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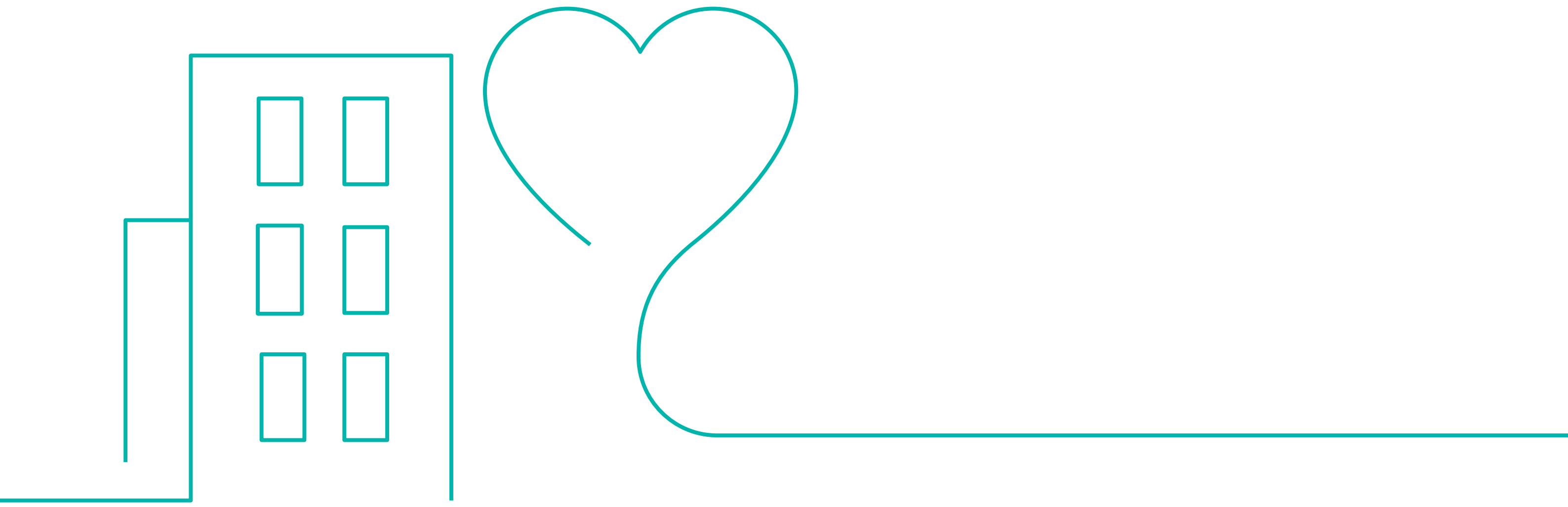
Management Report
June 30, 2023

CNP Assurances Holding

Contents



Chapter

1

Significant events of the period

Half year period

January 11, 2023 - CNP Assurances publishes its new Sustainable Bond Framework for financing social and environmental projects

As a player committed to the just transition to a low-carbon economy, CNP Assurances announces the update of its Green Bond Framework set up in 2019 to finance environmental projects by a new Sustainable Bond Framework, allowing to finance also social projects. This expansion, aligned with CNP Assurances' corporate mission for being adopted in 2021, reflects the actions carried out with its partners for an inclusive and sustainable society.

Funds raised by future bond issues, within this new framework, will be used exclusively to finance or refinance, in full or in part, eligible new and/or existing sustainable (green and/or social) assets, as defined in the new Sustainable Bond Framework.

January 11, 2023 - CNP Assurances successfully launches its first subordinated sustainable bond

A player in ecological and social transition, CNP Assurances announces the successful issue of its first sustainable bond, carried out on January 11, 2023, for an amount of €500 million. The fixed annual coupon is 5,25% until July 18, 2033 and then will be floating beyond this date and until its maturity.

The notes were placed next to 88 investors. The issue was 1,9 times oversubscribed with a total order book of €974 million, attesting to investor confidence in CNP Assurances' financial strength. The ratings assigned to this issue by Standard & Poor's and Fitch Ratings agencies are A- and BBB+ respectively.

The funds raised through this operation will be exclusively used to finance or re-finance, in part or in full, new and/or existing eligible sustainable assets as set out and defined in CNP Assurance's Sustainability Bond Framework.

January 12, 2023 - CNP Assurances announces a significant increase in the rates of return on its euro funds

To better support its policyholders in an environment of inflationary pressure and rising interest rates, CNP Assurances, a responsible and committed insurer, is increasing the 2022 rates of return on euro funds for its entire range of life insurance policies[1] compared with 2021.

The average rate paid by CNP Assurances is being increased by 0.66% to 1.57%.

(1) *Mainly distributed by La Banque Postale, the Amétis employee network and the BPCE Group.*

January 26, 2023 - CNP Assurances launches a new “family help" guarantee for home loan insurance policies

To provide financial support for parents whose children are ill or disabled, CNP Assurances has developed a new “family help" guarantee that will be included in group mortgage insurance policies. It covers up to 50% of the monthly mortgage payment for a period up to 28 months.

January 30 and 31, 2023 - CNP Assurances continues to finalize its acquisitions in Brazil announced on September 14, 2022 continuing its multi-partner development internationally

On January 30, 2023, CNP Assurances announces the completion of the acquisition of Caixa Seguridade's stake in CNP Participações em Seguros Ltda. “Holding Seguros"[1], bringing its ownership to 100%. .

Holding Seguros holds 100% of Companhia Seguros Previdência do Sul “Previsul", which markets life, property and credit insurance products, and 51% of CNP Capitalização S.A. “CNP Cap", which markets savings products.

The transaction amounts at R$166.8 million[2].

The following day, CNP Assurances announces the completion of the acquisition of ICATU's stake in CNP Capitalização S.A. “CNP Cap", bringing its stake to 100%[3].

The transaction amounts at 194.5 MBRL[4].

These operations are part of a more global agreement, announced on September 14, 2022, enabling CNP Assurances to pursue its international development strategy with the acquisition of 100% of Caixa Seguridade's stakes in five companies offering the possibility of marketing insurance, dental care, savings and consórcio products.

February 21, 2023 - La Banque Postale and CNP Assurances launch the 1st “Positive Assurance” credit insurance contract

The new credit insurance contract distributed by La Banque Postale and insured by CNP Assurances received the “Positive Assurance" label by the Positive Economy Institute. Innovative, inclusive and competitive, it is the first credit insurance contract to receive this distinction.

The new contract includes guarantees particularly inclusive, among which the "family help" guarantee distributed by CNP Assurances to assist parents of sick or disabled children.

February 28, 2023 - CNP Assurances has 51% women in its management bodies and receives a score of 99/100 on the 2022 gender-equality index

As a result of its long-term commitment, CNP Assurances once again achieves a score of 99/100 on the gender equality index. The Group has also largely exceeded the objectives of the "Rixain" law in terms of the number of women in its management bodies.

March 28, 2023 - CNP Assurances announces the launch of its CNP Seguradora brand in Brazil to drive its open-model development

Following the acquisition, at the end of 2022, of 100% of the shares in Holding Saude, Previsul, CNP Consorcios, CNP Capitalizao and Odonto Empresas, CNP Assurances announces the creation of the CNP Seguradora brand, which will call on various partners to market these entities' products.

3rd largest insurer in Brazil, CNP Assurances is continuing its expansion in the country by drawing on two distribution models:

- An open model with CNP Seguradora, a wholly-owned subsidiary of the CNP Assurances group, which together with various partners will distribute personal risk-healthcare, dental care, savings and consórcio products;
- A long-standing and exclusive partnership with Caixa Econômica Federal, within Caixa Vida e Previdência (individual and group retirement products, consumer loan insurance and personal risk), Caixa Consórcio (“consórcios” business) and CNP Seguros Holding (including Youse in particular).

(1) *Formerly know as “CNP Seguros Participações em Saúde Ltda., Holding Saúde”.*
(2) *After deduction of dividends paid or declared after January 1st, 2022, i.e. approximately €30.3 million at a rate of BRL 5.51 per €1.*
(3) *The acquisition was made by CNP Participações em Seguros Ltda. (“Holding Seguros”), a Brazilian subsidiary 100% owned directly and indirectly by CNP Assurances.*
(4) *After deduction of dividends paid or declared after January 1st, 2022, i.e. approximately €35.3 million at a rate of BRL 5.51 for €1.*

April 11, 2023 - Application of IFRS 17 to the 2022 published financial statements under IFRS 4, for comparisons with the financial statements to be published in 2023

The 2022 financial statements already published under IFRS 4, have been prepared under the new IFRS 17 standard for comparative purposes for the publication of the 2023 financial statements to be published.

The difference in equity between IFRS 4 and IFRS 17 standards reflects CNP Assurances' resilience in a rising interest rate environment.

April 12, 2023 - Creation of a major bancassurance group: final stage of the merger between La Banque Postale and CNP Assurances

La Banque Postale and CNP Assurances announce the creation effective April 11, 2023, of a dedicated division bringing together all the Group's insurance activities and their legal entities, hosted by CNP Assurances Holding(1), which is wholly owned by La Banque Postale.

CNP Assurances Holding(1) combines CNP Assurances SA(2) and the four insurance subsidiaries of La Banque Postale (IARD, Healthcare, Personal risk and Advisory).

This operation follows the creation of the major public financial centre, initiated in 2018 with the double merger between La Poste and Caisse des Dépôts on the one hand, and La Banque Postale and CNP Assurances on the other.

June 13, 2023 - Moody's affirms CNP Assurances' financial strength rating at A1 stable outlook

Credit rating agency Moody's has affirmed the financial strength of CNP Assurances SA(2), as well as the subordinated notes issued by the Group(2), by assigning an A1 rating (stable outlook).

Subsequent events

No subsequent event.

(1) Called CNP Assurances Group.
(2) Called CNP Assurances and its subsidiaries.

Chapter

2

Business review

Economic and financial environment

A slowing global economy despite China's emergence from lockdown

Global growth continued to slow throughout the first half, with a sharp deceleration in the industrial sector partly offset by the service sector's resilience. Economic activity benefited from near-zero unemployment but continued to be weakened by the impact of inflation on demand – through the erosion of consumer purchasing power – and the impact of rising interest rates on the housing market. The slowdown was illustrated by sluggish world trade, despite the reopening of the Chinese economy, and by the significant fall in commodity prices (energy, metals, agriculture).

Persistent core inflation despite falling commodity prices

The easing of commodity prices helped to drive a reduction in headline inflation, which nevertheless remained above central bank targets. However, core inflation (excluding food and energy prices) remained stubbornly high (at more than 5% in the United States and Europe). This forced the central banks to continue their programmes of interest rate hikes (at the period end, the ECB's deposit facility rate stood at 3.50% and the Fed Funds rate at 5.25%) or to announce new rate increases, in the case of central banks that had prematurely put their monetary tightening policies on hold (in Australia, Canada and Norway for example).

Increasingly tight monetary policies, but with signs of a relaxation to come

Successive interest rate hikes led to an inversion of 2- to 10-year yield curves, fuelling predictions of rate cuts as from 2024 (by -85 bps for the ECB's deposit facility rate and -150 bps for the Fed Funds rate), partly explained by expectations that inflation will be quickly brought under control (with the breakeven inflation rate returned to around 2.5%). Against this backdrop, long-term rates remained more or less stable (at around 3% for the 10-year OAT and 3.75% for the 10-year US Treasury rate), ending the first half below their highs for the period.

Attractive interest rates for investors

The increased interest rates, which were at their highest since 2008, were a boon for investors. They explain the strong institutional demand for credit (including for high-yield bonds and emerging market debt) despite deteriorated issuer fundamentals (increased finance costs and, in many cases, higher leverage).

Divergent trajectories for risk assets

In an environment shaped by sluggish economic growth but also by expectations that inflation will be brought under control and that central banks will cut their interest rates, the developed countries' stock markets remained bullish (+ 12% in Europe in 2023, the S&P 500 up 14% and the Nasdaq up 30%). However, the emerging and Chinese stock markets seriously underperformed. Rising stock market prices were fuelled by increased valuation multiples despite stagnating profits. Conversely, long-duration assets (property, infrastructure) and highly leveraged assets (private equity) were adversely affected by the sharp rise in interest rates, which led to fewer transactions and began to erode valuations.

Regulatory and tax environment

Regulatory environment

During the first half of 2023, the regulatory environment was reshaped by the following developments:

"3-click" electronic cancellation of insurance policies

Since June 1, 2023, policyholders can cancel their policies online.

The option was introduced in Law no. 2022-1158 of August 16, 2022 (the "Purchasing Power" Law), supplemented by Decree no. 2023-182 of March 16, 2023, which sets out the technical details of this electronic cancellation procedure.

The procedure applies to insurance policies written since the law came into effect, as well as to policies that were in force as of June 1, 2023.

Policies concerned

Where an insurer sells at least one insurance product online – which is the case of CNP Assurances – it must provide a free facility on its website enabling policyholders to notify the insurer of their intention to cancel the policy and carry out all the necessary cancellation procedures electronically.

This applies to all CNP Assurances policies, except those that do not have a statutory or contractual cancellation option.

While the law refers to "insurance policies covering individuals outside their professional activities", there is a consensus among French insurers that the electronic cancellation option should also be made available to corporate policyholders. A company with a group insurance contract can therefore also cancel its contract online.

Practical requirements

Insurers must set up a dedicated cancellation facility on their website that is directly and easily accessible via a button labelled "Cancel your contract" (or similar wording) in visible characters.

If the cancellation is managed by a partner on behalf of CNP Assurances, the electronic cancellation option must also be made available in the same way by the partner concerned.

Government Order of April 4, 2023 on the transparency and legibility of fees

In order to improve the transparency and legibility of fees, the Government Order of April 4, 2023 introduced further amendments to the requirements concerning pre-contractual information and annual information on unit-linked contract fees by amending the Pacte Law regulatory table. The changes are as follows:

- Addition of information on the synthetic risk indicator (SRI) for unit-linked products;
- Classification of unit-linked funds in the eight categories (equity funds, bond funds, mixed funds, property funds, hedge funds, private equity funds, money market funds and others) defined by the European Central Bank;
- Insertion of information on fee retrocession rates in the section on "total costs".

Tax environment

The main text with an impact on the Group concerns the option of creating a VAT group in France.

The VAT group created by CNP Assurances has been operational since January 1, 2023. It comprises CNP Assurances SA, La Banque Postale's four insurance subsidiaries (LBP Assurances IARD, LBP Assurance Santé, LBP Prévoyance and LBP Conseil en assurances), CNP Caution, CNP Retraite, MFPrévoyance, Filassistance International and GIE GPA.

Its purpose is to avoid VAT friction on invoicing between the group's members.

Business review of CNP Assurances Group at 30 June 30, 2023

Gross new money[1] **totalled €19.4bn**. The €1.2bn (-6%) decline compared with first-half 2022 reflected a decrease in new money generated in international markets, largely offset by a good performance in France.

In France, gross new money amounted to **€12.7bn**, up €1.4bn (+12%) compared with the year-earlier period.

- **Savings and Pensions** gross new money was 16.3% higher, at €10.1bn. This sharp increase was attributable to the success of the unit-linked products with a guaranteed profit share at maturity marketed by LBP and BPCE and the enhanced policyholder dividend offers.

  The unit-linked weighting rose to 36.8% (+3.2 pts) in the first–half.
- **Personal Risk/Protection** new money amounted to €2.2bn, with the 2% decline vs first-half 2022 due to the lower volume of loan originations in the high interest rate environment.
- **LBPA**[2] **(death & disability/health/property & casualty insurance)** recorded new money of €0.5bn, on a par with first-half 2022.

In Europe excluding France, new money came to **€3.4bn**, a fall of -€1.9bn (-35%) that mainly reflected the unfavourable environment in Italy for insurance products due to competition from Italian BTP inflation indexed government bonds offered to retail customers.

- **Savings and Pensions** gross new money amounted to €2.8bn, down 40%.

  The unit-linked weighting was slightly lower than in first-half 2022 (-2 pts) at 43%.
- **Personal Risk/Protection** new money was stable compared with first-half 2022 at €0.6bn.

In Latin America, new money came in at **€3.3bn**, a decline of - €0.7bn (-18% as reported and like-for-like) vs first-half 2022.

- **Savings and Pensions** gross new money amounted to €2.6bn, a 22% contraction that was due to our banking partner's decision to focus on increasing the customer deposit base to support its lending policy in the high interest rate environment.
- **Personal Risk/Protection** new money totalled €0.7bn, an increase of 21% (+4% like-for-like and -4% at constant exchange rates) that was attributable to faster sales of personal risk products and the positive impact on consumer finance originations of the Brazilian government's business support programme.

(1) Management KPI.
(2) LBPA comprises the four death/disability insurance, health insurance and service companies; information is presented on a pro forma basis.

Chapter

3

Consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. As required by IAS 34, the accounting policies applied to prepare the interim consolidated financial statements were the same as those used for the annual financial statements.

	Geographical area						
(in € millions)	France	Latin America	Europe excl. France	Own-funds portfolio	Total HY 2023	Total HY 2022	% Change (reported)
Insurance service result	1,095	364	153		1,613	1,138	41.8%
Revenue from own-funds portfolios				283	283	-137	-306.3%
Other revenues					-9	-11	-15.7%
Total revenues					**1,887**	**990**	**90.6%**
Finance costs					-71	-59	19.9%
Non attributable costs					-223	-184	20.8%
Amortization of intangible assets					-83	-129	-35.7%
EBIT					**1,511**	**618**	**144.5%**
Net share of profit of equity-accounted companies					2	15	-84.0%
Non-controlling interests					-129	-81	58.9%
Income tax expense					-492	-83	494.5%
Profit after tax on discontinuous activities					0	-33	-100.0%
Non-recurring items					0	0	N/A
ATTRIBUTABLE NET PROFIT					**892**	**436**	**104.4%**

Result of the period

EBIT is a key performance indicator used by CNP Assurances Group, because it is not affected by the timing and magnitude of profit-taking on equities and investment property (as reflected in realized capital gains attributable to owners of the parent) or by changing market prices.

EBIT corresponds to attributable net profit for the period adjusted for:

- net share of profit of equity-accounted companies;
- non-controlling interests;
- Income tax expense;
- non-recurring items.

The main business indicators are the following:

Premium income amounts to **€19.4bn** (see comments in *Business Review*).

The Group's insurance service result stood at **€1.6bn** (+€0.5bn) in first-half 2023, including the €1.1bn expected to be released to profit from the CSM. Fair value adjustments represented a net gain of €144m, reflecting the rise in the price of equities held in the portfolios of the Personal Risk/Protection businesses in France and Latin America. The contribution of new business (€154m) primarily concerned sales of Personal Risk/Protection products and Property & Casualty products in Latin America and France. The CSM on these products is released to profit at a faster rate than for Savings and Pensions products.

EBIT amounts to €1,511m, up by +144.5% compared to June 30, 2022.

Attributable net profit under IFRS 17 came in at **€892m**. The €0.5bn increase reflected the improvement in the financial markets compared to first-half 2022, when prices were depressed by sharply higher interest rates and weaker stock markets. La Banque Postale Assurances' non-life activities contributed €51m to attributable net profit for first-half 2023, including a €34m contribution from the Property and Casualty business.

Consolidated balance sheet at June 30, 2023

Total assets amounted to €438.2bn at June 30, 2023, compared with €429.1bn compared with IFRS 17 comparative figures, or a 2% increase.

Equity

Equity attributable to owners of the parent amounts to €21 443.4m, up by €566.4m compared with IFRS 17 comparative figures as of December 31, 2022. The change in equity is mainly driven by the net income of the period (€891.9m), the impact of revaluation and realized gains and losses on equity (€492.7m), dividends distribution (-€947.0m) and foreign exchange impacts (€185.4m).

Equities include subordinated notes (€1,944.3m).

Refer to Note 9 of the consolidated financial statements' appendices for details.

Insurance liabilities

Insurance liabilities related to insurance and reinsurance totalled €373.0bn, up by €8.3bn (+2%) compared to IFRS 17 comparative figures as of December 31, 2022.

Refer to Note 8 of the consolidated financial statements' appendices for details.

The Group's CSM totalled **€16.5bn** at June 30, 2023, an increase of €1.6bn (+11%) vs December 31, 2022. Growth in the CSM was led mainly by France (+10%) and Latin America (+23%). Changes in the equity markets (€0.9bn) had a favourable effect on the CSM for the Savings and Pensions business in France and Italy. Experience adjustments had no net impact due to the offsetting effect of various factors (increased surrenders in Italy offset by significant cash inflows in France in the Savings segment).

Asset portfolio and financial management

Insurance investments amount to €402.0bn as of June 30, 2023, compared with €400.0bn IFRS 17 comparative figures as of December 31, 2022, up by €2.0bn.

Most investments are measured at fair value, except for debt investments and property assets not covered by unit-linked policies, which are measured using the amortized cost.

At June 30, 2023, fair value through profit and loss investments represent 51% of total investments, fair value through OCI 48% and amortized cost investments 1%.

Refer to Note 7 of the consolidated financial statements' appendices for details.

Solvency capital

The consolidated SCR coverage ratio stood at **259%** at June 30, 2023 (+29 points compared to the ratio of CNP Assurances SA and its subsidiaries at end-2022), supported primarily by favourable market effects.

The increase reflected :

- the inclusion of La Banque Postale's insurance subsidiaries **(+2 pts)**;
- profit for the period, net of the expected dividend **(+4 pts)**;
- favourable market effects **(+21 pts)**;
- changes in subordinated debt **(+3 pts)**;
- favourable changes in asset allocations due to the impact of mutual fund derisking **(+3 pts)**;
- an allocation to the policyholder surplus reserve **(+2 pts)**;
- the capping of subordinated debt not available for the determination of the coverage ratio at CNP Assurances Group level **(-6 pts)**.

Chapter

4

Risk factors

The risks described on pages 34 to 47 and pages 166 to 175 of the 2022 Universal Registration Document are inherent in CNP Assurances' business and the economic, competitive and regulatory environment in which the Group operates.

Pages 166 to 175 correspond to Notes 24, 25 and 26 to the consolidated financial statements on the other analyses presented in the 2022 Universal Registration Document, including analyses of the various risks.

The risk factors facing the CNP Assurances Group and their level of materiality in first-half 2023 were the same as those analysed for 2022, in an environment still shaped by the Ukraine crisis and record inflation.

The economic and financial situation in France and Europe is suffering the consequences of the Russia-Ukraine conflict.

The rapid increase in interest rates, in response to rising inflation, should boost yields on the Group's bond portfolios and consolidate its already strong solvency ratio in the short term. The level of interest rates means that the Group is benefiting from higher reinvestment rates than in the years when interest rates were low, resulting in an increase in the overall yield on the portfolio. In addition, the ongoing strong equity markets have enabled the Group to realise unrealised gains and actively manage the exposure of its diversification assets.

Conversely, persistent inflation, a probable economic slowdown and wider credit spreads in the eurozone would need to be closely monitored, but should not significantly affect the Group's risk profile.

CNP Vita Assicura and CNP Vita Assicurazione experienced an increase in surrenders and a contraction in new money in first-half 2023 due to (i) higher interest rates and wider Italian sovereign spreads, making the new Italian government bonds more attractive to investors in the country, and (ii) the freeze on surrenders imposed by Italy's insurance regulator (IVASS) on a competitor insurance company, Eurovita. The marketing campaigns launched at the end of the first quarter helped boost the two companies' businesses and maintain their commercial appeal, thereby increasing new money and reducing surrenders over the final months of the half-year. The solvency of CNP Vita Assicura and CNP Vita Assicurazione was also strengthened through the issue of subordinated notes underwritten in full by CNP Assurances SA. Finally, the Group's overall risk appetite was also reviewed during the period.

In the Non-Life business, rising inflation over a sustained period is a risk that could affect the majority of Property & Casualty products, although price adjustments would help limit its impact. Any such ongoing high inflation would lead to an increase in administrative costs, both internal and those related to partners and service providers.

CNP Assurances' exposure to the Russia-Ukraine conflict is unchanged compared to the estimates made at the end of 2022 in terms of cyber risk, country risk, credit risk and counterparty risk, as described in the paragraph on country risks on pages 38 to 43 in the Universal Registration Document.

These risk factors are still being carefully monitored as part of the existing surveillance system.

Chapter

5

Outlook

The corporate mission enshrined in the Articles of Association since the General Meeting of April 16, 2021: "As a responsible insurer and investor, driven by the community values of our Group, we work with our partners to create an inclusive and sustainable society, providing solutions to as many people as possible to protect and support them on their chosen paths" has been rolled down into a series of commitments:

- support employee development within an organisation that boasts a wealth of talent and diversity;
- make protection solutions available to everyone and be there for its insureds when they need us;
- develop effective and innovative solutions with its partners to drive progress in protection insurance;
- responsibly generate sustainable financial performance as a member of the major state-owned financial group;
- help create an inclusive and sustainable society through its commitment to combatting all forms of exclusion;
- help combat climate change and protect the natural world.

Against a backdrop of rising interest rates and inflation, CNP Assurances are renewing its growth ambitions, based on solid achievements in the drive to become:

- a uniquely useful insurer for each of its stakeholders, by turning the perception of the insurance business on its head and fulfilling its corporate mission day in-day out through sustainable and inclusive commitment;
- an essential link in the value chain in terms of customer and partner experience, by developing a very high value-added business model and integrating it into each partner's operating model to seamlessly combine human and digital resources.

CNP Assurances Group is continuing the process of change by:

- becoming a full-service insurer through the integration of LBP's non-life activities into the CNP Assurances Group;
- continuing to expand its international presence, notably with the launch of the CNP Seguradora brand in Brazil;
- continuing to adapt its savings offer to the interest rate environment and to integrate all the challenges around sstainability;
- Operating as an integrated organisation.