C0190	C0210
	R1400	FR	BR	DE	ES	IT	
		C0220	C0230	C0240	C0250	C0260	C0280
Premiums written							
Gross	R1410	20,158,381	6,547,173	375,193	243,629	3,216,885	30,541,261
Reinsurers' share	R1420	1,033,080	21,323	-369	263	9,548	1,063,845
Net	R1500	19,125,301	6,525,850	375,562	243,366	3,207,337	29,477,416
Premiums earned							
Gross	R1510	20,348,244	6,348,030	380,911	221,446	3,212,821	30,511,452
Reinsurers' share	R1520	983,421	34,308	5,121	263	10,712	1,033,826
Net	R1600	19,364,823	6,313,721	375,790	221,183	3,202,109	29,477,626
Claims incurred							
Gross	R1610	20,180,345	2,567,387	43,166	141,395	2,060,855	24,993,148
Reinsurers' share	R1620	1,171,658	1,883	1,617	135	9,935	1,185,228
Net	R1700	19,008,687	2,565,504	41,549	141,260	2,050,920	23,807,920
Changes in other technical provisions							
Gross	R1710	(664,887)	(3,894,187)	0	(34,386)	(1,504,103)	(6,097,563)
Reinsurers' share	R1720	1,435	0	0	(10)	3,527	4,952
Net	R1800	(666,322)	(3,894,187)	0	(34,376)	(1,507,630)	(6,102,515)
Expenses incurred	R1900	3,169,547	453,852	294,449	72,422	368,809	4,359,079
Other expenses	R2500						4,878
Total expenses	R2600						4,363,957

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	369,325,561	0	0	854,389	0
Basic own funds	R0020	34,785,962	0	0	(637,454)	0
Eligible own funds to meet Solvency Capital Requirement	R0050	34,785,962	0	0	(637,454)	0
Solvency Capital Requirement	R0090	15,338,546	0	0	289,142	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 sector						
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	9,132,000	9,132,000			
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	17,794,936	17,794,936			
Subordinated liabilities	R0140	8,704,598		2,295,477	5,150,006	1,259,115
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160					
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190	1,805,564	1,805,564			
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210	1,443,473	1,443,473			
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	3,249,037	3,249,037			
Total deductions	R0280	3,249,037	3,249,037			
Total basic own funds after deductions	R0290	34,785,962	26,081,364	2,295,477	5,150,006	1,259,115
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						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – total	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	34,785,962	26,081,364	2,295,477	5,150,006	1,259,115
Total available own funds to meet the minimum consolidated group SCR	R0530	33,526,847	26,081,364	2,295,477	5,150,006	
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	34,785,962	26,081,364	2,295,477	5,150,006	1,259,115
Total eligible own funds to meet the minimum consolidated group SCR	R0570	29,921,126	26,081,364	2,295,477	1,544,285	
Minimum consolidated Group SCR	R0610	7,721,427				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	3.8751				
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	34,785,962	26,081,364	2,295,477	5,150,006	1,259,115
Group SCR	R0680	15,338,546				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	2.27				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	30,173,238
Own shares (included as assets on the balance sheet)	R0710	8,966
Forseeable dividends, distributions and charges	R0720	833,872
Other basic own fund items	R0730	11,535,465
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	17,794,936
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	2,893
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	428
Total EPIFP	R0790	3,321

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

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	26,908,807		
Counterparty default risk	R0020	1,288,269		
Life underwriting risk	R0030	6,909,959		None
Health underwriting risk	R0040	3,056,952		None
Non-life underwriting risk	R0050	877,743		None
Diversification	R0060	(7,977,922)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	31,063,809		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,551,708
Loss-absorbing capacity of technical provisions	R0140	(15,566,772)
Loss-absorbing capacity of deferred taxes	R0150	(1,710,199)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	15,338,546
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	15,338,546
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	15,086,936
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	251,610
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	7,721,427
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	15,338,546

S.32.01.22 – Undertakings in the scope of the Group

Identification code of the undertaking	Country	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
C0020	C0010	C0040	C0050	C0060	C0070	C0080
LEI/549300E1TVPTEUKMTJ15	CY	CNP Cyprialife	1	Cyprus Limited Company	1	Insurance Companies Control Service
LEI/635400OJWQDTW9KI2E51	CY	CNP Asfalistiki	2	Cyprus Limited Company	1	Insurance Companies Control Service
LEI/969500GJQEPAPEKJAX76	FR	Filassistance International	2	Société anonyme	2	ACPR
LEI/969500330J87723S1285	FR	CNP Caution	2	Société anonyme	2	ACPR
LEI/9695000KPL9MXREMO263	FR	MFPrévoyance	4	Société anonyme	2	ACPR
LEI/635400VBRWZ7L36SLG55	IE	CNP Europe Life Ltd	1	Incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland
LEI/6354001NC5BJ3Z7GSG05	IE	CNP Santander Insurance Europe Dac	4	Incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland
LEI/0SNYM8YYKYB4ZH7G4F66	IT	CNP UNICREDIT VITA	1	Società per azioni	2	IVASS
LEI/969500QKVPV2H8UXM738	FR	CNP ASSURANCES	4	Société anonyme	2	ACPR
LEI/222100YKBGQFZEHE4Y78	LU	CNP Luxembourg	1	Société anonyme	2	Commissariat aux assurances
LEI/9695008H4RKQ5E1SRK50	FR	ARIAL CNP ASSURANCES	4	Société anonyme	2	ACPR
LEI/95980020140005248944	ES	CNP Partners	4	Société anonyme	2	DGSFP
LEI/635400FVDVPKRG2JWN68	IE	CNP Santander Insurance Life Dac	4	incorporated companies limited by shares or by guarantee or unlimited	2	Central Bank of Ireland
SC/969500QKVPV2H8UXM738FR00002	FR	Assuristance	6	Société anonyme	2	
SC/969500QKVPV2H8UXM738CY00001	CY	CNP Cyprus Insurance Holdings	5	Cyprus Limited Company	1	
SC/LEI/969500QKVPV2H8UXM738BR00005	BR	Caixa Vida e Previdência	1	Société anonyme	2	SUSEP
SC/LEI/969500QKVPV2H8UXM738BR00007	BR	Caixa Assessoria e Consultoria	99	Société anonyme	2	
SC/LEI/969500QKVPV2H8UXM738BR00011	BR	Odonto Empresas Convenios Dentarios LTDA	2	Société à responsabilité limitée SARL	2	Agência Nacional de Saúde Suplementar
SC/LEI/969500QKVPV2H8UXM738BR00012	BR	Holding Caixa Seguros Participaçoes em Saude Ltda	5	Société à responsabilité limitée SARL	2	
SC/LEI/969500QKVPV2H8UXM738BR00006	BR	Caixa Consórcios	99	Société anonyme	2	
SC/LEI/969500QKVPV2H8UXM738BR00002	BR	Caixa Seguros Participações Securitárias Ltda.	5	Société anonyme	2	
SC/LEI/969500QKVPV2H8UXM738BR00004	BR	Caixa Capitalização	1	Société anonyme	2	SUSEP
SC/LEI/969500QKVPV2H8UXM738AR00001	AR	CNP Assurances Compañia de Seguros	1	Société anonyme	2	Superintendencia de Seguros de la Nación
SC/LEI/969500QKVPV2H8UXM738BR00013	BR	CNP Holding Brasil	6	Société anonyme	2	
SC/LEI/969500QKVPV2H8UXM738BR00014	BR	Wiz Soluçoes e Corretagem de Seguros S.A.	99	Société anonyme	2	
SC/LEI/969500QKVPV2H8UXM738BR00003	BR	Caixa Seguradora (ex Caixa Seguros)	4	Société anonyme	2	SUSEP
SC/LEI/969500QKVPV2H8UXM738BR00001	BR	Caixa Seguros Holding S.A.	6	Société anonyme	2	
SC/LEI/969500QKVPV2H8UXM738BR00009	BR	Previsul	4	Société anonyme	2	SUSEP
SC/LEI/969500QKVPV2H8UXM738BR00008	BR	Caixa Saúde SA	2	Société anonyme	2	Agência Nacional de Saúde Suplementar

Identification code of the undertaking	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
C0020	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LEI/549300E1TVPTEUKMTJ15	100.00%	100.00%	100.00%		1	100.00%	1		1
LEI/635400OJWQDTW9KI2E51	100.00%	100.00%	100.00%		1	100.00%	1		1
LEI/969500GJQEPAPEKJAX76	66.00%	100.00%	66.00%		1	66.00%	1		1
LEI/969500330J87723S1285	100.00%	100.00%	100.00%		1	100.00%	1		1
LEI/9695000KPL9MXREMO263	65.00%	100.00%	65.00%		1	65.00%	1		1
LEI/635400VBRWZ7L36SLG55	100.00%	100.00%	100.00%		1	100.00%	1		1
LEI/6354001NC5BJ3Z7GSG05	51.00%	100.00%	51.00%		1	51.00%	1		1
LEI/0SNYM8YYKYB4ZH7G4F66	57.50%	100.00%	57.50%		1	57.50%	1		1
LEI/969500QKVPV2H8UXM738	100.00%	100.00%			1	100.00%	1		1
LEI/222100YKBGQFZEHE4Y78	100.00%	100.00%	100.00%		1	100.00%	1		1
LEI/9695008H4RKQ5E1SRK50	40.00%	40.00%	40.00%		1	40.00%	1		2
LEI/95980020140005248944	100.00%	100.00%	100.00%		1	100.00%	1		1
LEI/635400FVDVPKRG2JWN68	51.00%	100.00%	51.00%		1	51.00%	1		1
SC/969500QKVPV2H8UXM738FR00002	66.00%	100.00%	66.00%		1	66.00%	1		1
SC/969500QKVPV2H8UXM738CY00001	100.00%	100.00%	100.00%		1	100.00%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00005	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00007	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00011	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00012	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00006	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00002	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00004	26.39%	100.00%	26.39%		1	26.39%	1		1
SC/LEI/969500QKVPV2H8UXM738AR00001	76.47%	100.00%	76.47%		1	76.47%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00013	100.00%	100.00%	100.00%		1	100.00%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00014	12.94%	12.94%	12.94%		1	12.94%	1		3
SC/LEI/969500QKVPV2H8UXM738BR00003	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00001	51.75%	100.00%	51.75%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00009	51.75%	100.00%	5175.00%		1	51.75%	1		1
SC/LEI/969500QKVPV2H8UXM738BR00008	51.75%	100.00%	51.75%		1	51.75%	1		1

Country	Identify the ISO 3166-1 alpha-2 code of the country in which the registered head office of each undertaking within the group is located.
Company type	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 authorised in accordance with Article 211 of Directive 2009/138/EC 13 - Special purpose vehicle other than special purpose vehicle authorised 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 15 - Alternative investment funds managers as defined in Article 1 (55) of Delegated Regulation (EU) 2015/35 99 - Other
Category (mutual/non-mutual)	1 - Mutual 2 - Non-mutual
Degree of influence	1 - Dominant 2 - Significant
Inclusion in the Group's scope	1 - Included in the scope 2 - Not included in the scope (art. 214, paragraph 2, a) 3 - Not included in the scope (art. 214, paragraph 2, b) 4 - Not included in the scope (art. 214, paragraph 2, c)
Method used, and if first method, treatment of the company	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.

***Autorité de Contrôle Prudentiel et de Résolution* (ACPR)**: France's banking and insurance supervisor.

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.

Best Estimate (BE): Corresponds to the best estimate of insurance liabilities as calculated in accordance with Solvency II principles.

Business Units (BUs): Units responsible for business development and insurance contract administration processes.

EIOPA: European Insurance and Occupational Pensions Authority.

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.

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.

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.

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

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.

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.

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.

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.

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.

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.

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.

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

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.

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

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

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.

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

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

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

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

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.

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.

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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Assurons un monde plus ouvert

CNP assurances