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2020
SFCR report

Solvency and Financial Condition Report

CNP Assurances, solo

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 of the Delegated Regulation and follows the structure set out in the Delegated Regulation's Annex 20.

It is a solo SFCR that addresses the operations of CNP Assurances SA only, without consolidating the operations of its main subsidiaries in France and abroad. In this report, these subsidiaries are treated as strategic investments without analysing their insurance commitments or their investment portfolios. In the rest of this report, unless otherwise stated, "CNP Assurances" refers to the legal entity CNP Assurances SA.

This document covers the reference period from 1 January 2020 to 31 December 2020.

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 2020 report was approved by CNP Assurances' Board of Directors at its meeting on 8 April 2021.

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 makes its unique protection and savings expertise available to its policyholders and partners in France, Europe and South America. CNP Assurances 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

	2020	2019	Change
Premium income (French GAAP)[4]	€16,322m	€23,106m	-29%
Net insurance revenue[5]	€1,768m	€1,777m	-1%
Value of New Business[6]	€66m	€267m	-75%
Investment income and expenses[7]	€5,161m	€8,004m	-36%
Technical reserves (gross of reinsurance)[8]	€333.8bn	€329.2bn	+1%
Eligible own funds covering the SCR	€35.3bn	€35.7bn	-1%
SCR	€16bn	€14.7bn	+9%
SCR coverage ratio	221%	243%	-22 pts
Eligible own funds covering the MCR	€29.8bn	€30.6bn	-3%
MCR	€7.2bn	€6.6bn	+9%
MCR coverage ratio	414%	463%	+49 pts

Business and performance

Antoine Lissowski, CNP Assurances' Chief Executive Officer, said: "In spite of the Covid-19 health crisis which affected Life insurance sales in France in the first half of the year, CNP Assurances began transforming its business and in-force portfolio in response to the negative interest rate environment. Written premiums were particularly strong in Italy and Brazil, where activity is heavily weighted towards unit-linked products. CNP Assurances' financial results and solvency ratio were robust despite the effects of the economic slowdown. Now an integral part of La Banque Postale Group, CNP Assurances is fully engaged in the process to reshape its business model."

[1] *Source: 2020 term creditor insurance rankings, Argus de l'Assurance, September 2020*

[2] *Source: 2019 data, FFA, August 2020*

[3] *Source: SUSEP (Brazilian insurance supervisor that oversees Caixa Seguradora), November 2020*

[4] *Based on Solo QRT S05.01 data. The 2019 figures do not reflect restatements of Fourgous and Eurocroissance transfers.*

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

[6] *Based on MCEV© measurement principles*

[7] *Source: Universal Registration Document, Note 6.1 to the Company financial statements*

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

2020 was marked by an unprecedented public health crisis which affected CNP Assurances at different levels. At the business level, closure of bank branches in CNP Assurances' main host countries led to a temporary decline in premium income and helped to drive a widespread shift to working from home. Concerning claims and benefit costs, the number of claims was limited, and the policy surrender rate was low. As regards financial performance, investment income from the own-funds portfolio was eroded by the temporary fall in prices on the financial markets and the decision by many companies in the portfolio to cancel their dividend. CNP Assurances contributed to many support initiatives in favour of carers, medical research and students. It also went beyond its contractual obligations in support of micro-enterprises and SMEs.

A highlight of the year was the change in CNP Assurances' ownership structure. Following its integration with La Banque Postale in March 2020, CNP Assurances was owned as follows at 31 December 2020:

- La Banque Postale: 62.8%,
- BPCE: 16.1%,
- Free float 21.1%.

CNP Assurances also continued to grow during the year, notably by:

- The programme to adapt to the low interest rate environment by transforming the business and in-force portfolio was continued: the product mix was refocused on unit-linked contracts, supported by enhancements to the unit-linked offer and by PACTE transfers, and further progress was made in the digital transformation process.
- The multi-partner development strategy in Brazil led to the signature of a new exclusive distribution agreement with Caixa Econômica Federal, an exclusive partnership agreement between CNP Assurances and Caixa Seguridade in the *consórcio* segment and a distribution agreement with the Brazilian Post Office, Correios.
- In March 2021, CNP Assurances signed an agreement with the Aviva Group for the acquisition of certain life insurance businesses in Italy (post-balance sheet event).

System of governance

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

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

The process of continuous improvement of risk management and internal control systems is carried out in cooperation with partner networks. CNP Assurances considers that these systems are appropriate for its business model.

Material changes in the system of governance during the reporting period:

- Following the transactions on 4 March 2020 whereby La Banque Postale became the majority shareholder of 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.
- On 31 July 2020, Véronique Weill was appointed as a director and named Chairwoman of the Board of Directors of CNP Assurances to replace Jean-Paul Faugère.

Based on the recommendation of the Remuneration and Nominations Committee, the Board of Directors appointed Stéphane Dedeyan as Chief Executive Officer of CNP Assurances. He will succeed Antoine Lissowski, whose term expires at the Annual General Meeting of 16 April 2021.

Risk profile

CNP Assurances' risk profile shows that its primary exposure is to market risk, which accounts for more than half of the Solvency Capital Requirement (SCR). However, its broad and diverse range of products has a significant diversification effect. In all, diversification benefits are estimated at 25%.

2020 was shaped by the Covid-19 health crisis and resulting economic crisis. Prices on the world's stock markets collapsed at the start of the year, but had more or less recovered by the year-end, helped by the announcement of Covid-19 vaccine approvals. The bond markets, however, have stayed in negative territory.

In this environment, CNP Assurances adjusted its asset allocation, notably by continuing to invest in private equity and extending the OAT portfolio's duration.

In Brazil, Caixa Seguradora was also faced with the problem of low interest rates and pursued its strategy of extending portfolio durations.

Valuation of assets and liabilities

Assets and liabilities in CNP Assurances' 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 technical reserves gross of reinsurance amounted to €333.8 billion at 31 December 2020.

Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) coverage ratios

Efficient capital management is essential to ensure that CNP Assurances' capital requirements are met. For this reason, as part of the annual ORSA strategic planning process, a five-year medium-term capital management plan is prepared each year and is submitted to the Board of Directors.

CNP Assurances' Solvency II own funds eligible for inclusion in the SCR coverage ratio, based on the Solvency II balance sheet, amounted to €35.3 billion at 31 December 2020. 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 €9.2 billion in subordinated liabilities (of which a portion is covered by the grandfathering clause).

Basic own funds notably include part of the policyholders' surplus reserve, in accordance with the calculation 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[9].

Its Solvency Capital Requirement, calculated using the Solvency II Standard Formula without applying transitional measures, was €16.0 billion at 31 December 2020.

CNP Assurances' MCR coverage ratio at the same date was 221%, down 22 points versus 243% at 31 December 2019. SCR coverage ratio calculations take into account the volatility adjustment provided for in the Solvency II directive (Article 77 *quinquies*), which had a 10-point positive impact on the ratio at 31 December 2020 versus a 9-point positive impact at end-2019.

CNP Assurances' Solvency II own funds eligible for inclusion in the MCR coverage ratio, based on the Solvency II balance sheet, amounted to €29.8 billion at 31 December 2020. 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 €3.7 billion in subordinated liabilities.

CNP Assurances' Minimum Capital Requirement was €7.2 billion at 31 December 2020.

The Company's MCR coverage ratio at that date was therefore 414%, down 49 points on the previous year.

[9] The portion of the policyholders' surplus reserve eligible for inclusion in solvency capital at 31 December 2020 was calculated by the flat rate method recommended by the ACPR.

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 public limited company (*société anonyme*) 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 CS 92459, 75436 Paris Cedex 09, France). As a company whose shares are listed on Euronext Paris, CNP Assurances is also supervised by France's financial markets authority, *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* and Frédéric Trouillard-Mignen	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 2020

Number of shares: 686,618,477

Number of voting rights: 1,224,278,213

Shareholders	Number of shares	% of capital
La Banque Postale[10] (France)	431,489,340	62.84%
BPCE (France)	110,590,585	16.11%
TOTAL SHARES HELD IN CONCERT	542,079,925	78.95%
Public, Company employees and other	144,538,552	21.05%
of which:	of which:	of which:
CNP Assurances (treasury shares)*	497,753	0.07%
TOTAL CNP ASSURANCES SHARES	**686,618,477**	**100.00%**

* The terms and conditions of the CNP Assurances liquidity contract currently in force are set out in the draft resolutions submitted to the CNP Assurances Annual General Meeting included in the Universal Registration Document for the prior year.

CNP Assurances' historical shareholders as from the IPO in October 1998 were Caisse des Dépôts, La Banque Postale and BPCE (whose interests were held through a joint holding company, Sopassure), and the French State. They were united by a shareholders' agreement.

CNP Assurances' ownership structure changed significantly on 4 March 2020, as a result of various exchanges and transfers of CNP Assurances shares between the French State, Caisse des Dépôts, La Poste and La Banque Postale. These transactions represented a key phase of the project to create a large state-owned financial group which was announced by CNP Assurances' public sector shareholders on 30 August 2018. CNP Assurances' ownership structure post-4 March 2020 and at 31 December 2020 was as follows:

- La Banque Postale[11]: 62.84%
- BPCE: 16.11%
- Free-float[12]: 21.05%

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

[10] 42.07%-owned directly and 20.15%-owned indirectly through the SF2 holding company.

[11] Wholly-owned by La Poste Group, which in turn is 66%-owned by Caisse des Dépôts, a public financial institution, and 34%-owned by the French State.

[12] Including treasury shares (497,753 shares at 31 December 2020).

4. Material subsidiaries and other related companies

Group solvency under Solvency II is calculated by consolidating data for the undertakings meeting the criteria in Article 335 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014.

The undertakings included in the CNP Assurances Group at 31 December 2020 are as follows:

Name	Country	% voting rights	% interest
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	100.00%	51.75%
Holding Caixa Seguros Participações em Saude Ltda	Brazil	100.00%	51.75%
Odonto Empresas Convenios Dentarios LTDA	Brazil	100.00%	51.75%
Previsul	Brazil	100.00%	51.75%
Caixa Assessoria e Consultoria	Brazil	100.00%	51.75%
Caixa Saúde SA	Brazil	100.00%	51.75%
Caixa Seguradora (formerly Caixa Seguros)	Brazil	100.00%	51.75%
Caixa Vida e Previdência[13]	Brazil	100.00%	40.00%
Caixa Consórcios	Brazil	100.00%	51.75%
CNP Participações Ltda	Brazil	100.00%	100.00%
CNP Santander Insurance Europe Dac	Ireland	51.00%	51.00%
CNP Santander Insurance Life Dac	Ireland	51.00%	51.00%

[13] *The decrease in the percentage interest in Caixa Vida e Previdência is linked to the new distribution agreement with Caixa Econômica Federal and Caixa Seguridade.*

ARIAL CNP ASSURANCES	France	40.00%	40.00%
Caixa Capitalização	Brazil	51.00%	26.39%
Wiz Soluçoes e Corretagem de Seguros SA	Brazil	51.00%	12.94%
XS2 Vida E Previdencia SA	Brazil	100.00%	40.00%
Holding XS & SA[14]	Brazil	51.00%	40.00%
Sogestop K[15]	France	100.00%	100.00%
Montparvie 5[16]	France	100.00%	100.00%

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

The list of CNP Assurances' branches at 31 December 2020 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. The year in review

5.1 Economic and financial environment

[14] Holding XS 1 SA and XS2 Vida E Previdencia SA were created for the purposes of the new distribution agreement in Brazil referred to above and were consolidated for the first time at 31 December 2020.

[15] Sogestop K wholly-owns CNP Partcipações (a Brazilian company not consolidated in the S2 sub-group). It was consolidated for the first time at 30 June 2020.

[16] Montparvie 5 wholly-owns CNP Cyprus Insurance Holdings. It was consolidated for the first time at 30 June 2020.

An unprecedented health crisis

2020 will go down in history as an extraordinary year, due to the Covid-19 global pandemic. It will also be remembered for the magnitude of the resulting economic recession.

An unparalleled health emergency with major consequences

The year started on an optimistic note, with the signature of the China-US trade agreement on 15 January. However, it was not long before the Covid-19 epidemic started to spread, leading to restrictions on movements in all regions of the world. The Chinese economy fell into recession in the first quarter, followed in quick succession first by the European and American economies and then by emerging economies in the next three months, with record falls in output. A V-shaped recovery began in the third quarter, but was disrupted by a second wave of Covid-19 cases in the fourth quarter, as new restrictions on movements were introduced across the globe. Overall, economic growth is expected to fall by 7.5% in Europe, 3.7% in the United States and 5.3% in Japan. The only exception was China, which managed to avoid a second wave. The economy was boosted by a recovery in exports, led by sales of medical equipment, resulting in 1.8%[17] estimated growth over the year.

Governments flying to the rescue, at the cost of a dizzying surge in public debt

The main driver of this unprecedented recession was the collapse of consumer spending, mainly on services and leisure activities, leading to major job losses and a broad-based rise in unemployment. Governments responded to the crisis by announcing massive Covid-19 rescue measures, including direct assistance (support payments and furlough schemes) and loan guarantees. These measures helped to offset the revenue lost by businesses, but only at the cost of a sharp rise in public debt. By the end of the year, recovery was still fragile and very uneven, with the manufacturing sector enjoying a surge in activity while the service sector continued to be affected by under-activity.

Previously unheard-of levels of Central Bank intervention

In a deteriorating macro-economic environment, share prices fell by 30% to 40% in March from their record high in mid-February, dragging down prices for all assets that attract a risk premium (risky sovereign debt, credit instruments, commodities, emerging currencies, etc.). The central banks' immediate and massive response, in the shape of rate cuts and asset purchases, combined with government budget support, brought a measure of stability to the stock markets in April/May and prices gradually recovered during the summer. The marked economic recovery in the third quarter, the Democrats' victory in the United States and, above all, the arrival of Covid-19 vaccines announced in November, sparked a surge of investment on the stock market, in a financial environment shaped by negative or zero interest rates.

A clear divergence between the financial markets and the real economy sounding a cautionary note

The US markets ended the year on a record high (with the Standard & Poor's up 16% over the year and the Nasdaq up 44%), Chinese and emerging markets recorded significant gains (up 25% and 15% respectively) and the European markets experienced only limited declines (with the CAC 40 losing 7% and the ESTX50 5%). Bond prices also rose, in response to short- and long-term rate cuts (with the 10-year OAT rate reduced by 40bps to -0.35%

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[17] *Source: OECD (2020): "Perspectives on Global Development, December 2020"*

and the US 10-year T-bond rate by 95bps to 0.90%) and the narrowing of credit spreads to levels close to those at the start at the year. On the currency markets, after strengthening at the peak of the crisis in March, the dollar fell against developed market currencies – with the euro exchange rate falling to $1.22 – and also against emerging currencies, including the Chinese Yuan (at CNY 6.50 vs CNY 7 in 2019). Lastly, commodity prices rebounded – the oil price climbed to US$50 (down 25% over the year) and certain metals prices rose very sharply, such as the iron ore price which jumped 50% and the gold price which gained 23%.

However, the year was also shaped by the US$ 18 trillion worth of debt at negative interest rates, the US$5 trillion increase in the assets held by the central banks, a budget deficit in excess of 10% of GDP (11% in the eurozone, 16% in the United States) and the roughly 4.5% decline in global economic growth, all of which should sound a note of caution.

5.2 Significant events of the year

An unprecedented health crisis: impacts and gestures of solidarity

CNP Assurances was affected at different levels by the Covid-19 health and economic crisis. At the business level, closure of bank branches in the Group's main host countries led to a temporary decline in premium income and helped to drive a widespread shift to working from home. Concerning claims and benefit costs, the number of claims was limited and the policy surrender rate was low. As regards financial performance, investment income from the own-funds portfolio was eroded by the temporary fall in prices on the financial markets and the decision by many companies in the portfolio to cancel their dividend.

CNP Assurances contributed to many support initiatives in favour of carers, medical research, students without a stable income and the most vulnerable members of the population. It decided to go beyond its contractual obligations in support of micro-enterprises and SMEs, which account for the majority of its death/disability/health insurance portfolio. A total of €30 million was earmarked for the payment of daily allowances to employees of these companies who were shielding or had childcare responsibilities. CNP Assurances also contributed €25 million to the solidarity fund set up by the industry federation (*Fédération Française de l'Assurance*) to help micro-enterprises and the self-employed.

In light of the uncertain impact of the Covid-19 crisis on CNP Assurances' performance, the Board of Directors decided to withdraw its assertive consolidated earnings guidance for 2020, while confirming that the crisis was not expected to have a severe adverse effect on CNP Assurances' financial strength. The Board nonetheless opted to follow official recommendations by proposing to cancel the 2019 dividend. The corresponding resolution was put to the vote at the Annual General Meeting of 17 April 2020 and was approved by a 99.98% majority of the votes cast. As a result, 2019 profit was appropriated in full to retained earnings.

Integration with La Banque Postale and appointment of a new Chairwoman of the Board

The creation in March of a large public financial group has opened up new value creation opportunities for all of the stakeholders. CNP Assurances' inclusion in this group is testament to the ongoing confidence and support of its historical shareholders. Following the exchanges and transfers of shares between the French State, Caisse des

Dépôts, La Poste and La Banque Postale[18], as of 5 March 2020, CNP Assurances was 62.13%-owned by La Banque Postale and 16.11% by BPCE, with a 21.76% free float.

The new Board of Directors, comprising nine directors proposed by La Banque Postale, two directors proposed by BPCE, two directors representing employees and four independent directors, reiterated its confidence in Antoine Lissowski as Chief Executive Officer. Antoine Lissowski also joined La Banque Postale's Executive Committee, with specific responsibility for further aligning CNP Assurances with La Banque Postale to create a European leader in bancassurance and responsible finance.

Creation of this new chapter in CNP Assurances' history coincided with the appointment of Véronique Weill as a director and as Chairwoman of the Board of Directors. Véronique Weill replaces Jean-Paul Faugère, who has stepped down from the Board, and will initially serve in these positions for the remainder of his term expiring at the close of the Annual General Meeting called to approve the 2020 financial statements. Véronique Weill has considerable insurance and banking experience and is well equipped to support CNP Assurances' development in the coming years.

Recognised financial strength

CNP Assurances was rated A+ with a stable outlook by Fitch Ratings after its first rating exercise following the change of ownership structure. The rating process took into account Fitch's assessment of the Covid-19 pandemic's impact on CNP Assurances' business profile, capitalisation and earnings prospects. The A+ financial strength rating is equivalent to the rating assigned by Moody's, and one-notch higher than that assigned by S&P Global Ratings.

The success of the two subordinated notes issues carried out in June and December 2020 was a further demonstration of the financial markets' confidence in CNP Assurances. In June, CNP Assurances issued €750 million worth of Tier 2 subordinated notes due 30 June 2051 and paying interest at 2.5% until 30 June 2031. The notes were placed with more than 100 investors and the order book topped €1.2 billion. In December, CNP Assurances issued €500 million worth of Tier 3 subordinated notes due 8 March 2028 and paying interest at 0.375%. The notes were placed with over 90 investors and the order book was €1.5 billion. Its cost is the lowest ever paid for hybrid capital by a financial institution in Europe.

A positive digital transformation

The Covid-19 crisis has increased the pace of process digitization and encouraged growing numbers of people to adopt digital solutions. During lockdown, 98% of headquarters employees worked from home, guaranteeing service continuity remotely for both customers and partners. The new 2020-2023 Quality of Work Life

[18] La Banque Postale is wholly-owned by La Poste SA, which in turn is 66%-owned by Caisse des Dépôts and 34% by the French State.

agreement signed by all the organisations representing employees, builds on the experience gained during lockdown, and extends the right to work from home to three days per week.

Digital technology has driven progress across CNP Assurances' entire value chain, from underwriting to claims and benefits management, improving product design, creating seamless partner relations and refreshing the customer experience. For example, as part of the French government's Covid-19 support package for businesses, over 100,000 government-backed loans were distributed by its partners, secured by term creditor insurance deployed by CNP Assurances in record time using a streamlined process.

These developments led the Company to consider the related ethical issues, especially those arising from the use of artificial intelligence. Artificial intelligence is an indispensable driver of innovation but it also brings exposure to the risks associated with the use of personal data. To ensure that CNP Assurances' use of such data is beyond reproach, rules of conduct have been set that place human and ethical considerations at the centre of AI development, and dedicated governance structures to guarantee compliance with these rules have been established.

Innovative products aligned with customer expectations

In France, the Group pursued its product innovation strategy by continuously adding new unit-linked funds to the offer, in response to an environment shaped by persistently low interest rates and volatile financial asset prices. The CNP Immo Prestige offer enables private savers to invest in the French capital's prime real estate, an asset class previously reserved for institutional investors.

The online life insurance contract *EasyVie*, launched by EasyBourse (La Banque Postale's e-broker) and CNP Assurances has been enhanced with the addition of a 100%-SRI discretionary management formula, Easy Actions Citoyen. The Mandat Citoyen formula based on a government-certified SRI fund is available for a minimum investment of just €500. Savers will receive six-monthly management reports describing their investment's positive impact using a range of indicators. This new meaningful investment strategy responds to growing demand from customers.

Multi-partner development in Brazil

The new exclusive distribution agreement with Caixa Econômica Federal (CEF), one of the top five banks in Latin America, was finalised on 30 December 2020.

This new long-term agreement which runs until 13 February 2046 concerns personal risk insurance, consumer loan insurance and retirement products (*vida, prestamista, previdência*), as provided for in the memorandum of understanding signed with Caixa Econômica Federal and Caixa Seguridade on 29 August 2018 and amended on 19 September 2019.

CNP Assurances has paid an initial amount of R$7.0 billion under the agreement. A performance incentive mechanism covering the first five years allows for additional payments, capped at R$0.8 billion (Group share) based on 31 December 2020 values. The impact of the operation has been fully integrated in the Group's SCR coverage ratio.

A new insurance joint venture has been created. This entity is fully consolidated by the CNP Assurances Group, which owns 51% of the voting rights and 40% of the economic rights, versus 49% of the voting rights and 60% of the economic rights for Caixa Seguridade. The insurance portfolios relating to the products covered by the agreement have been transferred by Caixa Seguros Holding (CSH) to this new jointly owned insurance company.

Exclusive partnership agreement in Brazil between CNP Assurances and Caixa Seguridade in the *consórcio* segment. *Consórcio* contracts enable groups of savers to obtain loans at a below-market rate of interest by pooling their savings and lending them to each other for a specified period. Caixa Seguridade's premium income in this segment totalled €85.8 million (R$546 million) in 2019. CNP Assurances will pay €39.3 million (R$250 million) in return for a 20-year exclusive right to distribute term creditor insurance for *consórcio* home loans and auto loans in the Caixa Econômica Federal network. The agreement will be implemented through a dedicated subsidiary that will be 25%-owned by CNP Assurances and 75% by Caixa Seguridade.

The distribution agreement signed with the Brazilian Post Office, Correios, marks a turning point in CNP Assurances' development in Brazil, by replicating the French multi-partner model in the Group's second market. The 10-year agreement concerns the distribution of savings and dental insurance products in over 6,500 Correios post offices in Brazil's 5,570 municipalities. The agreement is non-exclusive and does not provide for any payment by CNP Assurances.

A deeper commitment to CSR and the energy transition

As a responsible investor, CNP Assurances follows a policy of shareholder activism by systematically voting at the General Meetings of listed companies in its portfolio. In 2020, CNP Assurances voted at 110 general meetings of 103 companies in 10 countries, representing 95% of the listed equities portfolio. It voted on 2,133 resolutions, approving 75% and opposing 25% of them. The negative votes predominantly concerned management remuneration policies. Direct discussions were held with the eleven companies in the portfolio that are the most exposed to ESG risks.

CNP Assurances has stepped up its climate strategy by adopting a plan to banish from the portfolio all investments in the thermal coal sector in the European Union and OECD countries by 2030, and in the rest of the world by 2040. In 2020, CNP Assurances asked the coal mine operators and coal-fired power station operators in the portfolio to publish a plan for their phased withdrawal from the thermal coal sector in alignment with its own commitments.

The Company used the publication of its Sustainable Investment Report as an opportunity to announce that it would be selling its remaining investments in the tobacco sector and had signed the United Nations' Tobacco-Free Finance Pledge alongside 129 other companies. CNP Assurances has not made any new investments in this sector since 2018, and in the past two years, its tobacco portfolio has been reduced by two-thirds to less than €200 million at end-2020.

At La Banque Postale's community banking and insurance symposium (Assises de la Banque et de l'Assurance citoyennes) held in September 2020, CNP Assurances announced that it had signed the **Principles for Sustainable Insurance**. Launched by the United Nations Environment Programme Finance Initiative (UNEP-Fi) these principles serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities. CNP Assurances is committed to applying the principles and promoting their adoption by other insurers, and will report on its activities every year in its CSR report.

5.3 Subsequent events

On 22 January 2021, the consortium created by Banque des Territoires (Caisse des Dépôts), CNP Assurances and EDF Invest signed an exclusive agreement with Orange for the acquisition of a 50% stake in Orange Concessions. This company was set up by Orange to consolidate its fiber investments in public initiative networks (PINs) in France. There are currently 23 PINs serving over 4.5 million households under long-term concessions granted by French municipalities.

On 4 March 2021, CNP Assurances signed an agreement with the Aviva Group for the acquisition of certain life insurance businesses in Italy that will double its market share. The scope of the transaction comprises 51% of Aviva S.p.A., a life insurance company jointly held with UniCredit, which holds 49%;100% of the Aviva Life S.p.A. life insurance company and Aviva Italia Servizi S.c.a.r.l, which provides business support services to the two insurance companies. The two companies had a combined premium income of €2.9 billion in 2020, and combined technical reserves of €17.8 billion at the year-end.

6. Business review

The Company's total premium income under French GAAP breaks down as follows by business segment:

(In € millions)		2020	2019
Life	With-profits life insurance	7,581	12,016
	Index-linked and unit-linked insurance	3,154	3,468
	Other life insurance	2,046	2,109
	Health insurance	947	968
	Life reinsurance	1,827	3,753
	Health reinsurance	5	5
Non-life	Workers' compensation insurance	136	122
	Medical expense insurance	342	344
	Income protection insurance	283	321
TOTAL		16,322	23,106

The CNP Assurances 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.

CNP Assurances works closely with every distribution partner to build offers geared to the profiles of its respective clients in terms of age, appetite for risk and income level.

Two bancassurance partners that are also shareholders

In France, CNP Assurances' products are distributed through two long-standing partners, La Banque Postale and the BPCE group (Banques Populaires and Caisses d'Épargne networks), under long-term agreements. As CNP Assurances shareholders, they have a direct stake in the Group's performance and its future.

350 non-exclusive partners in France

CNP Assurances has developed non-exclusive partnerships with 40 wealth management firms and with 205 lenders for term creditor insurance. It is 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

CNP Assurances' 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.

A2 Underwriting performance

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

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

1. Premium income

Premium income **(French GAAP)** generated by the CNP Assurances reporting entity amounted to €16.3 billion in 2020, down €5.9 billion, or 26.5%, on 2019. Most of the decline concerned the Savings business.

Premium income (in € billions)	2020	2019	2020/2019
Savings*	11.4	15.7	-27.8%
Pensions	1.1	2.4	-56.3%
Personal Risk/Health	1.3	1.3	-1.6%
Term Creditor Insurance	2.6	2.7	-4.4%
Total	16.3	22.2	-26.5%

**2019 proforma: excluding Fourgous and Eurocroissance transfers (-€914 million in 2019)*

Premium income by business segment

The €4.4 billion reduction in **Savings** new money was mainly due to the lockdown in the first half of the year (€2.3 billion negative impact) and CNP Patrimoine's strategic decision to limit sales of traditional savings products and refocus on unit-linked contracts (€1.2 billion negative impact). Marketing strategies to increase unit-linked sales also included promoting PACTE Law transfers. These transfers, which totalled €3.4 billion in 2020, are not recognised in premium income.

The €1.4 billion fall in **Pensions** premiums (down 56.3%) was due to the high basis of comparison in 2019 when premiums included the €1.3 billion EDF contract. The contract is 100% unit-linked and is therefore not recognised in premium income in the IFRS income statement.

Risk premiums were down by just 1.6% at €1.3 billion.

In **Term Creditor Insurance**, strong demand for the new offers distributed by the Company's historical distribution partners offset the negative impact of run-off portfolios, limiting the overall decline in premiums to -4.4%.

Savings/Pensions net new money represented a net outflow of €5.2 billion in 2020, due to outflows from traditional savings contracts.

Net new money (in € billions)	2020
Traditional contracts	(6.8)
Unit-linked contracts	1.6
Total	(5.2)

2. Net insurance revenue

Net insurance revenue totalled €1,768 million in 2020, down €9 million or 0.5% compared with 2019.

Savings/Pensions net insurance revenue contracted by €49 million, mainly due to lower investment yields especially during the Covid-19 crisis.

Personal Risk/Protection net insurance revenue rose by €40 million or 7.6%, reflecting adjustments to profit-based commission accruals and the good results achieved by the new-generation Term Creditor Insurance offers distributed by the BPCE/LBP networks (favourable volume effect/prior period surpluses). These effects more than offset the €30 million cost of extending support above and beyond the Company's contractual obligations to vulnerable policyholders during the Covid-19 crisis.

Net insurance revenue by business segment *(In € millions)*	2020	2019	Change
Savings/Pensions	1,198	1,247	-49
Personal Risk/Protection insurance	571	530	+40
Total	1,768	1,777	-9

Net insurance revenue for the period

3. Value of New Business

The Value of New Business (VNB) written in 2020 was €66.3 million versus €267.0 million in 2019. The year-on-year decrease of 75.2% was mainly due to:

- the lower inflow of new money;
- unfavourable changes in the economic environment, especially the fall in interest rates, leading to an increase in the cost of capital guarantees on Savings/Pensions contracts.

Value of New Business (*in € millions*)	2020	2019	Change
Total	66.3	267.0	-75.2%

A3 Investment performance

1. Description of the asset portfolio

1.1 Asset allocation

The following table shows the breakdown of CNP Assurances' asset portfolio at market value and on a French GAAP basis:

Market value (in %)	31 Dec. 2020	31 Dec. 2019	Change
FIXED INCOME PORTFOLIOS	72.2%	73.4%	-1.2pt
o/w Money market instruments and Derivatives	7.1%	7.2%	-0.1 pts
DIVERSIFIED PORTFOLIOS	17.8%	17.0%	+0.8pt
o/w Equities	10.2%	10.1%	+0.1pt
o/w Private equity	7.6%	6.8%	+0.8pt
UNIT-LINKED PORTFOLIOS	9.9%	9.7%	+0.2pt
TOTAL	100%	100%	-

2020 will go down in history as an extraordinary year, due to the Covid-19 global pandemic. It will also be remembered for the magnitude of the resulting economic recession.

The year started on an optimistic note, with the signature of the China-US trade agreement on 15 January. However, it was not long before the Covid-19 epidemic started to spread, leading to restrictions on movements in all regions of the world.

In a deteriorating macro-economic environment, share prices fell by 30% to 40% in March from their record high in mid-February, dragging down prices for all assets that attract a risk premium (risky sovereign debt, credit instruments, commodities, emerging currencies, etc.).

The central banks' immediate and massive response, in the shape of rate cuts and asset purchases, combined with government budget support, brought a measure of stability to the stock markets in April/May and prices gradually recovered during the summer. The robust economic recovery in the third quarter, the Democrats' victory in the United States and, above all, the arrival of Covid-19 vaccines announced in November, sparked a surge of investment on the stock market, in a financial environment shaped by negative or zero interest rates.

In this unprecedented economic and financial environment:

- CNP Assurances continued to invest in bonds, paying very close attention to issuer credit quality; these investments accounted for the vast majority of asset purchases for the year.

- The equities portfolio was refreshed by implementing the profit-taking programme in the first quarter and then gradually reinvesting the proceeds, giving careful consideration to issuers' risk profiles and other characteristics, and their resilience to the crisis.
- The private equity and other unlisted asset portfolios remained stable.
- The diversified investments portfolio was expanded marginally during the year.

1.2 Asset-backed securities

The portfolio's unamortised nominal value at 31 December 2020 was €2.76 billion (versus €3.7 billion at end-2019) and its market value was €2.71 billion.

The portfolio includes securitisation 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 2020, CNP Assurances committed to investing €650 million in 15 private equity funds in France, Europe and the United States. These funds invest mainly in SMEs and midcaps operating in various economic sectors.

CNP Assurances helped to support the post-Covid economic rebound by investing a total of €67 million in two local funds.

At 31 December 2020, the private equity portfolio represented a net commitment of €4.4 billion for a carrying amount of €2.7 billion.

Property & forestry assets

A total of around €855 million in new property and woodland commitments was approved, taking advantage of the attractive risk premiums offered by these assets in the low interest rate environment.

The focus was on office and residential property in the Paris region, and on pursuing the process of portfolio diversification in 2020, with investments in woodland, agroforestry assets and a vineyard.

CNP Assurances kept up the drive to continuously improve the property portfolio's energy performance, promote biodiversity and manage forestry assets in accordance with sustainable development principles.

As a general principle, the Company invests directly in property and forestry assets, rather than through funds.

Infrastructure

2020 saw further significant growth in the portfolio of infrastructure assets, with €885 million in new commitments with four discretionary funds and three co-investment projects in France and Europe.

These investments raised the total carrying amount of infrastructure assets to €3,267 million.

Property and infrastructure debt

The property and infrastructure debt portfolios continued to be expanded at pace in 2020, with €1.1 billion and $40 million in new commitments.

1.4 Portfolio hedges

CNP Assurances 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 €127.7 billion were outstanding at 31 December 2020.

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 2020 reduced the cost of these protections, prompting the Company to choose to purchase hedges on a notional amount of €9.93 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 €2.5 million.

To lock in unrealised gains and reduce sensitivity levels, equity risk hedges were purchased on a notional amount of €1.7 billion in 2020 (versus €2.1 billion in 2019).

In addition to these interest rate and equity risk hedges, currency hedges on R$1.7 billion were set up to avoid any increase in the cost of the cash payment to be made under the binding agreement with Caixa Seguradora. The hedges were unwound at the beginning of December when the final amount due to Caixa Seguradora was paid.

1.5 Sustainable development commitments and indicators

During 2020, CNP Assurances 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 €17.2 billion, the objective was 86% met at 31 December 2020.

- To invest at least €5 billion in green investments in the period to 31 December 2021: this objective has already been met, with the €10.1 billion spent on green investments in the period to 31 December 2020, representing 203% 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 54% in the five years to 31 December 2020 (representing a reduction in the carbon footprint from 468 $kgeqCO_2$/€k invested at 31 December 2014 to 217 $kgeqCO_2$/€k invested at 31 December 2020).
- 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 2020 in any of the companies concerned by this ban.
- To no longer hold any investments in companies that derive more than 20% of revenues from thermal coal or are developing new coal-fired power stations. The Company no longer holds any investments in companies on the exclusion list.
- To sell all remaining investments in the tobacco sector, in line with the Tobacco-Free Finance Pledge signed by the Company during the year. At 31 December 2020, investments in securities issued by tobacco companies represented less than €200 million (in the period from December 2017 to December 2020, the portfolio was reduced by 67% or €410 million).

2. Investment income and expenses

To improve consistency between the various chapters of the document and facilitate reconciliations with the Group's other publications, this report uses the investment income and expenses disclosed in the Company financial statements.

Net investment income *(In € millions)*	2020	2019	Change
Net investment income	5,376	6,981	-1,605
Net profits on disposal of investments	410	1,602	-1,192
Investment expenses	(626)	(579)	-47
Net investment income[19]	5,161	8,005	-2,844

Net investment income determined on a French GAAP basis amounted to €5.2 billion in 2020, The €2.8 billion decrease compared with 2019 corresponds to the net impact of:

- Dividend reductions/cancellations due to Covid-19 (€0.2 billion negative impact).
- Increased impairment losses (€1.4 billion negative impact), due in part to the 2019 reversal of the impairment loss on Dexia (€0.6 billion positive impact in 2019) offset by a realised loss for the same amount.
- Lower revenue from the bond portfolio (€0.3 billion negative impact).
- A €0.5 billion decrease versus the previous year's high basis of comparison (significant capital gains were realised in 2019 through sales of equities and equity funds to take advantage of the end-of-year bull market).

[19] *Source: Note 6.1 to the Company financial statements*

- The effect of the 2019 sale of the Montparnasse building (€0.1 billion negative impact).

A4 Other income and expenses

CNP Assurances is not engaged in any business other than the insurance businesses described in section A.1. This being the case, other income and expenses represent amounts that are incidental to the underwriting profits and net investment income presented in sections A.2 and A.3.

B

System of governance

This section presents CNP Assurances' 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 business environment and new identified risks.

As with any risk management and internal control system, CNP Assurances' system cannot provide absolute assurance that possible weaknesses will be eliminated. Nevertheless, the Company considers that its system is appropriate for its business model and provides reasonable assurance that its 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 Executive Management from those of the Board of Directors, which is responsible for promoting value creation and for deciding CNP Assurances' strategy and overseeing its implementation.

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

1.1 Board of Directors

1.1.1 Main roles and responsibilities of the Board of Directors

The Board of Directors examines all issues affecting CNP Assurances and decides all matters that concern it, in line with the corporate purpose and with the exception of those matters which, by law, can only be decided by Executive Management or by the shareholders at General Meetings.

The Board approves the Company's financial statements 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 (*Code de commerce*), 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

Four Committees of the Board (the Audit and Risk Committee, the Strategy Committee, the Remuneration and Nominations Committee and the Follow-up Committee on the Implementation of the BPCE and LBP Partnerships) 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 Chairwoman of the Board of Directors

Since 31 July 2020, the Board of Directors has been chaired by Véronique Weill.

The roles and responsibilities of the Chairwoman as defined in the French Commercial Code include responsibility for:

- calling meetings of the Board of Directors and setting the agenda;
- chairing meetings of the Board of Directors;
- chairing General Meetings called by the Board of Directors;
- determining the confidential information presented at Board Meetings that will be subject to the directors' duty of discretion; and
- submitting related-party agreements and commitments to the Board for approval and informing the Statutory Auditors of these agreements.

The Chairwoman ensures that the Board members respect the roles and prerogatives of Executive Management.

She makes sure the Board of Directors is kept permanently informed of all of CNP Assurances' activities and performances.

The Chairwoman 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 2020, the Board met nine times.

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

She may participate in internal strategy meetings chaired by the Chief Executive Officer, notably meetings to discuss the distribution agreements with the Group's main partners.

She chairs meetings of the Committee tasked with preparing Board decisions, which are also attended by the Chief Executive Officer and the Executive Committee members concerned. The topics covered by the Committee include:

- the annual budget;
- the annual and interim financial statements;
- policies submitted for Board approval in accordance with Solvency II governance rules.

Prior to the Board Meetings at which these topics are discussed, the Chairwoman receives the necessary information to ensure that she fully understands the Group's risk exposure. To this end, she receives advance briefing documents from the Group Risk Committee and the Strategic Asset Allocation Committee, allowing her to discuss the topic concerned with the Chief Executive Officer prior to the Board Meeting.

She receives copies of the audit reports as soon as they are issued. She may also commission special audits or ask for additional work to be included in the audit plan discussed by the Board of Directors.

The Chairwoman has broad and continuous access to necessary relevant information.

At the beginning of each year, she meets the heads of the various business units and corporate departments, to hold a free and frank discussion of their work and any issues that they may have identified and believe should be brought to her attention.

She conducts a series of initiatives to:

- maintain the quality of shareholder relations;
- guarantee Board diversity;
- propose a training programme to Board members.

1.3 Chief Executive Officer

The Chief Executive Officer has the broadest powers to act in CNP Assurances' 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[20]. The restrictions on his powers concern in particular acquisitions exceeding certain financial limits or that are not fully aligned with the strategy decided by the Board.

The Chief Executive Officer actively participates in Board Meetings and keeps the Board abreast of the day-to-day management of the 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 Officer and the members of the Executive Committee.

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

1.4 Executive Committee

The Chief Executive Officer has set up an Executive Committee to lead the CNP Assurances' operations and implement the strategy decided by the Board of Directors.

As of 31 December 2020, the Executive Committee comprised the Chief Executive Officer, the Deputy Chief Executive Officer and nine other senior executives.

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.

It oversees the consistency of action plans implemented by the business units and subsidiaries. It monitors the Company's results and financial ratios and reviews the action plans to be implemented by the Company. 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.

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 Company'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' risk profile based on the four-eyes principle. Following La Banque Postale's acquisition of control of CNP Assurances, creating the need to set up an integrated risk management system at the level of the financial conglomerate, effective from 4 March 2020 CNP Assurances' Chief Risk Officer reports on a dotted-line basis to the La Banque Postale Group's Chief Risk Officer.

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 of certain powers and responsibilities to the directors reporting to him, who include the Deputy Chief Executive Officer, 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.

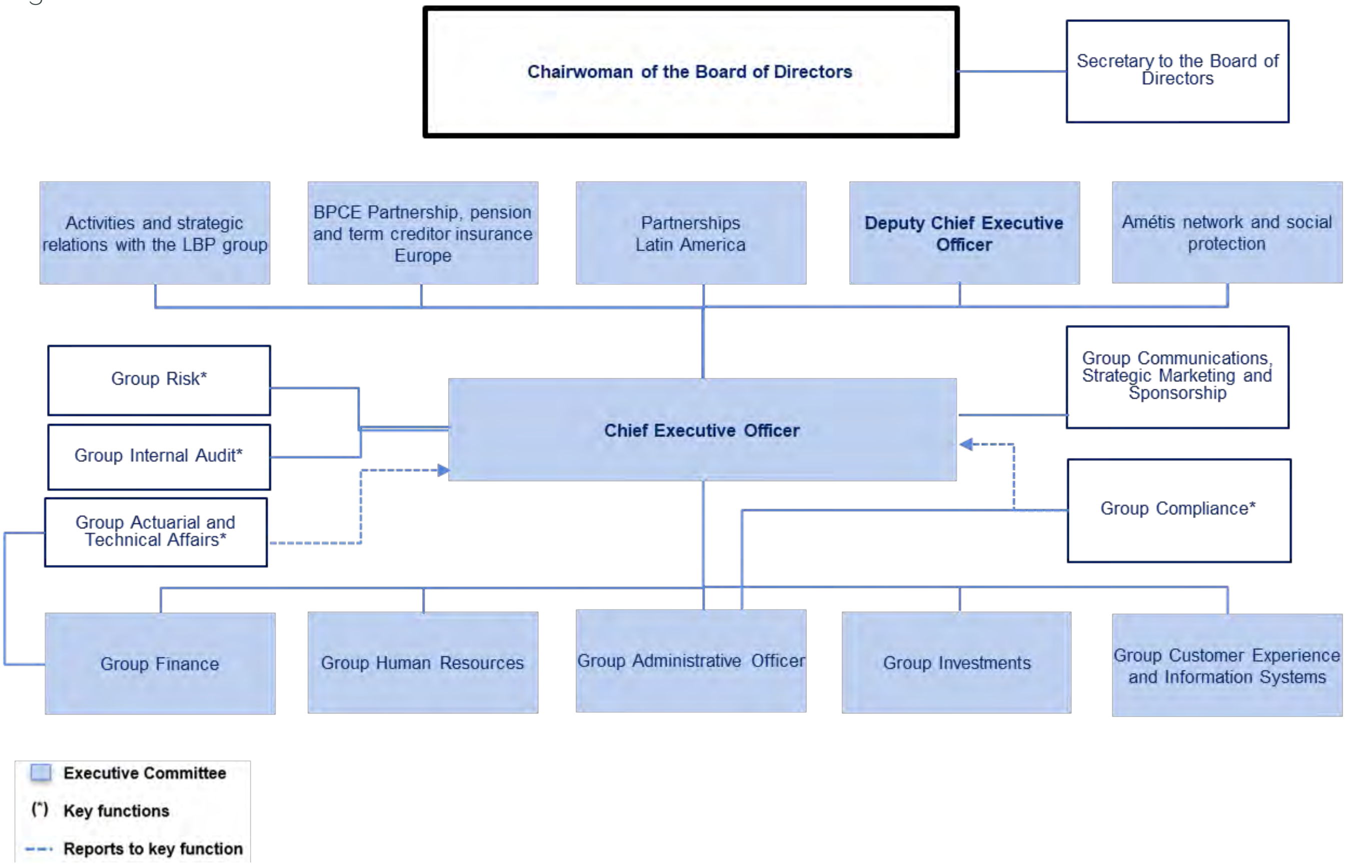
The formal delegations of authority describe the powers concerned, detailing the action that is likely to be taken and the commitments that are likely to be given to third parties on behalf of CNP Assurances. They respond to:

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

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

4. Organisation chart

CNP Assurances is organised around business units and corporate functions, as shown below (based on the organisation at 31 December 2020):



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Note 1: As the persons responsible for key functions, the Chief Actuary and the Chief Compliance Officer report to the Chief Executive Officer.

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

In 2020, Jean-Paul Faugère stepped down from his position as Chairman and independent member of the Board of Directors of CNP Assurances, due to his appointment as Vice Chairman of ACPR. The Board of Directors appointed Véronique Weill as a director and named her Chairwoman to replace Jean-Paul Faugère.

. The following appointments were also made during the year:

- Sarah Bouquerel was appointed Chief Officer of the La Banque Postale business unit and member of the Executive Committee of CNP Assurances.
- Martine Vareilles was appointed Head of the Amétis network and Social Protection business unit, with additional responsibility for supervising MFPrévoyance.

- Quentin Boudoux was appointed Chief Actuary.

In addition, following the transactions on 4 March 2020 whereby La Banque Postale became the majority shareholder of 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.

Based on the recommendation of the Remuneration and Nominations Committee, in February 2021 the Board of Directors appointed Stéphane Dedeyan as Chief Executive Officer of CNP Assurances. He will succeed Antoine Lissowski, who plans to retire when his term expires at the Annual General Meeting of 16 April 2021.

6. Remuneration policies and practices

6.1 Remuneration policy applicable to employees of CNP Assurances

CNP Assurances' remuneration policy is designed to attract, retain and motivate employees and reward their contribution to business growth. It is consistent with the Group's strategic priorities and objectives, as well as its business and financial performance goals. A formal remuneration policy has been drawn up and distributed throughout CNP Assurances. The latest version was approved by CNP Assurances SA's Board of Directors on 8 January 2021.

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' 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

Under the Solvency II governance system in force at CNP Assurances, the Board of Directors has approved a remuneration policy for the Chairwoman of the Board and the Chief Executive Officer that formally embodies a set of remuneration principles applicable to employees, risk-takers and 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 Remuneration and Nominations Committee.

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

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' 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' risk profile.

Description of the remuneration system

Performance assessment

The process for determining bonuses, setting objectives and assessing performance for material risk-takers is the same as for all employees. Bonus criteria include personal objectives, objectives for the individual's business unit and/or operating area and earnings objectives for the 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 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 CNP Assurances' 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 Components of the remuneration awarded to the directors, Chairwoman of the Board of Directors and the Chief Executive Officer

The remuneration allocated to each director is based on the total amount awarded to the Board at the Annual General Meeting.

Since 2015, this amount has been set at €830,000 per year (resolution adopted by the Annual General Meeting of 28 April 2016).

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.

The Board of Directors' Meeting of 18 December 2007 decided to pay directors as follows: the first payment is for meetings of the Board and the Committees held during the first half of the year and is made at the end of the first half; the second payment is for meetings held during the second half of the year and is made at the beginning of the following year.

No remuneration is paid by CNP Assurances to the Chairwoman of the Board of Directors or the Chief Executive Officer for their attendance at meetings of the Board or its Committees.

7. Agreements and commitments authorised during the year

Information about material transactions with shareholders in 2020 and early 2021, persons who exercise a significant influence over CNP Assurances, and members of Executive Management is provided below.

The transactions (or agreements and commitments) described below were authorised in advance by the Annual General Meeting in the Group 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 submitted for approval at the Annual General Meeting on 16 April 2021:

- Related-party agreement between La Banque Postale and CNP Assurances adapting their partnership (extended to 31 December 2035 versus 31 December 2025 previously).
- Related-party agreement between Ostrum AM and CNP Assurances (addendum to the securities management agreement to align the terms with MIFID II).

- Related-party agreement between LBPAM and CNP Assurances (addendum to the securities management agreement concerning high yield securities).
- Related-party agreement between LBPAM and CNP Assurances (addendum to the securities management agreement transferring the agreement to Ostrum AM).
- Related-party agreements between Société Forestière de la Caisse des Dépôts et Consignations and CNP Assurances (woodland management agreements).
- Related-party agreement between Caisse des Dépôts et Consignations and CNP Assurances (investment in optical fiber infrastructure through the acquisition of an interest in Orange Concessions).

For a detailed description, refer to CNP Assurances' 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 the Group or hold 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 the 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.
- 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

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

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 Chairwoman. 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 Fit and proper assessments of the persons who hold the key functions

The fit and proper assessment process for the persons who hold the key functions in the Company 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 Administrative Officer.

Prior to any nomination or renewal, the Group Human Resources department prepares a Nomination and Renewal file and reviews the candidate's fitness and propriety.

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

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.

The Fit and Proper Review Committee's opinion is submitted to the Chief Executive Officer, who in turn seeks the opinion of CNP Assurances SA's Remuneration and Nominations Committee.

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 (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

The Fit and Proper Review Committee meets at least once a year to review application of fit and proper policies and propose adjustments in response to changes in regulations, industry practices and the policies' scope of application.

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 latest version was approved by CNP Assurances SA's Board of Directors on 8 January 2021.

B3 Risk management system

1. Risk management principles

The objectives of CNP Assurances' 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. Following the establishment of an integrated risk management system at the level of the La Banque Postale financial conglomerate, effective from 4 March 2020, CNP Assurances' Chief Risk Officer reports on a dotted-line basis to the La Banque Postale Group's Chief Risk Officer.

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3. Overall risk management system

3.1 Risk management activities and processes

CNP Assurances' 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).
- Delegation of authority rules.
- 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

To support the establishment of an integrated risk management system within the La Banque Postale financial conglomerate, the following measures have been put in place:

- Information circuits have been established to ensure that any information received from whistleblowers is reported to La Banque Postale's Group Risk Department as required. La Banque Postale's Group Risk Department is copied into any warnings issued by CNP Assurances' Group Risk Department.
- CNP Assurances' risk monitoring indicators have been incorporated into La Banque Postale's Risk Appetite Dashboard (RAD).

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.

Following the integration of CNP Assurances in the La Banque Postale financial conglomerate, CNP Assurances' Chief Risk Officer now participates in meetings of La Banque Postale's Group Risk Management Committee (CPRG) on at least a quarterly basis, and the Group Risk Departments of La Banque Postale and CNP Assurances work closely together ahead of meetings of CNP Assurances' Group Risk Committee to ensure that the Committee is fully apprised of La Banque Postale's opinion concerning proposed decisions.

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 CNP Assurances' main underwriting risk exposures. It examines the overall consistency of the Company's reinsurance plan, based on the underwriting risk map and the Company's risk management strategy.

This continuous monitoring of risk exposures ensures that CNP Assurances is able to act quickly to correct any deviation from its 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.

In addition, to allow for an appropriate degree of integrated investment risk management at the level of the La Banque Postale financial conglomerate, La Banque Postale must be consulted concerning any investment or any adjustment of an investment limit that exceeds a certain ceiling. This procedure complies with the rules concerning financial conglomerates and responds to the need for additional oversight. The rules concerning financial conglomerates stipulate that relations and exchanges of information between members of the conglomerate must be carried out in a controlled and secure manner.

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 the Group's net worth in the event of unfavourable trends in the markets (mainly lower interest rates) and/or policyholder behaviour.

3.2.4 Operational risk monitoring

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

3.2.5 Other risks

The Climate Risks Committee meets quarterly to monitor the actions put in place to integrate the climate risk dimension across all aspects of the business (including investment, insurance and internal operations).

Alongside the Investment department, the Group Administrative Officer and the CSR department, the Climate Risk Committee draws on the expertise of the Group Risk department and the Group Actuarial department. The sharing of information (monitoring of industry studies and regulatory developments, requests from stakeholders, initiatives undertaken) at quarterly meetings of this committee encourages interaction and exchanges between the various operating functions:

- the Investment department is in charge of the investment portfolio;
- the Group Actuarial department is in charge of assessing technical reserves and overseeing underwriting activities;
- the Group Risk department is in charge of the measurement and cross-functional management of risks. It assesses the impact on solvency and leads the work on climatic stress tests.

The Climate Risk Committee's roadmap sets out the actions to be taken on the Group's various activities: risk mapping and measurement work, as well as changes in strategy to reduce risks. The progress of the roadmap is reviewed by the Committee and new actions are added regularly. In addition, the Investment department has set up a green finance reporting system to measure and communicate changes in key indicators related to climate issues to employees. The operational implementation of the climate strategy at the heart of asset management is based on the same process as the responsible investment strategy.

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 of this document (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 Group Risk Department prepares a monthly Risk Appetite Dashboard (RAD) comprising all quantitative risk indicators. The RAD is used for continuous risk monitoring purposes and is submitted to La Banque Postale's Group Risk department.

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

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 (i) the definition, implementation and monitoring of policies for managing underwriting, investment and other risks, and (ii) the execution of qualitative and/or quantitative risk analyses 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 about product launches, product developments and responses to calls for tenders that are based on an analysis of the return on ORSA capital and underwriting policies that take profitability targets into account for each type of product. The Group Risk department has developed and made various tools available to the business units, 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' 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' 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.

In 2020, CNP Assurances prepared its first Risk Appetite Statement (RAS), which was approved by the Board of Directors at its meeting on 22 December 2020. The RAS incorporates the ORSA warning system, with the same level of sensitivity in terms of lower and upper limits (see section B3).

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

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

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

System of permanent controls

The system of permanent controls consists of continuously assessing operational risks and first and second level controls within each business process. It provides assurance that the policies defined by the Group are duly applied.

The cornerstones of the system, which interacts with the operational risk management policy, are as follows:

- The process manual, which describes the sequence of activities in each business process.
- The operational risk map (see "Operational risk management policy" for definition), which highlights the risks representing permanent control priorities.

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

Two categories of risks are covered:

- The non-critical risks and controls identified by the businesses through a bottom-up approach, that are taken into account for operational management purposes;

- The **critical 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 CNP Assurances' key functions.

Data are input into the system by the operating departments (or businesses). The system is managed by the internal control teams, who are responsible for ensuring the completeness and integrity of the data.

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-assessment
    - The self-assessment is performed using a standard questionnaire that asks respondents to assess the quality of risk coverage from three angles: (i) the control's design in relation to the risk, (ii) the level of documentation of the control procedure, and (iii) evidencing of the controls, including the resolution of any identified weaknesses, where applicable.
    - A quality review is performed to check the consistency of the self-assessments.

- Certification tests (only for critical risks and controls): in addition to consistency tests, tests are also performed on at least 30% of the critical risks and related self-assessed controls each year. 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, High, Moderate and Low.
    - The gross risk corresponds to the "spontaneous" risk in the absence of any risk management measures.
    - Risk management measures are all the governance, organisation, reporting, IT, human resources and other measures deployed to reduce the gross risk.
    - The residual risk takes into account the effectiveness of existing control and risk management processes.
    - The target residual risk is the residual risk tolerated by the Group, beyond which risk management measures must be defined.
- Action to improve control effectiveness: action plans targeting control weaknesses are drawn up by the business concerned. They are implemented jointly with the internal control teams (to determine the methodological framework, objectives and level of priority). The plans' status is reviewed on a quarterly basis. The businesses are encouraged to implement simplified stop-gap procedures addressing control weaknesses pending completion of the related action plans to improve control effectiveness.

The current system may change following the change in the ownership structure of CNP Assurances, which has become a subsidiary of La Banque Postale.

2. Compliance function

2.1 Structure, role and responsibilities

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

Effectively managing compliance issues is key to earning the trust of 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 Compliance policy is distributed to managers and all compliance correspondents within CNP Assurances and its subsidiaries. It is also available for consultation on the Group's Intranet and is the subject of presentations whenever it is amended.

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

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, detection and management of conflicts of interests.
- Client protection: know-your-client procedure, duty to provide impartial advice, client information obligations, complaint processing, sales incentive practices.
- Marketing practices: advertising, sales and marketing documents, alignment of products with target clients, policy marketing rules.
- Prevention of money laundering and terrorist financing (AML-TF): risk classification, consistency of transactions with client profiles, management of asset freezes and economic sanctions or embargoes, opinion on the acceptance of complex new client relationships, monitoring of politically exposed persons, reporting of suspect transactions to Tracfin and disclosure to the public prosecutor.

- 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, management of 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' 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 coordinates and performs second-tier controls that complement the system of permanent controls. In order to ensure compliance, it oversees Compliance risks and related controls, contributing in this way to strengthening the risk management system. To avoid the occurrence of any conflicts of interests, the Group Compliance department does not play any operational role.

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 submits regular reports to the Chief Executive Officer and the Chairwoman of the Board of Directors.

The Chief Compliance Officer reports directly to CNP Assurances' Chief Executive Officer and on a dotted-line basis to the La Banque Postale Group's Chief Compliance Officer.

The Chief Compliance Officer prepares an annual report on all compliance issues, which is presented to the Chief Executive Officer, the Chairwoman of the Board of Directors and the Audit and Risks Committee.

The Chief Compliance Officer is registered with the banking and insurance supervisor (ACPR) as "the person in charge of the Compliance function". He is responsible for the system to combat money laundering and the financing of terrorism and, as such, is CNP Assurances' correspondent with Tracfin (France's financial intelligence unit). He is also CNP Assurances' Ethics Officer.

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

The Group Compliance department's team is supported by compliance officers appointed in each business unit and corporate department. These officers 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 2020

Responding to the extraordinary economic situation in 2020, CNP Assurances' Compliance department acted swiftly to ensure that policyholders' insurance transactions were not exposed to any compliance risks. Procedures were streamlined, while an increased number of suspicious transactions were subjected to forensic examinations and reported to the Public Prosecutor where necessary.

Compliance projects undertaken in 2020 concerned four main areas:

- Definition and market launch of new products, in application of the Insurance Distribution Directive (IDD).
- Third-party assessments based on stricter due diligence procedures and deployment of a dedicated application (Sapin 2 Law).
- Protection of personal data exchanged with service providers and issues arising from the invalidation of the GDPR's Privacy Shield.
- Closer monitoring of insurance transactions from the standpoint of money-laundering and terrorist financing risks (ACPR guidelines).

2020 also saw the implementation of the CNP Assurances/La Banque Postale compliance roadmap, comprising 15 projects, conducted jointly by the two groups' Compliance teams in order to guarantee a consistent approach. These projects will continue throughout 2021.

Compliance work is performed in accordance with the guidelines issued by the supervisory authorities concerned by the specific topic, based on the Compliance department's regular discussions with these authorities and its participation in industry consultations organised by the supervisors.

B6 Internal Audit function

1. Scope of the function's activities

The scope of the Internal Audit function covers activities all business processes, including those that are delegated or outsourced.

CNP Assurances' 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 CNP Assurances' 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. Process for preparing the annual internal audit plan

The internal audit plan is aligned with the Group's strategic objectives and its competitive environment.

It is drawn up using a three-stage approach:

1. Construct the audit universe

- Identify CNP Assurances' inherent risks as mapped by the Group Risk department, constituting "audit items".
- Set priorities, based on assessments of these risks.
- Incorporate risks identified under a complementary process by external or internal stakeholders responsible for the different types of controls.

- Incorporate audit requests from Executive Management.
- Check that the audit universe has been audited at least once in the last five years (retrospective approach) and prepare an audit plan covering the entire audit universe over the next five years (prospective approach).

2. Finalise the audit plan

- Plan audits of the subsidiaries for which the Internal Audit key function is fulfilled by Group Internal Audit.
- Align the audit plan with available resources (man/days and skills)

3. Validate the audit plan

- Coordinate internal audit engagements with La Banque Postale's internal auditors.
- Present the audit plan to CNP Assurances' Chief Executive Officer, then to the Chairwoman of the Board of Directors and, lastly, to the Executive Committee.
- Present the audit plan to the Audit and Risk Committee prior to submitting it for approval by CNP Assurances' Board of Directors.

At each stage in the validation process, the audit plan may be adjusted to take into account any comments.

4. Execution of internal audits

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

- Engagement letter: signed by the head of Group Internal Audit, 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).
- The internal auditors' opinion on the extent to which the risks associated with the audited unit, business process or information system are controlled is now expressed on a scale of one to four, where 1 = unsatisfactory and 4 = satisfactory. A similar scale is applied to rate residual risks, where 1 = critical and 4 = low. The rating is used to prioritise the internal auditors' recommendations.
- 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 Chief Executive Officer and 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). Any delays in implementing level 1 recommendations are explained.

- Archiving: once the final report has been issued, the documents and working papers are archived by the internal auditors.

B7 Actuarial function

The Company has designated the person holding the key Actuarial function and defined his responsibilities, which are closely aligned with the requirements of the applicable regulations. These regulatory responsibilities are as follows:

- coordinate the calculation of technical reserves;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements;
- participate in the risk management framework.

The regulations also stipulate that the Actuarial function must fulfil specific competence and independence criteria. The Actuarial function is required to be independent from the other functions and operating units.

CNP Assurances' Actuarial function is run by the Group Chief Actuary. He is assisted by the Actuarial Standards department which reports directly to him.

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.

The Group Chief Actuary's opinions are set out 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 16 February 2021.

1.1 Coordinate the calculation of technical reserves

The Group Chief Actuary coordinates the calculation of technical reserves in compliance with the regulatory requirements of Solvency II.

The Actuarial function assesses the internal control system's effectiveness and calibrates its own controls based on the results of the assessment.

Technical reserve calculations are subject to the following controls:

- The first line of defence corresponds to first-tier controls performed by the teams responsible for determining technical reserves.
- The second line of defence is provided by the Group Actuarial function, which performs second-tier controls.

The Actuarial function deals directly with the insurance supervisor during the supervisor's audits of technical reserves.

1.2 Assess the completeness and quality of data

The Actuarial function is responsible for assessing the quality of the data used to calculate technical reserves, in terms of its accuracy, completeness and relevance. 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.

1.3 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 Actuarial function's report highlights the main inherent weaknesses and sources of uncertainty affecting the determination of technical reserves, and describes the analyses performed by the function during the year. The weaknesses and the related corrective action are monitored by the Actuarial Standards department and by Internal Audit.

The new actuarial methods and assumptions used at each period-end are presented to the dedicated committees.

The following measures help to ensure that Executive Management is informed of the assumptions used and the sources of uncertainty:

- Preparation of a validation report for each annual closing. This report ensures that Executive Management has approved all the material assumptions and future management actions taken into account for the determination of technical reserves. The report includes a reasoned presentation of each assumption and future management action.

- Preparation of a multi-year **actuarial analysis plan** used to update the modelling assumptions and laws referred to in the validation report. For each assumption in the validation report, the analysis plan:
    - defines a list of quantitative analyses, sensitivity tests or controls over relevant variables to be performed in support of each assumption (at the year end and for the target vision);
    - defines a frequency and an order of priority for updating each analysis.

1.4 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 Company's risk tolerance limit and will not lead to any future erosion of its own funds. Its opinion on the underwriting policy is based on regular reviews of the underwriting process performed during the year and evidenced by formal recommendations, as well as on the function's own research. The final underwriting decision is made by Executive Management during meetings of the Commitments Committee.

1.5 Express an opinion on the adequacy of reinsurance arrangements:

The Actuarial function intervenes in CNP Assurances' outward reinsurance process to obtain assurance that purchased reinsurance cover is proportionate, justified and effective, taking into account the Company'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 and analyses and by the implementation of Executive Management decisions.

1.6 Participate in the risk management system

The Actuarial function participates actively in the risk management system. Its contribution mainly concerns the following aspects:

- Coordinating technical reserve calculations and informing the Risk department of its conclusions.
- Participating in controls over the techniques used to prepare the ORSA.
- Making recommendations during meetings of the various committees that deal with risk-related issues.

B8 Outsourcing

1. Outsourcing policy

1.1 Objectives and scope

The 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.

CNP Assurances' outsourcing policy is approved by the Board of Directors.

The 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[21] 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[22] operational functions and activities. For CNP Assurances, this relates to:

- the delegated management of any of the key functions defined in Solvency II:
    - *the Risk Management function,*
    - *the Compliance function,*
    - *the Internal Audit function,*
    - *the Actuarial function;*

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

[22] 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.

- 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.

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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 the Group's outsourcing rules and policy, and issues a recommendation.

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 critical, important, sensitive or normal.

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.

1.3 Outsourced critical and important functions and activities

CNP Assurances has mapped all outsourced functions and activities and identified those that are qualified as "critical and important".

It outsources (to a varying extent depending on the unit) 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.*

Contractors responsible for outsourced activities qualified as critical or important are required to comply with French law.

C

Risk profile

Risk overview

CNP Assurances' 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 2020 In € millions	In % [23]
Market risk	*Interest rate risk* *Equity risk* *Property risk* *Currency risk* *Spread risk* *Concentration risk*	12,249	62%
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*	3,491	18%
Health underwriting risk	*SLT[24] Health underwriting risk* *NSLT[25] Health underwriting risk* *Health catastrophe risk*	1,607	8%
Non-life underwriting risk		0	0%
Counterparty default risk		1,017	5%
Intangible asset risk		0	0%
Operational risk		1,421	7%

As this risk profile shows, CNP Assurances' 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.

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

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

[25] *NSLT Health = health obligations assigned to the lines of business for non-life insurance*

Risks are mitigated by the diversification effect, which is estimated at 21% based on the following formula: (sum of net SCRs excluding operational risk SCR - net basic SCR)/sum of net SCRs excluding operational risk SCR.

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 2020 In € millions	In %
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*		3,491	18%
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*	1,607	8%
	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*		0	0%

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, 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 Company 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.

For PER pension savings contracts, if policyholders choose to receive a lump sum on retirement rather than a regular pension, this has an adverse effect on CNP Assurances' future margins.

For 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 Company 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 Company 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 the Savings business and could have an adverse impact on the Company'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 Company 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 of the Company's 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.

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 and health insurance cover.

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 Company 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, the Company would be exposed to a risk of being unable to fund these guarantees or possibly even cover the policy administration 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).

Lastly, the Company is exposed to a transformation risk, corresponding to the risk of financial investments with DPF not being replaced by linked liabilities in line with business plan objectives, as well as the risk of delays in launching new-generation traditional savings products for which the capital guarantee is determined before deducting the loading.

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. 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.
- PACTE Law transfer rules designed to increase the unit-linked weighting were developed and implemented.
- The timeline was shortened for transforming the main products to contracts for which the capital guarantee is determined before deducting the loading.
- Communications about the yields and guarantees offered by unit-linked contracts were stepped up, new unit-linked funds were developed (property, infrastructure and SRI funds), customer advisory materials were adapted to the low interest environment.
- New funds and products were designed as an alternative to traditional savings formulas.

To support this strategic refocusing on unit-liked contracts, the Group has set up a specific business unit – Wealth Management Engineering – to lead and monitor the business and deliver greater operational efficiency.

2.2 PACTE Law

The PACTE Law, which entered into force in May 2019, mainly affects pension savings and life insurance.

The main provisions related to pension savings (Article 71) 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) 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.

On 7 July 2020, Arial CNP Assurances and Natixis Interépargne pooled their expertise to offer companies a comprehensive employee savings and pensions solution including the new PER plans introduced in the PACTE Law.

Through this partnership, Arial CNP Assurances and Natixis Interépargne offer companies of all sizes, from the smallest to the biggest, full access to the whole range of employee savings and pensions solutions: PEE employee share ownership plans, PER pension savings plans, securities accounts and life insurance-based solutions. This comprehensive line-up responds to demand from companies interested in offering their employees a consolidated savings and pension solution, and demand from savers looking for help in building up a pension pot.

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

- Defining and implementing a 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.
- Developing group and individual PER pension savings products, with the February 2020 launch of the Cachemire PER distributed through the LBP network and a white label PER offered through CNP Assurances' Groupement Epargne Retraite Populaire to all of CNP Assurances' distribution partners.
- Organising the conversion or transfer of existing group contracts to PACTE-compliant contracts.
- Giving participants in the PREFON points-based pension scheme the option of transferring their pensions to a PACTE fund (option available since December 2019).

Arial CNP Assurances' "Article 83" contracts no longer sold since 1 October 2020, have been replaced by a compulsory PER scheme (PERO) that has been fully operational since January 2020. The transformation or transfer of existing "Article 83" group pension contracts is currently being organised and the process will be pursued in 2021. The insurance-based PERCOL offer (which replaces the previous PERCO group pension savings plan) and the PERU offer combining the PERCO and PERCOL offers in a single product were also launched in 2020.

2.3 Launch of the CNP Immo Prestige offer

This offer enables private savers to invest in prime Paris real estate.

In France, the Group pursued its product innovation strategy by continuously adding new unit-linked funds to the offer, in response to an environment shaped by persistently low interest rates and volatile financial asset prices. The CNP Immo Prestige offer enables private savers to invest in the French capital's prime real estate, an asset class previously reserved for institutional investors.

2.4 Socially Responsible Investment (SRI) Offer

The online life insurance contract *EasyVie*, launched by EasyBourse (La Banque Postale's e-broker) and CNP Assurances has been enhanced with the addition of a 100%-SRI discretionary management formula, Easy Actions Citoyen. The Mandat Citoyen formula based on a government-certified SRI fund is available for a minimum investment of just €500. Savers receive six-monthly management reports describing their investment's positive impact using a range of indicators.

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 the Company has 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.

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

Quarterly underwriting risk reports are prepared, covering the Company'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 the Company's risk profile to be submitted to the Underwriting Risk Committee and also to commission detailed analyses from the business units, 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, which notably include:
    - surrender/cancellation rates, transfers between traditional and unit-linked funds, term creditor insurance cancellation rates.
    - mortality rates, death benefit rates,
    - loss ratios, by claim year, by type of contract and by guarantee,
    - number of claims, number of outstanding claims, average claim settlement period, and
- risk profile tracking indicators, which break down premium income or mathematical reserves based on discriminating risk deviation factors. These discriminating factors may consist, for example in the Savings business, of the amount of the policyholder's savings, the age of the policy or the level of the capital guarantee.

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 the Company 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

CNP Assurances' reinsurance policy describes the governance of ceded risks. It sets out the roles and responsibilities of the departments involved in reinsurance activities, as well as specifying the decision-making bodies (i.e., mainly the Reinsurance Risk Committee). The reinsurance policy also establishes the framework for defining the reinsurance programme. The fundamental aim of this 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.

CNP Assurances' 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.

The Company's pandemic risk coverage was reviewed in 2020 in light of the Covid-19 crisis. The review showed that although the current impact on EBIT is limited, if an inversion of the mortality curve were to affect the under-65s first, this would lead to a severe "loss" of EBIT, albeit less than the retention (or priority) stipulated in the reinsurance treaty. However, to protect against a possible worsening of the pandemic in 2021, the decision was made to increase coverage of this risk by purchasing an additional tranche of reinsurance cover.

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 Company also calculates the sensitivity of MCEV© metrics – Value of New Business (VNB) and Value of In-Force business (VIF) – for France to surrender, expense and claims shocks.

As the vast majority of the Group's underwriting risks in France directly concern the Company, this is a relevant indicator for the solo report.

The main results are as follows:

31 Dec. 2020 *(In € millions)*	Central value	Surrenders -10%	Costs -10%	Loss ratio -5% (longevity risk)	Loss ratio -5% (mortality & disability risk)
MCEV© VIF France	518	(60)	472	(239)	106

VNB France	66	7	24	(1)	44

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 Company. 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 *(In € billions)*	31 Dec. 2020	31 Dec. 2019	Change
Corporate and government bonds	*184*	190	-3%
Investment funds (UCITS)	*67*	63	+6%
Money-market funds	*21*	*21*	*-3%*
Bond funds	*18*	*16*	*+8%*
Equity funds	*11*	*10*	*+7%*
Other funds	*18*	*15*	*+16%*
Equities	*25*	24	+3%
Shares in property companies	*8*	*8*	*+1%*
Other equities	*16*	*16*	*+4%*
Structured products	*13*	11	+16%
Collateralised securities	*0*	0	-33%
Property and equipment	*0*	0	+4%
Total	289	289	0%

1. Description

1.1 Interest rate risk

Interest rate risk corresponds mainly to the risk of an increase or decrease in interest rates. CNP Assurances 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, reinvestment yields decline, 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, CNP Assurances limits the duration and level of yield guarantees, thereby allowing asset managers to reduce the weighting of long-dated bonds in the managed portfolios.

In more extreme scenarios, despite the relatively low proportion of contracts with a guaranteed yield, there could be a risk that asset yields will be insufficient to cover contractually guaranteed yields, forcing the Company 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 products and those available on competing financial products.

The Company 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 the Company 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 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 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.

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 the Company of this flexibility and could even reduce its ability to pay guaranteed yields.

The private equity portfolio also exposes the Company to liquidity risk (see section C4). As well as the price risk, the Company 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 in private equity and infrastructure investments: the risk of a fall in the profitability of the underlying companies or projects and the risk associated with the lack of a liquid market for these assets which require a medium or long-term investment 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 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

CNP Assurances' 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, and changes in the R$/€ exchange rate therefore have a material impact on consolidated net profit and cash flows.

The bulk of the Company's asset portfolios are invested in the securities of eurozone issuers. As a result, the portfolios' exposure to currency risks is very limited.

2. Changes during the period

A description of the economic environment and financial market conditions in 2020 is provided in section A1. In summary, 2020 was shaped by the Covid-19 health crisis and resulting economic crisis. Prices on the world's stock markets collapsed at the start of the year but had more or less recovered by the year-end, while interest rates continued to fall throughout the year.

In this environment, CNP Assurances adjusted its asset allocation, notably by extending the OAT portfolio's duration in response to the low interest rates, lifting the average yield on the year's investments in France to 1.1%.

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 Company 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 local partners. Any such adjustments are approved locally.

The policy describes the overall organisation of the system for managing investment risks, 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 process, which forms part of a multi-tier risk delegation system overseen by the Group Investment Committee.
- The monitoring process organised by the Asset Risk Monitoring Committee.

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

- ALM risk management policy.
- Foreign exchange standard.
- Liquidity standard (see section C4 Liquidity risk).
- Investment standards – Equities.
- Investment standards – Unlisted investments (Private Equity, Infrastructure, 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 end-2020, CNP Assurances had a portfolio of caps on a total notional amount of €109 billion with an average remaining life of 4 years and an average strike price equal to the 12-year euro swap rate plus 300 basis points[26].
- 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.). The equity risk hedging programme was stepped up in 2020 and at year-end a portfolio of CAC 40 and Euro Stoxx 50 index options (puts) were held on a total notional amount of approximately €13.6 billion with an average remaining life of 1.2 years and average strike prices of 3,179 points (CAC 40) and 2,714 points (Euro Stoxx 50)[27].
- Currency risk: the majority of CNP Assurances' 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. The hedge of the payment in R$ due on renewal of the distribution agreement in Brazil was unwound in early December following settlement of the outstanding balance.

[26] *Unaudited management reporting data*
[27] *Unaudited management reporting data*

Part of CNP Assurances' 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' returns over time by deferring payment of part of their profit participation. At 31 December 2020, the policyholders' surplus reserve totalled €13.9 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.

Sensitivity is calculated at Group level only; however, as the majority of CNP Assurances' assets are held by the Company, they represent a relevant indicator of sensitivity on a solo basis.

The main sensitivities at 31 December 2020 are as follows:

Indicator	Value at 31 Dec. 2020	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	€1,350m	-€15.5m	+€27.0m	-€5.1m	*n/a*
MCEV©	€16,256m	+€2,577	-€3,120m	*n/a*	-€3,265m
Solvency II coverage ratio	208%	+22 pts	-26 pts	*n/a*	-10 pts

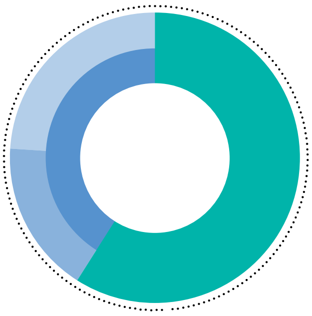
Combined stress tests are performed as part of the ORSA process.

C3 Credit risk

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

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

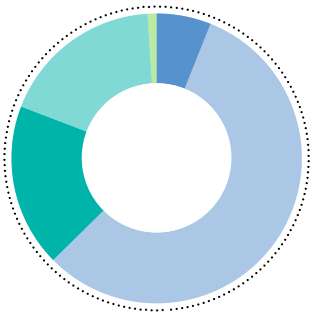
Bond portfolio by type of issuer - Source: QRT S.06.02 List of assets *(at cost, in %)*



	31 Dec. 2020	31 Dec. 2019	Change (points)
Government bonds	59 %	60 %	-1
Corporate bonds	41 %	40 %	+1
Financial services and insurance	17 %	16 %	+1
Other sectors	24 %	24 %	0

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

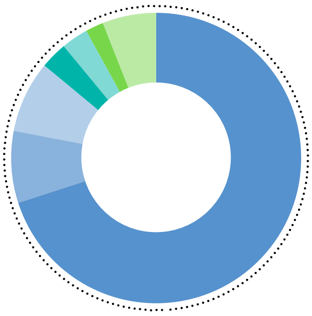
Bond portfolio by issuer rating (source: QRT S.06.02 List of assets) *(at cost, in %)*



	31 Dec. 2020	31 Dec. 2019	Change (points)
AAA	6 %	7 %	-1
AA	56 %	56 %	-1
A	18 %	18 %	+1
BBB	18 %	18 %	+1
BB	0 %	0 %	0
Unrated	1 %	1 %	0

The government bond portfolio breaks down by country as follows:

Bond portfolio by type of issuer - Source: QRT S.06.02 List of assets *(at cost, in %)*



	31 Dec. 2020	31 Dec. 2019	Change (points)
France	70 %	67 %	3
Spain	8 %	8 %	0
Belgium	8 %	7 %	0
Italy	3 %	4 %	-1
Supranational	3 %	4 %	-1
Austria	2 %	3 %	-1
Other	6 %	6 %	0

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, namely 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 Company's portfolio. It mainly concerns derivative products, reinsurance transactions and securities lending (repo) transactions. Lastly, a counterparty risk exists in respect of earned premiums not yet written corresponding to amounts receivable from group insurance clients.

2. Changes during the period

In 2020, interest rates were affected by the Covid-19 crisis and the ECB's massive programme of asset purchases, with rates staying very low or even moving into negative territory. In this environment, CNP Assurances continued to diversify its fixed income portfolio, favouring debt funds, emerging market debt, and US, Spanish and Portuguese bonds.

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 Group Asset Risk 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, CNP Assurances' 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. A new sensitivity test was introduced in 2020, analysing sensitivity to a one-notch rating downgrade for 20% of the bond portfolio.

Sensitivity is calculated at Group level only; however, as the majority of Group assets are held by the Company, it represents a relevant indicator of sensitivity on a solo basis.

The results of the sensitivity analysis are as follows:

Indicator	Value at 31 Dec. 2020	Sensitivity to a 50-bp increase in corporate bond spread[28]	Sensitivity to a 50-bp increase in governmental bond spread[29]	Sensitivity to a one-notch rating downgrade -20%
Solvency II coverage ratio	208%	+6 pts	-8 pts	-3 pts

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

[28] *After recalibration of the volatility adjustment*

[29] *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 the Company 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 CNP Assurances 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 2020. Liquidity indicators nonetheless 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.
- The ALM policy also provides for the monitoring of actual and forecast savings portfolios 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 the level of the Company.

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 the Company's sensitivity to liquidity risk.

In 2020, liquidity indicators remained below the thresholds specified in the liquidity risk standards in the Group.

6. Change in risks over the business projection period

CNP Assurances does not expect any material change in its exposure to liquidity risk.

C5 Operational risk

	Solo SCR at 31 Dec. 2020 *(In € millions)*
Operational risk	1,421

1. Description

Under Solvency II, operational risk is defined as "*the risk of loss resulting from inadequate or failed processes, people and systems or from external events.* This definition includes legal risk, *but excludes strategic and reputational risk*."

As the starting point for developing the operational risk management system, a detailed operational risk taxonomy was drawn up, presenting a category-based vision of operational risk and based on the Basel II and ORIC taxonomies.

An operational risk map was also developed to pinpoint the main risks and produce an overview of individual risks tracked by the internal control system. The risk map is included in the La Banque Postale Group's operational risk taxonomy and it is also used as a reference by the Internal Auditors.

The methodological convergence process launched in 2019 in preparation for CNP Assurances' integration in the La Banque Postale Group was pursued during 2020.

2. Changes during the period

Changes during the period concern CNP Assurances' operational risk profile.

Several control processes – mainly covering operational risks related to purchasing, CSR, actuarial analyses, information systems and the customer experience – were streamlined or adapted.

The Company's operational risk profile was relatively stable in 2020 compared with the previous year.

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

Product, policy and policyholder relations compliance:

CNP Assurances operates in an increasingly heavily regulated environment. Work on risk management and control systems was pursued in 2019 and 2020 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.

Two of the Company's strategic choices affect its exposure to this category of risk:

- First, to support the faster pace of digital transformation, CNP Assurances is making growing use of electronic signature and digital data and document transfer technologies. The legal risks associated with electronic signatures have been reduced following the publication of a Government Order clarifying the terms of the Lemaire Act and authorising digital contracts.
- Second, the strategic focus on unit-linked sales in both the mass-market and premium segments increases the Company's exposure to regulatory compliance risks (especially compliance with the Insurance Distribution Directive) and the risks of failing to strictly comply with its contractual commitments concerning the appreciation of policyholder savings. In this regard, deployment of compliance measures and the programme to drive continuous improvement in managing unit-linked contracts has led to a significant reduction in the number of management-related incidents.

Outsourcing and delegated management

The CNP Assurances business model is based on outsourcing solutions and extensive delegations of management powers to distribution partners. The Company 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, the Company had to step up its 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 Company 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 Company's risk profile include:

- The increase in home working by Company employees (during the first lockdown, CNP Assurances also helped people outside the Company who were experiencing difficulties to transition to supported home working).
- The growing use of electronic signatures with distribution partners, in line with CNP Assurances digital ambitions and as part of its Covid-19 response.
- For the accounting function, implementation of 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), which include redefining the system of internal accounting controls.

- In terms of governance, improvements to compliance risk monitoring systems (AML-TF and ABC control plan upgrades) and clarification of the respective roles and responsibilities of the people involved in tracking changes in applicable laws and regulations.
- Concerning process management and monitoring, during the year CNP Assurances:
    - deployed upgraded controls over the evidencing of consolidated account balances;
    - optimised tax accounting processes;
    - completed Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) compliance projects;
    - deployed enhanced controls over compliance with financial commitment limits;
    - monitored unrestricted beneficiary clauses;
    - enhanced the monitoring of management application service quality.

Information systems and data processing

The risks associated with CNP Assurances' information systems cover three areas: data (integrity, security), software (uptime, processing speed and reliability) and hardware (management of IT assets, networks, management of routine production activities).

Data security

The CNP Assurances business model is based on outsourcing solutions and extensive delegations of management powers to distribution partners. As a result, the Company is heavily exposed to outsourcing risk. As the incidence of cybercrime increases, intruder risk is also still a concern.

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

GDPR compliance programmes led to the identification and implementation of new preventive and protective measures, on top of the Information Systems department's multi-year systems security programme.

A security dashboard has been set up to assess its exposure to cyber risks, based on technical and organisational indicators for the whole Group and contractors.

The IT infrastructure has been mapped in areas identified as sensitive, and the system for managing the cyber risk exposures of subsidiaries and contractors has been strengthened.

Exponential growth in the use of the Internet of Things, social networks, cloud computing and smart phones has created potential new cyber attack vectors. The incidence of cyber attacks is growing and 2020 saw the emergence of increasingly complex threats.

The cyber-risk management system has been enhanced, with the adoption of new preventive measures (infrastructure specifically designed to prevent 'denial of service' attacks, roll-out of the self-care mechanism, data anonymity, encryption of audio communications (octopus ransomware, etc.), improved workstation security, stricter access controls for sensitive networks, definition of cyber-policies, management, etc.). The system also concerns partners and subsidiaries, with particular emphasis on training and awareness-raising sessions for employees and improved process security aided by head office experts. Given the increase in cyber-crime and the widespread roll-out of remote working arrangements since March 2020, intruder risk in CNP Assurances' systems remains a concern. The necessary preventive measures have been put in place at Group level.

Various projects to improve data protection are in progress and CNP Assurances is considering options to improve the management of operations staff access rights to all the information systems. In addition, the Information Systems and Internal Control/Operational Risks units are continuing to streamline and enhance controls over cyber risks.

Software or IT production risks

Information systems incidents were once again the main cause of operating incidents in 2020 (accounting for around 63% in volume). These incidents mainly affect the policyholder services units. If several applications go down, this can affect service quality, while calculation or processing errors have to be corrected.

The relative financial impact of these incidents remains moderate.

The main action plans deployed to manage these risks concern:

- Action to improve the IT department's delivery and acceptance procedure for new applications and software developments: a preliminary study has been carried out to manage this process more effectively and reduce the related incidents.
- Action to strengthen the systems and procedures for determining management application settings.

Internal and external fraud

In an environment shaped by complex processes and information systems, many of the Company's distribution and management procedures are exposed to the risk of fraudulent statements, misappropriations of funds, money laundering and bribery attempts.

The project to strengthen internal controls over money laundering and terrorist financing risks was pursued during the year.

The incidence of internal and external fraud is limited; only one such case was identified during the year and the financial impact was negligible. However, this is not a reason for complacency and there is always scope to improve fraud detection systems. Managing fraud risk is the responsibility of the Compliance department, which has been carrying out the following work over the last two years:

- Fraud risk governance: updating and publishing the Group anti-fraud policy.
- Financial flow management:
  - reducing delays in clearing cash receipts posted to suspense accounts (in some cases, suspense items are dealt with immediately);
  - improving controls over payments to reduce misappropriation risks and developing a dedicated reporting system;
- AML-TF project: control optimisation (procedures to check that no payments are received from companies whose assets have been frozen), with the addition of more control points:

  - review of the different departments' gift and inducements registers;
  - AML-FT checks on transactions carried out by the individual insurance businesses;
  - reviews of contractual clauses.

However, some initiatives have yet to be completed:

- optimising fraud risk governance by rolling down the policy to the operating units;
- cooperating with the business units to update operational procedures for the prevention, detection and resolution of suspected cases of fraud;
- developing a system to raise employees' awareness of fraud risks, including a fraud risk e-learning module.

Safety and security: property damage and personal injury risks

CNP Assurances is exposed to safety and security risks at its various facilities.

- Its Montparnasse headquarters building is subject to the regulations governing tall buildings and it is built over the Montparnasse railway station which is currently being renovated. The building is also exposed to the risk of a terrorist attack.
- The Saint Serge building in Angers is located on the Maine river's flood plain.
- The data centre located close to Angers, which houses most of CNP Assurances' servers and data, has high-level protection against the risks of fire, intrusion and malicious damage.
- The in-house teams of travelling insurance advisors are exposed to road safety risks (accident risk, personal injury risk, risk of damage to the car fleet).
- Lastly, the business generates vast quantities of paperwork (policies and legal documents) that is stored in warehouses managed by an outside contractor.

3. Operational risk management policy

Operational risk management focuses on safeguarding the Company's asset portfolio and preventing/containing losses resulting from inadequate or failed processes, people and systems. It enhances customer service quality and the Company's ability to fulfil its commitments to customers.

To identify, measure and manage these operational risks, CNP Assurances has issued a formal operational risk management policy, describing the resources, procedures and tools made available to facilitate the management of operational risks. This policy and that of La Banque Postale are due to be reviewed together as part of the process to structure operational risk management systems at the levels of the Caisse des Dépôts and La Banque Postale groups.

The policy is organised around:

- A single risk taxonomy and process manual used throughout the organisation.
- An operating incident reporting system to ensure that the Company has learned from 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. This also applies to compliance breaches and incidents that could have a severe adverse effect on CNP Assurances' image and reputation.

- The system's objectives are to:
  - Help the Company 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.
- Provide key risk indicators that can be 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.
- Perform stress scenario simulations in order to increase the organisation's preparedness for possible future situations.
- Deploy business continuity and crisis management plans. CNP Assurances ensures that appropriate business continuity plans are in place, particularly in areas where it is most vulnerable. The Company and all of the subsidiaries are required to regularly review, test and update their business continuity plans. A dedicated crisis management team has been set up.
- Provide a basis for: The Group-wide insurance programme covering general liability, corporate and directors' liability, fraud, property damage (vehicle fleet, IT equipment, buildings), assistance (during business travel or expatriation) and cyber security.
- Deploy 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

CNP Assurances is exposed to regulatory compliance risks concerning products, product distribution and customer relationship management processes. Its system to manage these risks is organised around:

- policies (covering in particular risk management, underwriting and remuneration);
- committees (Underwriting Committee and New Product Approval Committee);
- procedures (compliance, complaint management, legal watch);
- policyholder services quality committees, set up in all business units, and training plans for the distribution networks on duty-of-advice and know-your-customer procedures.

The number of customer complaints and the amounts involved are low in relation to the number of insureds and the number of contracts. The majority of complaints concern term creditor insurance.

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

The operational risk management system includes a crisis management and business continuity plan designed to ensure that operations can be pursued in acceptable conditions for both policyholders and employees, as well as for external business partners, in order to deliver the Company's services and products.

The system combines all crisis management procedures, business impact analyses (BIA), business continuity plans, and solutions to deal with situations where several categories of resources (skills, information systems, premises, service providers) become unavailable.

Information systems and data processing

Information systems security is a priority for CNP Assurances which has drawn up a systems security policy. The disaster recovery plan may be specific to the Company or may be set up by another organisation to include systems managed on the Company's behalf.

Close attention is paid to the risk of cyber-attacks and insurance against this risk has therefore been arranged.

Internal and external fraud

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

The Compliance function includes a dedicated unit to deal with ML-TF issues and other fraud risks. This unit works actively to strengthen the prevention system (see section B5.2 for more details).

Safety and security: property damage and personal injury risks

In the Working Environment Unit reporting to the Corporate Secretary, the team responsible for the safety and security of people and assets is tasked with deploying and managing systems for preventing fires, accidents and malicious damage, as well as for implementing "Vigipirate" measures to protect against terrorist attacks. The team contributes to updating the document centralising all related information and helps to ensure that these risks are properly managed during maintenance operations and other work projects.

5. Risk sensitivity

CNP Assurances has chosen to use scenario analyses to measure its exposure to operational risk for ORSA purposes.

Scenario analysis consists of simulating operational shocks arising from the occurrence of CNP Assurances' 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 the Company.

The operational risks included in the analysis are reviewed annually to obtain assurance that the scenarios effectively cover all of the Company's main residual risks and that all major residual risks are taken into account.

Each existing scenario is challenged and reviewed. A scenario may be abandoned if the residual risk has been considerably reduced through the implementation of action plans or the trigger event has changed. The review concerns the scenarios' calibration (estimated impacts) and the impact of risk mitigation measures taken up to the review date. New scenarios are developed when a relevant new risk is identified.

C6 Other material risks

1. Emerging risks

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

CNP Assurances defines 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 Company may temporarily or durably damage its reputation. Reputational risk is managed through a monitoring system, crisis management plans and remedial action plans.

A system exists to monitor in real time all references to the Company's name and that of its subsidiaries in the press, forums, blogs and social networks.

In addition to real-time alerts that enable the Company to detect even the weakest signals, monthly and half-yearly reporting systems have been developed to help define the action plans needed to manage the Company'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.

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

The models used to produce Solvency II, pillar 1, ORSA, MCEV© and Value of New Business (VNB) metrics for CNP Assurances' portfolio of commitments are included in the Group-level framework for managing model risk.

Model risk includes risks related to (i) the quality of the indicators produced using the models (design or execution errors, data quality issues), (ii) consideration of the models' limitations when analysing the indicators (poor interpretation of the results, use of the model for purposes that it not designed for, lack of perspective when considering the results) and (iii) the timely production of the model results (under-performance, excessive complexity, problems in setting the model's parameters).

It is identified as a specific risk that is managed according to the following principles in the case of regulatory models:

- 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, a dedicated internal 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

CNP Assurances' main strategic risks are as follows:

- Partnership risk.
- Risks related to new regulations.

Partnership risk

CNP Assurances enters into various strategic partnerships, directly or through its subsidiaries, to strengthen its 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 CNP Assurances' 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 2020, over three-quarters of premium income (IFRS) was generated through the Group's five main distribution partners (La Banque Postale for 23.4%, BPCE for 17.5%, Caixa Seguridade for 20.7%, Banco UniCredit for 12.2% and Banco Santander for 2.8%).

Two strategic international agreements were signed in the year, strengthening CNP Assurances' footprint in Brazil and its multi-partner approach:

- Exclusive distribution agreement with CNP Assurances' long-standing partner in Brazil, Caixa Econômica Federal (CEF), securing the Group's presence and business in this market for the next 25 years. This agreement provides for the exclusive distribution of personal risk insurance, consumer loan insurance and retirement products.
- A non-exclusive 10-year distribution agreement between its Brazilian subsidiary Caixa Seguradora and Correios, the Brazilian national mail operator, relating to savings and dental insurance products.

Risks related to new regulations

The introduction of new regulations in Europe or other host countries could prove both complex and costly for CNP Assurances. 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. In recent years, for example, major projects have had to be implemented to comply with the new General Data Protection regulation (GDPR), the Insurance Distribution directive (IDD) and the PACTE Law.

In addition, new regulations may be adopted that affect the Company's business model. IFRS 17, which is due to come into effect in 2023, and IFRS 9, could change the presentation of the business indicators published each quarter and affect CNP Assurances' investment strategy. 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 Company'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 effective from 2022, risks having a material impact on CNP Santander Insurance's business in this country.

5. Concentration risk

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

- The sale of a large number of policies covering the same risk.
- The sale of policies 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.

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 Company).

Climate risk is therefore treated as a cross-functional risk that may aggravate other identified risks. The Board of Directors and the Audit and Risk Committee were informed about these risks during a specific presentation on CSR challenges and risks in February 2021.

CNP Assurances' business consists primarily of writing personal insurance and climate risk is therefore assessed and managed mainly in terms of its impact on assets and liabilities. 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 across all parts of the business. A summary of the work of the Climate Risk Committee was presented to the Board of Directors and the Audit and Risk Committee.

To mitigate the impact of climate risk on its assets, CNP Assurances 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 and oil and gas.
- 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 directly owned equity and bond portfolios.
- New objectives have also been set for reductions in the carbon footprint of the directly owned property portfolio.
- 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 the Company's asset manager, Ostrum AM.

To mitigate the impact of climate risk on its insurance liabilities, CNP Assurances 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 businesses.
- CNP Assurances has participated in climate stress tests organised by the insurance supervisor (ACPR), and performed simulations of the impact of global warming on term creditor insurance and personal risk insurance loss ratios.

The potential impact of climate risk on CNP Assurances' internal operations is managed through initiatives to reduce the carbon footprint of its operations and also through its business continuity plan.

D

Valuation for solvency purposes

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

The Solvency II balance sheet is based to a large extent on the fair values of assets and liabilities used in the Company's IFRS balance sheet prepared for inclusion in the consolidated financial statements, 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 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 prepared for inclusion in the consolidated financial statements concern:

- Elimination of intangible assets.
- Remeasurement of assets at fair value (held-to-maturity investments, loans and receivables and investments in 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 fast close.

D1 Assets

1. Valuation principles

1.1 Use of fair value

Since 2005, the Group has used IFRSs as its primary basis of accounting. As a result, many assets and liabilities (especially financial instruments) are already measured at fair value for consolidated financial reporting purposes. 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. In the Solvency II balance sheet, instruments measured using level 1 inputs (see below for details) in the notes to the IFRS financial statements are considered as being valued based on quoted market prices in active markets.

1.3 Specific asset valuation methods

1.3.1 Intangible assets

At this stage, for the preparation of the Solvency II 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, 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 alternative valuation methods used to determine the estimated fair value of assets valued using level 2 or 3 inputs (see below) in the IFRS balance sheet are also used for the Solvency II balance sheet.

For these assets, wherever possible the CNP Assurances Group uses values obtained from arrangers or external valuers.

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

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

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

- prices not freely available provided upon demand by the 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.

CNP Assurances 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 counterparties' values examined so far have been confirmed by the Company, which ensures both the quality of the counterparty valuation methods and the quality of the issues' ratings and the absence of a credit incident.

Fair value hierarchies

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

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

- equities, measured on the basis of quoted prices on their reference market;
- mutual fund units, measured at their net asset value;
- bonds, EMTNs and 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 whose valuation relies on an internal model based principally on market data (credit spreads, yield curves, volatilities, exchange rates, etc.);
- OTC derivative contracts whose valuation relies on an internal model based principally on market data; such as volatilities and yield curves;
- TCN money-market securities, which 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 quoted financial instrument for which no active market exists;
- any other over-the-counter financial instruments.

Structured products held by CNP Assurances 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 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
ıflation-indexed complex structured products	Jarrow-Yildirim model

Asset class	Financial instruments	Models/Methods
Interest rate derivatives	Interest rate 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	Inflation swaps	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 (mainly 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' 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.

This category also includes 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

Held-to-maturity investments and loans and receivables at amortised cost under IFRS are remeasured at fair value in the Solvency II balance sheet.

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

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

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

1.3.3 Other assets and miscellaneous receivables

(a) Treasury shares

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

(b) Other assets and miscellaneous receivables

The value of other assets and other receivables in the Solvency II balance sheet generally corresponds to the value used in the IFRS balance sheet, as adjusted during the fast close process (fast-close adjustments) in line with expected cash flows.

Accrued income totalling €3.0 million was eliminated at 31 December 2020 because the amounts involved were considered as insurance receivables and measured at their best estimate in the Solvency II balance sheet.

2. Differences compared to book value

2.1 Intangible assets

In the Solvency II balance sheet, intangible assets are considered as being without value because they cannot be traded on a market.

Intangible assets cancelled from the Solvency II balance sheet at 31 December 2020 amounted to €63 million.

2.2 Investments

At 31 December 2020, investments totalled €369.2 billion [30] under Solvency II versus €343.7 billion under French GAAP, representing a difference of €25.4 billion that was due mainly to the differences in valuation methods as described above.

- In the French GAAP balance sheet, insurance investments are measured at historical cost less transaction expenses and less any accumulated impairment losses, except for investments held in unit-linked portfolios.
- In the Solvency II balance sheet, insurance investments are measured at fair value.

Furthermore, the Solvency II balance sheet includes loaned securities and repos and does not take into account securities received as collateral under securities lending transactions (in accordance with the IFRS approach used as the basis for the Solvency II balance sheet).

2.3 Other assets and miscellaneous receivables

At 31 December 2020, other assets and miscellaneous receivables amounted to €8.2 billion under Solvency II versus €7.9 billion under French GAAP, representing a difference of €0.3 billion.

They include own shares, cash deposits, owner-occupied property, receivables, cash and cash equivalents and any other assets.

[30] *This total includes the value of derivative instruments recorded in liabilities for €0.9 billion*

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 Main analyses

The main analyses concerned application of the standards related to the treatment of the policyholders' surplus reserve (full economic valuation method) and the use of revised models to estimate savings commissions in the event of adverse scenarios. Faced with the problem of a lack of liquid and deep market (notably for interest rate options) the technique of path freezing to the diffusion of the stochastic interest rates was applied at 31 December 2019. This technique was not applied at end-2020.

1.2 General principles and description of the models

The best estimate calculationtakes into account all future cash flows related to the insurance obligations observed at 31 December 2020. Expected benefit payments, commissions and expenses, and part of future premiums are modelled in accordance with the applicable regulations. The main accounting mechanisms are taken into account, such as future transfers from the policyholders' surplus reserve to policyholder dividends and changes in statutory technical reserves.

The models used to measure insurance obligations related to savings/pensions contracts, including points-based pension plans, is based on stochastic models that take into account interactions between assets and liabilities.

Death/disability and term creditor insurance obligations are modelled using deterministic models.

No cash flow projection model is available for a small proportion of technical reserves (around 2% at 31 December 2020). For these reserves, the best estimate is determined by:

- using the statutory value of obligations that are not similar to those for which a cash flow projection model exists;
- assuming that the ratio between the technical reserve and the statutory reserve is the same, for similar obligations, to the ratio between reserves for which a projection model exists.

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. The adjusted term structure is extrapolated using a mechanism to ensure a smooth convergence to the ultimate forward rate. At the end of 2020, the ultimate forward rate used was 3.75%, compared to 3.90% in 2019. Based on the Company's analyses, the sensitivity of technical reserves and own-funds to a 50-bp increase or decrease in the ultimate forward rate is limited.

1.3.2 Matching adjustment

Best estimates do not take into account any matching adjustment.

1.3.3 Volatility adjustment

The volatility adjustment is applied to the basic risk free interest rate term structure for all insurance business modelled for the purpose of calculating best estimates of technical reserves.

The adjustment applied at 31 December 2020 was calculated based on the Solvency II Delegated Regulation and period-end market data.

Its impact on technical reserves may be summarised as follows:

Technical reserves at 31 December 2020 (In € billions)	Before volatility adjustment	After volatility adjustment	Change	Impact
Total	334.9	333.8	-0.32%	-1.1

Impact of volatility adjustment on technical reserves

The volatility adjustment had the effect of reducing the best estimate of technical reserves by €1.1 billion or -0.32%.

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. The transitional measures concerning risk free rates and technical reserves have not been used by the Company to calculate best estimates of technical reserves.

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 determined based on actuarial analyses provided that adequate historical data is available for the portfolios concerned.

If this is not the case, experience-based modelling laws are determined using regulatory or market tables, or external data provided that the available data is adequate and its quality complies with regulatory standards.

1.4.1 Savings and pensions liabilities

Projected cash flows for savings and pensions business are determined by default according to a policy-by-policy approach. Policies may however be grouped together (model point approach) if the policy-by-policy calculation is unreasonably burdensome.

Due to the very large number of In-Force policies, the Company has chosen to adopt the model point approach for savings and pensions liabilities.

Savings and pensions liabilities depend to a large extent on the market environment and stochastic simulations are performed to reliably assess these liabilities for the calculation of best estimates, taking into account future policy management decisions.

In the case of savings business, one of the key assumptions used in liability models concerns surrender rates:

- Structural surrender modelling: structural surrenders (total and partial) correspond to policyholders' propensity to surrender their policy, whatever the economic environment. Structural surrender rate modelling laws are developed using all available data for a sufficiently long period and are reviewed annually.
- Economic surrender modelling: economic surrenders correspond to surrenders decided by policyholders when they receive a lower-than-expected yield on their policy.

1.4.2 Term creditor and death/disability insurance liabilities

Term creditor and death/disability insurance liability models are based on deterministic 'liability only' projections. They consist of multi-state models that simulate the transition of insured populations from the initial healthy state to, for example, a state of temporary or permanent disability or death.

The main assumptions used for term creditor and death/disability risks concern the modelling laws used to reproduce these transitions, as determined based on all available data.

1.5 Other pivotal assumptions

1.5.1 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.

1.5.2 Administrative costs

Expenses are allocated to each business line and individually projected using the projection factor method.

1.5.3 Commissions

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).

1.6 Risk margin calculation

The Solvency II Delegated Regulation describes the recommended method of calculating the risk margin according to different methodologies. The Company's choice of method is based on three criteria: the reliability and robustness of the results, the method's ease of application, and its degree of technical complexity.

Risk margin is determined using the factor-based approach.

It is still calculated as 6% of the discounted Solvency Capital Requirement, but capital requirement projections have been improved. The future capital charge for each risk sub-module is estimated using a specific method.

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2. Uncertainties and simplifications

The impact of model uncertainties on the Solvency II balance sheet is either estimated and allocated to technical reserves in a way that maximises these reserves or used to adjust the model in a way that favours policyholders.

Data uncertainties are also addressed on a conservative basis. Data quality projects drive continuous improvement in the reliability of data used for best estimate calculations.

Uncertainties concerning assumptions are managed in a way that ensures technical reserves are not under-stated.

A validation report is prepared, listing the assumptions and future management actionsthat affect the determination of technical reserves. The report is submitted to Executive Management for approval.

3. Main differences compared to the financial statements

Both the French GAAP 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 French GAAP principles, with the result that there are significant differences between the values reported for technical reserves under the two approaches.

The French GAAP balance sheet is presented in accordance with the overriding principle of prudence, which explains the conservative reasoning applied when it comes to choosing biometric tables, inputs and discount rates. The method to be used to calculate technical reserves in the French GAAP accounts is described in a regulation issued by France's accounting standards board (*Autorité des Normes Comptables*).

Gross technical reserve calculations under French GAAP are rules-based and involve applying static inputs and approaches that severely limit the possibilities of aligning the reserves with the insurer's risk profile. Unlike under Solvency II, this approach does not allow the insurer to take unrealised gains into account in the measurement of obligations towards policyholders.

Conversely, technical reserve calculations under Solvency II are principles-based and as such allow insurers to identify for themselves the methods and inputs most suited to their risk profile. However, Solvency II calculations of technical reserve best estimates are complex and the various metrics can be very volatile, as they depend to a significant extent on the financial environment.

The difference in Solvency II technical reserves compared with technical reserve calculated under French GAAP is down to the methods and assumptions used by the Company to calculate best estimates under Solvency II, as described above.

4. Main results

4.1 Best estimates of insurance obligations at 31 December 2020

The best estimate of insurance obligations before reinsurance at 31 December 2020 was €329.9 billion.

(In € millions)	Best estimate Gross 2020	Best estimate Gross 2019	Change
Medical expense insurance	69	65	+4
Income protection insurance	885	902	-16
Workers' compensation insurance	344	320	+24
Proportional reinsurance – Medical expense insurance	286	329	-43
Proportional reinsurance – Income protection insurance	10	12	-3
Health similar to life insurance	4,349	4,031	+318
With-profits life insurance	272,405	271,816	+589
Index-linked and unit-linked insurance	35,467	35,312	+155
Other life insurance	276	23	+253
Health reinsurance	111	103	+8
Life reinsurance	15,722	12,546	+3,176
Total	329,923	325,458	+4,466

Best estimate by Solvency II line of business

CNP Assurances' estimated risk margin at 31 December 2020 was €3.87 billion.

(In € millions)	2020 risk margin	2019 risk margin	Change
Medical expense insurance	4	3	0
Income protection insurance	23	24	-1
Workers' compensation insurance	9	8	+1
Proportional reinsurance – Medical expense insurance	21	20	+1
Proportional reinsurance – Income protection insurance	0	0	0
Health similar to life insurance	53	57	-4
With-profits life insurance	3,010	2,920	+90
Index-linked and unit-linked insurance	124	117	+7
Other life insurance	465	492	-27
Health reinsurance	0	0	0
Life reinsurance	156	129	+28
Total	3,865	3,770	+95

Risk margin by Solvency II line of business

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.

The corporate income tax rate for 2020 per the 2020 Finance Act was 31% (32.02% including the 3.3% contribution).

Deferred tax assets and liabilities at 31 December 2020 take into account the effects of the 2020 Finance Act. Under the terms of the Act, the tax rate payable by companies with revenue in excess of €250 million will be reduced to 27.5% in 2021 (28.41% including the 3.3% contribution) and 25% in 2022 (25.82% including the 3.3% contribution).

1.2 Subordinated liabilities

1.2.1 Remeasurement of subordinated debt at best estimate

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

1.2.2 Reclassification of subordinated debt as eligible own-funds under Solvency II

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

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 prepared for consolidation purposes and the French GAAP balance sheet prepared for statutory financial reporting purposes. 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.

CNP Assurances considers 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.

Accrued expenses in the amount of €281 million were eliminated at 31 December 2020 because the amounts involved were considered as insurance liabilities and measured at their best estimate in the Solvency II balance sheet. In 2018 and 2019, a contingent liability was identified, corresponding to the future payment due to Caixa Seguridade in exchange for an exclusive distribution agreement in the Caixa Econômica Federal network in Brazil signed in August 2018 and amended by an addendum dated 20 September 2019. The amount in question was settled on 30 December 2020, extinguishing the contingent liability.

Another contingent liability, in the amount of R$250 million, was identified in September 2020 following signature of a new memorandum of understanding with Caixa Seguridade concerning a 20-year exclusive distribution agreement in the *consórcio* segment. Like the first one, the contingent liability was measured at its discounted present value converted at the R$/€ spot rate on the reporting date. It was deducted from own funds in CNP Assurances' solo Solvency II balance sheet.

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 French GAAP balance sheet, subordinated notes are recognised in debt and measured at amortised cost.

In the Solvency II balance sheet, they are measured at fair value.

At 31 December 2020, subordinated debt amounted to €8.7 billion under French GAAP and €9.2 billion under Solvency II. The valuation difference therefore amounted to €0.5 billion.

2.2 Other liabilities and miscellaneous payables

At 31 December 2020, other assets and miscellaneous payables amounted to €31.6 billion under Solvency II versus €41.8 billion under French GAAP, representing a difference of €10.2 billion. The difference corresponds mainly to securities received as collateral under securities lending transactions, which are recognised as a liability in the French GAAP balance sheet (for €11.2 billion at 31 December 2020) and not in the Solvency II balance sheet.

Contingent liabilities at 31 December 2020 amounted to €39 million, corresponding to the R$250 million payment that will be due by CNP Assurances to Caixa Seguridade when the distribution agreement concerning the *consórcio* segment is signed.

Employee benefit obligations recognised at 31 December 2020 amount to €0.2 billion.

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 D1 Assets – 1. Valuation principles.

E

Capital management

E1 Own funds

1. Capital management objectives, policies and procedures

1.1 Principles

CNP Assurances' capital management principles are designed to fulfil two objectives:

- Comply with the Company'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 Company's solvency, alongside methods to reduce required capital (for example by adjusting business volumes or the asset allocation, redefining management actions or future management decisions, purchasing reinsurance cover or hedging instruments, or securitising assets).

It is therefore 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.

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 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. List of own-funds items

2.1 Basic own funds

The Company's basic own funds consist of the following items:

- Share capital, classified as Tier 1 for an amount of €0.7 billion at 31 December 2020.
- Share premium account, classified as Tier 1 for €1.7 billion at 31 December 2020.

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

(In € billions)	31 Dec. 2020
Excess of assets over liabilities	26.9
Treasury shares (held directly or indirectly)	0.0
Foreseeable dividends, distributions and expenses	-0.8
Other components of basic own funds[31]	15.0
Adjustment for restricted own-funds items in respect of matching adjustment portfolios and ring fenced funds	0.0
Reconciliation reserve	11.0

- 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. Surplus own funds represented €12.6 billion at 31 December 2020.
- Subordinated notes are measured at best estimate[32], 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:
  - 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.

2.2 Ancillary own funds

The Company does not have any ancillary own funds.

3. Own-funds structure, amount and quality

[31] *Details of the other components of basic own funds are provided in QRT S.23.01.01 (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.*

[32] *Excluding changes in CNP Assurances' own credit risk.*

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

Own funds eligible for inclusion in the Company's SCR coverage ratio amount to €35.3 billion, 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.
- €9.2 billion of subordinated debt, breaking down as follows, with 2019 comparatives:

(In € billions)	31 Dec. 2020	31 Dec. 2019
Restricted Tier 1	2.3	2.3
Tier 2	5.2	5.2
Tier 3	1.8	1.3
Total	9.2	8.7

This analysis distinguishes between unrestricted Tier 1 capital, which is not subject to any cap, and restricted Tier 1 capital, which is capped under Solvency II. The components of Tier 2 and Tier 3 capital are also capped. At 31 December 2020, these quantitative caps on the components of eligible own funds for SCR calculations were not met.

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

Own funds of €29.8 billion are eligible for inclusion in CNP Assurances' MCR coverage ratio, as follows:

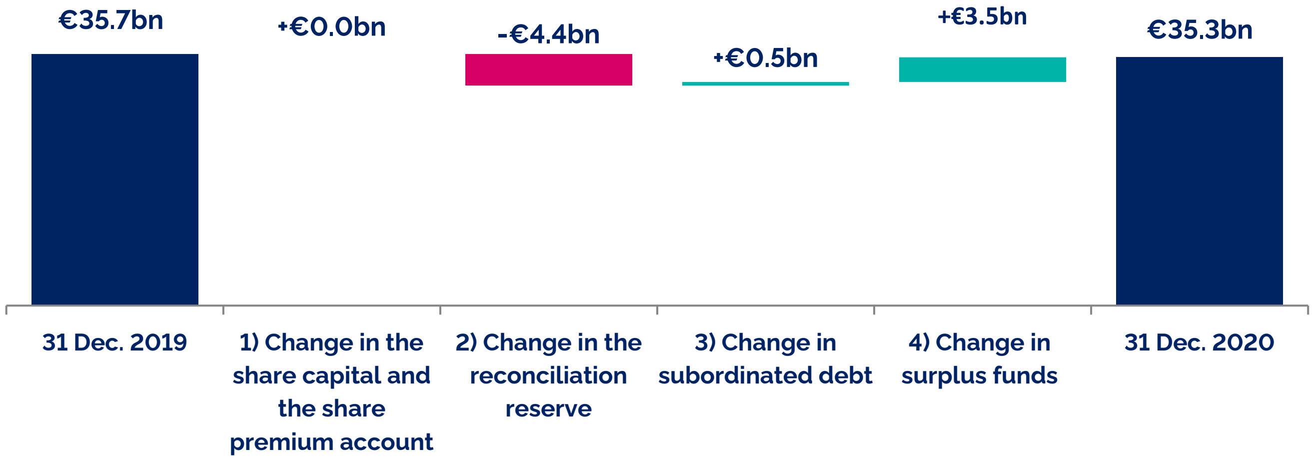
- €26.1 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and share premium account and surplus own funds.
- €3.7 billion of subordinated debt, breaking down as follows, with 2019 comparatives:

(In € billions)	31 Dec. 2020	31 Dec. 2019
Restricted Tier 1	2.3	2.3
Tier 2	1.4	1.3
Tier 3	0.0	0.0
Total	3.7	3.6

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.

3.3 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 2020.

The Company's eligible own funds decreased by €0.4 billion between 31 December 2019 and 31 December 2020, mainly as a result of:

- The decrease in the reconciliation reserve, reflecting:
  - less favourable financial market conditions, which adversely affected unrealised capital gains on assets held in representation of own funds and future margins;
  - the inclusion in own funds of profit for the period, net of dividends;
- The increase in surplus own funds, primarily due to application of the full economic valuation method to the policyholders' surplus reserve and to the reduction in interest rates (positive impact on discount rates)[33].
- A €0.5 billion Tier 2 subordinated notes issue at the end of 2020[34].

[33]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.

[34] A second subordinated notes issue was carried out in 2020 for an amount of €750 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.

3.4 Comparative analysis of French GAAP equity and Solvency II own funds

The difference between French GAAP equity (€14.0 billion) and Solvency II own-funds (€35.3 billion) can be explained as follows:

- Remeasurement of assets due to differences between French GAAP and Solvency II principles (including borrowings and derivatives): + €36.7 billion;
- Remeasurement of liabilities (mainly technical reserves) due to differences between French GAAP and Solvency II principles: - €23.7 billion;
- Inclusion of subordinated debt in Solvency II own funds: + €9.2 billion;
- Deduction of forecast dividends from Solvency II own funds: - €0.8 billion.

3.5 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 13 subordinated notes issues concerned together represent €3.6 billion out of a total of €9.2 billion worth of subordinated debt (at fair value) in the Solvency II balance sheet at 31 December 2020. The terms and conditions applicable to these issues vary from one issue to another.

3.6 Plans to replace components of own funds to which transitional measures have been applied

Subordinated debt to which transitional measures have been applied will no longer be eligible for inclusion in solvency capital as from January 2026. A significant proportion of this debt can be replaced by then, by retiring the notes on the first possible call date.

Issues that cannot be retired before 2026 can be either be classified in a lower tier and kept or redeemed early at a date close to January 2026 by invoking the clause allowing early redemption due to regulatory disqualification.

All subordinated notes issued since 2015 have been structured to be compatible with the final Solvency II rules and the same will apply to all future issues.

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

1. SCR and MCR at 31 December 2020

CNP Assurances' SCR at 31 December 2020 was €16.0 billion and the SCR coverage ratio at that date was 221%. The MCR was €7.2 billion and the MCR coverage ratio was 414%.

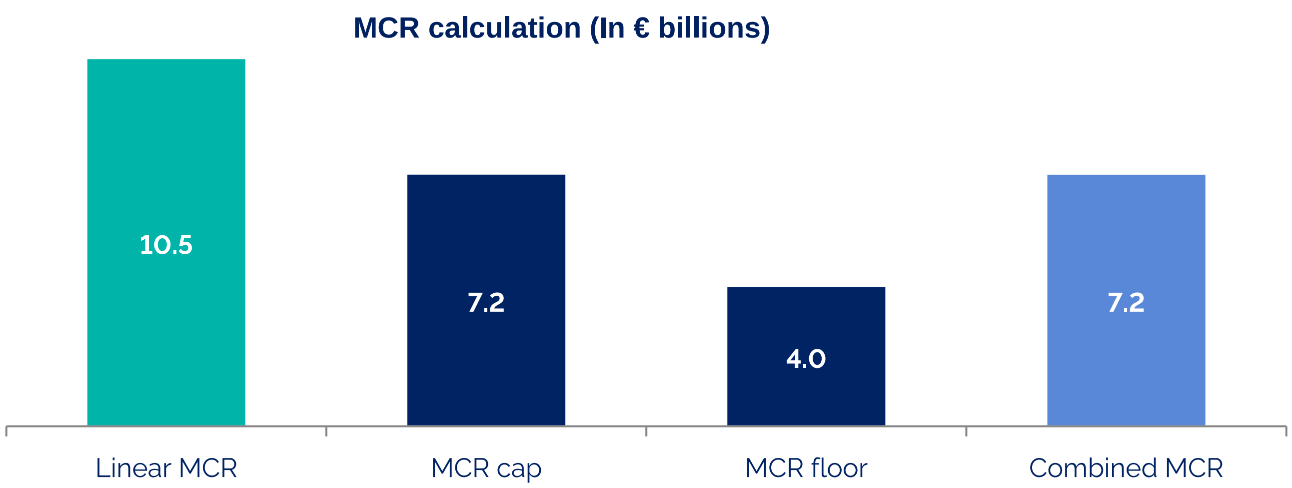
2. Minimum Capital Requirement (MCR)

MCR is determined as follows:

- Calculation of linear MCR by combining technical reserves by line of business on a linear basis.
- Determination of the MCR floor and cap:
  - The MCR floor represents 25% of the SCR.
  - The MCR cap represents 45% of the SCR.

The value of the combined MCR corresponds to that of the linear MCR unless the linear MCR falls outside the above range of values. If this is the case, the value of the MCR corresponds to either the cap or the floor.

The Company's MCR corresponds to the MCR cap, i.e., €7.2 billion.



3. Solvency Capital Requirement (SCR)

3.1 Quantitative SCR information by risk module

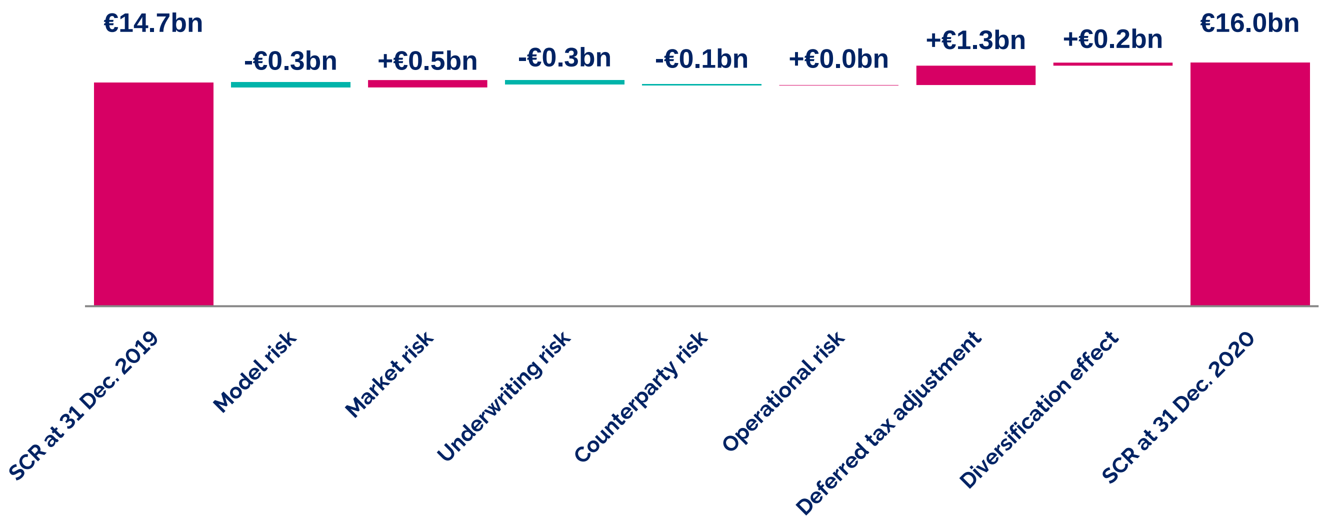
Breakdown of the Company's SCR by risk module, net of losses absorbed by future discretionary benefits:

(In € billions)	31 Dec. 2020
Market risk SCR	12.2
Counterparty default risk SCR	1.0
Life underwriting risk SCR	3.5
Health underwriting risk SCR	1.6
Non-life underwriting risk SCR	0.0
Diversification effect	-3.9
Intangible asset risk SCR	0.0
Basic SCR	14.4
Operational risk SCR	1.4
Loss-absorbing capacity of deferred taxes	0.0
Other*	0.1
SCR	16.0

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

3.2 Significant changes during the period

Changes in the Company's SCR at 31 December 2020 (In € billions):



At 31 December 2020, the Company's SCR was €16.0 billion, representing an increase of €1.3 billion from the previous year-end.

The increase can be explained as follows:

- Model changes – primarily use of a revised method of calculating corporate income tax – had the effect of reducing SCR by €0.3 billion.
- The €0.5 billion increase in market risk SCR, reflecting increases in spread risk SCR and property risk SCR, was due for the most part to the reduced loss-absorbing capacity of technical reserves.
- The €0.3 billion decrease in underwriting risk SCR, reflecting the decline in mortality risk SCR and surrender risk SCR, was mainly due to the lower interest rates, which put downward pressure on future margins.
- The loss-absorbing capacity of deferred taxes was reduced by €1.3 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
Minimum Capital Requirement (MCR)	7.3	7.2	-0.1
Solvency Capital Requirement (SCR)	16.3	16.0	-0.3
Basic own funds	34.4	35.3	+0.9
Eligible own funds to cover the MCR	28.9	29.8	+0.9
Eligible own funds to cover the SCR	34.4	35.3	+0.9
Solvency II coverage ratio	211%	221%	10 pts

The increased impact was due to the wider spreads observed during the year (10-point impact in 2020 versus 9-point impact in 2019).

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. 2020

S.02.01.02 – Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	40,813
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	330,286,813
Property (other than for own use)	R0080	931,182
Holdings in related undertakings, including participations	R0090	6,490,602
Equities	R0100	28,440,250
Equities - listed	R0110	17,647,497
Equities - unlisted	R0120	10,792,753
Bonds	R0130	221,748,207
Government Bonds	R0140	127,290,803
Corporate Bonds	R0150	80,250,460
Structured notes	R0160	13,998,005
Collateralised securities	R0170	208,940
Collective Investments Undertakings	R0180	72,076,941
Derivatives	R0190	530,564
Deposits other than cash equivalents	R0200	69,068
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	39,512,748
Loans and mortgages	R0230	255,405
Loans on policies	R0240	255,334
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	70
Reinsurance recoverables from:	R0270	24,141,324
Non-life and health similar to non-life	R0280	94,181
Non-life excluding health	R0290	
Health similar to non-life	R0300	94,181
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	22,164,793
Health similar to life	R0320	322,971
Life excluding health and index-linked and unit-linked	R0330	21,841,822
Life index-linked and unit-linked	R0340	1,882,350
Deposits to cedants	R0350	283,824
Insurance and intermediaries receivables	R0360	2,146,191
Reinsurance receivables	R0370	56,539
Receivables (trade, not insurance)	R0380	4,743,309
Own shares (held directly)	R0390	6,560
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	578,981
Any other assets, not elsewhere shown	R0420	346,857
Total assets	R0500	402,399,364

Liabilities		
Technical provisions - non-life	R0510	1,650,101
Technical provisions - non-life (excluding health)	R0520	
TP calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	1,650,101
TP calculated as a whole	R0570	
Best Estimate	R0580	1,593,359
Risk margin	R0590	56,743
Technical provisions - life (excluding index-linked and unit-linked)	R0600	293,680,793
Technical provisions - health (similar to life)	R0610	4,512,720
TP calculated as a whole	R0620	
Best Estimate	R0630	4,459,832
Risk margin	R0640	52,888
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	289,168,073
TP calculated as a whole	R0660	
Best Estimate	R0670	285,545,846
Risk margin	R0680	3,622,227
Technical provisions - index-linked and unit-linked	R0690	38,457,119
TP calculated as a whole	R0700	
Best Estimate	R0710	38,324,284
Risk margin	R0720	132,834
Contingent liabilities	R0740	38,974
Provisions other than technical provisions	R0750	130,004
Pension benefit obligations	R0760	293,241
Deposits from reinsurers	R0770	12,668,186
Deferred tax liabilities	R0780	
Derivatives	R0790	902,558
Debts owed to credit institutions	R0800	105,358
Financial liabilities other than debts owed to credit institutions	R0810	13,957,719
Insurance & intermediaries payables	R0820	981,204
Reinsurance payables	R0830	452,397
Payables (trade, not insurance)	R0840	2,927,394
Subordinated liabilities	R0850	9,230,658
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	9,230,658
Any other liabilities, not elsewhere shown	R0880	41,602
Total liabilities	R0900	375,517,310
Excess of assets over liabilities	R1000	26,882,054

Solvency II balance sheet – Assets (In € billions)

Assets, Solvency II values (In € billions)	31 Dec. 2020	Correspondi
Intangible assets	0.0	D1
Deferred tax assets	0.0	D3
Pension benefit surplus	0.0	D3
Property, plant and equipment held for own use	0.0	D1
Investments (other than assets held for index-linked and unit-linked contracts)[35]	330.3	D1
Asset held in unit-linked and index-linked contracts	39.5	D1
Loans and mortgages	0.3	D1
Reinsurance recoverables	24.1	D2
Other assets and miscellaneous receivables[36]	8.2	D1
Total	*402.4*	

Notes:

- The €369.2 billion in insurance investments referred to in the narrative report comprises investments (including derivative instruments with a negative fair value), assets held in unit-linked and index-linked funds, loans and mortgages.
- The €8.2 billion in other assets referred to in the narrative report comprises other assets and miscellaneous receivables and property, plant and equipment held for own use.

Liabilities, Solvency II values (In € billions)	31 Dec. 2020	Correspondi
Technical reserves	333.8	D2
Subordinated liabilities	9.2	D3
Deferred tax liabilities	0.0	
Derivative instruments	0.9	
Contingent liability	0.0	D3
Other liabilities and miscellaneous payables	31.6	D3
Total	375.5	
Excess of assets over liabilities	*26.9*	E1

[35] *Not including derivative instruments with a negative fair value for €0.9 billion.*

[36] *Not including property, plant and equipment held for own use in the amount of €0.04 billion.*

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	
		C0010	C0020	C0030	C0200
Premiums written					
Gross - Direct Business	R0110	45,012	278,390	122,158	445,560
Gross - Proportional reinsurance accepted	R0120	294,259	6	0	294,264
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	3,329	581	0	3,910
Net	R0200	335,941	277,815	122,158	735,915
Premiums earned					
Gross - Direct Business	R0210	52,389	293,718	135,798	481,905
Gross - Proportional reinsurance accepted	R0220	289,852	-10,247	0	279,605
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	73,888	392	0	74,280
Net	R0300	268,352	283,080	135,798	687,230
Claims incurred					
Gross - Direct Business	R0310	38,701	223,570	150,652	412,924
Gross - Proportional reinsurance accepted	R0320	213,506	66,998	0	280,504
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	54,095	5,542	0	59,637
Net	R0400	198,112	285,026	150,652	633,791
Changes in other technical provisions					
Gross - Direct Business	R0410	0	0	(7,058)	(7,058)
Gross - Proportional reinsurance accepted	R0420	(823)	0	0	(823)
Gross - Non- proportional reinsurance accepted	R0430				
Reinsurers'share	R0440	0	0	0	0
Net	R0500	(823)	0	(7,058)	(7,881)
Expenses incurred	R0550	48,044	76,452	16,412	140,908
Other expenses	R1200				
Total expenses	R1300				140,908

		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	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0270	C0280	C0300
Premiums written								
Gross	R1410	976,363	7,664,808	3,154,266	2,177,909	5,167	1,830,139	15,808,652
Reinsurers' share	R1420	80,178	389,126	59,295	125,444	0	4,123	658,165
Net	R1500	896,185	7,275,682	3,094,972	2,052,466	5,167	1,826,016	15,150,487
Premiums earned								
Gross	R1510	947,274	7,580,654	3,154,181	2,046,298	5,102	1,826,667	15,560,176
Reinsurers' share	R1520	62,960	372,175	59,591	91,139	0	5,234	591,099
Net	R1600	884,314	7,208,478	3,094,590	1,955,159	5,102	1,821,433	14,969,077
Claims incurred								
Gross	R1610	620,668	16,360,473	1,432,330	635,475	1,179	754,907	19,805,032
Reinsurers' share	R1620	46,024	986,016	64,697	35,970	0	6,263	1,138,970
Net	R1700	574,644	15,374,457	1,367,633	599,505	1,179	748,645	18,666,062
Changes in other technical provisions								
Gross	R1710	27,819	12,229	0	(1,823)	7,488	(4,141)	41,571
Reinsurers' share	R1720	14,264	0	0	(1,114)	0	(52)	13,098
Net	R1800	13,555	12,229	0	(709)	7,488	(4,089)	28,473
Expenses incurred	R1900	367,204	1,471,103	232,934	990,488	613	80,174	3,142,516
Other expenses	R2500							
Total expenses	R2600							3,142,516

Life insurance and reinsurance obligations

S.12.01.02 – Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	272,404,573			35,467,328		275,831			15,722,398	323,870,130		4,348,769			111,063	4,459,832
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	21,786,182			1,655,554		6,934			275,502	23,724,172		322,973			(2)	322,971
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	250,618,391			33,811,773		268,897			15,446,897	300,145,958		4,025,796			111,065	4,136,861
Risk Margin	R0100	3,010,185	123,890			464,527				156,459	3,755,061	52,888				0	52,888
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120																
Risk margin	R0130																
Technical provisions - total	R0200	275,414,758	35,591,217			740,358				15,878,857	327,625,192	4,401,657				111,063	4,512,720

S.17.01.02 – Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	
		C0020	C0030	C0040	C0180
Technical provisions calculated as a whole	R0010				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	R0060	1,675	(8,511)	28,648	21,811
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	1,190	756	0	1,946
Net Best Estimate of Premium Provisions	R0150	485	(9,267)	28,648	19,865
Claims provisions					
Gross	R0160	353,002	903,533	315,012	1,571,547
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	48,561	43,675	0	92,235
Net Best Estimate of Claims Provisions	R0250	304,441	859,858	315,012	1,479,312
Total Best estimate - gross	R0260	354,677	895,021	343,660	1,593,359
Total Best estimate - net	R0270	304,927	850,590	343,660	1,499,177
Risk margin	R0280	24,758	22,651	9,334	56,743
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0290				
Best estimate	R0300				
Risk margin	R0310				
Technical provisions - total					
Technical provisions - total	R0320	379,435	917,672	352,994	1,650,101
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	49,750	44,431	0	94,181
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	329,685	873,241	352,994	1,555,920

S.19.01.21 – Non-life Insurance Claims

Accident year / Underwriting year	Z0020	1

Gross Claims Paid (non-cumulative)

Year		0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											0	R0100	0	0
N-9	R0160	0	0	0	0	0	0	0	0	0	0		R0160	0	0
N-8	R0170	0	0	0	0	0	0	0	0	0			R0170	0	0
N-7	R0180	0	0	0	0	0	0	0	0				R0180	0	0
N-6	R0190	191,154	444,106	110,721	47,604	31,097	9,542	4,171					R0190	4,171	838,396
N-5	R0200	201,739	407,858	113,479	41,893	19,245	9,113						R0200	9,113	793,326
N-4	R0210	191,434	379,863	138,525	53,598	18,708							R0210	18,708	782,126
N-3	R0220	187,973	428,203	114,938	48,574								R0220	48,574	779,687
N-2	R0230	196,986	391,721	105,251									R0230	105,251	693,958
N-1	R0240	166,605	365,177										R0240	365,177	531,782
N	R0250	150,256											R0250	150,256	150,256
												Total	R0260	701,249	4,569,532

Gross undiscounted Best Estimate Claims Provisions

Year		0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											0	R0100	0
N-9	R0160	0	0	0	0	0	0	0	0	0	0		R0160	0
N-8	R0170	0	0	0	0	0	0	0	0	0			R0170	0
N-7	R0180	0	0	0	0	0	0	0	0				R0180	0
N-6	R0190	0	0	210,444	117,441	99,385	91,949	36,437					R0190	0
N-5	R0200	0	435,960	233,690	123,715	108,045	42,316						R0200	0
N-4	R0210	1,211,614	451,101	165,689	125,333	63,441							R0210	0
N-3	R0220	1,114,682	291,938	190,623	99,579								R0220	0
N-2	R0230	695,554	321,993	154,742									R0230	0
N-1	R0240	604,651	304,477										R0240	0
N	R0250	789,046											R0250	0
												Total	R0260	0

S.22.01.21 – 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	333,788,013	0	0	1,077,721	0
Basic own funds	R0020	35,295,942	0	0	(943,679)	0
Eligible own funds to meet Solvency Capital Requirement	R0050	35,295,942	0	0	(943,679)	0
Solvency Capital Requirement	R0090	15,999,978	0	0	292,515	0
Eligible own funds to meet Minimum Capital Requirement	R0100	29,813,943	0	0	(917,353)	0
Minimum Capital Requirement	R0110	7,199,990	0	0	131,632	0

S.23.01.01 – 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 as foreseen in Article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	686,618	686,618			
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					
Surplus funds	R0070	12,626,026	12,626,026			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	11,035,793	11,035,793			
Subordinated liabilities	R0140	9,230,658		2,308,661	5,151,938	1,770,059
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
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 financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	35,295,942	26,065,284	2,308,661	5,151,938	1,770,059
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					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	35,295,942	26,065,284	2,308,661	5,151,938	1,770,059
Total available own funds to meet the MCR	R0510	33,525,883	26,065,284	2,308,661	5,151,938	
Total eligible own funds to meet the SCR	R0540	35,295,942	26,065,284	2,308,661	5,151,938	1,770,059
Total eligible own funds to meet the MCR	R0550	29,813,943	26,065,284	2,308,661	1,439,998	
SCR	R0580	15,999,978				
MCR	R0600	7,199,990				
Ratio of Eligible own funds to SCR	R0620	2.21				
Ratio of Eligible own funds to MCR	R0640	4.14				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	26,882,054
Own shares (held directly and indirectly)	R0710	6,560
Foreseeable dividends, distributions and charges	R0720	810,210
Other basic own fund items	R0730	15,029,491
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	11,035,793
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	1,616,772
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	1,814
Total Expected profits included in future premiums (EPIFP)	R0790	1,618,585

S.25.01.21 – Solvency Capital Requirement (for undertakings on Standard Formula)

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	27,371,948		
Counterparty default risk	R0020	1,083,230		
Life underwriting risk	R0030	4,593,182		None
Health underwriting risk	R0040	2,593,905		None
Non-life underwriting risk	R0050	0		None
Diversification	R0060	(5,621,278)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	30,020,988		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,421,085
Loss-absorbing capacity of technical provisions	R0140	(15,442,096)
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	15,999,978
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	15,999,978
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	15,608,387
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	391,591
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Approach to tax rate		C0109
Approach based on average tax rate	R0590	1

Calculation of loss absorbing capacity of deferred taxes		C0130
LAC DT	R0640	0
LAC DT justified by reversion of deferred tax liabilities	R0650	0
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	0

S.28.02.01 – Minimum Capital Requirement (both life and non-life insurance activity)

		Non-life activities	Life activities
		MCR(NL,NL) Result	MCR(NL,L) Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	196,866	

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	304,927	89,632		
Income protection insurance and proportional reinsurance	R0030	850,590	256,501		
Workers' compensation insurance and proportional reinsurance	R0040	343,660	110,939		
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0		
Other motor insurance and proportional reinsurance	R0060	0	0		
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0		
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0		
General liability insurance and proportional reinsurance	R0090	0	0		
Credit and suretyship insurance and proportional reinsurance	R0100	0	0		
Legal expenses insurance and proportional reinsurance	R0110	0	0		
Assistance and proportional reinsurance	R0120	0	0		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0		
Non-proportional health reinsurance	R0140	0	0		
Non-proportional casualty reinsurance	R0150	0	0		
Non-proportional marine, aviation and transport reinsurance	R0160	0	0		
Non-proportional property reinsurance	R0170	0	0		

		Non-life activities	Life activities
		MCR(L,NL) Result	MCR(L,L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		10,295,232

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			250,910,904	
Obligations with profit participation - future discretionary benefits	R0220			24,542,234	
Index-linked and unit-linked insurance obligations	R0230			36,441,934	
Other life (re)insurance and health (re)insurance obligations	R0240			5,013,775	
Total capital at risk for all life (re)insurance obligations	R0250				2,753,344,898

Overall MCR calculation

		C0130
Linear MCR	R0300	10,492,098
SCR	R0310	15,999,978
MCR cap	R0320	7,199,990
MCR floor	R0330	3,999,994
Combined MCR	R0340	7,199,990
Absolute floor of the MCR	R0350	6,200
Minimum Capital Requirement	R0400	7,199,990

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	196,866	10,295,232
Notional SCR excluding add-on (annual or latest calculation)	R0510	300,212	15,699,766
Notional MCR cap	R0520	135,095	7,064,895
Notional MCR floor	R0530	75,053	3,924,941
Notional Combined MCR	R0540	135,095	7,064,895
Absolute floor of the notional MCR	R0550	2,500	3,700
Notional MCR	R0560	135,095	7,064,895

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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.

Risk Appetite Statement: statement of risk appetite through the monitoring of various indicators for credit/counterparty risk, market risk, liquidity risk and compliance risk.

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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CNP Assurances – Registered office: 4 place Raoul Dautry – 75716 Paris Cedex 15 – Tél. +33 (0)1 42 18 88 88 – www.cnp.fr