Insuring
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2021
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 2021 to 31 December 2021.

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 2021 report was approved by CNP Assurances' Board of Directors at its meeting on 7 April 2022.

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 Latin 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

	2021	2020	% change
Premium income (French GAAP)	€20.2bn	€16,322m	24%
Net insurance revenue[4]	€2.0bn	€1,768m	12%
Value of New Business[5]	€215m	€66m	226%
Investment income and expenses[6]	€5.5bn	€5,161m	6%
Technical reserves (gross of reinsurance)[7]	€333bn	€333.8bn	0%
Eligible own funds covering the SCR	€40.0bn	€35.3bn	13%
SCR	€17bn	€16bn	6%
SCR coverage ratio	236%	221%	15 pts
Eligible own funds covering the MCR	€35.4bn	€29.8bn	19%
MCR	€7.6bn	€7.2bn	6%
MCR coverage ratio	463%	414%	+49 pts

Business and performance

Stéphane Dedeyan, Chief Executive Officer, highlights: "In 2021, the CNP Assurances Group caught up with its 2019 business and earnings performances. Considerable progress was made in transforming our assets, and our new growth drivers enjoyed strong momentum in Europe and Brazil. The Group's overall performance and solvency provide a solid foundation. The growth prospects linked to its place in France's major State-owned financial group and the significant acquisitions of Aviva's life scope, made in Italy in 2021, strengthen CNP Assurances's multi-partner and international insurance model."

2021 was another year marked by the persistence of the financial crisis linked to Covid-19, but the financial markets saw significant growth, with the CAC index recording a 29% increase at the end of December. This rebound was driven in particular by the recovery following the reopening of certain economies after the vaccination rollouts, the various central bank support measures and stimulus policies. The year was also marked by the steady acceleration in inflation in the eurozone (5% at end-December[8]), mainly due to the continuous rise in the oil price.

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[1] Positioning by player on the basis of premiums received (gross of reinsurance) in France, Argus de l'assurance "Classification of loan insurance: bancassurers (2020 figures in €m)", September 2021

[2] Source: 2020 data, FFA, June 2021

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

[4] Based on the IFRS consolidated financial statements

[5] Based on MCEV© measurement principles

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

[7] Based on Solvency II measurement principles.

[8] Estimate published on 7 January 2022 by Eurostat, the Statistical Office of the European Union.

With regard to the Group's structure, a key event of the year was the change in CNP Assurances' ownership structure: on 16 December 2021 La Banque Postale acquired the entire 16.1% stake held by the BCPE group in CNP Assurances, raising its stake in CNP Assurances to 78.95%. Thus, the breakdown of CNP Assurances's share capital at 31 December 2021 was as follows:

- La Banque Postale: 78.95%.
- Free float 21.05%.

Following the acquisition of the BPCE block, and subject to obtaining the necessary regulatory approvals, La Banque Postale plans to file a simplified tender offer with the French financial market authority - *Autorité des Marchés Financiers* (AMF) - in the first half of 2022 on the remaining 21.05% stake in CNP Assurances that it does not own. 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 and diversifying risks was continued: refocusing of the product mix on unit-linked contracts, enhancement of the unit-linked offer, PACTE transfers, and renewal of the BPCE group creditor offering.
- The development of international growth drivers: the roll-out of Caixa Vida e Previdencia in Brazil, the launch of Caixa Consorcio's operations and the acquisition of Aviva's life business in Italy;
- The strengthening of its position in France with the acquisition of all minority interests in MF Prévoyance in July 2021, thus giving CNP Assurances the status of the sole shareholder of this subsidiary.

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 Officers 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 2021 reporting period:

- On 16 April 2021, the Board of Directors appointed Stéphane Dedeyan as CEO of CNP Assurances, succeeding Antoine Lissowski, who retired and whose term of office was ending.
- As part of its strategy to strengthen governance and in line with best practices, the meeting of the CNP Assurances Board of Directors on 22 December 2021, on the recommendation of the Remuneration and Nominations Committee, co-opted Ms Amélie Breitburd to the role of independent director.

Risk profile

CNP Assurances's risk profile is characterised by the predominance of market risks. The solvency capital requirement relating to market risks represents more than half of CNP Assurances' total Solvency Capital Requirement. However, its broad and diverse range of products has a significant diversification effect (positive impact of diversification evaluated at 23%).

In a persisting low interest rate environment, the Group is continuing its programme to transform savings/pensions assets and diversify risks by maintaining a strong trend in unit-linked inflows. CNP Assurances also maintained the asset allocation strategy defined in 2020, aiming to protect the rate of return on assets (by increasing the diversification segment) and increasing asset duration in the coming years.

Lastly, Russia's invasion of Ukraine in February 2022 has created an environment of major international instability, the outcome of which remains unknown. Section "C7. Other information" of this report addresses the potential impacts on the risk factors of the CNP Assurances Group and the risk mitigation arrangements in place. At this stage, the crisis does not call into question the scenarios taken into account in the Group's ORSA 2021 exercise.

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 €333.08 billion at 31 December 2021.

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 €40.0 billion at 31 December 2021. The total included €30.1 billion in basic own funds, classified as unrestricted Tier 1 capital, and €9.1 billion in subordinated liabilities (of which a portion is covered by the grandfathering clause).

The €40.0 billion in basic own funds notably includes 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. The portion of the policyholders' surplus reserve eligible for inclusion in solvency capital at 31 December 2021 was calculated by the flat rate method recommended by the ACPR.

Its Solvency Capital Requirement, calculated using the Solvency II Standard Formula, was €17.0 billion at 31 December 2021.

CNP Assurances' SCR coverage ratio at the same date was 236%, up 15 points versus 221% at 31 December 2020. SCR ratio calculations take into account the volatility adjustment provided for in the Solvency II directive (Article 77 quinquies), which had a 4-point positive impact on the ratio at 31 December 2021 versus a 10-point impact at end-2020.

CNP Assurances' Solvency II own funds eligible for inclusion in the MCR coverage ratio, based on the Solvency II balance sheet, amounted to €35.4 billion at 31 December 2021. The total included €31.0 billion in basic own funds, classified as unrestricted Tier 1 capital (i.e., the highest-quality component of capital), and €4.4 billion in subordinated liabilities.

CNP Assurances' Minimum Capital Requirement was €7.6 billion at 31 December 2021.

The Group's MCR coverage ratio at that date was therefore 463%, up 49 points on the previous year.

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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 Jean-Claude Pauly *	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

At 31 December 2021
Number of shares: 686,618,477

Total theoretical number of voting rights (gross): 812,065,531
Total number of voting rights exercisable at general meetings (net): 811,691,457

Shareholders	Number of shares	% of capital	% in voting rights exercisable at general meetings
La Banque Postale[9] (France)	542,079,925	78.95%	82.12[10]%
Public, Company employees and other	144,538 552	21.05%	17.88%
of which:	of which:	of which:	
CNP Assurances (treasury shares)*	374,074	0.05%	
TOTAL CNP ASSURANCES SHARES	**686,618,477**	**100.00%**	**100.00%**

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.

As part of the creation of a major public financial centre announced by the public shareholders of CNP Assurances on 30 August 2018, exchanges and transfers of shares were carried out between the French State, Caisse des Dépôts, La Poste and La Banque Postale on 4 March 2020.

On 14 December 2021, the AMF published La Banque Postale's statement informing the market that, following the merger of SF2 into La Banque Postale, it held the 138,336,421 CNP Assurances shares previously held by SF2 (2021DD812254). This transaction resulted in the transfer of 20.15% of the capital and 32.38% of the voting rights of SF2 to La Banque Postale, leaving La Banque Postale with a direct holding of 62.84% of the capital and 68.50% of the voting rights.

On 20 and 21 December 2021, the AMF published BPCE's announcement of the sale of the 110,590,585 shares it held (2021DD813085) and La Banque Postale's announcement of the acquisition of said shares (2021DD812892), a transaction at the end of which the shares representing 16.11% of the capital and 13.62% of the voting rights of BPCE were transferred to La Banque Postale, resulting in La Banque Postale directly holding 78.95% of the capital and 82.12% of the voting rights of the company.

Following these transactions, CNP Assurances' capital was broken down as follows at 31 December 2021:

- La Banque Postale 78.9%.
- Free-float[11]: 21.05%.

As at 31 December 2021, there was no agreement between the shareholders of CNP Assurances referred to in Article L. 233-11 of the French Commercial Code.

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[10] The difference between the share capital and voting rights results from the number of shares without voting rights and the allocation of double voting rights.

To the best of CNP Assurances's knowledge, there are no other shareholders holding more than 5% of the share capital or voting rights

[11] Including treasury shares (374,074 shares at 31 December 2021).

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:

Entity	Country	% voting rights	% interest
CNP Assurances	**France**	**100.00%**	**100.00%**
CNP Assurances Compañía de Seguros	Argentina	76.47%	76.47%
CNP Seguros Holding Brasil S.A.	Brazil	51.75%	51.75%
CNP Participações Securitarias Brasil Ltda	Brazil	100.00%	51.75%
Caixa Seguradora (formerly Caixa Seguros)	Brazil	100.00%	51.75%
Caixa Capitalização	Brazil	51.00%	26.39%
Caixa Vida e Previdência	Brazil	100.00%	40.00%
Caixa Consórcios S.A. Administradora de Consórcios	Brazil	100.00%	51.75%
Caixa Seguros Assessoria e Consultoria Ltda	Brazil	100.00%	51.75%
Caixa Seguradora Especializada Em Saúde S.A.	Brazil	100.00%	51.75%
Companhia de Seguros Previdencia Do Sul-Previsul	Brazil	100.00%	51.75%
Wiz Soluçoes e Corretagem de Seguros SA	Brazil	25.00%	12.94%
Odonto Empresas Convenios Dentarios LTDA	Brazil	100.00%	51.75%
Caixa Seguros Participações em Saúde Ltda	Brazil	100.00%	51.75%
HOLDING XS 1 S.A	Brazil	51.00%	40.00%
XS2 VIDA E PREVIDENCIA S.A	Brazil	100.00%	40.00%
CNP Assurances Latam Holding Ltda	Brazil	100.00%	100.00%
CNP Cyprus Insurance Holdings	Cyprus	100.00%	100.00%
CNP Cyprialife	Cyprus	100.00%	100.00%
CNP Asfalistiki	Cyprus	100.00%	100.00%
CNP Partners	Spain	100.00%	100.00%
Sogestop K	France	100.00%	100.00%
CNP Caution	France	100.00%	100.00%
ARIAL CNP ASSURANCES	France	40.00%	40.00%
MFPrévoyance	France	100.00%	100.00%
Filassistance International	France	66.00%	66.00%
Assuristance	France	66.00%	66.00%
Montparvie 5	France	100.00%	100.00%
CNP Zois (entry into scope)	Greece	100.00%	100.00%
CNP Europe Life Ltd	Ireland	100.00%	100.00%
CNP Santander Insurance Life Dac	Ireland	51.00%	51.00%
CNP Santander Insurance Europe Dac	Ireland	51.00%	51.00%

Entity	Country	% voting rights	% interest
CNP UNICREDIT VITA	Italy	57.50%	57.50%
CNP Vita Assicura (new entity)	Italy	51.00%	51.00%
CNP Vita Assicurazione (new entity)	Italy	100.00%	100.00%
CNP Luxembourg	Luxembourg	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 2021 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. Significant events in 2021

5.1 Economic and financial environment

A vigorous but uneven post-Covid recovery, marred by inflationary pressure

Mass Covid-19 vaccination campaigns paved the way for economies to re-open in 2021, and the emergence of the delta and omicron variants ultimately had only a limited impact on the pace of recovery. The two dominant features of the global economy in 2021 were the very rapid pace of growth (close to 6%) and the unprecedented surge in inflation (close to 5%), exceeding all forecasts. However, the picture was very different in some regions of the world.

Developed countries have reopened their economies while maintaining a proactive policy of fiscal and monetary support. Consumer spending was boosted by drawdowns on precautionary savings built up during the successive lockdowns when furlough schemes were in place. While government measures had the desired effect of supporting the economy, they also drove up asset prices (equities, real estate). Unemployment fell and global demand overheated as problems emerged in global supply chains, leading to shortages of components and raw materials –

reflected in a 26% rise in the CRB[12] Commodity Index – made worse by the freight transport shortage. At the same time, inflationary pressures were exacerbated by the rise of the dollar against all other currencies (up 7% versus the euro and 8.5% versus emerging currencies).

Companies passed on the higher production costs to their sale prices, with a direct impact on inflation. The annual inflation rate hit 7% in the United States and 5% in the eurozone, with all other regions of the world ultimately experiencing similar trends.

Conversely, China curbed its economic growth from the spring, by rationing home loans and imposing tighter regulations, notably on the Internet sector, which negatively impacted e-commerce, in order to limit household debt and reduce domestic imbalances. As a result of these measures, economic growth decelerated (to around 5%), as did demand for imports from other Asian countries and some emerging markets.

Stock market euphoria

Stock markets benefited from the improved macroeconomic environment, continuing on the upward trend that began when the first Covid-19 vaccines were announced. The MSCI World index gained 22% (in USD). However, this growth again masks the sharp contrast between the rally on the indices in developed countries, which recorded new highs (S&P500 +28% at 4,760, CAC 40 +32% at 7,150 and the Eurostoxx +24%), and the correction on emerging market indices (-4% decline in USD, -3% for China's CSI 300 and -12% for Brazil's Bovespa index).

Central bank decisions to maintain the exceptional support measures introduced in 2020 (accommodative monetary policy, asset purchase programmes) while their economies reopened boosted consumer demand and supported corporate earnings. They also led to an unprecedented flow of liquidity (and savings) into the markets and exacerbated investors' search for yield. This situation benefited the credit market as fears of mass corporate defaults eased. Investment grade spreads remained stable (widening by just +3 bps to 95 bps) while high yield spreads narrowed (-40 bps to 318 bps). The only exception was emerging market debt, which suffered from a lack of investor confidence in some countries and the turmoil in the Chinese property sector following the risk of default by developer Evergrande.

An environment shaped by a slow rise in interest rates

Government bond yields jumped in the first half of the year but fell back in the summer against the backdrop of growing inflationary pressure. In a clear shift away from their previous policies, central banks in developed countries announced that they were winding down their asset purchase programmes, and emerging countries' monetary policies were tightened significantly. 10-year rates ended the year moderately higher (+54 bps to 0.19% in France, +57 bps to 1.50% in the US) with yield curves flattening for longer maturities and inflation expectations (10-year breakeven inflation rates of 2.5% in the US and 1.65% in France) continuing to fall a long way short of actual inflation.

The markets ended the year on expectations of a gradual normalisation (interest rates, inflation, growth) and optimism (limited impact of the omicron variant, favourable stock market outlook).

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[12] Reuters Commodity Research Bureau Index.

5.2 Significant events of 2021

Governance

On 16 February 2021, the Board of Directors appointed Stéphane Dedeyan as Chief Executive Officer of CNP Assurances. At the end of the General Shareholders' Meeting held on 16 April 2021, he replaced Antoine Lissowski, who took his retirement at the end of his term of office.

One of the major projects led by Antoine Lissowski was the integration of CNP Assurances in La Banque Postale.

On 4 March 2020, as part of the project to create a major State-owned financial group, La Banque Postale acquired a 62.13% stake in CNP Assurances, alongside BPCE (16.11%) and individual and institutional investors (21.76%).

On 28 October 2021, La Banque Postale announced its intention to buy out the BPCE group's stake in CNP Assurances and then file a simplified tender offer with the AMF for the CNP Assurances shares held by minority shareholders, to be followed by a squeeze-out procedure. CNP Assurances' Board of Directors decided to set up a special committee to monitor the progress of the tender offer and appointed an independent expert, Ledouble, to assess the offer's financial terms.

On 16 December 2021, La Banque Postale increased its ownership of CNP Assurances to 78.9% by buying out BPCE group's 16.1% interest.

The 2021 results provide early confirmation of the integrated bancassurance model's success. Unit-linked sales by the La Banque Postale network in 2021 amounted to €2,243 million (up 85.9% versus 2020), and accounted for 29.3% of total new money generated by the network. The target for PACTE transfers was met, with transfers of €3.2 billion recorded during the year.

The transfer to CNP Assurances of more than 20,000 Allianz France savings contracts distributed and managed by La Banque Postale deepened CNP Assurances' integration in La Banque Postale and confirmed its position as the expanded Group's sole insurer. CNP Assurances' change of ownership was approved by France's banking and insurance supervisor (ACPR) on 19 November 2021 and published in the *Journal Officiel* on 30 November 2021.

Buyout of MF Prévoyance minority interests

On 1 July 2021, CNP Assurances bought out the minority interests in MF Prévoyance for €30.1 million. This transaction did not result in a change of control over this subsidiary. Since 2010, CNP Assurances has held a majority stake of 65% in MFPrévoyance, of which 51% directly.

Development of international growth drivers

CNP Assurances is pursuing its growth strategy.

In Europe, an agreement to acquire Aviva's Italian life insurance business was signed in March 2021 and the deal was completed in December at a price of €543 million financed by equity. The transaction enabled CNP Assurances to double its market share and become Italy's fifth-largest life insurer.

The partnership with CNP Santander has expanded since January 2022 to include Portugal, raising the total number of countries covered in the Europe region (excluding France) to 12. The entity received the authorisation of the Portuguese regulator at the end of 2021, marking the start of CNP Santander's activity in this region.

In Brazil, the **Caixa Vida e Previdência** joint venture, created in application of the renewed distribution agreements with Caixa Economica Federale, began operations on 1 January 2021. The joint venture has a 25-year exclusive agreement for the distribution of life and consumer credit insurance and private pension plan products.

The new 20-year exclusive agreement for the distribution of *consórcio*[13] contracts in the Caixa Econômica Federal network was given the green light by the Brazilian Central Bank (BACEN) in July, allowing the new joint venture Administradora de Consórcios to begin operations.

Recognised financial solidity

CNP Assurances' strong market position, its long-term exclusive distribution agreements with major banking partners, its integration in La Banque Postale and its consistent earnings performance have been praised by the rating agencies. Moody's has confirmed CNP Assurances' strong financial rating: A1 (stable outlook); as did Fitch Ratings: A+ (stable outlook); while S&P Global Ratings upgraded its rating to A+ (stable outlook).

The success of CNP Assurances' subordinated notes issues attests to the confidence of the financial markets. In March, the US$700 million Restricted Tier 1 perpetual bond issue was placed with around 200 investors worldwide and an order book totalling US$2.7 billion. These bonds have a 10-year EUR swap. In October, the €500 million Tier 2 subordinated bond issue maturing on 12 October 2053 was placed with nearly 55 investors based on a total order book of €0.9 billion.

Product innovations

CNP Assurances has been leveraging its innovation capabilities to fulfil its commitment to building a very high value-added customer and partner experience model. **The new creditor insurance offer** launched in the BPCE network at the beginning of 2021 updates the insurance solution available to homebuyers. The expanded cover and increased number of options have proved very popular, as evidenced by the 230,000 new insurance applications received since it was introduced. In April, CNP Assurances launched the "CNP Relance et Climat" fund in an exclusive partnership with Tikehau Capital. This unit-linked fund offers holders of life insurance policies a unique opportunity to invest in private equity and to give meaning to their savings by financing the economic recovery and the energy transition. Préfon received the PER TOP Bronze 2021 award in the "Best SRI contract" category for its Préfon-Retraite pension savings contract. This award recognises the quality of the responsible investment approach of CNP Assurances and its historical partner Préfon. The Olo extranet, built with and for CNP Assurances' broker partners, supports their business development by simplifying the process of putting offers together and fulfilling the brokers' duty to provide advice.

Contributing to the real economy and the recovery

CNP Assurances is seizing the opportunity of the post-pandemic economic rebound to demonstrate its usefulness to the real economy. It is one of the 18 insurers that have geared up to help French SMEs and intermediate-sized companies to recover from the crisis and create jobs, through the "Relance" government-backed stimulus loans, and one of the 20 investors behind the €1.7 billion "Obligations Relance" bond fund that will finance the growth and transformation of French SMEs and intermediate-sized companies.

As a major investor in infrastructure assets in France, CNP Assurances has joined the consortium set up to acquire the new Suez. The consortium vehicle, in which Meridiam and GIP each hold 40% and Caisse des Dépôts and CNP Assurances together hold 20%, will support the development of water distribution and waste management networks for the benefit of the environment and society. Caisse des Dépôts and CNP Assurances have also increased their joint stake in GRTgaz, a major player in gas transportation in Europe, to 39%. This infrastructure is essential to help France maintain a balanced energy mix as it pursues its net-zero emissions trajectory.

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[13] This product, which combines the principles of a savings plan and a tontine (savings club), allows members of a group to obtain lower rate by lending each other money for a given period of time.

By acquiring a stake in **Orange Concessions**, alongside Orange, Banque des Territoires and EDF Invest, CNP Assurances will be able to offer policyholders recurring long-term returns. The investment also gives concrete expression to its commitment to act for an inclusive society by making fibre available throughout France.

Climate and biodiversity strategy

CNP Assurances' pioneering commitment to climate has been taken a step further.

In order to achieve carbon neutrality of its investment portfolio by 2050, the Group has set itself ambitious new targets for 2025 After thermal coal, CNP Assurances is now turning its attention to unconventional oil and gas by electing not to making any new investments in these sectors. The Group also pays close attention to the environmental and social impacts of the companies in its portfolio, as evidenced by the results of its shareholder engagement policy. CNP Assurances is one of the first institutional investors to publish the biodiversity footprint of its investment portfolio in 2021. By signing the Finance for Biodiversity Pledge, it has set new demanding targets for the protection of biodiversity.

To alert governments to the urgent need for action, in June CNP Assurances joined 456 other investors in signing the "Global Investor Statement to Governments on the Climate Crisis" ahead of the G7 conference and COP26. To promote a socially acceptable transition to low-carbon economies, it became a founding member of the first global coalition of engagement to support the just transition - Investors for a Just Transition. This demanding CSR policy has been recognised by MSCI and ISS-ESG, which awarded CNP Assurances the highest insurance industry ESG rating in 2021 and prior years.

5.3 Subsequent events

On 21 January 2022, the first Tier 3 subordinated bond issue of the year, in the amount of €500 million and with a 7-year maturity, was placed with over 90 investors. The issue was more than 2.2 times subscribed, with a total order book of €1.1 billion, testifying once again to the confidence of French (29%), European (64%) and international (7%) investors.

On 10 March 2022, CNP Assurances announced it had entered into exclusive negotiations for the sale of its subsidiary CNP Partners to Mediterráneo Vida.

6. Business review

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

(In € millions)		2021	2020
Life	With-profits life insurance	9,277	7,581
	Index-linked and unit-linked insurance	4,510	3,154
	Other life insurance	2,072	2,046
	Health insurance	941	947
	Life reinsurance	2,656	1,827
	Health reinsurance	5	5
Non-life	Workers' compensation insurance	174	136
	Medical expense insurance	327	342
	Income protection insurance	292	283
TOTAL		**20,255**	16,322

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.

Five long-term banking partners

In France, products are distributed by La Banque Postale and BPCE, long-standing partners of CNP Assurances that share its public interest values.

In international markets, the Group has set up joint ventures with banking groups that boast extensive distribution networks, ensuring that its solutions are accessible to as many people as possible.

340 partners in France and a proprietary distribution network

As the preferred insurer of the social protection sector (serving over 100 mutual insurance companies, employee benefits institutions and other non-profit organisations), CNP Assurances designs solutions that enhance their purpose and strengthen their unique positioning. More than 200 residential mortgage providers and 40 wealth management experts also place their trust in CNP Assurances.

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 €20.2 billion, up €3.9 billion (+24.1%) compared to 2020. Most of the increase concerned the Savings business.

Premium income (in € billions)	2021	2020	2021/2020
Savings	**15.1**	11.4	32.5%
Pensions	**1.2**	1.1	13.6%
Personal Risk/Health	**1.3**	1.3	0.9%
Term Creditor Insurance	**2.7**	2.6	2.9%
Total	**20.2**	**16.3**	**24.1%**

Premium income by business segment

- In **Savings/Pensions**, premium income amounted to €16.3 billion, with a marked increase (+€3.8 billion of which +€2.3 billion for traditional products and +€1.4 billion on unit-linked products) characterised by the 2020 lockdown base effect (+€2.3 billion). Excluding this impact, revenue grew by €1.3 billion or +9.0%, driven by premium segments (up €0.7 billion) with the completion of several major deals in the first half of the year, and by BPCE (up €0.5 billion). A commercial policy still strongly geared towards the transformation of the Savings/Pensions model, with a constant increase in the unit-linked portion and achievement of our objective set at the beginning of the year for PACTE transfers (+€6.3 billion).
- **Term Creditor Insurance** rose €0.1 billion to €2.7 billion, driven by the activity of our partners BPCE and LBP, while **Personal Risk/Health** was stable at €1.3 billion.

Savings/Pensions net new money represented a net outflow of €3.0 billion at end 2021, due to outflows from traditional euro savings contracts.

Net new money (in € billions)	2021
Traditional contracts	-5.4
Unit-linked contracts	2.4
Total	**-3.0**

2. Net insurance revenue

Net insurance revenue (NIR) totalled €1,983 million in 2021, up €205 million or +11.5% compared with 2020.

Net insurance revenue from **Savings/Pensions** was up €82 million, or +6.8%, due in particular to favourable market conditions, which allowed for the reversal of provisions for a floor guarantee and an increase in unit-linked margins (volume and market effect). This made it possible to absorb an increase in provisions for interest rate guarantees.

Net insurance revenue from **Personal Risk/Protection** was up €123 million, or +21.5%, in particular on loan margins, driven by an increase in the financial margin, a favourable volume effect and an increase in the technical margin in line with a downward revision of loss assumptions combined with the adjustment of commissions on previous positive results.

Net insurance revenue by business segment (*In € millions*)	2021	2020*	Change
Savings/Pensions	**1,290**	1,207	82
Personal Risk/Protection insurance	**693**	571	123
Total	**1,983**	**1,778**	**205**

Net insurance revenue for the period
**Change of presentation: the NIR now includes the realised gains on AFS*

3. Value of New Business

The value of new business rose sharply to €215 million (up €149 million) with a favourable economic effect (+€65 million), combined with the increase in volumes in UL (APE +42%) and term creditor (APE +27%) sales volumes. In addition, there was an improvement in claims in group personal risk insurance (up €27 million).

Value of New Business (*in € millions*)	2021	2020	Change
Total	**215.3**	66.6	223.4%

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 %)	31/12/2021	31/12/2020	Change
FIXED INCOME PORTFOLIOS	**68.4%**	**72.2%**	**-3.8 pt**
o/w Money market instruments and Derivatives	7.9%	7.6%	+0.3 pts
DIVERSIFIED PORTFOLIOS	**20.4%**	**17.8%**	**+2.6 pt**
o/w Equities	11.8%	10.2%	+1.5 pt
o/w Private equity	8.6%	7.6%	+1.0 pt
UNIT-LINKED PORTFOLIOS	**11.2%**	**9.9%**	**+1.3 pt**
TOTAL	**100%**	**100%**	**-**

2021 was marked by a wave of optimism despite ongoing uncertainties, with:

- The rapid accumulation of debt stocks (public and private), the reduction of which is looking increasingly hypothetical, with a real risk of the widespread adoption of monetisation strategies (reflected by the surge in gold prices) and negative real rates.
- The rapid normalisation of the stock markets thanks to government support measures, but high valuations (soaring Nasdaq, reduction in risk premiums) and the intensification of investors' search for yield (increased risk appetite).
- The containment of the liquidity crisis, but unresolved solvency issues, especially for the sectors deeply impacted by the lockdowns and/or health measures; A growing number of cases of corporate restructuring that could accelerate the rise in unemployment and weigh on consumer confidence.
- Multiple questions about the new role of central banks (independence, inflation targets, balance sheet size and composition) and their impact on asset prices (valuation differentials, creation of financial inflation).
- Questions about the future of globalisation in a post-Covid-19 context and China-US relations.

These uncertainties about the actions of central bankers on their monetary policies led to episodes of heightened volatility in both equity and bond markets. Despite this, equity markets reached new highs in 2021, both in Europe and the United States. The CAC 40 index gained almost 30%, surpassing its 20-year high.

The return of inflation was also one of the dominant themes of the year. Consumer price indices continued to accelerate in the eurozone and the United States, driven by volatile factors such as energy prices, due to the supply disruptions. The rise in prices has not led to a significant increase in rates.

In this unprecedented economic and financial environment:

- In line with the allocation set by the Strategic Allocation Committee, the weight of the diversification segment was increased, mainly in directly-held equities. CNP Assurances considers that even for sometimes high valuation levels, diversification assets are the only ones offering return prospects that compensate for the risk taken.
- In this context, we have focused on unlisted infrastructures that, in principle, offer one of the best risk profiles, and for which CNP Assurances can benefit from a comparative advantage in some cases.
- Regarding equities, 2021 was marked by significant buying and selling (€2 billion over the year, with most of the sales in January/February). The sharp rise in the markets regenerated a substantial stock of capital gains.
- Regarding fixed income, the dramatic situation of persistent low interest rates led CNP Assurances to continue its strategy of diversification in debt funds, Dutch mortgage funds, emerging countries (particularly Asia) and the United States, for around €3 billion. Despite this diversification, the amounts to be invested in the bond market are still considerable at nearly €19 billion, divided between corporate and sovereign bonds. We continued to extend bond maturities, but without seeking to fill the Asset/Liability sensitivity gap in this interest rate environment.

Highlight: Overall capital gains (Equities + Fixed Income + Real Estate) exceeded their level of 31 December 2019 at the end of the year.

1.2 Asset-backed securities

The portfolio's unamortised nominal value at 31 December 2021 was €1.81 billion (versus €2.76 billion at end-2020) and its market value was €1.75 billion (versus €2.71 billion at end-2020).

The portfolio includes asset-backed securities (ABS), residential mortgage-backed securities (RMBS), collateralised loan obligations (CLO) and credit-linked notes (CLN), broken down as follows:

Type of asset-backed security *(In € millions)*	**Nominal**	**Market value**
ABS	48.00	15.78
RMBS[14]	632.10	618.36
CLO	1,084.75	1,068.47
CNO	50.00	50.00
Total asset-backed securities	**1,814.85**	**1,752.60**

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

Private equity

During 2021, CNP Assurances committed to investing €1,088 million in 32 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 €20 million in a local fund.

[14] *including €387,100,000 for securitisation funds (Fonds Commun de Titrisation)*

At 31 December 2021, the private equity portfolio represented a net commitment of €5.2 billion for a carrying amount of €3.0 billion.

Property & forestry assets

A total of around €765 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.

Housing, logistics and prime offices in the city centre were prioritised, as was the ongoing diversification of investments, including forest and agroforestry investments.

CNP Assurances kept up the drive to continuously improve the property portfolio's energy performance, promote biodiversity and sustainably manage forestry assets.

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

Infrastructure

The exposure of investments to infrastructure increased sharply in 2021, with €1.9 billion in new commitments in France and Europe.

These investments raised the total carrying amount of infrastructure assets to €4,251 million.

Property and infrastructure debt

The property and infrastructure debt portfolios continued to be expanded at a substantial pace in 2021, with nearly €1 billion in new commitments.

Corporate debt

€2.4 billion was invested in corporate debt in 2021, of which €1.8 billion in recovery funds.

1.4 Portfolio hedges

CNP Assurances uses derivatives 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 €146.6 billion were outstanding at 31 December 2021.

Hedged risks include the risk of an increase in interest rates, which is hedged using interest rate and spread caps on the CMS 10-year rate. The lower interest rates and limited volatility in 2021 reduced the cost of these protections, prompting the Group to choose to purchase hedges for a notional amount of €20.2 billion during the year.

By guaranteeing the capital invested in the euro-denominated portion of policies and minimum rates for policyholders, CNP Assurances is exposed to a drop in interest rates. For protection and to pre-emptively lock in rates of return above the minimum rates needed to meet its commitments, bond forwards for a notional amount of €1 billion were acquired in 2021.

To protect the IFRS income statement against the risk of a widening of credit spreads, changes in credit indices were hedged by purchasing CDS options on a notional amount of €1.3 billion in exchange for option premiums of €7.5 million.

To lock in unrealised gains and reduce the sensitivity of portfolios to the equity markets, equity risk hedges were purchased for a notional amount of €7.5 billion in 2021 (versus €1.7 billion in 2020).

Independently of interest rate and equity hedges and due to its presence in Brazil, CNP Assurances is exposed to changes in the exchange rate of the Brazilian real (BRL). In order to protect against a BRL depreciation, Asian options with an annual maturity to hedge the contribution of its subsidiaries to the Group's consolidated income were set up for a notional amount of BRL2.0 billion. In addition, in order to secure the dividend increase of the Group's subsidiaries, European options were acquired in 2021 for a notional amount of BRL 0.1 billion. 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

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 at 31 December 2023: green investments totalled €19.9 billion at 31 December 2021 (objective 99% met).
- To invest at least €5 billion in green investments by 31 December 2021: this objective was exceeded, with €13.8 billion in inflows into green investments up to 31 December 2021 (representing 275% of the objective).
- 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 2021 (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 2021).
- To no longer invest in companies that derive more than 10 % of revenues from thermal coal or are developing new coal-fired power stations. At 31 December 2021, there were no investments in any of the companies on this exclusions list.
- 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 Group no longer holds any investments in companies on the exclusion list.
- To divest from all remaining investments in the tobacco sector, in line with the Tobacco-Free Finance Pledge signed by the Group during the year. At 31 December 2021, investments in securities issued by tobacco companies represented less than €200 million (in the period from December 2017 to December 2021 the portfolio was reduced by 68%, or €419 million).

2. Investment income and expenses

Net investment income (In € millions)	2021	2020	Year-on-year change
Net investment income	5,726	5,376	349
Net profits on disposal of investments	390	410	-21
Investment expenses	-644	-626	-18
Net investment income	**5,471**	**5,161**	**310**

Net investment income determined on a French GAAP basis amounted to €5.5 billion in 2021. It recorded a +€0.3 billion increase compared with 2020. corresponds to the net impact of:

- Increase in equity dividends for +€0.2 billion but a -€0.4 billion reduction in PNC and real estate dividends (in 2020 we had received an exceptional dividend from Caixa, a decrease of -€0.3 billion).
- An increase in reversals of provisions for impairment, representing a change of +€0.7 billion.
- A drop in bond income for -€0.4 billion, explained by the low level of interest rates.
- An increase in capital gains on fund distributions for +€0.2 billion.

A4 Other income and expenses

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

B

System of governance

This section presents 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 Group's 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 Group 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, in order to promote long-term value creation for the company and to determine the Group's strategy and oversee 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 financial statements of CNP Assurances and the consolidated financial statements of the Group, and obtains assurance concerning the quality and reliability of financial and other information given to shareholders and other stakeholders. It also obtains assurance concerning the effectiveness of the internal control and risk management systems. These three roles are fulfilled jointly with the members of Executive Management, who are responsible for preparing matters and proposals for submission to the Board for review and approval. The Board of Directors prepares the management report and the corporate governance report, and validates the ORSA report, this Solvency and Financial Condition Report and the Regular Supervisory Report.

The Board fulfils other specific roles, such as authorising related-party agreements governed by Article L.225-38 of the French Commercial Code (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

Five specialised committees of the Board (the Audit and Risk Committee, the Strategy Committee, the Remuneration and Nominations Committee, the Follow-up Committee on the Implementation of the BPCE and LBP Partnerships and the Ad Hoc Committee) carried out their tasks defined as part of the preparation for the Board's deliberations, facilitating the Board's decision making in a business where the technical aspects require a specific review and in the particular context of the launch of a simplified takeover bid announced by La Banque Postale on 28 October 2021.

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 ensures that 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 2021, fourteen meetings of the Board of Directors were held as well as a strategic seminar for directors.

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 regulations.

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, except for those powers specifically assigned to shareholders in General Meetings and to the directors in Board meetings. The Board of Directors sets limitations on the powers of the Chief Executive Officer and delegates some of its powers to him. These are detailed in the appendix to the internal regulations of the Board of Directors, available on the CNP Assurances website. The restrictions on his powers concern in particular acquisitions (excluding portfolio management) 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 (second person who effectively runs CNP Assurances) and the members of the Executive Committee.

1.4 Executive Committee

The Executive Committee leads CNP Assurances' operations and implements the corporate strategy decided by the Board of Directors.

As at 16 February 2022, the Executive Committee comprises 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

Four key functions (risk management, compliance, actuarial and internal audit) are carried out by directors who 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 handled by a dedicated department reporting to the Chief Actuary. Its activities include coordinating technical reserve calculations and analysing the underlying assumptions for the year. These include analyses of reinsurance measures and underwriting, for which the actuarial function is supported by the technical and innovation teams. 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.

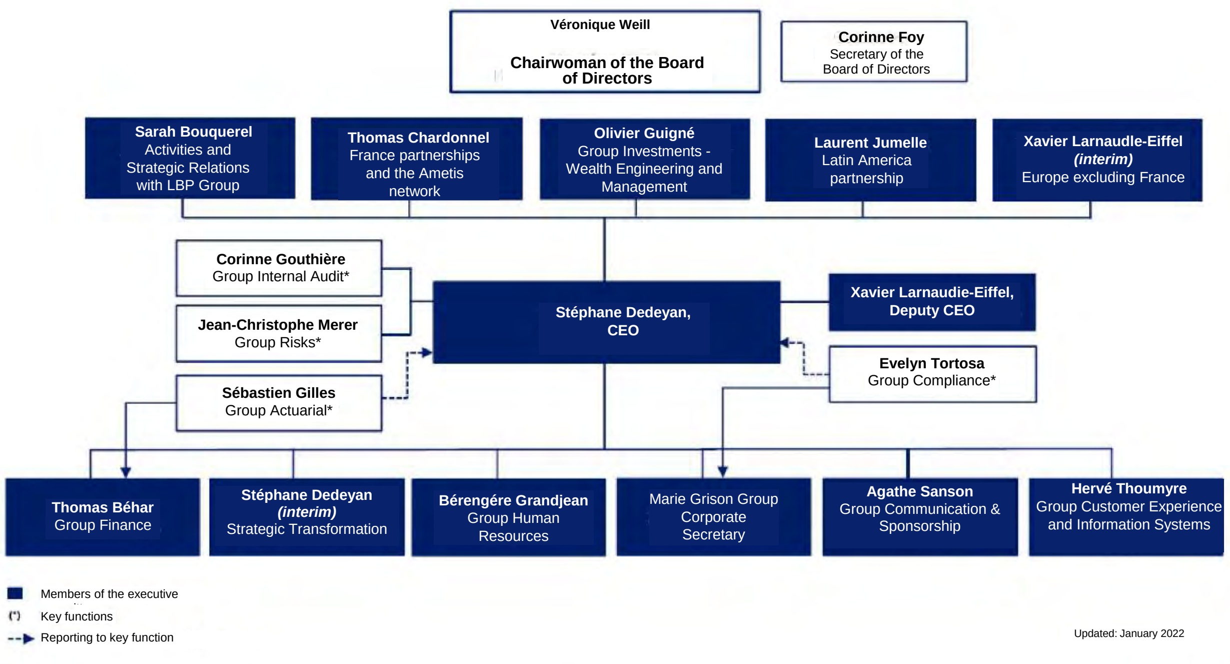
The formal delegations of authority describe the powers concerned, detailing the action that is likely to be taken and the commitments that are likely to be given to third parties on behalf of CNP Assurances. They respond to:

- 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 2021):



Note: the key compliance and actuarial functions report to the Chief Executive Officer.

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

With regard to the system of governance, 2021 was marked by the end of the term of office of the CEO, Antoine Lissowski and his replacement by Stéphane Dedeyan.

In addition, as part of its strategy to strengthen governance and in line with best practices, the meeting of the CNP Assurances Board of Directors on 22 December 2021, on the recommendation of the Remuneration and Nominations Committee, co-opted Amélie Breitburd to the role of independent director, with effect from the end of the meeting. She therefore participated for the first time in a meeting of the Board of Directors of CNP Assurances on 6 January 2022.

Amélie Breitburd is appointed for the remainder of the term of office of Jean-François Lequoy, the director proposed by the BPCE Group who was co-opted in November 2021 as a replacement for Jean-Yves Forel; that is, until the 2022 general meeting of shareholders to approve the accounts for the year ending 31 December 2021. This is as a result of Jean-François Lequoy's resignation following the acquisition by La Banque Postale of the BPCE group's 16.1% stake in CNP Assurances on 16 December 2021. Laurent Mignon, Chairman of the BPCE Group Management Board, remains a member of the Board of Directors of CNP Assurances. This co-option will be submitted for ratification at the next general meeting of CNP Assurances shareholders.

The current membership of the CNP Assurances Board of Directors is as follows at 16 February 2022:

- Nine directors recommended by La Banque Postale;
- One director recommended by BPCE;
- Two directors representing employees;
- Five independent directors.

All changes in the membership of the Board of Directors and its committees in 2021 are detailed in section 6.2 "Board of Directors' governance practices and procedures" of Chapter 6 - "Corporate Governance" of the Universal Registration Document of the CNP Assurances Group.

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 the Board of Directors of CNP Assurances SA on 16 February 2022. It aims to prevent excessive risk-taking by introducing flexible, deferred and adjustable variable remuneration schemes for risk takers.

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. The functions considered to be risk takers are listed in the Group's remuneration policy.

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-decision maker.

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 the Group's risk profile and cost of capital.

Bonus payments are subject to the following conditions:

- Compliance with internal or external rules concerning procedures, ethics, business conduct, etc.
- Earnings performance (the Group must have reported a net profit).

If a material risk-taker leaves CNP Assurances, for whatever reason, the same conditions apply to the payment of their deferred bonus.

Characteristics of senior management and key executive supplementary pension plans

An "Article 39" supplementary pension plan was set up on 1 January 2006. The plan was closed to new participants with effect from 31 December 2013, and the salaries and years of service used to calculate future benefits were frozen.

This plan was restricted to the members of Executive Management covered by the collective bargaining agreement for executive personnel dated 3 March 1993.

6.4 Components of the remuneration awarded to the directors, Chairwoman of the Board of Directors and the Chief Executive Officer

The remuneration due to the Chairman of the Board of Directors and the Chief Executive Officer is as follows:

In €	2020	2021
Chairman/Chairwoman of the Board of Directors	298,260*	350,000
Chief Executive Officer	440,000**	623,716 ***

** €151,159 for Jean-Paul Faugère and €147,101 for Véronique Weill, Chairwoman of the Board of Directors since 31 July 2020 (calculated on a pro rata basis).*

*** The Chief Executive Officer's annual salary for 2020 amounted to €400,000. Antoine Lissowski's 2020 variable remuneration of €40,000 was paid after deducting the amount of €16,693, corresponding to remuneration he received from CSH in 2020 in his capacity as member of CSH's Board during that year.*

*** €131,250 for Antoine Lissowski and €492,466 for Stéphane Dedeyan, Chief Executive Officer since 16 April 2021 (calculated on a pro rata basis)*

Each year, the Board of Directors decides on the fixed remuneration to be paid to the Chairman/Chairwoman. This remuneration was increased to €280,000 in 2016 after remaining unchanged at €250,000 between 2012 and 2015. In 2020, it was increased to €350,000.

The Chairman/Chairwoman does not receive any remuneration for participating in meetings of the Board and the Committees of the Board.

6.5 Directors' remuneration

The remuneration paid to members of the Board of Directors is as follows:

	Remuneration paid in 2020 (in €)		Remuneration paid in 2021 (in €)	
	For H2 2019	For H1 2020	For H2 2020	For H1 2021
TOTAL	460,950	314,100*	415,600*	530,950*

** Excluding the Chairman/Chairwoman, as explained above.*

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).

This allocation will be raised to €1,500,000 for 2022 and subsequent financial years.

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:

For each effective participation:

- €3,800 for each meeting of the Board of Directors and €3,050 for each meeting of a Board Committee 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 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 accordance with Article L.225-40 of the French Commercial Code 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 22 April 2022:

- compensation commitments to the directors of CNP Assurances corporate officers in the Group's Brazilian companies;
- agreement to sell L'Âge d'Or Expansion (subsidiary of CNP Assurances) to La Poste Silver (subsidiary of La Poste);
- shareholders' agreements with Caisse des Dépôts in connection with the joint acquisition of a stake in the share capital of a new company to be created by Suez ("New Suez");
- agreement to acquire contract portfolios from Allianz Vie and Génération Vie that were distributed by the La Banque Postale Group network until 2019;
- agreements with La Banque Postale in connection with the acquisition from Allianz Vie and Génération Vie of portfolios of contracts distributed by the La Banque Postale Group network until 2019;
- amendments relating to the partnership with La Banque Postale and BPE in the term creditor insurance activity.
- amendment relating to the partnership with La Banque Postale Prévoyance in the term creditor insurance activity;
- an amendment to a shareholders' agreement with Caisse des Dépôts in connection with the acquisition of an additional stake in GRTgaz.
- agreements relating to the acquisition of a residential housing complex from CDC Habitat (a subsidiary of the Caisse des Dépôts);
- amendment to a reinsurance treaty with Arial CNP Assurances (ACA) in view of the transfer of the contract entered into with EDF from ACA to CNP Assurances;
- management mandate and RTO agreement with Ostrum AM.

Detailed information about these transactions and agreements is provided in 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 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 6 January 2022.

B3 Risk management system

CNP Assurances' risk management system is the same as that of the CNP Assurances Group. This system is described below.

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 must:
  - Provide for sound and prudent management of the business,
  - Limit and manage risk-taking,
  - Embed risk management in decision-making processes,
  - Establish procedures for escalating concerns and whistleblowing,
  - Provide 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.

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 four core components:

- Risk identification;
- The risk appetite statement covered by a dedicated document;
- 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. It validates the risk assessment standards and methodologies. 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.

CNP Assurances' Chief Risk Officer is expected to participate in meetings of La Banque Postale's Group Risk Management Committee 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 ensures that the risk profile is always consistent with the guidelines set by the Group Risk Committee within the framework of the technical and financial risk tolerance system. It 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 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. 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.

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 responsible for the measurement and cross-business management of risks. It assesses the impact on solvency and oversees work on climate 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,
  - The model risk management 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.

A monthly report, the Risk Appetite Dashboard, presents risk monitoring indicators and also includes an update of the Risk Appetite Statement. The RAD is sent to La Banque Postale's Risk department.

The Group Risk 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.

CNP Assurances' ORSA system is the same as that of the CNP Assurances Group. This is described below.

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 defining the framework for the projection of business volumes, 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.

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-level 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-level 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 group 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 verifying consistency through reliability tests, certifications 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.
- **Actions to improve the effectiveness of the controls**: 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.

In 2021, the DRG transformed its internal organisation to respond to changes in its environment and further strengthen the permanent control system. There are three factors behind this transformation:

- Compliance with the requirements of the European Central Bank (ECB), which supervises the new financial conglomerate formed with La Banque Postale, and alignment with the recommendations of the European Banking Authority (EBA);
- Convergence with the organisation of La Banque Postale's permanent control system;
- The acceleration of the CNP Assurances Group's international development.

This transformation, which began in the second half of 2021, will be gradually scaled up during 2022.

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 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, anti-money laundering, gifts, product governance, competition 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: knowledge and assessment of client needs, 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;
- Anti-money laundering and combating the financing of terrorism (AML-CFT), economic sanctions and embargoes: 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, as well as to the Executive Committee. The Chief Compliance Officer reports directly to CNP Assurances' Chief Executive Officer and on a dotted-line basis to La Banque Postale Group's Chief Compliance Officer, as well as to the Group Chief Administrative Officer of CNP Assurances.

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 2021

Over the course of the year, the Group Compliance department faced two particular challenges: firstly, the integration into the La Poste group, including various audit and procedural reviews with La Banque Postale, and second, the strengthening of its coordination with its French and international subsidiaries.

The focus was on:

- The finalisation of the third-party assessment tool and its deployment within the subsidiaries in accordance with the Sapin II law;
- Adjusting the procedures and the classification of risks in terms of anti-money laundering and combating the financing of terrorism to align with the procedures adopted by La Banque Postale;
- The full deployment of the control system within the data protection scope, in accordance with the GDPR, within CNP Assurances and its implementation in the international subsidiaries;
- Reviewing inducements with all distribution partners of insurance products in accordance with the European Insurance Distribution Directive (IDD);
- The launch of know your customer (KYC) campaigns aimed at improving the completeness of data essential to the efficiency of its financial security tools.

All of this work is accompanied by training programmes on the various compliance topics for staff based at the headquarters and in the subsidiaries.

In order to carry out its work and ensure that it complies with the directives issued by the supervisory authorities, the Compliance department has regular discussions with them (AFA, CNIL, ACPR), particularly during the industry consultations organised by the supervisors. It also participates actively and regularly in the various open think tanks organised by the French Insurers' Federation, *France Assureurs* (FA).

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.

The 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 hierarchically to CNP Assurances' Chief Executive Officer, providing him with details of the department's needs and a full account of the internal auditors' activities.
- Reports functionally to the General Inspector of LBP Group.
- 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 the Group's 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 Group 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

1. Deployment of the Actuarial function

The Group has designated the person holding the key Actuarial function, whose roles and responsibilities have been defined in close alignment with the requirements of the applicable regulations.

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

As the person who holds the Actuarial key function, the Group Chief Actuary is supported by the Actuarial Standards department, which is separate from the Technical and Innovation department and reports directly to him/her. In order to avoid any risk of conflict of interest, the department's employees are not involved in the operational activities related to the opinion they issue.

The Group Chief Actuary has direct access to the Group's decision-making bodies and reports directly to the Chief Executive Officer, to be able to fulfil the whistle-blowing role.

The Group Chief Actuary's opinions are set out in the Actuarial Report submitted to the company's governing bodies and is approved by the Board of Directors.

2. 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-level controls performed by the teams responsible for determining technical reserves.
- The "second line of defence" is provided by the Actuarial function, which performs second-level controls.

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

3. 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.

This system is deployed throughout CNP Assurances in accordance with the reserving policy.

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.

4. 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. These 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.

5. 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 and the function's own research. The final underwriting decision is made by Executive Management during meetings of the Commitments Committee

6. 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 and recommendations issued and research carried out in this area.

7. Participation in the risk management system;

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

- Coordinating the technical reserve calculations, also used by the Risk department;
- 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 also aligned with the European General Data Protection Regulation, which requires contractors to fulfil a certain number of obligations, and with the "EIOPA-BoS-20-002" Guidelines of 31 January 2020 relating to outsourcing to cloud service providers, issued by EIOPA, which determines a framework of specific obligations for outsourcing to cloud service providers.

Outsourcing 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[15] 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;
- 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.

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 corporate law unit of the 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.

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[15] 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.

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
- *d*epending 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 (including for cloud-based services).

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

1.2.4 The Operational Risk and Internal Control Committee

See section B5 for details concerning this Committee.

The Committee's role includes monitoring outsourcing risks and changes in the coverage of outsourcing risks.

2. Outsourced critical and important functions and activities

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:

Net Solvency Capital Requirement (SCR) calculated on the basis of the standard formula at 31/12/2021

Risks identified for the application of the standard formula		In € millions	In % [16]
Market risk	*Interest rate risk* *Equity risk* *Property risk* *Currency risk* *Spread risk* *Concentration risk*	**13,682**	65%
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*	**3,364**	16%
Health underwriting risk	*SLT[17] Health underwriting risk* *NSLT[18] Health underwriting risk* *Health catastrophe risk*	**1,622**	8%
Non-life underwriting risk		**0**	0%
Counterparty default risk		**1,066**	5%
Intangible asset risk		**0**	0%
Operational risk		**1,392**	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.

Risks are mitigated by the diversification effect, which is estimated at 20% based on the following formula: (sum of net SCRs excluding operational risk SCR - net basic SCR)/sum of net SCRs excluding operational risk SCR.

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

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

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

C1 Underwriting risk

Underwriting risk, as identified for the application of the Solvency II standard formula, is as follows:

Net SCR at 31/12/2021			In € millions	In %
Underwriting risk in life	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*		**3,364**	16%
Underwriting risk in health	*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*	**1,622**	8%
	NSLT Health underwriting risk	*NSLT Health lapse (surrender) risk* *NSLT Health premium and reserve risk*		
	Health catastrophe risk			
Underwriting risk in non-life	*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

Surrender risk is defined as the risk of loss or adverse change in the value of insurance liabilities resulting from a change in policyholder surrender behaviour (lapse, renewal, surrender).

This risk can cover the permanent change in the surrender rates observed, the massive and one-off surrender rate and the incorrect estimate of surrender rates. Two types of surrender can be modelled: structural surrenders, intrinsic to activity (surrender that depends on the characteristics of the policyholders in the portfolio) and cyclical surrenders (which depend on the economic or regulatory environment).

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 Group due to the 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 annuities, this may have an adverse effect on CNP Assurances' future margins, with a decrease in the longevity risk in exchange.

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. The existence of unanticipated surrenders alters the duration of contracts and can penalise their profitability.

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

Morbidity risk is defined as the risk of loss or of an adverse change in the value of insurance liabilities resulting from fluctuations affecting the level, trend or volatility of disability, sickness and morbidity rates.

Personal risk/protection and term creditor insurance contracts comprise various types of temporary or permanent disability and long-term care cover. These guarantees expose the Group to morbidity risks. Morbidity risk arises when there is 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 is defined as the risk of loss or of an adverse change in the value of insurance liabilities resulting from an increase in mortality rates compared to projections.

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

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

1.4 Longevity risk

Longevity risk is a risk of long-term loss, which corresponds to the financial risk on insurance liabilities associated with the fact that individuals live on average significantly longer than expected.

The Group is exposed to longevity risk, in particular on its portfolio of annuities in payment. Pension contracts are logically and more specifically exposed to the risk of a lasting increase in policyholder longevity.

1.5 Expense risk

Expense risk is defined as the risk of loss or of an adverse change in the value of liabilities related to changes in expenses incurred for the management of insurance or reinsurance contracts.

Expense risk may materialise if costs deviate from the original budget. The main expense items are employee benefits expense, IT costs, office rent and sales commissions.

1.6 Catastrophe risk

Catastrophe risk is the risk of loss or of an adverse change in the value of insurance liabilities due to the occurrence of extreme, uncertain and irregular events causing serious harm to insured persons and/or property, the origin of which may be a natural phenomenon, human intervention or a combination of both.

Catastrophe scenarios (particularly pandemic risks) can have an adverse effect on death cover provided under all Group policies and disability cover provided under term creditor insurance, employee benefits and personal risk policies. Healthcare costs could also rise sharply, for example in the case of a pandemic. The Brazilian subsidiary is also exposed to natural catastrophe risk on its home-owner's insurance business.

1.7 Non-life premium and reserve risk

Non-life premium and reserve risk is the risk of loss or of an adverse change in the value of insurance liabilities resulting from fluctuations affecting the date of occurrence, frequency, and severity of insured events and the amount of claims settlements.

These risks arise from cover provided under non-life policies such as unemployment cover, comprehensive home-owner's insurance, health insurance and the financial guarantee insurance written by CNP Caution.

Exposure to unemployment risk covered by term creditor insurance contracts in France is limited, due to the fairly small number of contracts that include unemployment cover, the application of a deductible and the time-limit on the payment of benefits.

1.8 Financial risk generated by underwriting activities

The insurance policies sold by the Group generate financial risks.

This is the case, in particular, for traditional savings contracts that include a capital guarantee and, even more so, for contracts with a guaranteed DPF. In the event of a decline in investment yields, the Group would be exposed to a risk of being unable to fund these guarantees or even cover the policy administration costs.

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

In addition, personal risk policies also create financial risks for cover with a relatively long benefit payment periods (e.g. long-term care) 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 Group is exposed to a transformation risk, corresponding to the risk of not meeting the business plan targets with respect to the rise in the UL portion of new money, 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 Health and business development

The main changes in the underwriting activity are presented in section A2 of this report.

There was no significant change in the trend of surrenders as at 31 December 2021, although there was a slight increase in surrenders on the term creditor scope in France, but it was relatively limited compared to the average over the last five years.

2.2 Redemption of the Allianz and Génération Vie portfolio

The portfolio of savings contracts previously insured by Allianz Vie and Génération Vie was transferred to CNP Assurances. These contracts, which are currently in run-off, are distributed to LBP's customers. The transfer comprises more than 20,000 life insurance and capitalisation policies for total assets of €2.2 billion, with 60% in unit-linked contracts.

2.3 PACTE Law

CNP Assurances is continuing to organise the conversion or transfer of existing group contracts to PACTE-compliant contracts.

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 was continued over 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.

2.4 Regulatory changes in the retirement scope

Several regulatory developments should be noted in pensions (increase in the threshold for non-taxable annuities from €40 to €100 per month and changes in regulations concerning defined-benefit plans).

ACA proposed a new product that meets this regulatory requirement, allowing companies to set up a "L137-11-2" regime that grants each beneficiary an annuity entitlement even in the event of departure from the company.

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 Group 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. Any departure from the rules specified in the underwriting policies must be submitted to the corporate functions so that it may be discussed at the next Underwriting Committee meeting.

The CNP Assurances underwriting policies include:

- Underwriting standards.
- Pricing standards.
- A description of the internal controls applied by the operating units to guarantee compliance with underwriting procedures.
- A description of the periodic reports required by the Risk department to enable it to obtain assurance concerning compliance with underwriting policies.

3.2 The Underwriting Risk Committee

The Underwriting Risk Committee is tasked with identifying and tracking underwriting risk. Its activities are described in detail in section B3.

3.3 Underwriting risk reporting

3.3.1 Principles

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

The underwriting risk reports are used to detect any deviations from CNP Assurances' risk profile to be submitted to the Underwriting Risk Committee and also to commission detailed analyses from the business units and Group functions, which may be asked to step up their monitoring of certain risks and/or to make recommendations.

3.3.2 Tracking indicators

The underwriting risk reporting system is organised by risk and includes:

- Risk measurement indicators, 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, average duration of claims;
- 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 Group to closely monitor risks, implement corrective action or adjust the levels of cover in order to keep loss ratios under control in the employee benefits plan, long-term care insurance and group pensions segments.

4.2 Reinsurance mechanisms

The Group reinsurance policy describes the governance of ceded risks. It sets out the roles and responsibilities of the departments involved in reinsurance activities, as well as specifying the decision-making bodies (i.e., mainly the Reinsurance Risk Committee).

The Group reinsurance policy also establishes the framework for defining the reinsurance programme. The fundamental aim of the reinsurance programme is to ensure that EBIT does not fall below a certain level, even following the occurrence of adverse scenarios. The policy is reviewed and, if necessary, adjusted every year.

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. 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.

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 CNP Assurances Group also calculates the sensitivity of MCEV© metrics – Value of New Business (VNB) and Value of In-Force business (VIF) – for the France scope 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. 2021 (In € millions)	Central value	Surrenders -10%	Costs -10%	Loss ratio -5% (longevity risk)	Loss ratio -5% (mortality & disability risk)
VIF MCEV©France	3,993	-14	483	-213	134
VNB France	207	6	31	(1)	45

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.

Market risk	SCR at 31 Dec. 2021 (In € millions)
Interest rate risk	1,062
Equity risk	7,986
Property risk	2,009
Currency risk	1,277

Exposure to market risk is assessed based on the asset classifications used in the balance sheet, as follows:

Assets at S2 valuation excluding unit-linked portfolios

(In € billions)	**31/12/2021**	31/12/2020
Corporate and government bonds	190	208
Investment funds (UCITS)	87	75
Money-market funds	25	21
Bond funds	21	19
Equity funds	18	15
Other funds	24	20
Equities	37	32
Shares in property companies	11	11
Other equities	26	22
Structured products	17	14
Collateralised securities	0	0
Property, plant and equipment	1	1
Cash and deposits	1	1
Loans and mortgages	0	0
Other investments	0	0
Total	332	331

Allocations to financial assets are made in accordance with the investment policy and the risk appetite statement, which notably defines the investment limits.

1. Description

1.1 Interest rate risk

Interest rate risk corresponds to the risk of an increase or decrease in interest rates.

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. 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 Group to use its own-funds portfolio to pay the guaranteed amount.

Euro-denominated savings and pension contracts are particularly exposed to a drop 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 Group 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 Group of this flexibility and could even reduce its ability to pay guaranteed yields.

The private equity portfolio also exposes the Group to liquidity risk (see section C4). In addition to the price risk, the Group is exposed to equity market volatility risk, although this is not identified in the Solvency II standard formula.

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 Group or through a fund is exposed to the risk of changes in rental income and in the investment market itself, as well as to the potential risk that certain buildings will be rendered obsolete by new regulations (on energy use, for example) resulting in losses in the event of sale or additional costs to bring the assets back into compliance. Although property companies are rarely exposed to leverage risks, they should also be taken into consideration given the current environment, in which interest rates could rise.

1.4 Currency risk

The 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 2021 is provided in section A1.

2021 was another year marked by the persistence of the financial crisis linked to Covid-19, but the financial markets saw significant growth, with the CAC index 40 up +29% over the year. This rebound was driven in particular by the economic recovery following the reopening of certain economies after the vaccination rollouts, the various central bank support measures and stimulus policies.

In the context of the Covid-19 crisis, the rapid reopening of the economy, disruptions to supply chains and the rebound in energy prices fuelled inflation at the end of the year (2.8% in France and around 5% for the eurozone)[19].

As financial risks remain the most significant risks for the company, the monitoring system was strengthened following the emergence of the health crisis in 2020. In particular, the CNP Assurances Group has adopted a Risk Appetite Statement (RAS) applicable since the beginning of 2021.

[19] *In addition, the Ukrainian crisis is exacerbating tension on the energy and agricultural commodity markets.*

3. Investment policies, asset standards and monitoring processes

3.1 Investment policy and asset standards

Market risks are managed by implementing an investment policy. The policy reiterates the main principles of the risk management policy as it applies to asset risks through:

- Investment rules that require application of the “prudent person” and “policyholder best interests” principles.
- Investment decision-making processes that require application of the four-eyes principle.
- Integration of economic capital measurements in investment decision-making processes.

This policy applies to the Group and all of its subsidiaries. Where necessary, it may be adjusted to take into account local regulations, the subsidiary’s growth objectives and any investment restrictions decided jointly with 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).
- A risk appetite statement.

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 monitoring of 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.
- The Risk Appetite Statement, which includes financial and ALM indicators.

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-2021, CNP Assurances had a portfolio of caps on a total notional amount of €125 billion with an average remaining life of 4 years and an average strike price equal to 2.9% on the 10-year euro swap rate[20].
- 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 2021 and at year-end the Group held a portfolio of index options (puts) on a total notional amount of approximately €17.1 billion with an average remaining life of 1.5 years and average strike prices of 3,146 points (CAC 40) and 3,148 points (Euro Stoxx 50)[21].
- Currency risk: the majority of CNP Assurances' exposures to currency risks are hedged. In particular, a hedge against a drop in the Brazilian real has been set up to protect the value of the Brazilian subsidiaries' profits for a notional amount of €137 million.
- **Valuation risk**: the equity portfolio's hedging policy was strengthened in 2020, thereby securing IFRS financial production and portfolio capital gains. Optional hedges protecting the equity portfolio from a possible market downturn came to a notional amount of €7.9 billion at the end of 2021.

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 2021, the policyholders' surplus reserve totalled €14.6 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 2021 are as follows:

Indicator	Value at 31/12/2021	Sensitivity to a 50-bps increase in interest rates	Sensitivity to a 50-bps increase in interest rates	Sensitivity to a 10% fall in equity prices	Sensitivity to a 25% fall in equity prices
IFRS profit	€1,552m	-€5,7m	€24,5m	-€6,6m	n/a
MCEV©	€20,566m	€1,755m	-€2,313m	n/a	-€3,301m
Solvency II coverage ratio	217%	14 pts	-18 pts	n/a	0 pt

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

[20] Unaudited management reporting data

[21] *Unaudited management reporting data*

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)*

(S2 valuation as %)	31/12/2021	31/12/2020	Change (points)
Government bonds	62%	61%	1
Corporate bonds	38%	39%	-1
Financial services and insurance	16%	16%	0
Other sectors	22%	23%	-1
Total	**100%**	**100%**	

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

Bond portfolio by issuer rating (source: QRT S.06.02 List of assets)

(S2 valuation in %)	31/12/2021	31/12/2020	Change (points)
AAA	5%	6%	-1
AA	57%	57%	0
A	20%	17%	3
BBB	17%	18%	-1
Non-investment grade	0%	0%	0
Unrated	1%	1%	0
Total	**100%**	**100%**	

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

The government bond portfolio breaks down by country as follows:

Government bond portfolio by country, source: QRT S.06.02 List of assets

(S2 valuation in %)	31/12/2021	31/12/2020	Change (points)
France	72%	70%	2
Spain	9%	8%	1
Belgium	7%	7%	0
Italy	3%	4%	-1
Luxembourg	3%	4%	0
Germany	3%	3%	0
Other	3%	4%	-2
Total	**100%**	**100%**	

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 Group'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 2021, the corporate credit portfolio did not suffer any significant downgrades. It was buoyed by the post-lockdown economic rebound, and sector exposures to the activities deemed the most risky since the outbreak of Covid-19 have stayed very moderate.

Following the improvement in the economic situation driven by the rebound in demand and consumption, as well as the continuation of the central banks' asset purchase programmes, govie spreads remained particularly narrow throughout 2021.

3. Investment policies, asset standards and monitoring processes

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

- The risk appetite statement governs credit risk through the monitoring of indicators defined by the Group
- 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, Group 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 31/12/2021	Sensitivity to a +50 bps corporate spread shock[22]	Sensitivity to a +50 bps sovereign spread shock[23]	Sensitivity to a -20% rating downgrade
Solvency II coverage ratio	217%	3 pts	-11 pts	-3 pts

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

[22] *After recalibration of the volatility adjustment*

[23] *After recalibration of the volatility adjustment*

C4 Liquidity risk

1. Description

Liquidity risk is defined as the risk of the Group being unable to pay its creditors due to the practical impossibility of selling assets, particularly following a wave of surrenders or a very large volume of benefit claims.

The risk differs depending on the portfolio:

- For traditional savings, personal risk and term creditor insurance portfolios, the risk is that of being unable to deal with a wave of surrenders or a very large volume of benefit claims.
- For own-funds portfolios, aside from extreme situations where own funds are used to pay benefits, the risk mainly concerns exceptional payments that could be due following the occurrence of operational risks.
- For unit-linked portfolios: The contract holders are given a guarantee that they will be able to cash in their units at any time. The risk in this case is that 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 2021.

1) CNP remains largely in surplus in terms of liquidity and shows strong resilience.
2) The financial markets are characterised by ample liquidity in Europe as a result of the ECB's quantitative easing programme.

3. Investment policies, asset standards and monitoring processes

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

- The risk appetite statement provides a framework for liquidity risk through the monitoring of indicators defined by the Group.
- The Group has a liquidity standard.
- 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 Group level.

4. Risk mitigation

The main identified courses of action following the occurrence of a liquidity risk are as follows:

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

5. Risk sensitivity

The standard liquidity indicator is in itself a measure of the Group's sensitivity to liquidity risk.

In 2021, liquidity risk exposure remained in line with the thresholds specified in the Group's risk appetite statement.

6. Expected profits included in future premiums

In accordance with Article 260 of the Solvency II Delegated Regulation, expected profits included in future premiums are defined as the difference between technical reserves without a risk margin and a calculation of technical reserves without a risk margin under the assumption that expected future premiums are not received.

The calculation is performed using the assumptions and methods presented in section D2.

The amount obtained is €1.6 billion.

C5 Operational risk

	Solo SCR at 31 Dec. 2021 (In € millions)
Operational risk	1,392

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 in 2020 and 2021.

2. Changes during the period

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

Methodological convergence with La Banque Postale (LBP) is ongoing as part of the European Central Bank's (ECB) roadmap.

In 2021, with the aim of meeting the ECB's requirements and supporting the convergence with LBP and the growth of international activities, the Group Risk department reorganised, particularly with regard to operational risks and permanent control, in order to strengthen its independence, its effectiveness and the coordination of the second line of defence. It also defined a new operational risk tolerance framework.

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

Product, policy and policyholder relations compliance

The Group operates in an increasingly heavily regulated environment. Since the entry into force in Europe in 2018 of the Insurance Distribution Directive (IDD) and the General Data Protection Regulation (GDPR), work on the risk management and control system has been ongoing within the company. At the same time, the growing digitisation of policyholder relationships is also leading to changes in the regulatory environment.

In general, the management of compliance risks related to product governance and management was strengthened by updating the corpus of documents (policies, procedures and mapping) and the deployment of controls on partner training and remuneration policies and practices.

Outsourcing and delegated management

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

The Group Outsourcing department set up in 2019 strengthens cross-functional outsourcing processes by updating the contractor map and systematically seeking Group-level back-up. The establishment of an outsourcing audit team helps to strengthen operational controls performed by contractors and controls over compliance risks.

Process execution, delivery and management

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

- The growing use of 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-CFT and anti-corruption 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 the Group:
    - Streamlined management frameworks/systems in progress
    - Enhanced the monitoring of management application service quality
    - Continued accounting/management reconciliation work
    - Deployed upgraded controls over the evidencing of consolidated account balances;
    - Reviewed the process for recovering undue payments
    - Optimised tax accounting processes
    - Continued completion of the 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
    - Reinsurance: secure processing of reinsured claims

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).

Security and data protection

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 Group has also mapped its IT infrastructure in areas identified as sensitive, and strengthened the system for managing the cyber risk exposures of subsidiaries and contractors.
- Performance of security audits and monitoring of deployment plans.

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 that began in March 2020 and continued throughout 2021, intruder risk in CNP Assurances Group's systems remains a concern.

Software or IT production risks

Information systems incidents were once again the main cause of operating incidents in 2021. 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 Group's distribution and management procedures are exposed to the risk of fraudulent statements, misappropriations of funds, money laundering and bribery attempts.

There are few recorded cases of internal and external fraud, though the number is constantly increasing. Managing fraud risk is the responsibility of the Compliance department, which has been carrying out the following work over the last several years:

- Fraud risk governance: updating and publishing the Group anti-fraud policy and implementing an ad hoc mapping.
- Awareness and controls:
  - Review of the different departments' gift and inducements registers;
  - AML-CFT checks on transactions carried out by the individual and group insurance businesses;
  - Reviews of contractual clauses;
  - Implementation of a system to raise employee awareness of fraud risks, including dedicated e-learning modules.
  -

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 skyscrapers, 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 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.

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 Group 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 the Group's image and reputation.
- The system's objectives are to:
    - Help the Group 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 Group 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.
- Deploy an insurance programme: 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.
- Carry out 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.

CNP Assurances' Compliance function includes a dedicated unit to deal with financial security issues. 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 Group.

The operational risks included in the analysis are reviewed annually to obtain assurance that the scenarios effectively cover all of the Group'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 and permanent control department 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 three possible courses of action:
    - Keep the emerging risk on the watchlist and continue to monitor and track it, or
    - Classify and manage the emerging risk as a financial and/or underwriting and/or operational risk, subject to permanent controls; or
    - Ignore the risk, on the grounds that it is no longer real or material.

2. Reputational risk

Reputational risk is a cross-functional risk that is closely linked to underwriting, financial and operational (legal and employee-related) risks. This is because an event that unfavourably affects stakeholders' perception of the Group may temporarily or durably damage its reputation. Reputational risk is managed through a monitoring system, crisis management plans and remedial action plans.

The Group has set up a system to monitor in real time all references to its name and that of its subsidiaries across all media: news outlets, audio, visuals, the press, forums, blogs and social networks. In addition to real-time alerts that enable it to detect even the weakest signals, monthly and half-yearly reporting systems have been developed to help define the action plans needed to manage CNP Assurances' reputation based on its mass media presence. A dedicated unit has been set up in the Communications and Strategic Marketing department, with a multi-disciplinary team supported by external consultants, to conduct reputation monitoring and analysis activities and determine any necessary action plans. A process for coordinating monitoring and messaging has been set up at Group level with its subsidiaries in France and abroad.

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.

Reputational risk is partially taken into account in quantitative analyses with the massive surrender risk, which is included in the standard formula. One of the main consequences of a reputation deficit is a wave of surrenders.

3. Model risk

The term “model” referred to here pertains to the set of systems that, based on data and assumptions, generate estimates through the application of quantitative operations to address a specific use. These include all the models used to produce the Solvency II Pillar 1, ORSA, MCEV and Value of New Business (VNB) metrics for CNP Assurances' portfolio of commitments.

Model risk is considered an operational risk within the Group and can materialise throughout the model's life cycle as follows:

- Risk of financial loss attributable directly or indirectly to the lack of relevance of assumptions and methods with respect to the model's objective (design risk);
- Risk of financial loss attributable directly or indirectly to deficiencies in the operational process that transform input data into estimates (implementation risk);
- Risk of financial loss attributable directly or indirectly to an inaccurate interpretation of the output generated by the model and/or to the use of the model outside its framework of use (risk of use);
- Risk of financial loss attributable directly or indirectly to a deficiency in the model monitoring process.

Model risk management relies on the establishment of a framework based on the following principles:

- A detailed governance system and a clear distribution of roles throughout the model's life cycle. For prudential models, this notably includes committees, so that model assumptions, laws and functionalities are presented to and approved by decision-makers at the appropriate level in the organisation depending on the potential impact of the update;
- An independent review and validation process by an actor in the second line of defence. In addition to the various external reviews, an internal team “model validation and governance” team performs independent reviews of the models and their successive updates;
- exhaustive mapping of models (including prudential models) carried out at the Group level;
- A rating of the model risk used to classify and adapt the system's requirements according to the level of criticality of the models;
- Comprehensive documentation covering the entire life cycle of the model, designed to address the different populations (decision-makers, users, modellers, etc.) and thus make it possible to establish knowledge.

All model risk management principles are detailed in a Group policy currently being validated. This policy is being implemented to meet the requirements of CNP Assurances' internal audit, aligned with the best market practices, and the needs expressed by La Banque Postale.

4. Strategic risks

Partnership risk

This risk is defined as the risk of loss of revenue from a partnership (for example, due to termination or refocusing), including the risk of renewal on unfavourable terms, and the risk of a partnership adversely affecting the Group's results or resulting in the recognition of an impairment loss on goodwill or other intangible assets.

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 uncertainty that the financial performance of companies or partners acquired will be aligned with the business plans on which the original investment decision was based. Underperformance may result in impairment losses being recognised on goodwill or other intangible assets that will negatively affect the Group's financial position.

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

The bancassurance model relies on the continued implementation of its partnership agreements and their renewal. For this reason, CNP Assurances pays close attention to the imminent expiry of its strategic partnerships and the risk that they will not be renewed.

In order to limit these risks, strategic partnerships are integrated into the risk management and monitoring systems. This ensures that their performance is monitored and that the partnership is refocused if - and to the extent - necessary, with the participation of the distribution partner as appropriate. Other risk-mitigating actions include establishing a high quality governance system when the partnership is set up, notably by appointing members of the entity's existing management to the new governance bodies, and including an earn-out clause in the partnership agreement to ensure that the partners have a shared interest in meeting the business plan objectives.

In 2021, over three-quarters of the Group's premium income (on an IFRS basis) was generated through its five main distribution partners (La Banque Postale for 25%, BPCE for 19%, Caixa Seguridade for 20%, Banco UniCredit for 10% and Banco Santander for 3%).

Highlights of the Group's international and domestic development in 2021 included:

- **Securing the partnership in Brazil,** with the finalisation on 30 March 2021 of the new partnership signed in August 2020 between CNP Assurances and Caixa Seguridade. This partnership relates to the distribution of consorcios products in the CEF network, as authorised by the Brazilian Central Bank (BACEN) on 29 July 2021.
- **Expanding the Group's presence in Italy**, with the acquisition on 1 December of Aviva's Italian life insurance business - 51% of CNP Vita Assicura (formerly Aviva S.p.A), a joint venture that is 49%-owned by Banco Unicredit, and 100% of CNP Vita Assicurazione (formerly Aviva Life S.p.A). The acquisition has allowed CNP Assurances to double its market share in this country.

  This transaction also strengthens the partnership between CNP Assurances and UniCredit S.p.A through CNP Vita Assicura S.p.A (joint venture 49%-owned by our banking partner), alongside their existing partnership through CNP UniCredit Vita S.p.A.

- **Strengthening the Group's position in France**, notably through:
  - **Deeper industrial partnerships between La Banque Postale and the BPCE group**, notably leading to the planned extension until 2035 of the savings and personal risk distribution agreements between CNP Assurances and BPCE, currently in force until 2030.

    This project is part of La Banque Postale's plan to buy out BPCE's 16.1% stake in CNP Assurances, completed in December 2021, and to file a simplified tender offer for the 21.1% of CNP Assurances' capital not already held.

    The project will reinforce CNP Assurances' ties with La Banque Postale, which will become its sole shareholder. It will enable the Group to reaffirm its growth strategy based on a full-service, multi-partner and international insurance model serving all its partners and customers.

  - **The acquisition of all minority interests in MF Prévoyance** in July 2021, giving CNP Assurances the status of sole shareholder in this subsidiary.

Country risk

Close-up on France

France is the country where CNP Assurances' headquarters are located and it accounts for nearly 82% of the Group's consolidated solvency capital requirement. It is considered a low-risk country[24] by the various rating agencies, a view that is confirmed by the country's relatively positive metrics at the end of 2021. The economy rebounded strongly in the second half of the year, thanks in particular to acceleration of the vaccination rollout over the summer and the easing of certain Covid-19 restrictions.

France's economy is among the most stable in the eurozone, and the growth outlook is better than that of Germany. The recovery is expected to be driven by rising domestic demand and supported by the rapid and effective implementation of stimulus and investment plans. Like other developed countries, France has a fairly significant untapped growth reserve in the shape of the "excess" savings accumulated by French households since the beginning of the crisis.

Although inflation is rising due mainly to higher energy prices, it is below the European average. However, the political and social climate in France is a factor of uncertainty in the run-up to the presidential elections scheduled for May 2022.

For the Group, the government's decision to create a major State-owned financial group, leading to the integration of CNP Assurances into the La Banque Postale Group, has opened up promising opportunities.

Update on the Ukraine crisis of February 2022

A dedicated update is provided in section C7.

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[24] *Euler Hermès country ratings*

Risks related to new regulations

Regulatory risk is the risk of a future change in regulations, including industry practices, and the introduction of new regulations that may have an adverse effect on a company's business model or involve costly adaptation of its information systems.

The introduction of new regulations in Europe or the Group's other host countries could prove both complex and costly for the Group. Many different departments may be concerned by the change, information systems may have to be adapted and significant costs may have to be incurred for staff training to ensure compliance with the new regulatory framework. In recent years, for example, the Group has had to implement major projects to comply with the new General Data Protection regulation (GDPR), the Insurance Distribution directive (IDD), the PACTE and Sapin II laws and successive European directives dealing with money laundering and combating the financing of terrorism (AML-CFT).

In addition, new regulations may be adopted that affect the Group's business model. New accounting standards 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 impact CNP Assurances' investment strategy. Similarly, the Solvency II review could lead to a decrease in the Group's solvency ratio. Lastly, if adopted, the proposed capping of life insurance commission rates in Germany and Poland, effective from 2022, risks having a material impact on CNP Santander Insurance's business in these countries.

These regulatory changes covering prudential, accounting, compliance, legal and tax issues, as well as ESG risks, are specifically monitored through the quarterly risk reports, which are presented to the CNP Assurances Group Executive Committee and communicated to the La Banque Postale Group's Risk Management department. The Group and its subsidiaries also actively monitor the issues discussed above, to ensure

that regulatory changes are foreseen and applied on a timely basis.

Business model risk

Business model risk is the risk to the Company's financial or business model

A sustainable business model is one that satisfies all stakeholders, generates sufficient profit over the long term to fund the Company's solvency capital requirements and business development plans, and ensures that risks are controlled to an appropriate extent.

At end-2021, the Group's gross exposure to business model risk can be considered as Critical due to the challenges of transforming technical reserves and tilting the business model more in favour of the personal risk/protection business.

Business model risk is monitored in detail via the ORSA (Own Risk and Solvency Assessment) solvency capital projections. Action is taken when the solvency ratio reaches the alert threshold.

5. Concentration risk

The Group is potentially exposed to concentration risk that could arise from:

- One or more Group entities underwriting the same risk;
- One or a number of Group entities underwriting different risks 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, along with different systems of limits.

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

6. Risks related to climate change

CNP Assurances is exposed to climate risks through its investing activity, insurance activity and internal operations.

These risks can take several forms:

- 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. Climate risk includes regulatory risk (risk of a change in government policies such as a ban or restrictions on certain activities, for example through the imposition of quotas; introduction of carbon taxes, fines, environmental levies or other new tax measures), technological risk (risks resulting from the introduction of innovations or disruptive technologies that help combat climate change), market risk (changes in the balance of corporate and consumer supply and demand), liability risk (increase in claims and litigation) and reputational risk (changed perception of a company by customers and stakeholders).

Responding to the urgent need to reduce the current and future effects of climate change, the Group set up a Climate Risk Committee in 2019. This committee meets each quarter to review the roadmap to be implemented to manage climate risks across all aspects of the business. Its members include representatives of the General Secretariat, the Risk department, the Investment department, the Technical and Innovation department and the CSR department Since 2021, the remit of the Climate Risk Committee has been extended to include monitoring the progress of subsidiaries' work on climate risk management.

Physical risk

Several studies on the physical risks associated with the investment portfolio have highlighted the exposure of certain countries, companies, buildings and forests to various climate hazards. CNP Assurances' objective, based on the studies and data currently available, is to limit this exposure through appropriate investment decisions. It will nevertheless be important to regularly measure the investment portfolio's exposure to various climate risks in the coming decades as accurately as possible, based on different global warming scenarios.

CNP Assurances' business consists mainly of writing personal insurance, and the risks associated with the impact of climate change primarily concern mortality and morbidity rates. This aspect is taken into account in the measurement and management of underwriting risks, especially mortality and morbidity risks covered by death/disability contracts and term creditor insurance.

In 2019, the Group performed an initial measurement of the potential consequences of physical risks on its insurance liabilities by simulating the effects of higher-than-expected mortality rates due to climate change on all of its businesses. The exposure of the Group's liabilities to climate risk has been mapped since 2020.

With this in mind, in 2020 CNP Assurances volunteered to participate in the climate stress test carried out by the ACPR and the Banque de France. This stress test covered various transition scenarios. For personal insurers like CNP Assurances, the unfavourable scenario of a sharp rise in temperatures would lead to a heightened incidence of claims due to an increase in pollution and vector-borne diseases, affecting:

- death benefits under death/disability and term creditor insurance policies
- loss of income payments under death/disability and term creditor insurance policies
- coverage of medical costs under health insurance policies

The exercise served to quantify the Group's exposure to the climate scenarios proposed by the ACPR, particularly the potential increase in death/disability and term creditor insurance claims. It also highlighted the resilience of the Group's liabilities in the face of climate risk. The potential increase in loss ratios caused by the occurrence of physical risk could be offset to some extent by an increase in premium rates for death/disability and term creditor insurance policies. Moreover, the Group's exposure to mortality risk through its death/disability and term creditor insurance policies is partially offset by its exposure to longevity risk through its pension contracts.

When renewing its reinsurance coverage each year, the Group is also exposed to various climate risks, including the risk of an increase in the price of reinsurance and/or a decrease in the availability of natural disaster cover, or a mismatch between the duration of the reinsurance cover – generally one year – and that of the insurance cover which may extend over several years.

The Group's offices and employees are located in countries (75% in Europe and 25% in Latin America) which, due to their level of development, are not considered as being the most vulnerable to climate events likely to severely disrupt their operations. It will nonetheless be important to reliably measure the exposure and vulnerability of production resources to various climate risks in the coming decades, based on different global warming scenarios.

Transition risk

In 2015, CNP Assurances demonstrated its support for the energy transition by adopting a low carbon strategy for its investment portfolio, and in 2019, it joined the Net-Zero Asset Owner Alliance and committed to ensuring that its investment portfolio is carbon neutral by 2050. To get on track to meet this objective, in 2021 the Group set ambitious new targets for 2025 in line with current scientific knowledge. They included reducing the carbon footprint (scopes 1 and 2) of its directly held equity and corporate bond portfolio by a further 25% between 2019 and 2024 and the carbon footprint (scopes 1 and 2) of its directly held real estate portfolio by an additional 10% over the same period.

To limit the risk of stranded assets in the investment portfolio, in 2020, a plan was drawn up to exit all thermal coal sector investments in the European Union and OECD countries from the portfolio by 2030, and in the rest of the world by 2040. These commitments were supplemented in 2021 by a policy governing its investments in unconventional oil and gas.

The Group's insurance business may be adversely affected by various transition risks, including:

- Changes in customers' savings behaviour (changes in the savings rate or surrender rate) affecting the net inflow of new money into pension savings contracts;
- The introduction of stricter environmental regulations that could disrupt the housing market or household incomes, with an adverse effect on the term creditor insurance business and loan guarantee business.

C7 Other information

Russia's invasion of Ukraine on 24 February 2022 has created an environment of major international instability, the outcome of which remains unknown.

For all economic players and countries involved in this crisis, the conflict represents a systemic risk that exacerbates specific risks already identified. Depending on the duration of the conflict and its outcome, the inflationary risk could be aggravated by a sharp rise in energy prices (oil and gas in particular), as well as by a shortage of cereals. Central banks will try to control the risk of inflation by adjusting interest rates while avoiding the trap of stagflation.

The cyber threat is expected to intensify. It was already considered to be the "number one" risk threatening the insurance sector (see 2022 prospective insurance risk map, *France Assureurs*), and it will remain so. For several years, the CNP Assurances Group has been investing and working to strengthen its risk management system and boost its resilience in France and globally. Because of its current business model, CNP Assurances is less exposed than its peers, including not only insurers but also highly recognised distributors on the retail market.

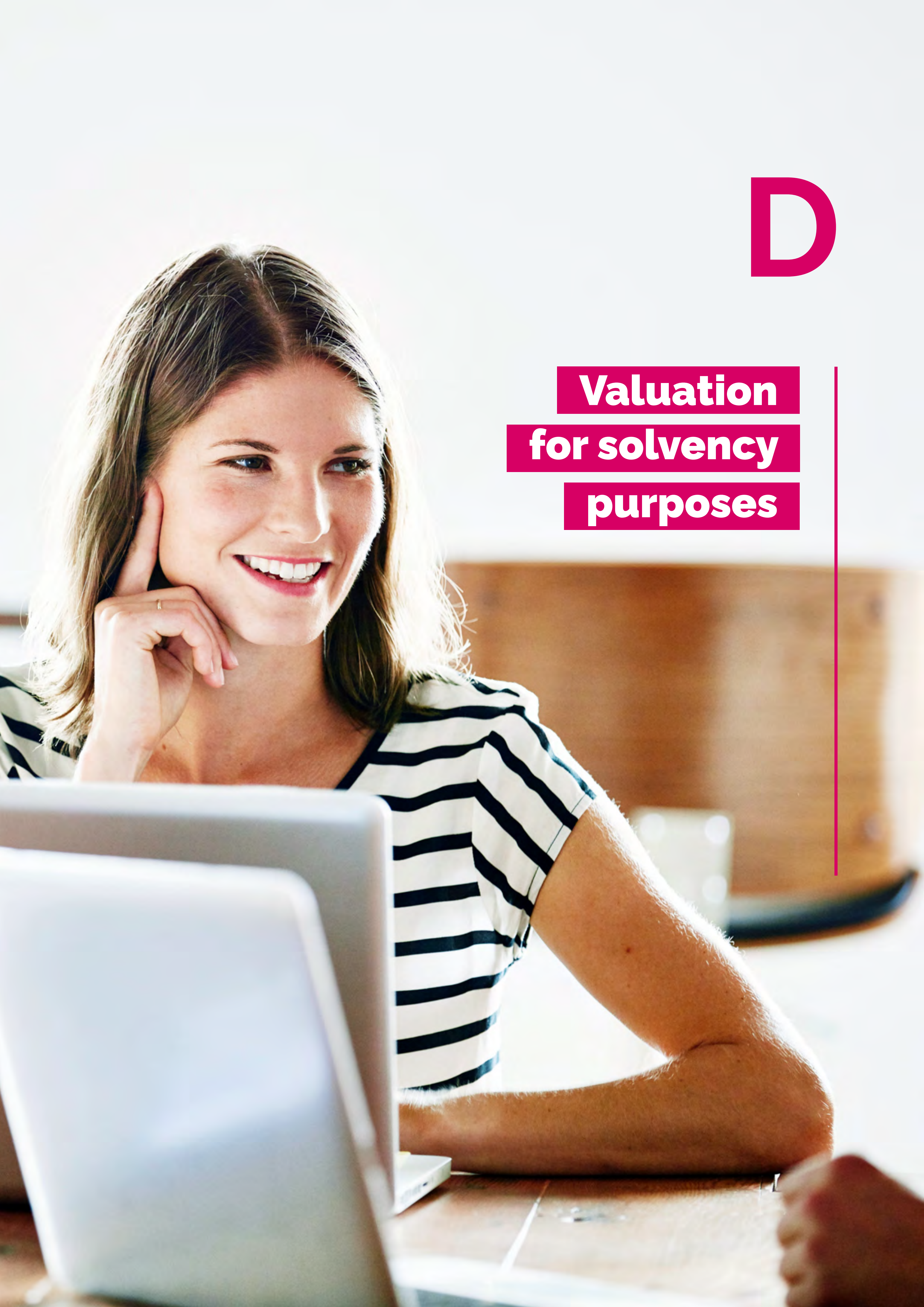
The country risk in CNP Assurances' host regions is rising due to political and economic tensions. There has been a significant increase for France and Italy in particular, as member States of the European Union, which is providing strong support to Ukraine, while there has been a moderate increase for Brazil due to its distance and relative neutrality with regard to the conflict. CNP Assurances has not identified any specific risks arising from the sanctions against Russian individuals or entities. On the one hand, CNP Assurances has simply adopted the sanctions decided by the European Union and taken the same steps as other economic players in the Union. On the other hand, CNP Assurances has no particular exposure to Russia or its nationals. Only its Cypriot subsidiary has some insurance policies purchased by Russian nationals. Following verification, these policyholders are not concerned by the sanctions.

To date, the impact on credit and counterparty risk is minimal, due to very limited direct and indirect exposure to Russia and Ukraine. The issuers most exposed to the crisis (energy companies and banks) are being constantly monitored, with no issues reported to date.

Together with its shareholder La Banque Postale, CNP Assurances is fully mobilised to face the current crisis with confidence, in the best interests of its stakeholders.

D

Valuation for solvency purposes



D1 Assets

1. Valuation principles

1.1 Use of fair value

Since 2005, the Group has used IFRS 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.

For its Solvency II balance sheet, the CNP Assurances Group uses the fair value of assets and liabilities as calculated for IFRS accounting purposes, insofar as this value complies with Solvency II asset and liability valuation principles. This ensures that a reliable Solvency II balance sheet will be produced as part of an orderly, well-managed process. It also ensures consistency with the IFRS financial statements.

However, the value of certain items may be estimated using simplified methods (cost, for example), provided that they do not represent material exposures or the difference compared with the fair value that would have been recognised in the account is not material.

1.2 Criteria for identifying active markets versus inactive markets

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

Fair value measurements in the Solvency II balance sheet and under IFRS 13 – Fair Value Measurement are generally based on quoted market prices in active markets for similar assets. For financial instruments, the fair value hierarchy defined in IFRS 13 is used. 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 (99.5% of the bond portfolio rated BBB or higher at 31 December 2021), 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 consolidated financial statements (see below). The IFRS fair values are therefore also used in the Solvency II balance sheet.

The alternative valuation methods used to determine the estimated fair value of assets valued using level 2 or 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).

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

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

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

These are based on:

- Prices not freely available 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 reference interest rates and other reference indices. 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 methods for valuing 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 Group, which ensures both the quality of the counterparty valuation methods and the quality of the ratings of the issues and the absence of a credit incident.

Fair value hierarchies

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

Level 1: financial instruments measured using quoted prices in active markets.

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

- Equities, measured on the basis of quoted prices on their reference market;
- mutual fund units, measured at their net asset value;
- Bonds, EMTNs (Euro Medium Term Notes) and BMTNs (*Bons à Moyen Terme Négociables*): 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 a valuation model based principally on market data (credit spreads, yield curves, volatilities, exchange rates, etc.);
- Derivative instruments traded over-the-counter that are measured mainly using an internal valuation model and market parameters;
- TCN (short-term commercial paper), 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 the CNP Assurances Group consist of financial instruments for which income is indexed to indices, baskets of equities, hedge funds, interest rates and credits. They may also comprise embedded derivatives that can modify the structure of revenues or repayments.

CNP Assurances Group uses valuations of its complex products prepared internally, or by an external valuer, acting as a delegate. They include structured products and derivative instruments used for hedging purposes. Due to their complexity, the valuation process involves using sophisticated models and methods, generally based on a probabilistic approach.

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

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

Asset class	Financial instruments	Models/Methods
Inflation derivatives	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	Interest-rate 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

Financial assets are measured in the same way in the IFRS balance sheet and the Solvency II balance sheet, except for (to comply with Solvency II):

- Assets classified as "held-to-maturity" investments.
- Loans and receivables.

These assets measured at amortised cost in the IFRS balance sheet are remeasured at fair value in the Solvency II balance sheet. The fair value of these assets is consistent with the values presented in the notes to the IFRS 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 companies are measured based on their adjusted net asset value excluding intangible assets, as determined based on IFRS.

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

1.3.3 Other assets and miscellaneous receivables

(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 are 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.

2. Differences compared to book value

2.1 Intangible assets

Intangible assets are cancelled from the Solvency II balance sheet because no fair value can be attributed to them due to the absence of an active market in which they could be sold.

Intangible assets cancelled from the Solvency II balance sheet at 31 December 2021 amounted to €63 million.

2.2 Investment flows

At 31 December 2021, insurance investments and derivative instruments totalled €378.3 billion in the Solvency II balance sheet versus €354.2 billion under French standards. The difference includes the value of derivative instruments recorded as liabilities[1].

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, which are measured at fair value.

In the Solvency II balance sheet, the valuation of unit-linked investment properties is renewed. Fair value adjustments to other investment properties totalled €748.9 million.

"Participations" as defined in Article 13 (20) of Solvency II (ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking that is not included in the Solvency II scope of consolidation) are also remeasured at fair value in the Solvency II balance sheet, representing an adjustment of €1.42 billion.

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

Other assets amounted to €7.8 billion under Solvency II compared to €7.5 billion under French standards, representing a difference of €0.3 billion. Treasury shares were revalued at their market value in the Solvency II balance sheet. The adjustment gave rise to a deferred tax effect. Own shares are carried in the Solvency II balance sheet for an amount of €8.1 million.

Operating properties amounted to €32 million under French standards and in the Solvency II balance sheet.

Total cash deposits with ceding companies amounted to €376 million under French standards and in the Solvency II balance sheet.

Total receivables and cash flow amounted to €7.0 billion in the Solvency II balance sheet and under French standards.

Accrued income totalling €6 million was eliminated at 31 December 2021 because the amounts involved were considered as insurance receivables and measured at their best estimate in the Solvency II balance sheet.

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

D2 Technical reserves

Technical reserves (also known as technical provisions) are defined as the amount an insurance or reinsurance undertaking would have to pay if it transferred its contractual rights and obligations immediately to another undertaking.

The value of technical reserves is equal to the sum of a best estimate and a risk margin:

- The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. It is calculated before reinsurance and comprises two parts, best estimate of premium reserves and best estimate of claims reserves.
- The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof.

For best estimate calculations, insurance obligations are segmented into homogeneous risk groups, and as a minimum by lines of business.

1. Methods and assumptions

1.1 Main analyses

CNP Assurances has improved its policyholder participation modelling.

1.2 General principles and description of the models

The best estimate calculation takes into account all future cash flows

related to the insurance obligations observed at 31 December 2021. 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 3% at 31 December 2021). CNP Assurances determines the "best estimate" for this scope by:

- 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.
- Failing this, using the statutory value of obligations that are not similar to those for which a cash flow 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 end 2021, the ultimate forward rate used was 3.6%, compared to 3.75% in 2020. Based on the Company's analyses, the sensitivity of technical reserves and own-funds to a 50-basis point 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 31/12/2021 was calculated based on the Solvency II Delegated Regulation and period-end market data. It stands at 3 bps.

Its impact on technical reserves may be summarised as follows:

Technical reserves at 31/12/2021

(In € billions)	Before volatility adjustment	After volatility adjustment	Change	Impact
Total	333.3	333.0	-0.09%	-0.3

Impact of volatility adjustment on technical reserves

The volatility adjustment had the effect of reducing the best estimate of technical reserves by €0.3 billion or -0.09 %.

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. Groupings of policies (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 according to projection factors.

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.

The risk margin is calculated using the factor-based approach, the second method proposed by the Solvency II technical guidelines. The future capital charge for each risk sub-module is estimated using a specific projection factor.

2. Uncertainties and simplifications

The impact of model uncertainties on the Solvency II balance sheet is generally 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 actions that 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 based on a regulation that defines principles rather than rules 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 2021

The best estimate of insurance obligations before reinsurance at 31 December 2021 was €329.3 billion.

(In € millions)	Best gross estimate 2021	Best gross estimate 2020	Change YoY
Medical expense insurance	59	69	-10
Income protection insurance	1,005	885	119
Workers' compensation insurance	313	344	-31
Proportional reinsurance – Medical expense insurance	303	286	18
Proportional reinsurance – Income protection insurance	8	10	(1)
Health similar to life insurance	4,016	4,349	-332
With-profits life insurance	262,690	272,405	-9,714
Index-linked and unit-linked insurance	42,927	35,467	7,460
Other life insurance	575	276	299
Health reinsurance	95	111	-16
Life reinsurance	17,354	15,722	1,632
Total	**329,346**	**329,923**	**-577**

Best estimate by Solvency II line of business

CNP Assurances' estimated risk margin at 31 December 2021 was €3.68 billion.

(In € millions)	2021 risk margin	2020 risk margin	Change YoY
Medical expense insurance	3	4	(1)
Income protection insurance	19	23	-4
Workers' compensation insurance	10	9	1
Proportional reinsurance – Medical expense insurance	16	21	-5
Proportional reinsurance – Income protection insurance	0	0	0
Health similar to life insurance	48	53	-5
With-profits life insurance	2,827	3,010	-183
Index-linked and unit-linked insurance	140	124	16
Other life insurance	446	465	-19
Health reinsurance	0	0	0
Life reinsurance	171	156	14
Total	**3,680**	**3,865**	**-185**

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 2021 per the 2021 Finance Act was 27.5% (28.41% including the 3.3% contribution).

Deferred tax assets and liabilities at 31 December 2021 take into account the effects of the 2021 Finance Act. Under the terms of the Act, the tax rate payable by companies with revenue in excess of €250 million or 25% in 2022 (25.825% 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

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.

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 remain classified as debt and are measured at fair value.

Subordinated debt amounted to €8.8 billion under French GAAP and €9.1 billion under Solvency II. The valuation difference therefore amounted to €0.3 billion.

2.2 Other liabilities

Other liabilities and miscellaneous payables

Other assets and miscellaneous payables amounted to €35.5 billion under Solvency II versus €45.9 billion under French GAAP, representing a difference of €10.4 billion. This difference can be explained as follows:

- Recognition only under French standards of securities as collateral on securities lending transactions (€11.1 billion at 31 December, 2021).
- Recognition of reinsurance deposits under the partnership agreement with BPCE increased by €1.2 billion in the Solvency II balance sheet. This was because, under Solvency II, the value of In-Force business (VIF) and the best estimate of insurance liabilities are taken into account to determine the ceded amounts and the underlying assets are remeasured at fair value.
- Accrued charges are cancelled in the Solvency II balance sheet, because they are qualified as insurance liabilities and taken into account in the best estimate. At 31 December 2021, accrued charges amounted to €0.3 billion.

Employee benefit obligations

Employee benefit obligations recognised at 31 December 2021 amount to €324 million. It is identical under French standards and in the Solvency II balance sheet.

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 Valuation principles used in section “D1. Assets”.

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;
- Share premium account, classified as Tier 1 for €1.7 billion;
- The reconciliation reserve, corresponding to the sum of the following items:

(In € billions)	31/12/2021
Excess of assets over liabilities	31.7
Treasury shares (held directly or indirectly)	0.0
Foreseeable dividends, distributions and expenses	- 0.7
Other components of basic own funds[25]	15.1
Adjustment for restricted own-funds items in respect of matching adjustment portfolios and ring fenced funds	0.0
Reconciliation reserve	**15.9**

- 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 €12.7 billion.
- Subordinated notes are measured at best estimate[26], 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.

[25] 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.

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

2.2 Ancillary own funds

The Company does not have any ancillary own funds.

2.3 Treatment of own funds from ring-fenced funds

Only the PREFON portfolio is identified as a material ring-fenced fund. The other regulatory ring-fenced funds are considered non-material and are included in the remaining part of the Company ([27]–).

The Group does not have any restricted own funds in the ring-fenced funds. The only own funds item in these funds is the in-force value, which is interpreted as a future transfer to shareholders since it meets the conditions specified in RFF guideline #8[28]. As a result, the capital adjustment to account for restricted items from segregated funds is nil.

3. Own-funds structure, amount and quality

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 €40.0 billion, as follows:

- €31.0 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and share premium account and surplus own funds.
- €9.1 billion of subordinated debt, breaking down as follows, in comparison with data at 31 December 2020:

(In € billions)	31/12/2021	31/12/2020
Restricted Tier 1	2.9	2.3
Tier 2	4.5	5.2
Tier 3	1.7	1.8
Total	**9.1**	**9.2**

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 2021, these quantitative caps on the components of eligible own funds for SCR calculations were not met.

[27] *Demonstration of the non-material nature of the ring-fenced funds was carried out on the base at 31 December 2020 in accordance with Guideline 5 - Guidelines on ring-fenced funds - EIOPA 02/02/2015*

[28] *Guidelines on ring-fenced funds - EIOPA 02/02/2015*

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

Own funds of €35.4 billion are eligible for inclusion in CNP Assurances' MCR coverage ratio, as follows:

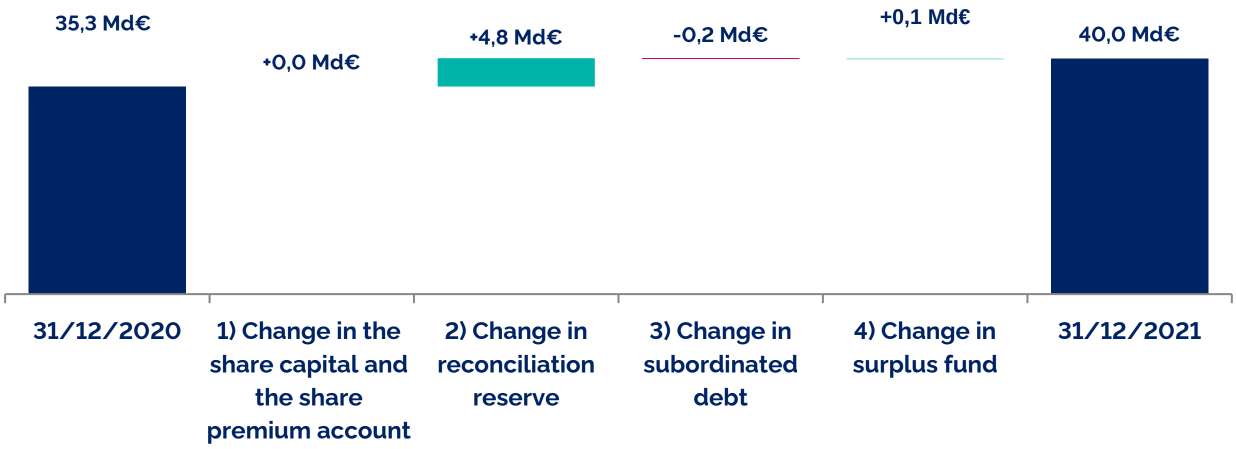
- €31 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and share premium account and surplus own funds.
- €4.4 billion of subordinated debt, breaking down as follows, in comparison with data at 31 December 2020:

(In € billions)	31/12/2021	31/12/2020
Restricted Tier 1	2.9	2.3
Tier 2	1.5	1.4
Tier 3	0.0	0.0
Total	**4.4**	**3.7**

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 2021.

The Company's eligible own funds increased by €4.7 billion between 31 December 2020 and 31 December 2021, mainly as a result of:

- The increase in the reconciliation reserve, reflecting:
  - The improvement in market conditions having a positive impact on future margins in euro Savings/Pensions;
  - the inclusion in own funds of profit for the period, net of dividends;
- The decrease in the market value of subordinated notes in connection with the issue and revaluation of subordinated notes over the period due to the increase in risk-free rates;
- The significant increase in surplus own funds due to an increase in the nominal amount of eligible policyholders' surplus reserves through the allocations made and offset by an increase in the discount rate.

3.4 Comparative analysis of IFRS equity and Solvency II own funds

The difference between French GAAP equity (€14.1 billion) and Solvency II own funds (€40.0 billion) can be explained as follows:

- Remeasurement of assets due to differences between French GAAP and Solvency II principles (including borrowings and derivatives): + €35.4 billion;
- Remeasurement of liabilities (mainly technical reserves) due to differences between French GAAP and Solvency II principles: - €17.9 billion;
- Inclusion of subordinated debt in Solvency II own funds: + €9.1 billion;
- Deduction of forecast dividends from Solvency II own funds: €0.7 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 11 subordinated notes issues concerned together represent €2.5 billion out of a total of €9.1 billion worth of subordinated debt (at fair value) in the Solvency II balance sheet at 31 December 2021. 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 2021

The SCR was €17.0 billion and the SCR coverage ratio was 236%. The MCR was €7.6 billion and the MCR coverage ratio was 463%.

2. Minimum Capital Requirement (MCR)

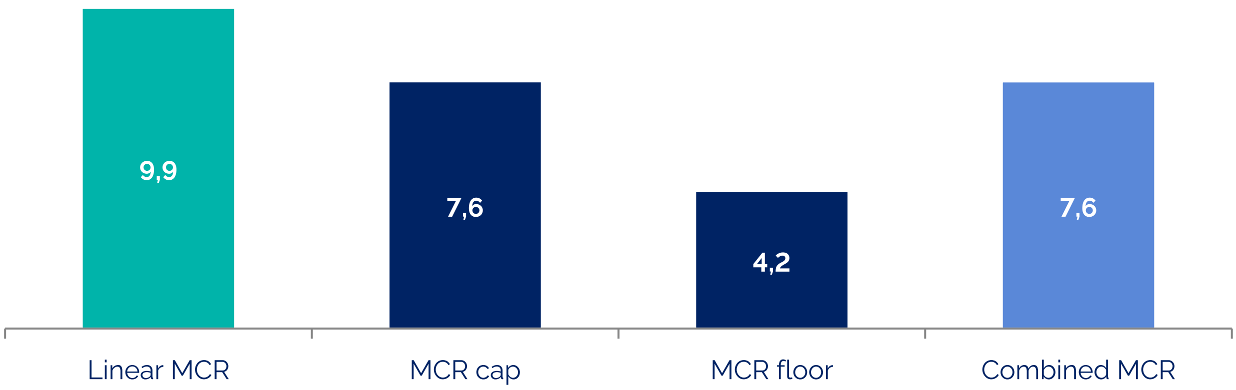
MCR is determined as follows:

- 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., €7.6 billion.

Determination of MCR (In € billions)



3. Solvency Capital Requirement (SCR)

3.1 Quantitative SCR information by risk module

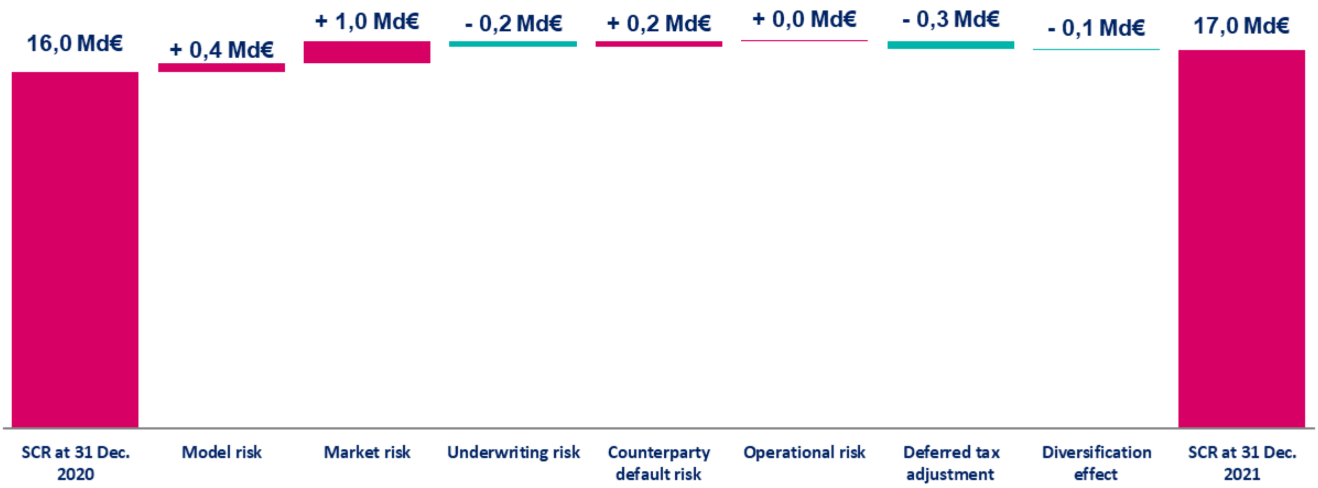
Breakdown of the Company's SCR by risk module, net of losses absorbed by future discretionary benefits:

(In € billions)	31/12/2021
Market risk SCR	13.7
Counterparty default risk SCR	1.1
Life underwriting risk SCR	3.4
Health underwriting risk SCR	1.6
Non-life underwriting risk SCR	0.0
Diversification effect	-4.0
Intangible asset risk SCR	0.0
Basic SCR	15.8
Operational risk SCR	1.4
Loss-absorbing capacity of deferred taxes	-0.3
Other*	0.1
SCR	17.0

** 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 31/12/2021 (In € billions):



The Company's SCR was €17.0 billion, representing an increase of €1.0 billion from the previous year-end.

The increase can be explained as follows:

- Model changes – primarily the review of the calibration of the unrealised wealth management strategy – had the effect of increasing SCR by €0.4 billion.
- The €1.0 billion increase in the market risk SCR linked to an increase in the equity risk SCR following the rise in the equity markets compared to 31 December 2020;
- The loss-absorbing capacity of deferred taxes was increased by €0.3 billion (with a positive 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)	7.7	7.6	-0.1
Solvency Capital Requirement (SCR)	17.2	17.0	-0.2
Basic own funds	39.8	40.0	0.2
Eligible own funds to cover the MCR	35.2	29.8	0.2
Eligible own funds to cover the SCR	39.8	40.0	0.2
Solvency II coverage ratio	**232 %**	**236 %**	**4 pts**

The decreased impact was due to the tightening of corporate and sovereign spreads observed during the year (4-point impact in 2021 versus 10-point impact in 2020).

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: 31/12/2021

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	32 551
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	333 017 631
Property (other than for own use)	R0080	991 322
Holdings in related undertakings, including participations	R0090	7 294 962
Equities	R0100	32 380 764
Equities - listed	R0110	21 489 548
Equities - unlisted	R0120	10 891 217
Bonds	R0130	206 560 192
Government Bonds	R0140	117 608 512
Corporate Bonds	R0150	72 022 040
Structured notes	R0160	16 863 300
Collateralised securities	R0170	66 340
Collective Investments Undertakings	R0180	84 267 746
Derivatives	R0190	1 445 920
Deposits other than cash equivalents	R0200	76 725
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	46 754 919
Loans and mortgages	R0230	229 334
Loans on policies	R0240	229 263
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	70
Reinsurance recoverables from:	R0270	23 540 628
Non-life and health similar to non-life	R0280	95 584
Non-life excluding health	R0290	
Health similar to non-life	R0300	95 584
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	21 396 132
Health similar to life	R0320	308 703
Life excluding health and index-linked and unit-linked	R0330	21 087 429
Life index-linked and unit-linked	R0340	2 048 912
Deposits to cedants	R0350	375 561
Insurance and intermediaries receivables	R0360	2 121 071
Reinsurance receivables	R0370	108 199
Receivables (trade, not insurance)	R0380	4 403 977
Own shares (held directly)	R0390	8 136
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	409 080
Any other assets, not elsewhere shown	R0420	313 456
Total assets	R0500	411 314 544

Liabilities		
Technical provisions - non-life	R0510	1 736 967
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	1 736 967
TP calculated as a whole	R0570	
Best Estimate	R0580	1 688 796
Risk margin	R0590	48 171
Technical provisions - life (excluding index-linked and unit-linked)	R0600	285 371 165
Technical provisions - health (similar to life)	R0610	4 159 384
TP calculated as a whole	R0620	
Best Estimate	R0630	4 111 368
Risk margin	R0640	48 016
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	281 211 781
TP calculated as a whole	R0660	
Best Estimate	R0670	277 775 769
Risk margin	R0680	3 436 012
Technical provisions - index-linked and unit-linked	R0690	45 918 288
TP calculated as a whole	R0700	
Best Estimate	R0710	45 770 524
Risk margin	R0720	147 764
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	122 032
Pension benefit obligations	R0760	324 069
Deposits from reinsurers	R0770	12 338 480
Deferred tax liabilities	R0780	311 434
Derivatives	R0790	1 696 247
Debts owed to credit institutions	R0800	178 716
Financial liabilities other than debts owed to credit institutions	R0810	18 806 683
Insurance & intermediaries payables	R0820	776 082
Reinsurance payables	R0830	534 297
Payables (trade, not insurance)	R0840	2 420 306
Subordinated liabilities	R0850	9 080 020
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	9 080 020
Any other liabilities, not elsewhere shown	R0880	33 081
Total liabilities	R0900	379 647 866
Excess of assets over liabilities	R1000	31 666 677

Solvency II balance sheet – Assets (In € billions)

Assets, Solvency II values (In € billions)	31/12/2021	Corresponding section of the SFCR
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)	333.0	D1
Asset held in unit-linked and index-linked contracts	46.8	D1
Loans and mortgages	0.2	D1
Reinsurance recoverables	23.5	D2
Other assets and miscellaneous receivables	7.8	D1
Total	***411.3***	

Notes:

- The €378.3 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 €7.8 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)	31/12/2021	Corresponding section of the SFCR
Technical reserves	333.0	D2
Subordinated liabilities	9.1	D3
Deferred tax liabilities	0.3	
Derivative instruments	1.7	
Contingent liability	0.0	D3
Other liabilities and miscellaneous payables	35.5	D3
Total	**379.6**	
Excess of assets over liabilities	***31.7***	E1

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

Non-life insurance and reinsurance obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	
		C0010	C0020	C0030	C0200
Premiums written					
Gross - Direct Business	R0110	141 736	283 278	152 239	577 254
Gross - Proportional reinsurance accepted	R0120	148 923	16 941	22 065	187 928
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	3 188	69	0	3 258
Net	R0200	287 471	300 150	174 304	761 925
Premiums earned					
Gross - Direct Business	R0210	146 806	277 397	155 301	579 504
Gross - Proportional reinsurance accepted	R0220	179 712	15 020	18 802	213 534
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	30 228	1 014	0	31 241
Net	R0300	296 290	291 403	174 103	761 796
Claims incurred					
Gross - Direct Business	R0310	104 962	320 270	126 796	552 028
Gross - Proportional reinsurance accepted	R0320	149 058	28 629	19 422	197 109
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	25 467	1 776	0	27 243
Net	R0400	228 553	347 123	146 218	721 894
Changes in other technical provisions					
Gross - Direct Business	R0410	0	0	-9 818	-9 818
Gross - Proportional reinsurance accepted	R0420	-618	0	-4 326	-4 944
Gross - Non- proportional reinsurance accepted	R0430				
Reinsurers'share	R0440	0	0	0	0
Net	R0500	-618	0	-14 144	-14 762
Expenses incurred	R0550	49 030	46 530	24 368	119 928
Other expenses	R1200				
Total expenses	R1300				119 928

Life insurance and reinsurance obligations

		Line of Business for: life insurance obligations				Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0270	C0280	C0300
Premiums written								
Gross	R1410	994 679	9 278 038	4 510 289	2 283 442	5 037	2 605 199	19 676 683
Reinsurers' share	R1420	20 939	405 002	78 978	37 408	0	1 754	544 082
Net	R1500	973 740	8 873 036	4 431 310	2 246 034	5 037	2 603 445	19 132 601
Premiums earned								
Gross	R1510	940 977	9 277 474	4 510 095	2 072 276	5 124	2 655 846	19 461 793
Reinsurers' share	R1520	53 597	409 640	78 978	98 489	0	6 251	646 955
Net	R1600	887 381	8 867 835	4 431 117	1 973 787	5 124	2 649 594	18 814 838
Claims incurred								
Gross	R1610	509 003	16 491 034	2 005 158	631 575	1 116	1 254 525	20 892 412
Reinsurers' share	R1620	26 457	1 063 926	74 379	45 179	0	-2 577	1 207 364
Net	R1700	482 546	15 427 108	1 930 779	586 396	1 116	1 257 103	19 685 047
Changes in other technical provisions								
Gross	R1710	-6 482	-18 960	0	27 228	8 090	1 472	11 347
Reinsurers' share	R1720	5 595	0	0	-350	0	-694	4 551
Net	R1800	-12 077	-18 960	0	27 578	8 090	2 166	6 796
Expenses incurred	R1900	409 716	1 582 348	308 644	944 418	904	112 595	3 358 624
Other expenses	R2500							
Total expenses	R2600							3 358 624

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	262 690 260			42 927 260		574 619			17 354 154	323 546 293		4 016 418			94 950	4 111 368
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	20 980 561			1 793 685		16 418			345 677	23 136 341		308 703			0	308 703
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	241 709 699			41 133 575		558 201			17 008 477	300 409 952		3 707 715			94 950	3 802 665
Risk Margin	R0100	2 827 401	139 751			445 955				170 669	3 583 776	48 016				0	48 016
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120																
Risk margin	R0130																
Technical provisions - total	R0200	265 517 661	43 067 011			1 020 574				17 524 823	327 130 069	4 064 433				94 950	4 159 384

S.17.01.02 – Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Direct business and accepted proportional	Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Miscellaneous financial loss	
		C0020	C0030	C0040	C0130	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	25 257	26 677	14 854	0	66 788
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	2 448	1 415	0	0	3 863
Net Best Estimate of Premium Provisions	R0150	22 809	25 262	14 854	0	62 925
Claims provisions						
Gross	R0160	337 451	986 340	298 217	0	1 622 008
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	72 785	18 936	0	0	91 721
Net Best Estimate of Claims Provisions	R0250	264 666	967 404	298 217	0	1 530 287
Total Best estimate - gross	R0260	362 707	1 013 017	313 072	0	1 688 796
Total Best estimate - net	R0270	287 474	992 666	313 072	0	1 593 212
Risk margin	R0280	19 324	18 745	10 102	0	48 171
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	382 032	1 031 762	323 173	0	1 736 967
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	75 233	20 351	0	0	95 584
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	306 799	1 011 411	323 173	0	1 641 383

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 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											0
N-9	R0160	0	0	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	201 739	407 858	113 479	41 893	19 245	9 113	762				
N-5	R0200	191 434	379 863	138 525	53 598	18 708	7 363					
N-4	R0210	187 973	428 203	114 938	48 574	22 787						
N-3	R0220	196 986	391 721	105 251	64 282							
N-2	R0230	166 605	365 177	131 368								
N-1	R0240	150 256	340 051									
N	R0250	153 158										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	0	0
	R0160	0	0
	R0170	0	0
	R0180	0	0
	R0190	762	794 088
	R0200	7 363	789 490
	R0210	22 787	802 474
	R0220	64 282	758 240
	R0230	131 368	663 150
	R0240	340 051	490 307
	R0250	153 158	153 158
Total	R0260	719 772	4 450 907

Gross undiscounted Best Estimate Claims Provisions

Year		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											0
N-9	R0160	0	0	0	0	0	0	0	0	0	0	
N-8	R0170	0	0	0	0	0	0	0	0	0		
N-7	R0180	0	0	0	0	0	0	0	0			
N-6	R0190	0	524 238	294 461	122 099	27 015	16 865	11 773				
N-5	R0200	1 123 337	548 220	201 015	112 629	27 253	17 147					
N-4	R0210	956 792	324 376	239 941	204 206	28 735						
N-3	R0220	629 406	318 770	196 137	124 167							
N-2	R0230	652 291	325 567	263 872								
N-1	R0240	683 573	441 272									
N	R0250	730 115										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	0
	R0170	0
	R0180	0
	R0190	0
	R0200	0
	R0210	0
	R0220	0
	R0230	0
	R0240	0
	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	333 026 420	0	0	294 822	0
Basic own funds	R0020	40 041 962	0	0	-207 757	0
Eligible own funds to meet Solvency Capital Requirement	R0050	40 041 962	0	0	-207 757	0
Solvency Capital Requirement	R0090	16 968 894	0	0	202 313	0
Eligible own funds to meet Minimum Capital Requirement	R0100	35 362 560	0	0	-189 549	0
Minimum Capital Requirement	R0110	7 636 002	0	0	91 041	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 mut	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	12 705 316	12 705 316			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	15 853 160	15 853 160			
Subordinated liabilities	R0140	9 080 020		2 873 419	4 462 237	1 744 365
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	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 reco	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	40 041 962	30 961 941	2 873 419	4 462 237	1 744 365
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic ow	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on de	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	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Direc	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3)	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	40 041 962	30 961 941	2 873 419	4 462 237	1 744 365
Total available own funds to meet the MCR	R0510	38 297 597	30 961 941	2 873 419	4 462 237	
Total eligible own funds to meet the SCR	R0540	40 041 962	30 961 941	2 873 419	4 462 237	1 744 365
Total eligible own funds to meet the MCR	R0550	35 362 560	30 961 941	2 873 419	1 527 200	
SCR	R0580	16 968 894				
MCR	R0600	7 636 002				
Ratio of Eligible own funds to SCR	R0620	2,36				
Ratio of Eligible own funds to MCR	R0640	4,63				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	31 666 677
Own shares (held directly and indirectly)	R0710	8 136
Foreseeable dividends, distributions and charges	R0720	696 600
Other basic own fund items	R0730	15 108 781
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	15 853 160
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	1 639 831
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	582
Total Expected profits included in future premiums (EPIFP)	R0790	1 640 413

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

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	33 091 292		
Counterparty default risk	R0020	1 098 253		
Life underwriting risk	R0030	4 502 707		Aucun
Health underwriting risk	R0040	2 400 852		Aucun
Non-life underwriting risk	R0050	0		Aucun
Diversification	R0060	-5 542 162		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	35 550 942		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1 391 507
Loss-absorbing capacity of technical provisions	R0140	-19 662 121
Loss-absorbing capacity of deferred taxes	R0150	-311 434
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	16 968 894
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	16 968 894
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	16 698 476
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	270 418
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	-311 434
LAC DT justified by reversion of deferred tax liabilities	R0650	-311 434
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	311 434

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	214 077	

		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	287 474	85 788		
Income protection insurance and proportional reinsurance	R0030	992 666	275 729		
Workers' compensation insurance and proportional reinsurance	R0040	313 072	127 453		
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		9 696 250

		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			239 400 186	
Obligations with profit participation - future discretionary benefits	R0220			28 861 774	
Index-linked and unit-linked insurance obligations	R0230			43 721 640	
Other life (re)insurance and health (re)insurance obligations	R0240			4 934 334	
Total capital at risk for all life (re)insurance obligations	R0250				2 756 546 555

Overall MCR calculation

		C0130
Linear MCR	R0300	9 910 327
SCR	R0310	16 968 894
MCR cap	R0320	7 636 002
MCR floor	R0330	4 242 223
Combined MCR	R0340	7 636 002
Absolute floor of the MCR	R0350	6 200
Minimum Capital Requirement	R0400	7 636 002

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	214 077	9 696 250
Notional SCR excluding add-on (annual or latest calculation)	R0510	366 552	16 602 341
Notional MCR cap	R0520	164 949	7 471 054
Notional MCR floor	R0530	91 638	4 150 585
Notional Combined MCR	R0540	164 949	7 471 054
Absolute floor of the notional MCR	R0550	2 500	3 700
Notional MCR	R0560	164 949	7 471 054

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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 (RAS): 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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