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Solvency and Financial Condition Report (SFCR) 2022

CNP Assurances, SOLO

Version proposed for approval by the Board of Directors

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 period from 1 January 2022 to 31 December 2022.

It 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 2022 report was approved by CNP Assurances' Board of Directors at its meeting on 6 April 2023.

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 a responsible insurer and long-term investor, CNP Assurances supports and protects individuals at all stages of their lives. Its solutions allow its customers to cope with uncertainties or finance projects. The Group's expertise in personal insurance includes personal risk insurance, term credit insurance, long-term care and health insurance, as well as savings with life insurance policies and supplementary pension solutions. CNP Assurances is one of the leaders in this segment, which accounts for 73.5%* of the insurance market in France.

CNP Assurances is also present in property and casualty insurance (fire, accidents and miscellaneous risks), particularly in Brazil and Cyprus. The operation with La Banque Postale and the upcoming creation of a holding company, CNP Assurances, will allow the Group to expand its activities to property insurance in France.

CNP Assurances manages policyholders' risks by pooling them and invests the proceeds from their premiums over time. Its investment horizon reflects this: long-term government debt, major national infrastructure projects (electricity transmission, fibre optic and water distribution networks, for example), and equities and bonds in companies covering a wide range of regions and sectors. Driven by its socially-responsible vocation, CNP Assurances selects and manages its assets according to environmental, social and governance (ESG) criteria. This strategy is driven by its commitment to increasing the positive impact of its investments on society and the planet and reducing its adverse impacts. It applies an exclusion policy for companies involved in coal, oil, gas, tobacco and weapons, and ensures respect for human rights and gender equality in the companies in which it invests.

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

	2022	2021	Change
Premium income (IFRS)	€18.6bn	€20.2bn	-7.9%
Net insurance revenue[4]	€2.1bn	€2.0bn	+4.1%
Net income, Group share[5]	€1,939m	€1,552m	+25%
Investment income and expenses [6]	€5.1bn	€5.5bn	-7.3%
Technical reserves (gross of reinsurance)[7]	€261.4bn	€333.0bn	-21.5%
Eligible own funds covering the SCR	€36.9bn	€40.0bn	-7.8%
SCR	€13.9bn	€17.0bn	-18.2%
SCR coverage ratio	266%	236%	+30 pts
Eligible own funds covering the MCR	€33.3bn	€35.4bn	-5.9%
MCR	€6.2bn	€7.6bn	-18.4%
MCR coverage ratio	532%	463%	+69 pts

Business and performance

Stéphane Dedeyan, Chief Executive Officer, highlights: "CNP Assurances recorded a sharp increase in earnings, driven by its international development strategy and its adjustment to the interest rate environment. By working towards an inclusive and sustainable society, the Group's ambition is to be the most useful insurer for its stakeholders. The Group

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[1] *Positioning by player on the basis of premiums received (gross of reinsurance) in France, Argus de l'assurance "2022 classification of loan insurance: bancassurers (2021 figures in €m)", September 2022*

[2] *Source: 2021 data, FFA, June 2022*

[3] *Source: SUSEP (Brazilian insurance supervisor), statistics at end 2022*

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

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

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

[7] *Based on Solvency II measurement principles*

is once again proud to demonstrate its solvency and financial solidity, which are essential if it is to meet its environmental and societal commitments."

This year also saw changes in CNP Assurances' shareholder structure. La Banque Postale was already the majority shareholder with 78.9% of the share capital in 2021, and it became the sole shareholder of CNP Assurances in June 2022 following a simplified tender offer for minority shareholders. At 31 December 2022, CNP Assurances' share capital ownership was as follows:

- La Banque Postale: 99.95%;
- CNP Assurances (treasury shares): 0.05%.

As part of the creation of a major public financial group alongside Caisse des Dépôts and La Poste Group, La Banque Postale became the sole shareholder of CNP Assurances in 2022. Being part of the public financial group bolsters CNP Assurances' socially-responsible vocation and its commitment to work towards an inclusive, sustainable society by pushing back the limits of insurability.

The forthcoming integration of all of La Banque Postale's insurance activities in a holding company, CNP Assurances, will enable the new group to become an all-round insurer in France and the vector of the entire insurance offering proposed by the La Banque Postale Group

CNP Assurances continued to implement its strategy, in particular by:

- Strengthening its fundamentals by continuing the transformation of its assets; optimising its strategic allocation with a significant increase in the average actuarial rate at purchase for more than €30 billion invested; freezing prices and cancelling premium surcharges in term creditor insurance; and finalising the creation of the CNP Retraite supplementary occupational pension fund (€25 billion in assets transferred);
- Developing growth and diversification drivers: continuing to extend the open business model internationally thanks to acquisitions in Italy and Brazil; further developing the partnership with La Banque Postale; and promoting high-end products;
- Transforming CNP Assurances' business model in line with its corporate mission (enhancing non-financial disclosures and publishing indicators by stakeholder), and its ambition to achieve a high-value-added model by pursuing its transformative and empowering approach for improving work, moving its head office to facilitate collaboration and initiating a plan to transform its information system.

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 ten 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 in 2022:

- As part of the CNP Assurances-La Banque Postale operation:
    - Stéphane Dedeyan joined La Banque Postale's Executive Board on 27 October 2022 with a view to the integration of the Group's insurance activities into CNP Assurances Holding, the holding company to be created in spring 2023.
- As part of the Group's multi-partner international growth:

    - Appointment of three new members of the Executive Committee of CNP Assurances: Sonia Barrière, Head of Strategic Transformation, Marie-Aude Thépaut, Head of the Europe Outside France business unit, and Agathe Sanson, Head of Stakeholder Dialogue, Communication and Sponsorship,
    - Thomas Béhar, Group Chief Financial Officer and member of the Executive Committee, took over from Xavier Larnaudie-Eiffel as Deputy Chief Executive Officer of CNP Assurances,
    - Appointment of Asma Baccar, CEO of CNP Seguros Holding Brasil, as Head of the Latin America business unit and member of the Executive Committee, to replace Laurent Jumelle;
- At the Board level, Nicolas Namias replaced Laurent Mignon following his departure from Groupe BPCE in December 2022.

Risk profile

CNP Assurances' risk profile shows that the Group's primary exposure is to market risk. The Solvency Capital Requirement for market risks accounts for more than half of the total capital requirement. However, its broad and diverse range of products has a significant diversification effect. In all, diversification benefits are estimated at 24%.

The Group is particularly sensitive to risks related to changes in interest rates and the value of shares on the stock markets. Accordingly, for several years, CNP Assurances has implemented a hedging programme aimed at limiting the impact of a decline in share prices. In 2022, market movements were overall favourable, contributing 8 points to the coverage ratio, compared to 17 points in 2021.

Lastly, the conflict between Russia and Ukraine that began in February 2022 caused major international instability, the consequences of which are still unknown. This matter is discussed in section "C7. Other information" of this report. This section addresses the potential impacts on the CNP Assurances Group's risk factors. The Group's ORSA has not been called into question.

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 €261.4 billion at 31 December 2022.

Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) coverage ratios[8]

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 €36.9 billion at 31 December 2022. The total included €29.4 billion in basic own funds, classified as unrestricted Tier 1 capital, and €7.5 billion in subordinated liabilities (of which a portion is covered by the grandfathering clause).

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[8] *Amounts shown are rounded to the nearest billion*

The €29.4 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 2022 was calculated by the flat rate method recommended by the ACPR.

Its Solvency Capital Requirement, calculated using the Solvency II Standard Formula, was €13.9 billion at 31 December 2022.

CNP Assurances' SCR coverage ratio at the same date was 266% (up 30 points compared with 2021). SCR ratio calculations take into account the volatility adjustment provided for in the Solvency II Directive (Article 77 (5)), which had a 10-point positive impact on the ratio at 31 December 2021 versus a 4-point positive impact at end-2021.

CNP Assurances' Solvency II own funds eligible for inclusion in the MCR coverage ratio, based on the Solvency II balance sheet, amounted to €33.3 billion at 31 December 2022. The total included €29.4 billion in basic own funds classified as unrestricted Tier 1 capital and €3.8 billion in subordinated liabilities.

CNP Assurances' Minimum Capital Requirement was €6.2 billion at 31 December 2022.

The Group's MCR coverage ratio at that date was therefore 532%, up 69 points on the previous year.

Section

A. Business and performance

A1 Business review

1. General information

Name, headquarters, Trade and Companies Registry number and APE business identifier code

CNP Assurances
4, promenade Cœur de Ville
92130 Issy-les-Moulineaux
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). The Company, which issues subordinated debt listed on Euronext Paris, is also supervised by the French financial markets authority, the Autorité des Marchés Financiers (AMF).

2. Statutory Auditors

Statutory Auditors of CNP Assurances	First appointed	Appointment ends
KPMG S.A. Tour EQHO 2 Avenue Gambetta CS 60055 92066 Paris La Défense cedex represented by Pierre Planchon* and Anthony Baillet**	2022	AGM to be held to approve the 2027 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 2027 financial statements

** Member of the Compagnie régionale des Commissaires aux Comptes de Paris.*

*** Member of the Compagnie régionale des Commissaires aux Comptes de Versailles et du Centre.*

**** Member of the Compagnie régionale des Commissaires aux Comptes de Versailles.*

3. Ownership structure

At 31 December 2022
Number of shares: 686,618,477

Total theoretical number of voting rights (gross): 1,118,107 817
Total number of voting rights exercisable at general meetings (net): 1,117,733 743

Shareholders	Number of shares	% of capital	% in voting rights exercisable at general meetings
La Banque Postale (France)	686,244 403	99.95%	100.00%
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[9] 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.

On 16 March 2022, La Banque Postale filed a proposed simplified tender offer (no. 222C0622) for the shares of CNP Assurances with the Autorité des Marchés Financiers (AMF). The simplified tender offer (no. 222C0962) was open from 2 to 31 May 2022 inclusive and at its close, La Banque Postale held 97.67% of the company's share capital and 98.49% of its voting rights (no. 222C1368). A mandatory squeeze-out procedure was completed on 20 June 2022 (no. 222C1398).

Following these transactions, the breakdown of CNP Assurances' capital as at 31 December 2022 was as follows:

- La Banque Postale: 99.95%;
- CNP Assurances (treasury shares): 0.05%.

As at 31 December 2022, 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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[9] *Holding subsidiary whose activity was to hold the La Banque Postale Group's equity securities. In 2021, SF2 was merged with La Banque Postale SA.*

As part of the creation of a major public financial group alongside Caisse des Dépôts and La Poste Group, La Banque Postale became the sole shareholder of CNP Assurances in 2022. Being part of the public financial group bolsters CNP Assurances' socially-responsible vocation and its commitment to work towards an inclusive, sustainable society by pushing back the limits of insurability.

The forthcoming integration of all of La Banque Postale's insurance activities in a holding company, CNP Assurances, will enable the new group to become an all-round insurer in France and the vector of the entire insurance offering proposed by the La Banque Postale Group.

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 2022 are as follows:

Entity	Country	% control	% interest
CNP ASSURANCES	France	100.00%	100.00%
CNP Caution	France	100.00%	100.00%
Arial CNP Assurances	France	40.00%	40.00%
MFPrévoyance S.A.	France	100.00%	100.00%
CNP Retraite (entry into scope)	France	100.00%	100.00%
Assuristance	France	100.00%	100.00%
Filassistance International	France	100.00%	100.00%
CNP Assurances Compañía de Seguros	Argentina	76.47%	76.47%
CNP Assurances Latam Holding Ltda	Brazil	100.00%	100.00%
CNP Seguros Holding Brasil S.A.	Brazil	51.75%	51.75%
CNP Participações Securitarias Brasil Ltda	Brazil	100.00%	51.75%
Caixa Seguradora S.A.	Brazil	100.00%	51.75%
CNP Capitalização S.A.	Brazil	51.00%	26.39%
CNP Consórcio S.A. Administradora de Consórcios (formerly Caixa Consórcios S.A. Administradora de Consórcios)	Brazil	100.00%	100.00%
Youse Tecnologia e Assistencia EM Seguros Ltda (formerly 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 S.A.	Brazil	25.00%	12.94%
Odonto Empresas Convênios Dentários Ltda	Brazil	100.00%	100.00%
CNP Seguros Participações em Saúde Ltda (formerly Caixa Seguros Participações em Saúde Ltda)	Brazil	51.75%	51.75%
CNP UniCredit Vita	Italy	51.00%	51.00%
CNP Vita Assicurazione	Italy	100.00%	100.00%
CNP Vita Assicura	Italy	100.00%	100.00%

Entity	Country	% control	% interest
Montparvie V	France	100.00%	100.00%
CNP Cyprus Insurance Holdings	Cyprus	100.00%	100.00%
CNP Zois	Greece	100.00%	100.00%
CNP Cyprialife	Cyprus	100.00%	100.00%
CNP Asfalistiki	Cyprus	100.00%	100.00%
CNP Luxembourg	Luxembourg	100.00%	100.00%
CNP Santander Insurance Life Ltd	Ireland	51.00%	51.00%
CNP Santander Insurance Europe Ltd	Ireland	51.00%	51.00%
CNP Europe	Ireland	100.00%	100.00%
Sogestop K	France	100.00%	100.00%
Holding XS 1 S.A.	Brazil	51.00%	40.00%
XS5 Administradora de consorcios S.A.	Brazil	50.01%	25.00%
XS2 Vida e Previdência S.A.	Brazil	100.00%	40.00%
Caixa Vida e Previdência	Brazil	100.00%	40.00%
CNP Assurances Participações Ltda	Brazil	100.00%	100.00%

Note: in the rest of this report, "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 affiliated companies of CNP Assurances is published in the Universal Registration Document, section 5.4.1 of the annual financial statements.

The list of CNP Assurances' branches at 31 December 2022 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 Asfalistiki	CNP Asfalistiki Greece branch	Greece	Athens

5. Significant events in 2022

5.1 Economic and financial environment

A new economic situation

2022 marked a turning point in the economic and financial cycle in place since the 2008 financial crisis. After tensions on prices and supplies emerged in 2021, inflation accelerated sharply to levels not seen in more than 40 years: above 10% in Europe and 9% in the United States. The rise in prices gradually spread to all activities, particularly services, as economies reopened fully after the Covid-19 crisis. It was amplified by the war in Ukraine from February, which triggered a surge in energy and food commodity prices. This increase in prices impacted household purchasing power and business expenses, leading to a slowdown in real growth in the United States (negative in H1) and in China due to the resurgence of Covid-19. The savings built up by households during Covid-19 and strong labour markets (unemployment at its lowest level in Europe at 6.5% and in the US at 3.5%) helped maintain demand and allowed companies to adjust their prices.

An about-turn in monetary policy by central banks

This surge in prices and emerging wage pressures led developed countries' central banks to tighten monetary policy, following in the footsteps of emerging countries, which started on this path in 2021. After years of loose monetary policy, with negative rates and an unprecedented expansion of their balance sheets, the Fed and the ECB raised interest rates sharply (+250 bp for the ECB and +425 bp for the Fed) and proactively (with increases of up to 75 bp per meeting). Whereas in late 2021, the central banks considered that the spike in inflation was just temporary, from June onwards, they confirmed their intention to eliminate any threat of a price/wage spiral, at the risk of triggering an economic recession, catching investors unaware.

Financial markets unsettled by the changing economic and financial environment

This rise in inflation against a backdrop of geopolitical tensions and the widespread and fast-paced adjustment to monetary policies led to a rise in commodity prices, a sharp appreciation of the dollar, a significant rise in bond yields and a correction on the stock markets. Although the magnitude of these moves eased in the last quarter of the year, the market correction was the worst since 2008 with bonds and equities down 15% and 20% respectively. The dollar gained 8% against its benchmark currency basket, particularly against the euro and against emerging currencies, with the notable exception of the Brazilian real, which gained +7% as local inflation eased. Around the world, the price of oil (+8%), industrial metals (-3%) and food (-2%) declined after rising by almost 50%.

A new bond era with multiple consequences

This reversal in monetary policy of an extent not seen for 40 years caused bond and equity prices to move in parallel, significantly affecting portfolio management. Long rates reached their highest levels since 2007 (3.11% for the 10-year OAT yield, 3.85% for the US 10-year), causing outflows from the corporate debt markets, a significant widening of spreads and, ultimately, a negative performance on all bond segments. The rise in interest rates led to a sharp contraction in stock market valuation multiples (PER reduced from 15x to 11x on the EURO STOXX) and a drop in equity indices (-10% in Europe, -20% in the United States) despite resilient corporate earnings (+18% in Europe, +8% excluding oil companies). This correction significantly affected growth stocks (particularly the technology sector), which had benefited from the decline in long yields since 2020. The year 2022 challenged expectations, paving the way for an uncertain 2023 with regard to inflation, growth and monetary policy decisions.

5.2 Significant events of 2022

Governance adjusted and strengthened

The simplified tender offer by La Banque Postale as part of the creation of the major public financial group was a success, with the approval of the Autorité des Marchés Financiers (AMF) on 26 April, and the purchase of the CNP Assurances shares not yet owned by La Banque Postale on 20 June 2022, followed by the company's delisting.

The **CNP Assurances-La Banque Postale** operation led to changes in the governance of the two groups. On January 19, Amélie Breitburd, CEO of Lloyd's Insurance Company, was co-opted to the Board of Directors as an independent director to replace the director from Groupe BPCE. On 27 October, Stéphane Dedeyan, Chief Executive Officer of CNP Assurances joined La Banque Postale's Executive Board with a view to the integration of the Group's insurance activities into CNP Assurances Holding, the holding company to be created in spring 2023.

To boost the multi-partner approach and facilitate international development, two new members were appointed to the CNP Assurances Executive Committee in April: Sonia Barrière, Head of Strategic Transformation, and Marie-Aude Thépaut, Head of the Europe Outside France business unit. In June, Thomas Béhar, Group Chief Financial Officer and member of the Executive Committee, took over from Xavier Larnaudie-Eiffel as Deputy Chief Executive Officer of CNP Assurances. On 1 October, Asma Baccar, CEO of CNP Seguros Holding Brasil, was appointed Head of the Latin America business unit and member of the Executive Committee, to replace Laurent Jumelle. The expansion of the Executive Committee also led to the appointment of Agathe Sanson as Head of Stakeholder Dialogue, Communication and Sponsorship in January.

On 17 February, CNP Assurances announced six commitments to each of its stakeholders (customers, partners, employees, society, the planet, shareholders and investors) regarding the operational implementation of its corporate mission – a key management tool for governance.

Innovations in the customer offering and experience

CNP Assurances works with its partners to develop high-performance innovative solutions. With Meridiam, the CNP Infrastructures Durables unit-linked policy promotes the ecological transition delivering ensuring resilient returns. **With La Banque Postale**, the LBPAM Infrastructure September 2030 fund allows investors to give meaning to their savings by financing projects that are essential to the country, and the new "integral management" approach of the Cachemire 2 life insurance policy is available to as many people as possible. **With the Alpheys Group**, the 100% digital journey for the Eyden 2 fund range meets growing demand for digitalisation among wealth management advisors.

For an inclusive society

With the acquisition from Caisse des Dépôts Habitat of a portfolio of more than 7,600 affordable, high environmental quality homes for €2.4 billion, CNP Assurances will contribute to the fight against housing inequality while developing its strategy of diversifying and optimising its investments.

With the application of the Lemoine law allowing borrowers in France to change their payment protection insurance provider at any time, CNP Assurances and La Banque Postale chose to freeze their standard term creditor insurance rates and cancel all additional premiums related to serious health risks, to enable as many French people as possible to purchase their home and support purchasing power.

In June, CNP Assurances joined forces with the CRÉSUS Foundation non-profit to combat the risk of over-indebtedness by donating a portion of the fees generated on the sale of the new EMTN by the Amétis network. Under this commitment, it donated €50,000 to the non-profit to fund the DILEMME programme on budget management and financial education.

After obtaining a maximum score of 100/100 in terms of gender pay equality in 2021, the Group won the Special Award for Equality in the 2021 ranking of female representation on the executive bodies of SBF 120 companies. In addition, its membership of the inter-company #StOpE initiative reflects its commitment to combating all sexist and discriminatory behaviour in the company.

Work-study participants and trainees appreciated CNP Assurances' support for their career plans, and as such it won the HappyIndex/Trainees and HappyIndex/Work-Study Trainees labels for 2023, awarded by ChooseMyCompany, for the fourth year in a row.

Climate and biodiversity strategy

As a responsible investor, CNP Assurances pursues its pioneering commitment to the climate, the preservation of the living world and biodiversity, **month after month**.

In February, CNP Assurances and its subsidiaries tightened the rules governing their investments in fossil fuels (oil, gas, thermal coal). **In March**, in their role as investors and shareholders, they strengthened their voting policy on Say on Climate resolutions and published the encouraging results of its policy of dialogue with companies in the coal sector. **In July**, the issue of a €850 million green bond to finance 3,950 affordable-rent housing units by the Lamartine Fund attracted institutional investors. **In October**, CNP Assurances and its subsidiaries committed to doubling their impact investments to €1 billion by the end of 2025. They are also involving their European subsidiaries in this commitment with a goal of €25 billion in green investments by the end of 2025. **In November**, they supported the launch of the Tocqueville Biodiversity ISR fund by La Banque Postale Asset Management with an investment of €120 million. **As best-in-class companies, CNP Assurances and its subsidiaries are also making progress in their practices**. They joined the French government's EcoWatt programme, committing to reducing the electricity consumption of all their premises in France by 30% between 2022 and 2023. The Group's new head office inaugurated at the end of 2022 – a smart office located in the Issy Cœur de Ville eco-neighbourhood of Issy-les-Moulineaux (Hauts-de-Seine) – obtained the most stringent labels and certification in terms of environmental performance and employee well-being, such as BREEAM Excellent, NF HQE and BiodiverCity.

The ADEL label, awarded by GoodAlgo, reflects the ethics of its AI service platforms.

Growth drivers in France and abroad

To ramp up its acquisition of market share, CNP Assurances is reorganising its activities with exclusive partnerships and an open business model.

The creation of CNP Retraite, CNP Assurances' supplementary occupational pension fund, will accelerate its development in this market, which lies at the heart of current demographic and social challenges.

The acquisition of Swiss Life's stake in Assuristance makes CNP Assurances the sole partner of Filassistance, a multi-specialist in personal and property assistance, and a stakeholder in its ambitious development project.

The acquisition of the outstanding 49% stake in the joint venture with UniCredit, CNP Vita Assicura, allows CNP Assurances to continue its development in two areas: under an exclusive partnership and with an open model with two entities that are now wholly owned: CNP Vita Assicura and CNP Vita Assicurazione.

The sale of CNP Partners, the Spanish life insurance subsidiary, to Mediterráneo Vida, streamlines CNP Assurances' European operations, allowing it to continue developing term creditor insurance and personal risk insurance from its Spanish branch.

Santander Consumer Bank has chosen CNP Assurances to offer its customers new car loan insurance products. CNP Assurances' innovative, simple and accessible solutions have consolidated the long-standing partnership with this leader in consumer credit.

In Brazil, as part of a comprehensive agreement announced on 14 September 2022, CNP Assurances is pursuing its international development strategy with a view to marketing personal risk/health, dental, savings and consórcio savings products under an open model, in parallel with its exclusive distribution partnership with Caixa Econômica Federal.

CNP Assurances announces that it has acquired 100% of the interests of Caixa Seguridade and Icatu in five companies (Holding Saúde, Previsul, Odonto Empresa, CNP Consórcios and CNP Cap). The purchase of the shares of CNP Consórcios and Odonto Empresa were finalised for approximately BRL 408.6 million and BRL 18.2 million respectively.

Recognised financial strength

The €500 million **Tier 3 subordinated bond** issued in January was subscribed by more than 90 investors, 71% of whom were outside France, with a total order book of €1.1 billion – proof of investors' confidence in CNP Assurances' financial strength.

The ratings of specialised agencies confirm this: **Moody's** upgraded its RT1 debt rating from Baa3 to Baa2 and confirmed its financial strength rating of A1 (stable outlook). **Fitch Ratings** also upheld its A+ (stable outlook) rating.

On 7 December, following a change in the outlook for the French government's rating, which affects La Poste and La Banque Postale's ratings, S&P Global Ratings revised its outlook for CNP Assurances from stable to negative, without changing its financial solidity rating of A+.

The application of IFRS 17, which is more forward-looking, requires a more economical valuation of insurance liabilities and has a profound impact on the financial statements and the Group's financial reporting indicators, without impacting the Group's solvency. IFRS 17 took effect on 1 January 2023.

5.3 Subsequent events

CNP Assurances announced **the success of its first sustainable bond issue** on 11 January 2023, for €500 million. The fixed annual coupon is 5.25%, maturing on 18 July 2033.

On 30 January, CNP Assurances announced **the completion of the acquisition of the shares in CNP Participações em Seguros Ltda. "Holding Seguros" held by Caixa Seguridade**, taking its stake to 100%. This purchase amounted to BRL 166.8 million.

Holding Seguros owns 100% of Companhia Seguros Previdência do Sul - Previsul and 51% of CNP Capitalização S.A. "CNP Cap".

The following day, CNP Assurances announced the **completion of the acquisition of the shares in CNP Capitalização S.A. "CNP Cap" held by ICATU**, bringing its stake to 100% of the capital. This purchase amounted to BRL 194.5 million.

These transactions were the final components of a more comprehensive agreement announced on 14 September 2022.

6. Business review

The Company's total premium income[10] under French GAAP breaks down as follows by business segment:

(In € millions)		2022	2021
Life	With-profits life insurance	8,152	9,277
	Index-linked and unit-linked insurance	4,483	4,510
	Other life insurance	2,014	2,072
	Health insurance	993	941
	Life reinsurance	2,137	2,656
	Health reinsurance	4	5
Non-life	Workers' compensation insurance	191	174
	Medical expense insurance	237	327
	Income protection insurance	358	292
TOTAL		**18,570**	**20,255**

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.

More than 340 partners in France and a proprietary distribution network

As the preferred insurer of the social protection sector (serving over 100 mutual insurance companies, personal risk insurers 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.

[10] *Based on Solo QRT S05.01 data.*

A2 Underwriting performance

Business performance is tracked using various indicators, some of which are described below:

- Premium income – an indicator of underwriting volume;
- Net insurance revenue (NIR) – the margin generated by insurance contracts before deducting administrative costs.

1. Premium income

Premium income (under **French GAAP**) generated by the CNP Assurances reporting entity amounted to €18.6 billion, down €1.6 billion (-8.3%) on 2021. The change was mainly due to the Savings and Pensions segments.

Premium income *(in € billions)*	**2022**	2021	Change
Savings	**14.3**	15.1	-5.0%
Pensions	**0.3**	1.2	-74.8%
Personal Risk/Health	**1.3**	1.3	-1.4%
Term Creditor Insurance	**2.7**	2.7	-0.6%
Total	**18.6**	**20.2**	**-8.3%**

Premium income by business segment

- In **Savings/Pensions**, premium income fell sharply, to €14.6 billion. This decrease (-€1.6 billion, mainly in euro funds) can be explained by the difficult market environment and competition from banking products. These effects were partially mitigated by a slight increase in unit-linked products (+€0.02 billion);
- **Term Creditor Insurance was** stable, up €2.7 billion compared to 2021, as was **Personal Risk/Health Insurance**, which was up €1.3 billion.

Net new money in Savings/Pensions was negative at -€2.6 billion at end-December 2022 due to the rise in unit-linked products despite a difficult market environment.

Net new money (in € billions)	**2022**
Traditional contracts	-5.4
Unit-linked contracts	2.8
Total	**-2.6**

2. Net insurance revenue

Net insurance revenue (NIR) totalled €2,065 million at 31 December 2022, up €82 million (+4.1%).

- **Savings/Pensions** net insurance revenue was up €53 million, or 4.1%, notably due to reversals of interest rate provisions;
- Net insurance revenue for **Personal Risk/Protection** insurance was up €29 million (+4.1%), mainly driven by margins on term creditor insurance, which were buoyed by an improvement in loss experience and financial income. Net insurance revenue for Personal Risk insurance was stable, with the financial margin and the impact of the rise in interest rates offsetting the impact of inflation.

Net insurance revenue by business segment (*In € millions*)	**2022**	2021	Change
Savings/Pensions	**1,343**	1,290	53
Personal Risk/Protection	**722**	693	29
Total	**2,065**	**1,983**	**82**

Net insurance revenue for the period
**: NIR includes gains on AFS*

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 under French GAAP:

Market value (in%)	31/12/2022	31/12/2021	Change
FIXED INCOME PORTFOLIOS	**65.23%**	**68.40%**	**-3.1 pt**
o/w Money market instruments and Derivatives	9.13%	7.94%	1.1 pt
DIVERSIFIED PORTFOLIOS	**21.86%**	**20.42%**	**1.4 pt**
o/w Equities/Protected equities	9.86%	11.78%	-1.9 pt
o/w Private equity	12.00%	8.63%	3.3 pt
UNIT-LINKED PORTFOLIOS	**12.91%**	**11.19%**	**1.7 pt**
TOTAL	**100%**	**100%**	**-**

Changes in the macroeconomic and financial environment

The economic environment is dominated by a sharp deceleration in growth and surging inflation (which could persist beyond current expectations). This combination of trends could cause stagflation, forcing central banks to maintain a restrictive monetary policy in the coming quarters.

As a result, two scenarios are emerging, reflecting two different inflation trajectories.

The first scenario is for recession accompanied by a normalisation of inflation (towards 3%), which would allow central banks to stop their monetary tightening or even reverse it. In this case, the priority would be to capture fixed income returns through investments in long maturities and wait for a correction in corporate earnings (and therefore their share prices) before returning to equities.

In the second scenario, growth and inflation are more resilient (above 4% or 5% over several years) thanks to fiscal support from governments and the rise in wages, which would lead to interest rates remaining higher for longer. In this case, the priority would be to reduce the maturity of bond purchases and probably return sooner to risky assets.

Given the lack of visibility and the complexity of the economic and political situation, a balanced strategy combining intermediate credit maturities (5-7 years) and sovereign debt (10-15 years) seems the most appropriate.

Proposed allocation

The first observation relates to the trajectory of reducing CNP Assurances' assets under management in euros (BP CNP) over the next five years, which implies a reduction in investment budgets and an automatic accretion in the weighting of diversification assets, requiring disposals or reductions in investment budgets.

The second observation is the rise in interest rates and credit spreads, which offers an opportunity to capture yield and improve the portfolios' current returns. Accordingly, the Group decided to focus on reducing the diversification asset segment (from 19% to 18.5%). The corresponding assets are reallocated to the fixed income bucket with an increase in A rated credit (+0.3%), property/infra loans (+0.1%), HY credit (+0.1%) and bank debt (+ 0.4%). The final adjustment is a reduction in the sovereign component (-0.3%). The cash target remains unchanged at 3.5%.

1.2 Asset-backed securities

The portfolio's unamortised nominal value at 31 December 2022 was €5.99 billion (versus €1.81 billion at end-2021) and its market value was €4.50 billion (versus €1.75 billion at end-2021). This sharp increase was due to the inclusion of SPV issues (without tranches) in the structured ABS category.

The portfolio mainly includes asset backed securities (ABS), residential mortgage-backed securities (RMBS), collateralised loan obligations (CLO), commercial mortgage-backed securities (CMBS), credit linked loans (CLN) and special purpose vehicles (SPV), broken down as follows:

Type of asset-backed security (*In € millions*)	**Nominal**	**Market value**
Prime student loan ABS	48.00	12.33
CLN	50.00	40.40
CLO	974.75	969.97
IG CLO	47.70	45.36
CMBS	831.00	205.99
RMBS	632.10	581.00
SPV	1,851.05	1,582.13
State-guaranteed SPV	1,558.00	1,063.22
Total securitisations	**5,992.60**	**4,500.41**

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

Private equity

In 2022, CNP Assurances committed to investing €712 million in 22 private equity funds in France, Europe and the United States. These funds invest mainly in SMEs and midcaps operating in various economic sectors.

At 31 December 2022, the private equity portfolio represented a net commitment of €5.3 billion, for a carrying amount of €3.2 billion.

Property & forestry assets

In the real estate and forestry sectors, new commitments amounted to €1,270 million in 2022.

Housing was prioritised and diversification continued with forestry investments.

In line with its corporate mission, CNP Assurances kept up the drive to continuously improve the property portfolio's energy performance, promote biodiversity and sustainably manage forestry assets in line with ESG considerations.

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

Infrastructure

The development of infrastructure investments continued in 2022 with €148 million in new commitments in North America and Europe, particularly in waste management in the United Kingdom.

Real estate debt

There were no new investments in real estate debt in 2022.

Corporate debt

€0.5 billion was invested in corporate debt in 2022, bringing the portfolio's overall commitment to €6.3 billion.

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 €152.6 billion were outstanding at 31 December 2022.

Hedged risks include the risk of an increase in interest rates, which is hedged using interest rate and spread caps on long-term rates. In 2022, hedges were acquired for a notional amount of €7.6 billion.

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 €550 million were acquired in 2022. In 2022, restriking affected some of the assets acquired in 2021, totalling €350 million.

The rise in interest rates also enabled the implementation of a hedge against a fall in interest rates with the purchase of floors indexed to the 10-year CMS rate. CNP Assurances hedged a notional amount of €16.8 billion against falling interest rates in 2022.

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 for a notional amount of €1.5 billion.

To lock in unrealised gains and reduce sensitivity, equity risk hedges were purchased on a notional amount of €1.7 billion in 2022.

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 annual maturity were set up to hedge the contribution of its subsidiaries to the Group's consolidated income, for a notional amount of BRL 914 million. In addition, in order to secure the dividend increase of the Group's subsidiaries, European options were acquired in 2022 for a notional amount of BRL 0.4 billion.

1.5 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:

- **Reaching €25 billion in "green" investments for the energy and ecological transition by 31 December 2025 (scope: CNP Assurances France + CNP foreign subsidiaries).** At 31 December 2022, green investments totalled **€25.2 billion**, or **101%** of the target. For the CNP Assurances France scope, green investments totalled €23.7 billion, or 95% of the target;
- **Reaching €1 billion in investments with an environmental or social impact by the end of 2025** within the meaning of the definition adopted by France Invest (excluding green bonds recorded in the previous indicator), combining criteria of intentionality (explicit impact objective considered in investment decisions),

additionality (through engagement with investees) and measurability (social or environmental outcomes pursued) (scope: CNP Assurances France). At 31 December 2022, these investments totalled **€507 million**, or **51%** of the target;

- **Net Zero Asset Owner Alliance (NZAOA): Reducing the greenhouse gas (GHG) emissions from corporate investments by 25% between 31 December 2019 and 31 December 2024** ("old formula" calculation of corporate carbon footprint, scope: CNP Assurances France). This objective was met at 31 December 2022, with greenhouse gas emissions reduced by 61% (representing a reduction in the carbon footprint from 80 kgCO2eq/€k invested at 31 December 2019 to 31 kgCO2eq/€k invested at 31 December 2022);
- **Corporate Carbon Footprint** (scope: CNP Assurances France scope, new formula RTS): **55 kg CO2/€k**;
- **No longer investing in companies that derive more than 10% of revenues from thermal coal** or are developing new coal-fired power stations. There were no investments in any company on this exclusion list in 2022;
- **No longer holding any investments in companies that derive more than 20% of revenues from thermal coal** or are developing new coal-fired power stations. There were no outstanding investments in any company on this exclusion list in 2022;
- **Divesting all remaining investments in the tobacco sector, in line with the Tobacco-Free Finance Pledge**. As at 31 December 2022, there were no outstanding investments in issuers in the tobacco sector – target achieved.

2. Investment income and expenses

Net investment income (In € millions)	2022	2021	Change
Net investment income	5,212	5,726	-514
Net profits on disposal of investments	479	390	89
Investment expenses	-622	-644	22
Net investment income[11]	**5,069**	**5,472**	**-403**

Net investment income determined according to French GAAP amounted to €5.1 billion in 2022, down by €0.4 billion compared with 2021. This decline was mainly explained by:

- An increase in equity capital gains of €0.6 billion but an increase in provisions for €0.2 billion;
- An increase in capital losses on unlisted products of €0.3 billion following the disposal of CNP Partners and part of CUV, among others;
- A €0.8 billion decline in fixed income revenues as high yield bonds reached maturity.

[11] *CNP Assurances annual financial statements (Appendix 6.1)*

A4 Other income and expenses

The Group recognises the income tax expense and financing costs reported in the financial statements as "Other income and expenses".

Section

B. System of governance

This section presents the CNP Assurances Group's system of governance.

It begins with a general description of the system of governance and the fit and proper policy applicable to the persons responsible for the system.

This is followed by a description of each of the key functions defined in Solvency II, with particular emphasis on internal risk and solvency assessments, which are a critical part of the Risk Management function, and internal assessments of the internal control system and the outsourcing management process.

CNP Assurances' priority is to constantly improve the quality of service provided to policyholders as well as the overall quality of internal control and risk management in liaison with its partners. Wherever possible, risk assessment and management processes are adapted in response to changes in the Group's business environment and new identified risks.

As with any risk management and internal control system, the Group's system cannot provide absolute assurance that possible weaknesses will be eliminated. Nevertheless, 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 (Corporate Governance section). 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

The Board of Directors' five specialised committees (Audit and Risk Committee, Strategy Committee, Remuneration and Nominations Committee, Monitoring Committee on the Implementation of the BPCE and La Banque Postale Partnerships, and Ad Hoc Committee) carried out their tasks in 2022 in preparation of the Board's deliberations. Their work facilitated the Board's decision-making in a business where technical aspects require a specific review and in the particular context of the acquisition by La Banque Postale of a 100% interest on 20 June 2022 following the simplified takeover bid and mandatory squeeze-out.

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 of Directors respects the roles and prerogatives of Executive Management. She ensures that the Board of Directors is constantly informed of CNP Assurances' activities and performance.

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 2022, the Board of Directors met eleven times and also devoted one day to 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. At weekly reviews, the Chief Executive Officer informs her of significant events and situations, particularly in relation to strategy, organisation, and major investment and divestment projects.

As such, the Chief Executive Officer involves the Chairwoman in the corresponding internal meetings that prepare the Group's strategic decisions, through his presence at such meetings.

Similarly, the Chairwoman involves the Chief Executive Officer in the preparation of Board of Directors' meetings and invites the members of the Executive Committee in charge of the following matters to specific meetings held prior to Board meetings:

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

Evidently, the Chairwoman receives the necessary information to ensure that she fully understands the Group's risk exposure. Matters addressed by the Group Risk Committee and the Strategic Allocation Committee are sent to the Chairwoman before the committee meetings are held, allowing sufficient time for her to meet with the Chief Executive Officer.

All audit reports are provided to the Chairwoman as and when they are published. She may also commission special audits, either on an ad hoc basis or as part of the audit plan discussed by the Board of Directors.

The Chairwoman has broad and constant access to relevant information that will enable her to understand all matters pertaining to the company.

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 also ensures a high level of quality is maintained in relation to aspects such as:

- Relations with CNP Assurances' shareholder;
- Diversity on the Board of Directors;
- The operation of the Board of Directors;
- The relevance of the training offered 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 regularly keeps the Board abreast of the Group's day-to-day management and all significant events affecting it. 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 15 February 2023, the Executive Committee of CNP Assurances included the Chief Executive Officer, the Deputy Chief Executive Officer and ten senior executives, who meet each week.

It is a forum for reflection, coordination, the sharing of initiatives and monitoring of 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.

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 internal Group governance.

Summary minutes are kept of each Executive Committee meeting.

2. Persons who hold the key functions in the CNP Assurances Group

Four key functions at Group level (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 functionally 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. These include analyses of reinsurance and underwriting measures, 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.

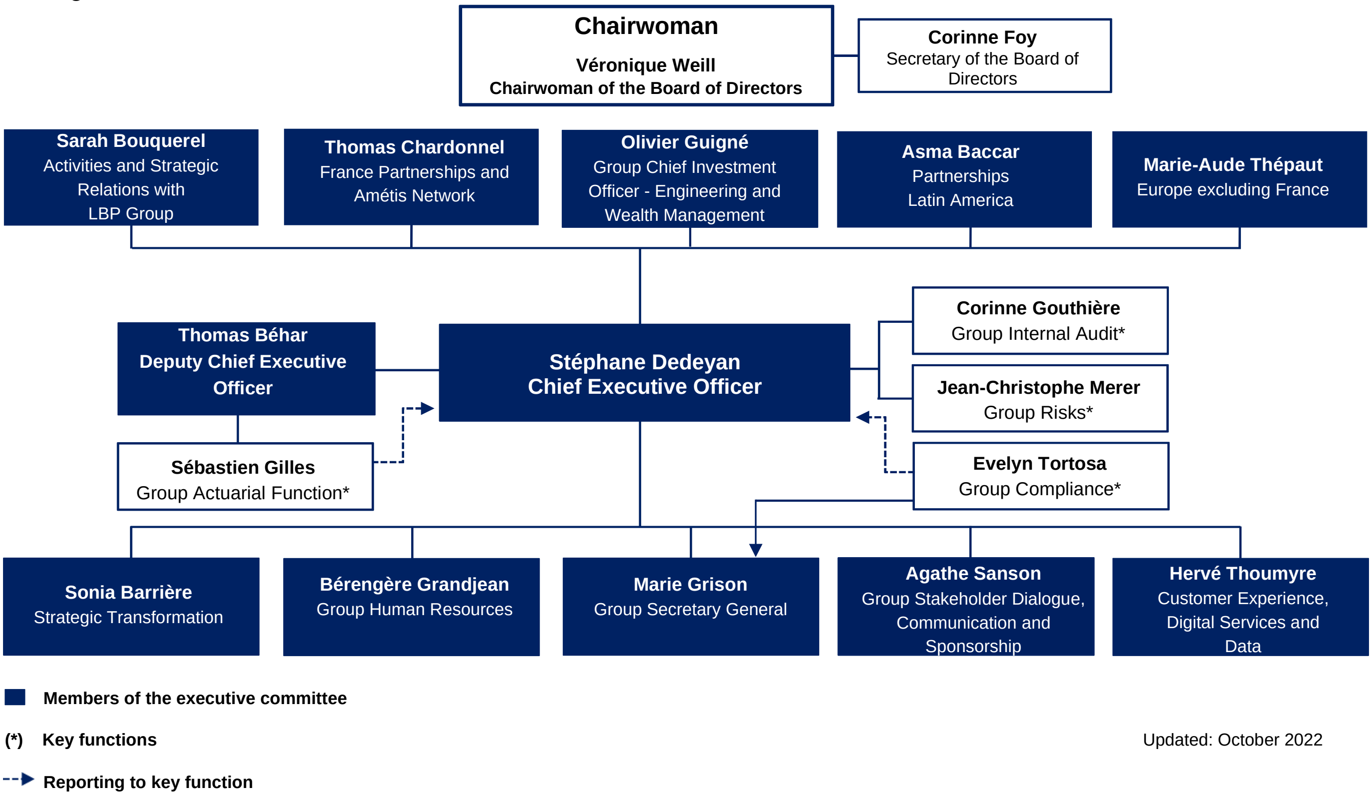
The formal delegations of authority describe the powers concerned, detailing the action that is likely to be taken and the commitments that are likely to be given to third parties on behalf of CNP Assurances. They respond to:

- 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 2022):



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

The following changes to the governance system occurred in 2022:

- The resignation of Laurent Mignon as director and his replacement by his successor as Chief Executive Officer of Groupe BPCE;
- Stéphane Dedeyan joined La Banque Postale's Executive Board on 27 October 2022 with a view to the integration of the Group's insurance activities into CNP Assurances Holding, the holding company to be created in spring 2023.

The current membership of the CNP Assurances Board of Directors is as follows at 15 February 2023:

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

As part of the Group's multi-partner international growth:

- Appointment of three new members of the Executive Committee of CNP Assurances: Sonia Barrière, Head of Strategic Transformation, Marie-Aude Thépaut, Head of the Europe Outside France business unit, and Agathe Sanson, Head of Stakeholder Dialogue, Communication and Sponsorship;
- Thomas Béhar, Group Chief Financial Officer and member of the Executive Committee, took over from Xavier Larnaudie-Eiffel as Deputy Chief Executive Officer of CNP Assurance;
- Appointment of Asma Baccar, CEO of CNP Seguros Holding Brasil, as Head of the Latin America business unit and member of the Executive Committee, to replace Laurent Jumelle.

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. It also observes the guiding principles set out in the La Banque Postale's Group Policy. To avoid encouraging risk-taking that exceeds CNP Assurances' risk tolerance limits, material risk-taker bonuses are flexible, deferred and adjustable.

The policy is submitted each year to the Remuneration and Nominations Committee before being approved by the Board of Directors of CNP Assurances. The latest version was approved by the Board of Directors on 15 February 2023. A formal remuneration policy has been drawn up and distributed throughout CNP Assurances.

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 are the salary, variable compensation, collective remuneration (discretionary and non-discretionary profit-sharing), and benefits in kind. Remuneration incorporates sustainability criteria (in accordance with EU Regulation 2019/2088).

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.

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.

6.1.4 Integration of sustainability criteria

Pursuant to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and in its capacity as an insurance company, CNP Assurances has updated its policy on the integration of sustainability risks and has published this information on its website.

Employees' remuneration is aligned with CNP Assurances' sustainability challenges at several levels (individual variable remuneration for eligible employees, remuneration of material risk takers and the collective variable remuneration of all employees).

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 senior 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 whose shares are traded on a regulated market, CNP Assurances refers to the guidelines concerning senior 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.

The list of identified staff is updated each year and is submitted for approval to the Remuneration and Nominations Committee and then to the Board of Directors of CNP Assurances.

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.

The Chief Executive Officer consults the Remuneration and Nominations Committee each year for its opinion on the level of compensation and the achievement of the objectives of key function holders as well as the Deputy Chief Executive Officer.

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 an attributable 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 €	2021	2022
Chairman of the Board of Directors	350,000	350,000
Chief Executive Officer	623,716 *	600,000

** €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 2021 (in €)		Remuneration paid in 2022 (in €)	
	For H2 2020	For H1 2021	For H2 2020	For H1 2021
TOTAL	415,600*	530,950*	600,350 *	695,300 *

** 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.

This amount is set at €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 Board Committees, 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;
- €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 2022, 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 Board of Directors in accordance with Article L.225-40 of the French Commercial Code and Article R.332-7 of the French Insurance Code.

The following transactions and agreements were submitted for approval at the Annual General Meeting on 30 March 2023:

- Contract with Arial CNP Assurances for the issue and subscription of perpetual subordinated notes eligible as own funds;
- Agreement relating to the transfer by Arial CNP Assurances to CNP Assurances of policies not eligible for the supplementary occupational pension fund;
- Agreements relating to the strengthening of the partnership with Ostrum AM and the long-term confirmation of CNP Assurances' investments in Ostrum AM's open-ended or dedicated funds;
- Agreements relating to the strengthening of the asset management partnership with AEW;
- Shareholders' agreement entered into with Caixa Seguridade Participações S.A. at the level of the holding company XS1;
- Amendments relating to the reinsurance treaty with Arial CNP Assurances;
- Documentation relating to the indirect acquisition by CNP Assurances (i) of Caixa Seguridade Participações S.A. Stakes in Caixa Consórcios S.A. Administradora de Consórcios, Previsul, CNP Capitalização S.A., Odonto Empresas Convênios Dentários Ltda., and Caixa Seguros Participações em Saúde Ltda. and (ii) Icatu's stake in CNP Capitalização S.A.;
- Amendment no. 2 to the shareholders' agreement with Arial CNP Assurances;
- Amendment relating to the administrative management agreement with Arial CNP Assurances;
- Amendment no. 2 to the agreement of 23 December 2021 signed with Ostrum AM.

Detailed information about these transactions and agreements is provided in CNP Assurances' Universal Registration Document (Corporate Governance section).

B2 Fit and proper requirements

Fit and proper requirements apply to the persons responsible for the system of governance (directors, senior officers and persons holding 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 Secretary General.

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

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

For each nomination or renewal, the members of the Fit and Proper Review Committee check that the Nomination and Renewal file prepared by the Group Human Resources department contains all necessary documents and has been properly prepared. The Committee assesses the candidate's disclosed qualifications, experience and knowledge, as well as his or her compliance with internal rules concerning professional qualifications, minimum grades to hold the function and relevant experience, based on skills matrices.

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

2.2.2 Responsibility for the process of continuous fit and proper assessments

The Fit and Proper Review Committee reviews the training programmes available to the persons concerned to update their knowledge about (i) insurance and financial markets; (ii) CNP Assurances' business strategy and model; (iii) its system of governance; (iv) financial and actuarial analysis; and (v) the regulatory framework and requirements.

2.2.3 Other responsibilities

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

2.3 Fit and proper policy

A formal fit and proper policy has been drawn up, reviewed, and distributed throughout the CNP Assurances Group. The latest version was approved by CNP Assurances SA's Board of Directors on 15 February 2023.

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. It is assisted by the Audit and Risk Committee in this role. 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 functionally 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. This committee is responsible for validating the risk-taking framework, the overall supervision of risks and the preparation of risk management files presented to the Board of Directors.

More specifically, it is responsible for 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 (Insurance Business Underwriting Committee, Commitments Committee, Asset Risk Monitoring Committee, Group Investment Committee, Operational Risk and Internal Control Committee, etc.) and equivalent structures in the Group's subsidiaries.

Under the committee procedure, CNP Assurances' Chief Risk Officer now participates 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 Insurance Business Underwriting Committee and the Commitments Committee

These committees oversee liability risk management.

The Commitments Committee is called upon in the event of an exception to the underwriting policy and/or a breach of limits and/or at the request of the head of the 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 Insurance Business Underwriting Committee ensures the risk profile remains consistent with the Group's risk appetite at all times and that profitability is in line with expectations. It examines regulatory and market developments, key figures, management, profitability and risk indicators and defines and monitors the associated action plans.

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 (type, amount and duration) for an individual fixed income issuer or the counterparty of futures or securities financing transactions, and – if necessary – the liquidation of a position.

The Strategic Allocation Committee determines asset allocations by asset class and sub-asset class, with regard to the risk appetite, the main asset risk indicators (market, concentration, credit, ESG risk, etc.) and the economic approaches defined by the ALM Committee;

The ALM Committee is responsible for validating the main ALM guidelines, overseeing the return objectives of significant portfolios, approving investment decisions made to remain within the risk appetite limits, validating and monitoring the year's issuance programme, and validating CNP Assurances' intra-group financing and/or refinancing operations.

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 and Biodiversity Risk Committee is responsible for sharing information from the regulatory and market watch regarding risks related to climate change and biodiversity loss, be these physical, transition or liability risks, submitting analyses of risks related to climate change and biodiversity loss carried out as part of a) the investment activity, b) the insurance and reinsurance activity, or c) internal operations, identifying the actions to be taken with regard to the analysis carried out to measure, manage and reduce the risks related to climate change and biodiversity loss, and submitting an annual summary of its work to the Group Risk Committee, together with any recommendations/guidelines, so that the Group Risk Committee can verify that the management of risks related to climate change and biodiversity loss is properly integrated into the overall risk management framework at Group level.

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 risk 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. This quarterly report is also sent to the members of the Audit and Risk Committee and to the Risk department of La Banque Postale.

A monthly report, the Risk Appetite Dashboard, presents risk tracking 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 financial instruments 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:

- Level one 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;
- Level three 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 permanent control system consists of continuously assessing operational risks and level one and two controls performed 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:

- **Non-critical risks and controls** identified by the businesses through a bottom-up approach, which are taken into account for operational management purposes;
- **Critical risks and controls** identified by Executive Management through a top-down approach, which are taken into account by the Management Committees of CNP Assurances' business units and 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:

Chart 1: 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 level one controls and tests performed by the internal control teams:

- **Control self-assessment:**
    - The self-assessment is performed using a standard questionnaire that asks respondents to assess the quality of risk coverage from three angles: (i) the control's design in relation to the risk, (ii) the level of documentation of the control procedure, and (iii) evidencing of the controls, including the resolution of any identified weaknesses, where applicable.
    - A quality review is performed to check the consistency of the self-assessments;
- **Certification tests** (only for critical risks and controls): in addition to consistency tests through reliability tests, certifications are also performed on around 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. These actions 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 2022, the Group Risk department rolled out the transformation plan for its internal organisation at an operational level in order to respond to changes in its environment and continue to strengthen the permanent control system. There were 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 international development of the CNP Assurances Group.

This transformation, which began in the second half of 2021, was 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 officers within CNP Assurances and its subsidiaries. It is also available for consultation by all employees on the Group Compliance department'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 and counter-terrorist financing, economic and financial sanctions, gifts and inducements, 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, product governance, complaint processing, sales incentive practices;
- Marketing practices: approval of advertising and marketing documents, alignment of products with target clients, policy marketing rules;
- Anti-money laundering and counter-terrorist financing (AML-CFT), compliance with economic and financial sanctions measures: risk classification, customer assessment with regard to AML-CFT risks, monitoring of customer transactions according to customer profiles, management of asset freezes and economic sanctions or embargoes, opinion on complex new business relationships, implementation of additional due diligence and appropriate monitoring for customers who are Politically Exposed Persons (PEPs) or have ties with Financial Action Task Force/High-Risk Third Countries (FATF/HRTC), detection of unusual transactions, reporting of suspicions to Tracfin and the French public prosecutor;
- Combating fraud with underlying offences: prevention, detection and management of potential fraud, investigations in the event of suspected fraud, determination of corrective measures in the event of proven fraud. The Compliance department does not handle cases of insurance misrepresentation where there are no underlying offences: the business lines concerned are responsible for detecting and managing these cases;
- 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 level two 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 direct operational role in the company's business activities.

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 functionally to La Banque Postale Group's Chief Compliance Officer, as well as to the CNP Assurances Group's Secretary General.

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 declared to the supervisor (ACPR), as being responsible for the compliance function. He is also responsible for the anti-money laundering and counter-terrorist financing control system, is the Tracfin correspondent, and validates new business relationships and ongoing business relationships with PEP clients or those having ties with an FATF high-risk third country.

He is also CNP Assurances' Ethics Officer and in charge of the anti-corruption system.

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 2022

The Group Compliance department faced two specific challenges during the year. First, the ongoing 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;
- The updating of consolidated compliance risk mapping at the CNP Assurances Group level, including the corruption risk map;
- Adjustments to the procedures and classification of risks in terms of anti-money laundering and counter-terrorist financing to align with La Banque Postale's procedures;
- The performance of CNP Assurances controls on personal data protection according to the established control plan, with improved results as well as the deployment of the control system in the French subsidiaries and the first reports received from international subsidiaries;
- The review of inducements with all insurance product distribution partners 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. The enhancement of these tools' functionalities also continued;
- Particular vigilance due to the Ukrainian crisis and the ban on investments in Russian sovereign funds from February 2022 (other investments in the Russian Federation were already prohibited).

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 La Banque Postale Group;
- 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. He submits the internal audit policy, programme and resources to the Board of Directors for approval and presents the annual report on internal audit activities for the year to the Board;
- 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;
- Cover foreign subsidiaries in respect of Group control;
- 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. 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 statement of recommendations is submitted to the Executive Committee each quarter and to the Audit and Risk Committee once a year (as part of the review of activities). The Chief Executive Officer and the Executive Committee monitor progress each quarter. Any delays in implementing level one 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 Company has designated the person holding the key Actuarial function and defined his responsibilities, which are closely aligned with the requirements of the applicable regulations.

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. This means that the actuarial function reports to Executive Management.

The Group Chief Actuary relies on the Standards and Actuarial department, which reports directly to him. 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 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 Group Actuarial function, which performs level two 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 prudential 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;
- The assumptions are justified;
- The data are comprehensive and of sufficient 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.

In accordance with the prudential provisioning policy, CNP Assurances prepares a report on the validation of laws and assumptions used in the calculation of prudential technical reserves, endorsed by Executive Management and incorporating an opinion from the actuarial function. This report also makes it possible to monitor materiality and, since this year, the frequency of review of assumptions. A plan is in place for the updating of the validation report, which aims, for each assumption, to:

- Define a list of quantitative studies, sensitivity tests or controls on relevant expected variables;
- Set an update frequency and order of priority.

5. 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. 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 Secretary General. 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[12] 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,

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

- The Internal Audit function,
- 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 Secretary General;
- 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 Chief Information Security Officer; and
- Depending on the issues covered, the head of the business unit or the Group function concerned.

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

1.2.3 Outsourcing Management Committee

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

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

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

Section

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 December 2022

Risks identified for the application of the standard formula		In € millions	In% [13]
Market risk	*Interest rate risk* *Equity risk* *Property risk* *Currency risk* *Spread risk* *Concentration risk*	**10,283**	56%
Life underwriting risk	*Mortality risk* *Longevity risk* *Disability-morbidity risk* *Lapse (surrender) risk* *Life expense risk* *Life catastrophe risk* *Revision risk*	**4,978**	27%
Health underwriting risk	*SLT Health[14] underwriting risk* *NSLT Health[15] underwriting risk* *Health catastrophe risk*	**1,219**	7%
Non-life underwriting risk		**0**	0%
Counterparty default risk		**919**	5%
Intangible asset risk		**0**	0%
Operational risk		**1,076**	6%

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 24% based on the following formula: (sum of net SCRs excluding operational risk SCR - net basic SCR)/sum of net SCRs excluding operational risk SCR.

[13] Percentage of the sum of the SCRs by risk

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

[15] 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 December 2022

<table>
<tr><th colspan="3">Risks identified for the application of the standard formula</th><th>In € millions</th><th>In%</th></tr>
<tr><td>Underwriting risk in life</td><td colspan="2">Mortality risk
Longevity risk
Disability-morbidity risk
Lapse (surrender) risk
Life expense risk
Life catastrophe risk
Revision risk</td><td>4,978</td><td>27%</td></tr>
<tr><td rowspan="3">Underwriting risk in health</td><td>SLT Health underwriting risk</td><td>SLT Health lapse (surrender) risk
Health expense risk
Health mortality risk
Health longevity risk
Health disability-morbidity risk
Health revision risk</td><td rowspan="3">1,219</td><td rowspan="3">7%</td></tr>
<tr><td>NSLT Health underwriting risk</td><td>NSLT Health lapse (surrender) risk
NSLT Health premium and reserve risk</td></tr>
<tr><td colspan="2">Health catastrophe risk</td></tr>
<tr><td>Underwriting risk in non-life</td><td colspan="2">Non-life catastrophe risk
Non–life premium and reserve risk
Non–life lapse (surrender) risk</td><td>0</td><td>0%</td></tr>
</table>

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, 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 products in support of the transformation of euro assets.

2. Changes during the period

2.1 Business environment and development

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

The key events of 2022 were the outbreak of the Ukrainian crisis in February, the rise in interest rates, and high inflation in the French market.

This new economic environment has led to a change in exposure to interest rate risk, as the balance sheet is now more exposed to the risk of a rise in interest rates. The occurrence of this risk could trigger an increase in surrender rates above expected volumes in the savings segment. No significant changes in surrender trends were observed at 31 December 2022, with surrender rates for the savings and term creditor insurance portfolios remaining stable.

In the savings segment, the strategy of transforming assets under management continued, with:

- The expansion of the unit-linked offering, in particular by offering innovative and sustainable unit-linked products;
- The diversification of the product offering, particularly with the launch of the integral management approach in the Cachemire 2 policy, which is accessible to as many people as possible.

The death rate observed on the savings portfolio in 2022 was slightly higher than in 2021 due to the ageing of the portfolio. However, in the term creditor and personal risk segments, the loss ratio was stable.

2.1 Change in term creditor insurance products in France

In February 2022, Parliament gave final passage to a reform of term creditor insurance for real estate loans. The reform has several components:

- Ability to change payment protection insurance provider free of charge at any time and not only in the first year and then on every anniversary date. Insurers must also inform borrowers each year of their right using a durable medium;
- Elimination of the medical questionnaire for home loans of less than €200,000 per person (i.e. €400,000 for a couple) and with a term before the borrower's 60th birthday;
- Reduction of the right to be forgotten period for cancers and hepatitis C from 10 to 5 years.

The first two components took effect on 1 June 2022 for new contracts and from 1 September for others, while the reduction of the period of the right to be forgotten will apply immediately on the promulgation of the law.

Work has been carried out to adapt the products to these new regulatory requirements. In addition, the monitoring of surrender risk, considered to be high, was reinforced. Action to defend the term creditor insurance portfolio was implemented in collaboration with the partners. Lastly, product changes related to the protection of policyholders, such as the elimination of level two additional premiums for policyholders with serious medical conditions and the integration of family assistance coverage in collective term creditor insurance policies, are supporting CNP Assurances' ambition to offer more inclusive term creditor insurance.

2.2 Launch of an FRPS supplementary pension fund

Since 2003, European pension funds have been subject to the IORP Directive. In 2016, the "Sapin II" Law opened up the possibility of creating, in France, an organisation dedicated to the supplementary pension activity, the ORPS, including the IRPS, FRPS and MFPRS versions depending on the code to which it is attached.

The FRPS benefit from a less costly supervisory framework, similar to what existed prior to the Solvency II rules.

The order of 6 April 2017 specifies the conditions under which eligible products may be covered by these funds, and the "PACTE" Act of 22 May 2019 makes FRPS funds more attractive by allowing them to host individual PER pension contracts.

CNP Assurances obtained approval from the ACPR to create its supplementary occupational pension fund, CNP Retraite, and transfer its eligible portfolio to the new fund, representing total assets with a net book value of €27.8 billion on 1 January 2022.

CNP Assurances and AG2R La Mondiale also obtained approval to create the ACA supplementary occupational pension fund to house the eligible policies currently managed by Arial CNP Assurances.

The commitments covered by the fund will be mainly:

- Points-based supplementary pension plans;
- Defined-contribution plans such as "Article 83" plans, the *Plan d'Epargne Retraite Entreprises* company savings plans (PER Entreprises, PERE), and, under certain conditions, "Article 82" plans;
- The company retirement savings plans that have been available since 1 October 2019 (PERO, PERECOL, PERU, etc.);
- "Article 39" defined-benefit pension plans;
- Other contracts: PERP, "Madelin", PERIN, and RAC.

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.

In 2022, in reference to the Delegated Regulation (EU) 2021/1256 of the European Commission amending Delegated Regulation (EU) 2015/35, the request for analysis of sustainability risks was introduced in the Group's underwriting policy as part of the underwriting processes.

3.2 Insurance Business Underwriting Committee

The Insurance Business Underwriting 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 claim settlement period;
- 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 (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 Insurance Business Underwriting 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.

C2 Market risk

This section deals with the market risks (interest rate, equity, property and currency risks) that are the most likely to have a material adverse effect on the Group. Spread and concentration risks, which are also taken into account in market risk SCR calculations, are dealt with in section C3 Credit Risk.

Market risk	SCR value at 31/12/2022 *(In € millions)*
Interest rate risk	1,195
Equity risk	5,937
Property risk	1,887
Currency risk	1,162

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

Assets under S2 valuation method excluding unit-linked portfolios

(In € billions)	**31/12/2022**	31/12/2021
Corporate and government bonds	147	190
Investment funds (UCITS)	64	87
Money-market funds	16	25
Bond funds	16	21
Equity funds	14	18
Other funds	19	24
Equities	39	37
Shares in property companies	11	11
Other equities	28	26
Structured products	17	17
Collateralised securities	2	0
Property, plant and equipment	1	1
Cash and deposits	1	1
Loans and mortgages	0	0
Other investments	0	0
Total	272	332

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 policies 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 us to sell off bonds at a loss. This could then trigger a negative spiral whereby such losses accentuate the mismatch between the yield being paid to policyholders and those offered by other players, thus pushing the surrender rate even higher.

The risk of a rise in interest rates mainly arises in a context of rising inflation. Central banks use monetary policy and liquidity restrictions to curb and then eliminate the surge in prices (as well as inflation expectations). In addition to the risks mentioned above, the reconfiguration of the competitive environment may threaten CNP Assurances' positioning.

In 2022, the financial sector faced a very sharp rise in interest rates. To combat inflation and tighten lending conditions, central banks in the main economic zones raised interest rates many times during the year – a phenomenon that had not been observed since 2008. The ECB's key rates reached 2% and 2.5% at end-December 2022, up 250 bp compared to the end of 2021. On the long-term markets, the 10-year OAT yield ended 2022 at 3.11%, up by around 270 bp over the year.

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 must also be taken into consideration in an environment of rising interest rates.

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 2022 is provided in section A1.

The invasion of Ukraine by Russia was the key event of 2022, bringing the post-Covid-19 recovery to an end. It caused an economic slowdown, contrasting with previous expectations of a sharp recovery (reopening of some economies following vaccination campaigns, various support measures from central banks, and other local fiscal stimulus policies).

The war fuelled trends already seen after the global pandemic: supply chain disruption and high energy prices, adding to the inflationary trends caused by the recovery: inflation reached 5.9% in France and 9.2% in the eurozone.

This led central banks in different regions to initiate or ramp up their monetary tightening.

Both the equity and the bond markets experienced record falls, a very rare simultaneous movement. The CAC 40 lost 9.5% over the year and the Bloomberg Barclays Euro Aggregate bond index lost 17.2%.

The environment of persistently low interest rates suddenly turned into an environment of high interest rates – in principle for some time to come given the announcements by central banks at the end of 2022 and the inflation levels still being observed. In this market configuration, CNP Assurances adapted its asset allocation by continuing to overweight infrastructure investments and increasing its weighting in financial and non-financial corporate bonds, to the detriment of less liquid diversification assets (private equity and real estate in particular). This strategy aims to optimise the search for yield and return by protecting against an uncertain economic environment from 2023, while remaining in line with the Group's risk appetite.

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.

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 risk 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, as well as 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-2022, CNP Assurances had a portfolio of caps on a total notional amount of €118 billion with an average remaining life of 3 years and an average strike price equal to 2.9% on the 10-year euro swap rate[16];
- **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.). This portfolio includes approximately €9 billion in put hedges, largely on the EURO STOXX, with an average strike of 3,460;
- **Currency risk**: the majority of CNP Assurances' exposures to currency risks are hedged. In particular, a hedge against a drop in the Brazilian real for a notional amount of €211 million has been set up to protect the value of the Brazilian subsidiaries' profits.

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.

5. Risk sensitivity

Numerous market risk sensitivity analyses are performed based on various metrics such as IFRS profit and the 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 the Group's assets are held by CNP Assurances, they are a relevant indicator of sensitivity on a solo basis.

The main results of sensitivity analyses at 31 December 2022 are as follows:

Indicator	Value at 31/12/2022	Sensitivity to a 50-bp increase in interest rates	Sensitivity to a 50-bp decrease in interest rates	Sensitivity to a 10% fall in equity prices	Sensitivity to a 25% fall in equity prices
IFRS profit	€1,939m	€89.5m	-€43.0m	-€44.6m	n/a
Solvency II coverage ratio	230%	- 6 pts	+4 pts	n/a	-20 pts

Combined stress tests are performed as part of the ORSA process. Interest rate sensitivity to both IFRS profit and the Solvency II coverage ratio reversed between 2021 and 2022.

[16] 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 in %)	**31/12/2022**	**31/12/2021**	Change (points)
Government bonds	58%	62%	-4
Corporate bonds	42%	38%	4
Financial services and insurance	18%	16%	2
Other sectors	25%	22%	3
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 %)	**31/12/2022**	**31/12/2021**	Change (points)
AAA	6%	5%	1
AA	52%	57%	-5
A	22%	20%	2
BBB	19%	17%	2
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 %)	**31/12/2022**	**31/12/2021**	Change (points)
France	70%	72%	-2
Spain	10%	9%	+1
Belgium	6%	7%	-1
Italy	3%	3%	0
Luxembourg	3%	3%	0
Germany	4%	3%	+1
Other	4%	3%	+1
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. It also concerns, to a lesser extent, group insurance clients when earned premiums not yet written are recognised.

2. Changes during the period

In 2022, the credit portfolio was faced with a significant increase in spreads for non-sovereign issuers due to fears regarding the war in Ukraine, the negative impact of rising rates and inflation on corporate credit profiles as well as the increased risk of recession. The portfolio was not subject to any significant rating downgrades, underpinned by its good credit quality and the investment programme, which mainly targets A-rated issuers. Sector exposures to activities considered to be the most at risk since the Covid-19 crisis and the war in Ukraine are very limited.

Due to the war in Ukraine, the surge in inflation and the rise in rates caused by the tightening of monetary policies by central banks, sovereign spreads widened sharply in 2022 owing to the increased risk of recession and heightened fears about the sustainability of debt in some countries such as Italy.

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. Sensitivity to the hedging rate supplements the measurement of the impacts of credit risk, 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 entity CNP Assurances, it represents a relevant indicator of sensitivity on a solo basis.

The results of the sensitivity analysis are as follows:

Indicator	Value at 31/12/2022	Sensitivity to a +50 bp corporate bond spread shock[17]	Sensitivity to a +50 bp sovereign bond spread shock[18]	Sensitivity to a -20% rating downgrade
Solvency II coverage ratio	230%	-7 pts	-13 pts	-3 pts

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

[17] *After recalibration of the volatility adjustment*

[18] *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

The financial markets faced restrictive central bank policies with the end of asset repurchase programmes and even a reduction in central bank balance sheets, which negatively impacted market liquidity. The bear markets penalised the valuation of CNP Assurances' assets and reduced the amount of its liquid assets.

There is no alert in terms of CNP Assurances' overall liquidity, as it has surplus liquidity in relation to own funds.

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.

CNP Assurances retains a large liquidity surplus and is highly resilient despite a decline in its liquid assets in 2022. This was due to a portfolio composition effect with the purchase of corporate bonds (which are less liquid) and a market effect with the fall in the market value of bonds (linked to the rise in interest rates).

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.

On this basis, expected profits included in future premiums amounted to €1.3 billion at 31 December 2022.

C5 Operational risk

	Solo SCR value at 31/12/2022 *(In € millions)*
Operational risk	1,076

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 based on the Basel II and Operational Risk Consortium (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 for internal audits.

The methodological convergence process launched in 2019 in preparation for CNP Assurances' integration in the La Banque Postale Group took place over the past three years.

2. Changes during the period

Operational risk and Permanent control

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

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

In 2022, the Group Risk department rolled out the transformation plan for its internal organisation defined last year at an operational level. The aims is to strengthen the independence, efficiency and coordination of its second line of defence in the area of operational risks and permanent control. 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 remuneration policies and practices.

Outsourcing and delegated management

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

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.

The key issues in relation to subcontracting in 2022 were to:

- Support the CNP Assurances Group's development goals and its corporate mission:
  - Ensure appropriate governance for subcontracting issues and the right level of decision-making,
  - Retain high-value-added skills internally,
  - Promote inclusive growth through the contracting policy;
- Supervise and control outsourced activities:
  - Ensure permanent monitoring of sensitive, critical or important activities,
  - Avoid any kind of economic, operational or technological dependence;
- Manage risks in a stronger regulatory environment:
  - Implement permanent controls on critical or important outsourced activities,
  - Strengthen governance systems, particularly regarding the use of cloud computing and cyber security risks.

In 2022, this was reflected as follows:

The focus was placed on reviewing subcontracting by business unit. A number of initiatives have emerged regarding the insourcing of key processes and reducing the number of service providers;

Data protection remains a key concern as cloud computing develops. Important work has been carried out to protect the integrity and confidentiality of our customers' data and our processes and know-how;

Permanent controls have been strengthened for critical or important outsourced services and key risk indicators (KRIs) have been implemented.

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:

- In line with its ambitions to modernise exchanges, the Group has continued to develop electronic signatures with its partners;
- For the accounting function, the implementation of the changes needed to apply IFRS 17 (recognition and measurement of insurance contracts) and IFRS 9 (new classification and measurement rules for financial instruments) continued. The internal control system is being reviewed to reflect the changes arising from the new standards;
- 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,
    - Strengthened the outsourcing management system,
    - Optimised the process for purchasing, invoice processing, and supply and supplier management.

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

CNP Assurances is highly exposed to the risk of data theft or loss given the large volume of policies and customers it manages and the interconnections between its information systems and those of its 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 coverage system was strengthened with new preventive measures (specific infrastructure for denial-of-service attacks, roll-out of self-care mechanisms, data anonymisation, improvement of workstation security, strengthening of access controls for protected networks, and the creation of a cyber kit for members of the Executive Committee, operational staff in key functions and BCP officers).

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 cybercrime and the widespread roll-out of remote working since March 2020, intruder risk in CNP Assurances Group's systems remains a concern.

Software or IT production risks

Information systems incidents were among the main causes of operating incidents in 2022. 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;
- An application incident resolution plan (-38% in volume between 2021 and 2022) as part of the Operational Excellence Programme led by the Customer Experience, Digital Services and Data department.

Risks related to financial crime and internal and external fraud with underlying offences

In an environment of very high pressure and given its business model that relies on distribution partners and/or delegated investment providers, involving complex processes and information systems, CNP Assurances is exposed to all types of risks related to financial crimes. These include the risk of document fraud, identity theft, attempted embezzlement, money laundering and terrorist financing, failure to comply with economic and financial sanctions, corruption and influence peddling.

Cases of internal and external fraud with proven underlying offences remain low, though the number is rising steadily as detection improves.

To deal with these risks and in light of its regulatory obligations, CNP Assurances has implemented specific systems, defined, regularly reviewed and steered by the Compliance department's Financial Security and Governance and Ethics divisions.

Safety and security: property damage and personal injury risks

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

- Its former headquarters building at Montparnasse is subject to regulations governing skyscrapers and is located above Montparnasse railway station. The head office at this old address was exposed to the risk of a terrorist attack;
- On 13 July 2022, CNP Assurances took possession of its new head office located at ZAC du Cœur de Ville in Issy les Moulineaux. This building, subject to French Labour Code legislation, is partly located in a flood-risk area and is subject to specific measures under the Natural Flooding Risk Prevention Plan;
- The Saint Serge building in Angers is located on the Maine river's flood plain;
- The data centre located close to Angers 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 falls within the framework of La Banque Postale's risk management policy and is due to be reviewed as part of the process of structuring 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. CNP Assurances is required to regularly review, test and update its 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, complaints management, marketing material);
- 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.

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 CNP Assurances Group's 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 emergency procedures and crisis management tools, 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. It relies on a network of BCP officers within the business units/functions of the Group and its subsidiaries.

Information systems and data processing

Information systems security is a priority for CNP Assurances Group, which has drawn up a Group cyber security policy. The Group has an IT back-up plan that allows it to restart its activities from a backup site in the event of the complete failure of its main data centre. This plan is tested every year.

Risks related to financial crime and internal and external fraud with underlying offences

Financial crime is a constant concern for CNP Assurances, which is exposed to this risk due to the nature of its business.

For several years, the Compliance department, in charge of managing these risks, has been carrying out major work aimed at constantly developing the systems in place:

- Regular updates and dissemination of the Group's policies and framework procedures on fraud, AML-CFT/sanctions, code of ethics, and the drafting and regular updating of specific financial crime risk maps;
- A control plan is in place comprising self-assessments performed in two annual campaigns and the certification of controls carried out independently by the Risk division;
- Level two controls/testing carried out by the Group Compliance department on the verification of level 1 AML-CFT controls on customer transactions, whether they are managed through delegated partners or carried out directly by the CNP Assurances teams; verification of the processing of financial security alerts handled by service providers; verification of the departments' gift and inducements registers; verification of the registration of insurance intermediaries; verification of the third-party/business relations assessment process under the anti-corruption system; verification of mandatory compliance clauses in agreements with partners, etc.;
- Raising awareness among all employees through:
  - Information campaigns: regular distribution of digital comic strips,
  - Training campaigns, particularly for new hires and employees on internal transfers, but also for all company employees, held twice yearly for AML-CFT matters in particular;
- Deployment of tools to automatically detect high risk factors for financial crime and strengthen human detection in the first line of defence:
  - For customers, in particular those who are politically exposed persons, have ties with high risk countries, are subject to an economic or financial sanction, carry out frequent transactions, or transactions involving large amounts or with atypical features with respect to the risks of money laundering, terrorist financing or fraud,
  - For third parties in business relations with CNP Assurances, assessing their exposure to corruption risks and collecting information on their exposure to financial crime risks,

Safety and security: property damage and personal injury risks

In the Working Environment Unit reporting to the Secretary General, 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;
- Emerging risks are identified and listed;
- 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, underwriting or operational risk and apply the permanent control system, 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 Stakeholder Dialogue, Communications, and Sponsorship department, with a multi-disciplinary team supported by external consultants, to conduct reputation monitoring and analysis activities and determine any necessary action plans. A process 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 and Value of New Business (VNB) metrics for CNP Assurances’ portfolio of commitments and the application of IFRS 17 and IFRS 9.

Model risk is considered an operational risk category within the Group and can materialise at any time in 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 (usage risk);
- Risk of financial loss attributable directly or indirectly to a deficiency in the model monitoring process.

The CNP Assurances Group has defined a methodology to assess the model risk management system based on the identification of model use cases. This approach is mainly based on the identification of model output metrics in order to establish a baseline, which is a fundamental step in the quantification of risk. The following models have been identified:

- NBI;
- Earnings, P&L;
- Accounting provisions;
- Fair values, market values (assets/liabilities) and economic values;
- Impact on the balance sheet;
- Regulatory and economic capital;
- Future cash flow values and best estimates;
- Indemnities, penalties, etc.

For some models the analysis produced qualitative results. In this case, the model risk quantification reference bases are quantitative versions of qualitative data. For example, volume-type indicators for processing thresholds over a given period may be chosen for a detection or profiling model.

In particular, this system aims to determine a causal chain on one or more points in the model’s life cycle, thus giving rise to financial consequences including any remedial costs.

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

- **Clear governance** with identification and separation 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-making bodies at the appropriate level in the organisation depending on the potential impact of the update. Within this framework, a Model Risk Committee under the authority of the Group Chief Risk Officer monitors the management of the CNP Assurances Group’s significant model risks;
- **An independent review and validation process** by a member of 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; This produces a classification that makes it possible to adapt the system’s requirements 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-making bodies, users, modellers, etc.) and thus make it possible to establish knowledge.

All model risk management principles are detailed in a Group policy validated every year by the Group Risk Committee. This policy is implemented to meet risk management requirements, adapted by CNP Assurances' internal audit department, in line with industry best practice and the needs expressed by the Caisse des Dépôts Group and La Banque Postale Group.

Major events in 2022

CNP Assurances Group's model risk management system is being strengthened by integrating non-prudential models in use at the head office and within the international subsidiaries. This strengthening is based on a common framework defined by the model risk function of the La Banque Postale-CNP Assurances conglomerate. An important milestone was reached in 2022 with the definition of a common methodology for rating gross model risk with La Banque Postale's model validation teams.

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.

Given the criticality of partnership risk, and as part of the ECB's supervision, a new system providing for the comprehensive and consolidated identification of distribution agreements, a methodology for classifying the risks associated with these agreements, as well as management and governance systems adapted to the level of risk was implemented in 2022.

In 2022, over three-quarters of the Group's IFRS premium income was generated through its five main distribution partners (La Banque Postale for 22%, BPCE for 16%, Caixa Economica Federal for 20%, Banco UniCredit for 9% and Banco Santander for 2%).

In 2022, the Group pursued its development and growth strategy, both internationally and in France, with:

- The acquisition of 100 % of the interests held by Caixa Seguridade and Icatu in five companies offering the possibility of marketing personal risk-health insurance, dental care, savings and *consórcio*[19] savings products;
- The reorganisation of its activities in Italy, including the acquisition of UniCredit's 49% stake in CNP Vita Assicura S.p.A., increasing CNP Assurances' stake in CNP Vita Assicura S.p.A to 100%, and the sale of 6.5% of CNP UniCredit Vita S.p.A. (CUV) to UniCredit, with CNP Assurances retaining a 51% majority stake in CUV;
- The buyout of Swiss Life's minority stake (34%) to become the sole partner in Assuristance, a holding company of Filassistance International; The sale was accompanied by a commitment to continue the partnership between Swiss Life France and Filassistance International;
- The launch of a supplementary occupational pension fund, which was authorised by the ACPR on 21 September 2022, thus enabling CNP Assurances to transfer its portfolio of eligible pension commitments;
- The project to extend the industrial partnership with BPCE in savings and personal risk insurance, currently in force until 2030, to 2035;
- The renewal for ten years (until 2032) of the partnership agreement signed in 2012 between the Argentine subsidiary CNP Seguros and Banco Credicoop. This renewal bolsters the Group's ambitions to grow on the Argentine insurance market.

Country risk

Country risk is the risk of loss due to political, economic or social factors in a host country, or to the regulations and control of local authorities in the countries in which the Group's entities operate.

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

More specifically, the financial viability of certain businesses may depend on local regulations and government commitments in host countries, especially in cases where the Group is called on to advance funds on behalf of the State. Regulatory changes (for example, the statutory increases in life annuities introduced in 2017) or a government decision to renege on its commitments may lead to litigation, with a significant adverse effect on CNP Assurances' earnings if the courts rule against the Group. This could be the case in Brazil, where Caixa Seguradora has advanced funds on behalf of the State under the local administered insurance system.

The Group is thereby bound by local regulations and subject to audits carried out by the competent local authorities. In Brazil, for example, any dividends received by CNP Assurances must be approved by the Brazilian Central Bank and the brokerage activities carried out by Wiz Soluçõese Corretagem de Seguros (a Group company in which CNP Seguros Holding Brasil S.A. holds a 25% minority stake), listed on BOVESPA (Brazil's São Paulo stock market), are supervised by the Brazilian Securities Commission (CVM), the equivalent of the AMF in France.

CNP Assurances has large subsidiaries in Brazil and Italy, with these two countries respectively accounting for 20% and 21% of consolidated premium income in 2022.

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[19] A tontine savings scheme specific to Brazil providing an alternative to traditional bank financing. Like in a French home savings plan, the customer can be first a saver, then a borrower.

France remains CNP Assurances' largest market, accounting for over 53% of premium income in 2022. The Group also assesses the level of country risk using the Euler Hermès rating, which is medium for Italy, and sensitive for Brazil.

In 2022, the monitoring of country risk was strengthened with the implementation of specific indicators in the Group's risk appetite statement focusing on solvency, loss experience and inflows.

Update on the Ukrainian crisis

A dedicated update is provided in section C7 below.

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).

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New regulations may be adopted that affect the Group's business model. The new accounting standards IFRS 17, which applies from 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.

Changes in European and French regulations relating to insurance products aimed at protecting consumers may have a significant impact on business in France and other countries in Europe. An example is the ACPR's request in France to improve transparency on life insurance entry and management fees, or EIOPA's various initiatives aimed at encouraging insurers to prevent and remedy any conflicts of interest arising from the sale of credit insurance products.

At the product level, in France, the Lemoine law enacted in February 2022 gave borrowers the right to terminate credit insurance at any time and removed the need to complete a medical questionnaire for loans below €200,000. Work has been carried out to adapt the products to these new regulatory requirements. Moreover, surrender risk monitoring has been stepped up and portfolio defence actions have been implemented in collaboration with the partners. Regulations have also changed with the introduction of a fee cap for term creditor insurance products in Germany and Poland, requiring considerable product adaptation work.

In addition, in France, the upcoming pension reform may have a significant impact on the level of commitments of personal risk and pension products, the extent of which will depend on the terms of the reform.

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-2022, 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.

Human resources management risk

This risk may arise if the Group's HR policy and strategy is misaligned with its strategic plan or if the environment either inside or outside the company could threaten the company's strategy and objectives.

The current social climate, with widespread price rises, may present a human resources risk in the form of a risk of wage claims, such as those observed by most market players in France at the beginning of the year.

This could give rise to reputational, image and operational risks. The tight labour market for certain rare skills (e.g. IFRS 17) against a backdrop of increasing regulatory requirements (IFRS, risks, compliance, etc.) may also cause difficulties. The suitability of the business lines' expertise and, ultimately, the alignment of skills with needs may be affected. Widespread inflation also has an impact on operating budgets, outsourcing, and external services, which may sometimes require a review of processes.

The Group is also undergoing an internal transformation with various far-reaching projects, such as its development in France and abroad, as well as adapting to a new regulatory environment.

The number of projects could lead to a heavy operational workload. In addition, a shortage of expert labour in the market makes recruitment longer and more difficult. The transformation of the corporate culture with the implementation of new working methods and the adaptation of certain business lines (due to the increased integration with the shareholder and distributors) is also a focus.

The management of human resources management risks is effective. Noteworthy points are the quality of social dialogue between management and employee representatives, and the projects implemented internally to support employees with the change in corporate culture, such as internal training and talent development initiatives. Human resources issues are also monitored and managed from an operational risk point of view by the Operational Risk and Internal Control Committee, which meets every six months. The purpose of this committee is to adapt the operational risk management system, ensure the proper application of operational risk and permanent control policies, and monitor the results of the risk management systems.

Business transformation risk

This risk is defined as the risk of insufficient or excessively slow transformation of the company, a failure to achieve the desired economic performance and strategic ambitions, or the risk associated with poor implementation of structural transformation projects.

It includes, for the Group, the human resources component, in connection with the transformation mentioned above in the paragraph on human resources management risk, which is a major risk, as well as the strategic and business component including in particular the strategic ambition to transform the Group's assets under management, international expansion projects, the development of the company's business, and the strategic initiative that is part of the company's transformation programme.

As such, the company's organisation has been revamped to support its development and transformation, by reviewing the distribution of expertise:

- Structuring the Group into five business units: two responsible for international development and three for development in France with the various partners and distribution channels;
- The creation of two expert divisions to drive, support and manage this development:
- the strategic transformation division, which monitors the execution of the strategy, including CSR aspects and development through external growth;
- a technical and innovation division notably in charge of accelerating the transformation of our solutions offering (products and services) for clients and partners.

From a more operational point of view and in terms of risk management, a risk tolerance (via loss indicators) has been defined for major projects, particularly in IT, and a risk approach has been applied within the company, under which the risk management function gives its opinion on various projects.

This risk was previously taken into account in terms of operational risks, which only concerned poor project implementation. The definition was reviewed in light of the major challenges and projects included in the Group's transformation.

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

The financial risks related to the effects of climate change to which CNP Assurances is exposed can be broken down into three areas:

- The investment activity;
- The insurance business;
- 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. This 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; the 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), and legal risk.

Mindful of the urgent need to reduce the current and future effects of climate change, the Group set up a Climate Risk Committee in 2019 and extended its remit to include biodiversity in 2021. 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 CSR, Investment and Technical and Innovation divisions, the Actuarial function and the Secretary General.

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. The management of these investments is based on ESG analyses that incorporate climate risks. It will nevertheless be important to regularly measure the investment portfolio's exposure to various climate risks in the coming years as accurately as possible, based on updates to 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. 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 personal risk 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 personal risk 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 personal risk 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, CNP Assurances 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.

Regarding its internal operations, CNP Assurances' offices and employees are located in France which, due to its level of development, is not considered as being the most vulnerable to climate events likely to severely disrupt its operations. Physical risk is managed through the regular updating of the business continuity plan to ensure business continuity for employees in the event of the occurrence of climatic hazards. It will nonetheless be important to reliably measure the exposure and vulnerability of production resources to various climate risks in the coming years, 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 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 (extended to infrastructure investments in 2022) 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 remove all direct thermal coal sector investments in the European Union and OECD countries from the portfolio by 2030, and those in the rest of the world by 2040. These commitments were supplemented in 2021 and 2022 by a policy governing its investments in fossil 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.

With regard to internal operations, CNP Assurances is exposed to transition risk in the event that the main sources of greenhouse gas (GHG) emissions are not controlled. The assessment of GHG emissions, prepared annually, and the implementation of internal carbon pricing, channel the Group's efforts towards the most relevant actions related to its operating buildings and employee travel.

C7 Other information

The conflict between Russia and Ukraine that broke out in February 2022 created an environment of great international instability, the outcome of which is currently unknown. According to the World Bank, the world economy remains weakened by this conflict due to significant disruptions to trade and the shocks observed on energy and food prices. For all economic players and countries involved in this crisis, the conflict represents a systemic risk that has exacerbated specific risks already identified. Upside inflation risk increased in 2022 with the energy crisis, which was the main impact of this conflict. Interest rates have risen steadily, and are seen as the main tool for curbing inflation risk by central banks.

The cyber threat is still seen a priority for the insurance and financial sector in general. CNP Assurances Group constantly monitors these matters and continuously improves its risk management system.

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.

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.

CNP Assurances and its shareholder La Banque Postale remain vigilant regarding the short- and medium-term effects of this crisis and the direction it may take, which may or may not worsen an already weak economic, social and financial situation.

Section

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 Investments

(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 (99.8% of the bond portfolio was rated BBB or higher at 31 December 2022), CNP Assurances has identified no material uncertainties 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 external sources.

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 measured using a valuation model and market inputs;
- Derivative instruments traded over-the-counter that are measured mainly using an internal valuation model and market inputs;
- Short-term commercial paper (TCN), which are no longer listed, are measured based on the zero coupon price curve plus a spread;
- Investment property measured using prices observed for similar recent transactions or the rental value of equivalent-type properties;
- Any other over-the-counter financial instruments.

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

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

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

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

Asset class	Financial instruments	Models/Methods
Inflation derivatives	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, statistics, etc.). 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 consolidated in the IFRS or Solvency II balance sheets are measured based on their adjusted net asset value as determined using the rules set out in the Solvency II Directive and the delegated regulation;
- Investments in non-insurance subsidiaries that are consolidated in the Group's IFRS balance sheet are measured based on their net worth;

Investments that are not consolidated in the Group's IFRS or Solvency II balance sheets are measured at their fair value under IFRS;
Related-party property companies are measured based on appraisal values determined by an independent expert because these assets are not traded on a stock market.

1.3.3 Other assets and miscellaneous receivables

(a) Treasury shares

CNP Assurances may hold its own shares under a liquidity agreement. Treasury shares are recognised on the assets side of the Solvency II balance sheet; they continue to be recognised at amortised cost under Solvency II, as CNP Assurances is no longer a listed company.

(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 eliminated 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 eliminated from the Solvency II balance sheet at 31 December 2022 amounted to €63 million.

2.2 Investments

At 31 December 2022, insurance investments and derivative instruments totalled €316.4 billion in the Solvency II balance sheet, versus €330.1 billion under French GAAP. The difference includes the value of derivative instruments recorded as liabilities.

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 does not change.

Fair value adjustments to other investment properties totalled €782.9 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" 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 €2.03 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 €11.08 billion under Solvency II compared to €11.01 billion under French accounting standards, representing a difference of €0.7 billion. Treasury shares in the Solvency II balance sheet amounted to €5.2 million.

Owner-occupied properties amounted to €39 million under French standards and in the Solvency II balance sheet.

Total cash deposits with ceding companies amounted to €585.8 million under French standards and in the Solvency II balance sheet.

Total receivables and cash flow amounted to €10.4 billion in the Solvency II balance sheet and under French standards.

Accrued income totalling €4.8 million was eliminated at 31 December 2022 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 revised its cost inflation assumptions in line with the economic context of 2022.

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 1% at 31 December 2022). 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 2022, the ultimate forward rate used was 3.45%, compared to 3.60% in 2021. Based on the Group's analysis, the sensitivity of technical reserves and own funds to a 2-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 December 2022 was calculated based on the Solvency II Delegated Regulation and period-end market data. It stands at 19 bp.

Its impact on technical reserves may be summarised as follows:

Technical reserves at 31 December 2022

(In € billions)	Before volatility adjustment	After volatility adjustment	Change	Impact
Total	261.6	261.4	-0.07%	-0.2

Impact of volatility adjustment on technical reserves

The volatility adjustment had the effect of reducing the best estimate of technical reserves by €0.2 billion or 0.07%.

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.

In accordance with the prudential provisioning policy, CNP Assurances prepares a report on the validation of laws and assumptions used in the calculation of prudential technical reserves, endorsed by Executive Management and incorporating an opinion from the actuarial function.

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 estimate of insurance obligations at 31 December 2022

The best estimate of insurance obligations before reinsurance at 31 December 2022 was €258.2 billion.

(In € millions)	Gross best estimate 2022	Gross best estimate 2021	Change YoY
Medical expense insurance	0	59	-59
Income protection insurance	956	1,005	-49
Workers' compensation insurance	357	313	44
Proportional reinsurance – Medical expense insurance	308	303	4
Proportional reinsurance – Income protection insurance	6	8	-2
Health similar to life insurance	3,383	4,016	-634
With-profits life insurance	199,991	262,690	-62,700
Index-linked and unit-linked insurance	42,083	42,927	-844
Other life insurance	454	575	-120
Health reinsurance	84	95	-11
Life reinsurance	10,580	17,354	-6,774
Total	**258,203**	**329,346**	**-71,144**

Best estimate by Solvency II line of business

CNP Assurances' estimated risk margin at 31 December 2022 was €3.16 billion.

(In € millions)	2022 risk margin	2021 risk margin	Change YoY
Medical expense insurance	0	3	-3
Income protection insurance	22	19	4
Workers' compensation insurance	12	10	2
Proportional reinsurance – Medical expense insurance	15	16	-1
Proportional reinsurance – Income protection insurance	0	0	0
Health similar to life insurance	45	48	-3
With-profits life insurance	2,406	2,827	-422
Index-linked and unit-linked insurance	133	140	-7
Other life insurance	403	446	-43
Health reinsurance	0	0	0
Life reinsurance	124	171	-46
Total	**3,160**	**3,680**	**-520**

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 2022 per the French 2022 Finance Act was 25% (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

Contingent liabilities

Under Solvency II, material contingent liabilities are recognised as liabilities.
A contingent liability is:

- A potential obligation arising from past events, the existence of which will only be confirmed by the occurrence (or not) of one or more uncertain future events that are not entirely under the entity's control;
- A current obligation arising from past events but not recognised because:
    - it is not likely that an outflow of resources representing economic benefits will be necessary to settle the obligation,
    - the amount of the obligation cannot be assessed with sufficient reliability.

A contingent liability is material when its current or potential size or nature is such that it is likely to influence the decisions or assessment of any holder of this information, and in particular the supervisory authorities.

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 €8.4 billion under French GAAP and €7.5 billion under Solvency II. The valuation difference therefore amounted to €0.9 billion.

2.2 Other liabilities

Contingent liabilities

At 31 December 2022, CNP Assurances identified the expected payment by CNP Assurances to Caixa Seguridade and Icatu, with a view to the acquisition of their shares in five Brazilian companies, as a contingent liability.

This liability was deducted from own funds in CNP Assurances' solo Solvency II balance sheet.

Other liabilities and miscellaneous payables

Other liabilities and miscellaneous payables amounted to €38.2 billion under Solvency II versus €46.4 billion under IFRS, representing a difference of €8.2 billion. This difference can be explained as follows:

- Recognition only under French standards of securities as collateral on securities lending transactions (€8.3 billion at 31 December 2022);
- Recognition of reinsurance deposits under the partnership agreement with BPCE for -€0.1 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 eliminated in the Solvency II balance sheet, because they are qualified as insurance liabilities and taken into account in the best estimate. At 31 December 2022, accrued charges amounted to €0.2 billion;

Employee benefit obligations

Employee benefit obligations recognised at 31 December 2022 amounted to €274 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 fair value inputs in the IFRS financial statements, are measured on the same basis in the Solvency II balance sheet, in accordance with paragraph “1. Valuation principles used” in section “D1. Assets”.

Section

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)	31/12/2022
Excess of assets over liabilities	30.4
Treasury shares (held directly or indirectly)	-0.0
Foreseeable dividends, distributions and expenses	1.0
Other basic own fund items[20]	12.2
Adjustment for restricted own funds items in respect of matching adjustment portfolios and ring fenced funds	-0.0
Reconciliation reserve	**17.2**

- 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 amounted to €9.8 billion;
- Subordinated notes are measured at their economic value[21], calculated as the present value of future cash flows payable to note holders (as determined based on each issue's characteristics), discounted at the risk free rate plus the issue date credit spread;
- Subordinated notes issued before 2015 are classified as Restricted Tier 1, Tier 2 and Tier 3 in line with the principles of the vested rights protection clause:
    - Undated subordinated notes eligible for inclusion in solvency capital for 50% of their amount under the regulations in force on the issue date are classified as Restricted Tier 1 under the Solvency II transitional measures,
    - Dated subordinated notes eligible for inclusion in solvency capital for 25% of their amount under the regulations in force on the issue date are classified as Tier 2 under the Solvency II transitional measures.

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

2.2 Ancillary own funds

The Company does not have any ancillary own funds.

3. Own-funds structure, amount and quality

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 €36.9 billion, as follows:

- €29.4 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and share premium account and surplus own funds;

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[20] Details of other basic own fund items 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.

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

- €7.5 billion of subordinated debt, breaking down as follows, in comparison with data at 31 December 2021:

(In € billions)	31/12/2022	31/12/2021
Restricted Tier 1	2.6	2.9
Tier 2	3.8	4.5
Tier 3	1.1	1.7
Total	**7.5**	**9.1**

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 2022, these quantitative caps on the components of eligible own funds for SCR calculations were not met.

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

Own funds of €33.3 billion are eligible for inclusion in CNP Assurances' MCR coverage ratio, as follows:

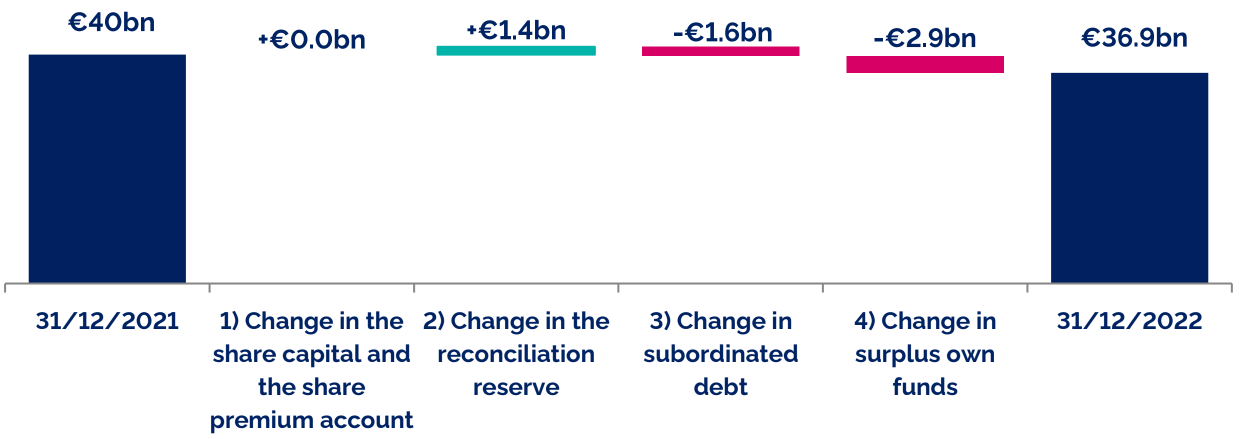
- €29.4 billion of unrestricted Tier 1 capital, comprising the reconciliation reserve, share capital (excluding any preference shares) and share premium account and surplus own funds;
- €3.8 billion of subordinated debt, breaking down as follows, in comparison with data at 31 December 2021:

(In € billions)	31/12/2022	31/12/2021
Restricted Tier 1	2.6	2.9
Tier 2	1.2	1.5
Tier 3	0.0	0.0
Total	**3.8**	**4.4**

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 2022.

The Company's eligible own funds decreased by €3.1 billion between 31 December 2021 and 31 December 2022, mainly as a result of:

- The increase in the reconciliation reserve, mainly reflecting:
  - The improvement in interest rates, having a positive impact on future margins in euro Savings/Pension products, partially offset by the deterioration of the equity markets,
  - The inclusion in own funds of profit for the period, net of dividends,
  - The decrease in unrealised gains or losses recorded against own funds due to fixed income and equity market performance,
  - The recognition of a contingent liability in respect of the future acquisition of minority interests in certain Brazilian subsidiaries, which mitigated this increase;
- The decrease in the market value of subordinated notes in connection with the redemption of a Tier 3 note and the revaluation of subordinated notes over the period due to the sharp rise in rates, which were offset by the issue of a subordinated note;
- The significant decrease in surplus funds due to the sharp rise in interest rates.

3.4 Comparative analysis of IFRS equity and Solvency II own funds

The difference between French GAAP equity (€14.5 billion) and Solvency II own funds (€36.9 billion) can be explained as follows:

- Remeasurement of assets due to differences between French GAAP and Solvency II principles (including borrowings and derivatives): -€5.5bn;
- Remeasurement of liabilities (mainly technical reserves) due to differences between French GAAP and Solvency II principles: +€21.4bn;
- Inclusion of subordinated debt in Solvency II own funds: +€7.5bn;
- Deduction of forecast dividends from Solvency II own funds: -€1.0bn.

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 €2.3 billion out of a total of €7.5 billion in subordinated debt (at fair value) in the Solvency II balance sheet at 31 December 2022. 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 2022

The SCR was €13.9 billion and the SCR coverage ratio was 266%. The MCR was €6.2 billion and the MCR coverage ratio was 532%.

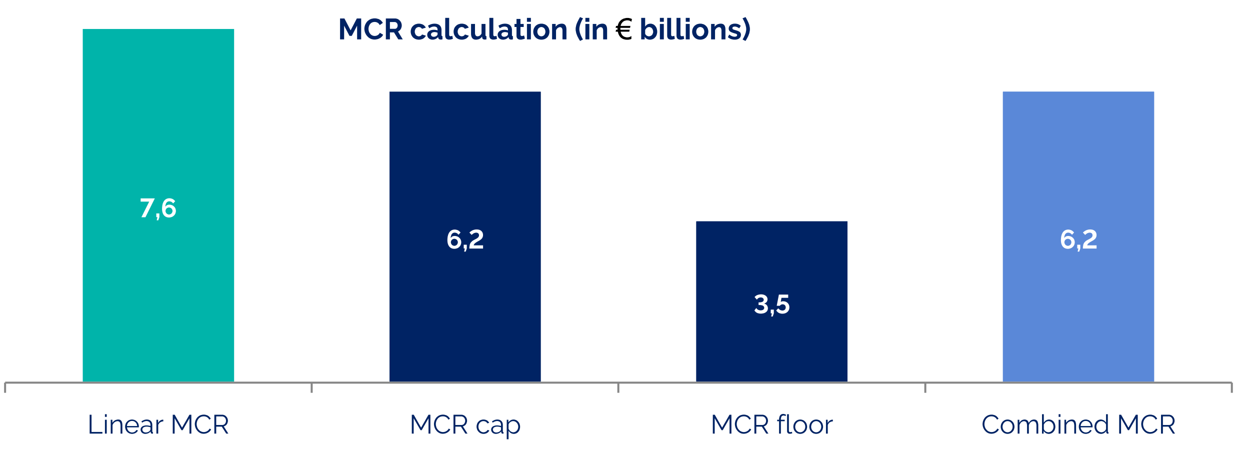
2. Minimum Capital Requirement (MCR)

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.

CNP Assurances' MCR corresponds to the MCR cap, i.e. €6.2 billion.



3. Solvency Capital Requirement (SCR)

3.1 Quantitative SCR information by risk module

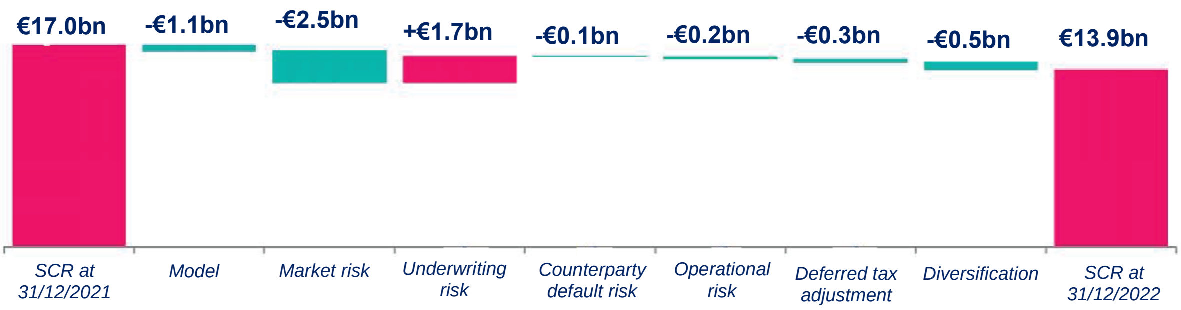
Breakdown of the Company's SCR by risk module, net of losses absorbed by future discretionary benefits:

(In € billions)	31/12/2022
Market risk SCR	10.3
Counterparty default risk SCR	0.9
Life underwriting risk SCR	5.0
Health underwriting risk SCR	1.2
Non-life underwriting risk SCR	0.0
Diversification effect	4.2
Intangible asset risk SCR	0.0
Basic SCR	13.2
Operational risk SCR	1.1
Loss-absorbing capacity of deferred taxes	0.4
Other*	0.0
SCR	**13.9**

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

3.2 Significant changes during the period

Changes in the Company's SCR at 31 December 2022 (In € billions):



The SCR was €13.9 billion, representing a decrease of €3.1 billion from the previous year-end.

The increase can be explained as follows:

- Changes in scope mainly include the transfer of the pension activity to CNP Retraite, which led to a €1.1 billion decrease in the SCR;
- The €2.5 billion decrease in the market SCR linked to a decrease in the equity SCR, following the drop in the equity markets compared with 31 December 2021, and a decrease in the spread SCR mainly due to the improvement in interest rates ;
- The €1.7 billion increase in the underwriting SCR due to the increase in the surrender SCR on the euro Savings scope explained by the increase in future margins;
- The loss-absorbing capacity of deferred taxes was increased by €0.3 billion reflecting higher 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)	6.4	6.2	-0.2
Solvency Capital Requirement (SCR)	14.2	13.9	- 0.3
Basic own funds	36.4	36.9	0.5
Eligible own funds to meet the MCR	32.8	33.3	0.4
Eligible own funds to meet the SCR	36.4	36.9	0.5
Solvency II coverage ratio	**256%**	**266%**	**10 pts**

The increased impact was due to the wider corporate and sovereign spreads observed during the year (10-point impact in 2022 versus 4-point impact in 2021).

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.

Section

F. Appendix: Quantitative Reporting Templates (QRTs) for public disclosure

Presentation currency: € thousands

Legal name: CNP ASSURANCES

Year ended: 31 December 2022

S.02.01.02 – Balance sheet

Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant and equipment held for own use	R0060	39,039
Investments (other than assets held for index-linked and unit-linked policies)	R0070	274,196,705
Property (other than for own use)	R0080	1,015,156
Holdings in related undertakings, including participations	R0090	10,931,402
Equities	R0100	24,106,879
Equities - listed	R0110	13,486,231
Equities - unlisted	R0120	10,620,648
Fixed income	R0130	166,297,482
Government bonds	R0140	85,234,879
Corporate bonds	R0150	62,085,483
Structured notes	R0160	16,549,734
Collateralised securities	R0170	2,427,385
Collective investments undertakings	R0180	68,026,251
Derivatives	R0190	3,748,467
Deposits other than cash equivalents	R0200	71,068
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	43,315,479
Loans and mortgages	R0230	358,361
Loans on policies	R0240	211,705
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	146,656
Reinsurance recoverables	R0270	10,474,749
Non-life and health similar to non-life	R0280	218,166
Non-life excl. health	R0290	
Health similar to non-life	R0300	218,166
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	8,700,537
Health similar to life	R0320	210,444
Life excluding health and index-linked and unit-linked	R0330	8,490,093
Life index-linked and unit-linked	R0340	1,556,047
Deposits to cedants	R0350	585,798
Insurance and intermediaries receivables	R0360	2,249,924
Reinsurance receivables	R0370	15,155
Receivables (trade, not insurance)	R0380	7,481,762
Own shares (held directly)	R0390	5,218
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	623,600
Any other assets, not elsewhere shown	R0420	80,144
Total assets	R0500	339,425,936

Liabilities		
Technical provisions - non-life	R0510	1,676,724
Technical provisions - non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions — health (similar to non-life)	R0560	1,676,724
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	1,627,770
Risk margin	R0590	48,955
Technical provisions – Life (excluding index-linked and unit-linked)	R0600	216,892,044
Technical provisions - health (similar to life)	R0610	3,512,184
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	3,466,958
Risk margin	R0640	45,225
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	213,379,860
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	210,448,414
Risk margin	R0680	2,931,445
Technical provisions – Index-linked and unit-linked funds	R0690	42,793,713
Technical provisions calculated as a whole	R0700	
Best estimate	R0710	42,659,753
Risk margin	R0720	133,959
Contingent liabilities	R0740	160,856
Provisions other than technical provisions	R0750	90,222
Pension benefit obligations	R0760	273,831
Deposits from reinsurers	R0770	10,253,561
Deferred tax liabilities	R0780	430,653
Derivatives	R0790	1,410,206
Debts owed to credit institutions	R0800	254,634
Financial liabilities other than debts owed to credit institutions	R0810	20,231,664
Insurance and intermediaries payables	R0820	1,167,289
Reinsurance payables	R0830	503,070
Payables (trade, not insurance)	R0840	5,067,443
Subordinated liabilities	R0850	7,469,312
Subordinated liabilities not in basic own funds	R0860	
Subordinated liabilities in basic own funds	R0870	7,469,312
Any other liabilities, not elsewhere shown	R0880	367,193
Total liabilities	R0900	309,042,415
Excess of assets over liabilities	R1000	30,383,521

Solvency II balance sheet – Assets (In € billions)

Assets, Solvency II values *(in billions of euros)*	31/12/2022	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 policies)[22]	274.2	D1
Asset held in unit-linked and index-linked contracts	43.3	D1
Loans and mortgages	0.4	D1
Reinsurance recoverables	10.5	D2
Other assets and miscellaneous receivables[23]	11.0	D1
Total	***339.4***	

Notes:

- The €316.5 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 funds, loans and mortgages;
- The €11.1 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 of euros)*	31/12/2022	Corresponding section of the SFCR
Technical reserves	261.4	D2
Subordinated liabilities	7.4	D3
Deferred tax liabilities	0.4	
Derivative instruments	1.4	
Contingent liabilities	0.2	D3
Other liabilities and miscellaneous payables	38.2	D3
Total		
Excess of assets over liabilities	***30.4***	E1

[22] *Not including derivative instruments with a negative fair value for €1.4 billion.*

[23] *Not including property, plant and equipment held for own use in the amount of €39million.*

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	68,955	317,331	195,410	581,696
Gross - Proportional reinsurance accepted	R0120	155,801	50,447	0	206,248
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	0	518	0	518
Net	R0200	224,755	367,260	195,410	787,426
Premiums earned					
Gross - Direct Business	R0210	73,444	311,782	191,412	576,638
Gross - Proportional reinsurance accepted	R0220	163,848	45,745	0	209,593
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	33,799	955	0	34,753
Net	R0300	203,494	356,573	191,412	751,478
Claims incurred					
Gross - Direct Business	R0310	79,320	298,003	157,145	534,467
Gross - Proportional reinsurance accepted	R0320	187,977	35,165	31	223,172
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	41,802	-1,709	0	40,093
Net	R0400	225,495	334,876	157,175	717,547
Change in other technical provisions					
Gross - Direct Business	R0410	0	0	23,299	23,299
Gross - Proportional reinsurance accepted	R0420	3,325	0	-694	2,631
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440	0	0	0	0
Net	R0500	3,325	0	22,605	25,930
Expenses incurred	R0550	24,714	55,242	24,403	104,359
Other expenses	R1200				
Total expenses	R1300				104,359

Life insurance and reinsurance obligations

		Line of business for: life insurance obligations				Life reinsurance obligations		Total
		Health insurance	With-profits life insurance	Index-linked and unit-linked insurance	Other life insurance	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0270	C0280	C0300
Premiums written								
Gross	R1410	920,552	8,158,174	4,475,419	2,182,330	6,915	2,150,430	17,893,821
Reinsurers' share	R1420	69,486	208,801	82,963	172,345	0	5,746	539,342
Net	R1500	851,066	7,949,374	4,392,456	2,009,985	6,915	2,144,684	17,354,479
Premiums earned								
Gross	R1510	992,829	8,152,179	4,483,410	2,013,971	4,484	2,136,550	17,783,423
Reinsurers' share	R1520	47,883	204,013	82,897	83,675	0	7,689	426,157
Net	R1600	944,945	7,948,167	4,400,513	1,930,296	4,484	2,128,861	17,357,266
Claims incurred								
Gross	R1610	473,367	15,656,047	1,842,285	652,199	3,755	840,105	19,467,758
Reinsurers' share	R1620	4,920	633,125	73,342	31,740	0	-2,480	740,647
Net	R1700	468,447	15,022,921	1,768,943	620,459	3,755	842,586	18,727,111
Change in other technical provisions								
Gross	R1710	2,224	-25,494	0	-263	-2,956	3,482	-23,007
Reinsurers' share	R1720	8,890	0	0	60	0	36	8,986
Net	R1800	-6,666	-25,494	0	-324	-2,956	3,446	-31,994
Expenses incurred	R1900	441,051	1,388,201	322,733	943,537	-1,185	102,450	3,196,787
Other expenses	R2500							
Total expenses	R2600							3,196,787

S.12.01.02 – Life and health SLT technical provisions

		With-profits life insurance	Index-linked and unit-linked insurance		
				Policies without options or guarantees	Policies with options or guarantees
		C0020	C0030	C0040	C0050
Technical provisions calculated as a whole	R0010				
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default, corresponding to technical reserves calculated as a whole	R0020				
Technical reserves calculated as the sum of the best estimate and the risk margin					
Best estimate					
Gross best estimate	R0030	199,990,553			42,083,255
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default	R0080	8,458,197			1,556,047
Best estimate net of recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance	R0090	191,532,356			40,527,209
Risk margin	R0100	2,405,569	132,944		
Impact of transitional deductions on technical reserves					
Technical provisions calculated as a whole	R0110				
Best estimate	R0120				
Risk margin	R0130				
Technical reserves - Total	R0200	202,396,122	42,216,199		

		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Reinsurance accepted	Total (life excluding health, including unit-linked)
			Policies without options or guarantees	Policies with options or guarantees			
		C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010						
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default, corresponding to technical reserves calculated as a whole	R0020						
Technical reserves calculated as the sum of the best estimate and the risk margin							
Best estimate							
Gross best estimate	R0030		454,078			10,580,282	253,108,168
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default	R0080		16,680			15,216	10,046,140
Best estimate net of recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance	R0090		437,398			10,565,066	243,062,028
Risk margin	R0100	402,695				124,197	3,065,405
Impact of transitional deductions on technical reserves							
Technical provisions calculated as a whole	R0110						
Best estimate	R0120						
Risk margin	R0130						
Technical reserves - Total	R0200	856,773				10,704,478	256,173,573

		Health insurance (direct insurance)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (health similar to life)
			Policies without options or guarantees	Policies with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010						
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default, corresponding to technical reserves calculated as a whole	R0020						
Technical reserves calculated as the sum of the best estimate and the risk margin							
Best estimate							
Gross best estimate	R0030		3,382,757			84,202	3,466,958
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default	R0080		210,444			0	210,444
Best estimate net of recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance	R0090		3,172,313			84,202	3,256,515
Risk margin	R0100	45,225				0	45,225
Impact of transitional deductions on technical reserves							
Technical provisions calculated as a whole	R0110						
Best estimate	R0120						
Risk margin	R0130						
Technical reserves - Total	R0200	3,427,982				84,202	3,512,184

S.17.01.02 – Non-life Technical Provisions

		Direct insurance and proportional reinsurance accepted			Total non-life commitments
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	
		C0020	C0030	C0040	C0180
Technical provisions calculated as a whole	R0010				
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default, corresponding to technical reserves calculated as a whole	R0050				
Technical reserves calculated as the sum of the best estimate and the risk margin					
Best estimate					
Premium reserves					
Gross - total	R0060	79,510	-92,535	-25,698	-38,723
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default	R0140	736	301	0	1,037
Best estimate net of premium reserves	R0150	78,774	-92,836	-25,698	-39,760
Claims reserves					
Gross - total	R0160	228,785	1,055,115	382,592	1,666,493
Total recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default	R0240	85,829	105,602	25,698	217,129
Best estimate net of claims reserves	R0250	142,957	949,514	356,894	1,449,364
Total best estimate total - gross	R0260	308,296	962,580	356,894	1,627,770
Total best estimate - net	R0270	221,731	856,678	331,195	1,409,604
Risk margin	R0280	14,723	22,299	11,932	48,955
Impact of transitional deductions on technical reserves					
Technical provisions calculated as a whole	R0290				
Best estimate	R0300				
Risk margin	R0310				
Technical reserves - Total					
Technical reserves - Total	R0320	323,019	984,880	368,826	1,676,724
Recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance, after adjustment for probable losses due to counterparty default - Total	R0330	86,565	105,903	25,698	218,166
Technical reserves net of recoverable amounts from reinsurance/securitisation vehicles and finite reinsurance	R0340	236,454	878,977	343,128	1,458,559

S.19.01.21 – Non-life Insurance Claims

Non-life Insurance Claims

Year of accident/year of subscription	Z0020	1

Gross claims paid (not cumulative)

		Year of development										
Year		0	1	2	3	4	5	6	7	8	9	≥10
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Previous	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	191,434	379,863	138,525	53,598	18,708	7,363	4,216				
N-5	R0200	187,973	428,203	114,938	48,574	22,787	8,727					
N-4	R0210	196,986	391,721	105,251	64,282	17,292						
N-3	R0220	166,605	365,177	131,368	55,456							
N-2	R0230	150,256	340,051	114,039								
N-1	R0240	153,158	370,476									
N	R0250	162,174										

		For the current year	Sum of years (cumulative)
		C0170	C0180
	R0100	0	0
	R0160	0	0
	R0170	0	0
	R0180	0	0
	R0190	4,216	793,706
	R0200	8,727	811,201
	R0210	17,292	775,532
	R0220	55,456	718,606
	R0230	114,039	604,345
	R0240	370,476	523,634
	R0250	162,174	162,174
Total	R0260	732,380	4,389,199

Best estimate of non-discounted gross claims reserves

		Year of development										
Year		0	1	2	3	4	5	6	7	8	9	≥10
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Previous	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	1,123,337	548,220	201,015	112,629	27,253	17,147	12,925				
N-5	R0200	956,792	324,376	239,941	204,206	28,735	19,588					
N-4	R0210	629,406	318,770	196,137	124,167	37,732						
N-3	R0220	652,291	325,567	263,872	79,223							
N-2	R0230	683,573	441,272	230,039								
N-1	R0240	730,115	545,763									
N	R0250	825,815										

		Year-end (updated data)
		C0360
	R0100	0
	R0160	0
	R0170	0
	R0180	0
	R0190	12,391
	R0200	18,785
	R0210	36,261
	R0220	75,844
	R0230	209,631
	R0240	490,927
	R0250	775,085
Total	R0260	1,618,925

S.22.01.21 – Impact of long term guarantees and transitional measures

		Amount with long term guarantees and transitional measures	Impact of transitional measures on technical provisions	Impact of transitional measures on interest rates	Impact of volatility adjustment set to zero	Impact of a matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical reserves	R0010	261,362,481	0	0	190,715	0
Basic own funds	R0020	36,878,115	0	0	-480,484	0
Eligible own funds to meet the SCR	R0050	36,878,115	0	0	-480,484	0
Solvency Capital Requirement (SCR)	R0090	13,885,864	0	0	342,970	0
Eligible own funds to meet the minimum capital requirement	R0100	33,254,603	0	0	-449,616	0
Minimum Capital Requirement (MCR)	R0110	6,248,639	0	0	154,336	0

S.23.01.01 – Own funds

		Total	Level 1 - unrestricted	Level 1 - restricted	Level 2	Level 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for holdings in other financial sectors, as provided for in Article 68 of Delegated Regulation 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			
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	9,782,295	9,782,295			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	17,223,043	17,223,043			
Subordinated liabilities	R0140	7,469,312		2,596,073	3,806,152	1,067,088
Amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for holdings in credit institutions and financial institutions	R0230					
Total basic own funds after deductions	R0290	36,878,115	29,408,802	2,596,073	3,806,152	1,067,088
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares, callable on demand	R0320					
Legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	R0350					
Supplementary members calls under Article 96(3) of Directive 2009/138/EC	R0360					
Supplementary members calls - other than under Article 96(3) of Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

		Total	Level 1 - unrestricted	Level 1 - restricted	Level 2	Level 3
		C0010	C0020	C0030	C0040	C0050
Eligible and available own funds						
Total available own funds to meet the solvency capital requirement	R0500	36,878,115	29,408,802	2,596,073	3,806,152	1,067,088
Total available own funds to meet the minimum capital requirement	R0510	35,811,027	29,408,802	2,596,073	3,806,152	
Total eligible own funds to meet the solvency capital requirement	R0540	36,878,115	29,408,802	2,596,073	3,806,152	1,067,088
Total eligible own funds to meet the minimum capital requirement	R0550	33,254,603	29,408,802	2,596,073	1,249,728	
Solvency Capital Requirement (SCR)	R0580	13,885,864				
Minimum Capital Requirement (MCR)	R0600	6,248,639				
Ratio of eligible own funds to solvency capital requirement	R0620	2.66				
Ratio of eligible own funds to minimum capital requirement	R0640	5.32				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	30,383,521
Own shares (held directly or indirectly)	R0710	5,218
Foreseeable dividends, distributions and expenses	R0720	969,500
Other basic own fund items	R0730	12,185,760
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	17,223,043
Expected profits		
Expected profit in future premiums (EPIFP) — Life business	R0770	1,261,737
Expected profit in future premiums (EPIFP) — Non-life business	R0780	41,173
Total expected profit in future premiums (EPIFP)	R0790	1,302,910

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

		Gross solvency capital requirement	Simplifications	USP
		C0110	C0120	C0090
Market risk	R0010	28,607,772		
Counterparty default risk	R0020	924,265		
Life underwriting risk	R0030	13,705,778		None
Health underwriting risk	R0040	1,894,588		None
Non-life underwriting risk	R0050	0		None
Diversification effect	R0060	-9,533,864		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	35,598,539		

Calculation of the Solvency Capital Requirement		C0100
Operational risk	R0130	1,075,724
Loss-absorbing capacity of technical provisions	R0140	-22,357,746
Loss-absorbing capacity of deferred taxes	R0150	-430,653
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	13,885,864
Capital add-ons already set	R0210	0
Solvency Capital Requirement (SCR)	R0220	13,885,864
Other SCR information		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for the remaining part	R0410	13,885,864
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Tax rate approach		C0109
Average tax rate approach	R0590	1

Loss-absorbing capacity of deferred taxes		C0130
LAC DT	R0640	-430,653
LAC DT justified by the reversal of deferred tax liabilities	R0650	-430,653
LAC DT justified in view of probable future taxable economic profits	R0660	0
LAC DT justified by carry forwards, current financial year	R0670	0
LAC DT justified by carry forwards, future financial years	R0680	0
Maximum LAC DT	R0690	430,653

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

		Non-life activities	Life activities
		MCR result (NL,NL)	MCR result (NL,NL)
		C0010	C0020
Term of the linear formula for non-life insurance and reinsurance commitments	R0010	199,325	

		Non-life activities		Life activities	
		Best estimate and technical reserves calculated as a whole, net (of reinsurance/securitisation vehicles)	Premiums written over the last 12 months, net (of reinsurance)	Best estimate and technical reserves calculated as a whole, net (of reinsurance/securitisation vehicles)	Premiums written over the last 12 months, net (of reinsurance)
		C0030	C0040	C0050	C0060
Medical expense insurance and corresponding proportional reinsurance	R0020	221,731	39,095		
Income protection insurance, including corresponding proportional reinsurance	R0030	856,678	300,269		
Worker compensation insurance and corresponding proportional reinsurance	R0040	331,195	185,072		
Motorist liability insurance and corresponding proportional reinsurance	R0050	0	0		
Other motor vehicle insurance and corresponding proportional reinsurance	R0060	0	0		
Marine, aviation and transport insurance and corresponding proportional reinsurance	R0070	0	0		
Fire and other property damage insurance and corresponding proportional reinsurance	R0080	0	0		
General liability insurance and corresponding proportional reinsurance	R0090	0	0		
Credit and guarantee insurance and corresponding proportional reinsurance	R0100	0	0		
Legal protection insurance and corresponding proportional reinsurance	R0110	0	0		
Personal assistance insurance and corresponding proportional reinsurance	R0120	0	0		
Miscellaneous financial loss insurance and corresponding proportional reinsurance	R0130	0	0		
Non-proportional health reinsurance	R0140	0	0		
Non-proportional accident reinsurance	R0150	0	0		
Non-proportional marine, air and transport reinsurance	R0160	0	0		
Non-proportional P&C reinsurance	R0170	0	0		

		Non-life activities	Life activities
		MCR result (L,NL)	MCR result (L,L)
		C0070	C0080
Term of the linear formula for life insurance and reinsurance commitments	R0200		7,388,594

		Non-life activities		Life activities	
		Best estimate and technical reserves calculated as a whole, net (of reinsurance/securitisation vehicles)	Total capital at risk, net (of reinsurance/securitisation vehicles)	Best estimate and technical reserves calculated as a whole, net (of reinsurance/securitisation vehicles)	Total capital at risk, net (of reinsurance/securitisation vehicles)
		C0090	C0100	C0110	C0120
Commitments with participation - Benefits covered	R0210			185,465,856	
Commitments with participation - Future discretionary benefits	R0220			26,413,860	
Insurance commitments with indexed and unit-linked benefits	R0230			41,103,707	
Other life and health insurance and reinsurance commitments	R0240			,4,529,366	
Total amount of capital at risk for all life insurance and reinsurance commitments	R0250				2,198,020,277

Calculation of overall MCR

		C0130
Linear MCR	R0300	7,609,497
Solvency Capital Requirement (SCR)	R0310	13,885,864
MCR cap	R0320	6,248,639
MCR floor	R0330	3,471,466
Combined MCR	R0340	6,248,639
Absolute MCR floor	R0350	6,200
Minimum Capital Requirement (MCR)	R0400	6,248,639

Calculation of the notional amount of MCR in non-life and life insurance

		Non-life activities	Life activities
		C0140	C0150
Notional amount of linear MCR	R0500	199,325	7,388,594
Notional amount of SCR excluding additional capital (annual calculation or last calculation)	R0510	364,814	13,521,050
Cap on the notional amount of the MCR	R0520	164,166	6,084,472
Floor of the notional amount of the MCR	R0530	91,204	3,380,262
Notional amount of the combined MCR	R0540	164,166	6,084,472
Absolute floor of the notional amount of the MCR	R0550	2,500	3,700
Notional amount of the MCR	R0560	164,166	6,084,472

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 capital: capital classified as Tier 1 excluding subordinated debt. This is calculated as the sum of the share capital, issue, merger and contribution premiums, and the reconciliation reserve minus 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.

Mathematical reserves: Provision corresponding to the surrender value for savings contracts and the present value of the insurer's commitments for pension contracts.

Surplus profit-sharing reserve: Provision used to defer the allocation to policyholders of some their share of technical and financial profits.

Outstanding claims reserve: Provision corresponding to the value of outstanding benefits payable to policyholders and beneficiaries (death benefits, matured benefits, partial surrenders, total surrenders, annuities, claims) for claims already incurred at the reporting date.

Quantitative Reporting Templates (QRT): 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.