— Report of the Chairman

of the Board of Directors of CNP Assurances 2007 financial year

To the shareholders

In accordance with Article L.225-37 of the French Commercial Code, in my capacity as Chairman of the Board of Directors of CNP Assurances ("CNP" or "the Company") I am required to report to shareholders on the Board's practices in 2007 and the internal control procedures in place within the Company.

1_BOARD PRACTICES

In 2007, the Supervisory Board met four times, with an average attendance rate of 85%, and the Board of Directors met five times with an attendance rate of over 80%.

The change in governance structure, from a Supervisory Board and Executive Board to a Board of Directors, was decided by shareholders at the General Meeting of 10 July 2007.

The Board of Directors' organisation and procedures are governed by internal rules that are largely based on the former Supervisory Board's rules.

The new unified governance structure helps to ensure that the strategic decisions needed to support the Group's development and competitiveness in an increasingly challenging environment are made on a timely basis. For further information, refer to the Board of Directors' report.

Responsible for overseeing the efficient operation of the Company's governance structures, the Chairman of the Board of Directors organises and leads the work of the Board. He also coordinates the activities of the Committees of the Board.

More generally, in an environment where the markets expect regular information about listed companies' performance and sustainability, the Chairman helps to continually improve corporate governance by enabling the Board to measure the Company's performance and assess its growth outlook.

As Chairman of the Strategy Committee, the Chairman of the Board ensures that the Board is given all necessary information and analyses to support its strategic decisions.

The Strategy Committee was set up by the Board of Directors at its meeting on 10 July 2007, alongside the Audit Committee and the Remunerations & Nominations Committee originally created by the Supervisory Board.

During the 10 July meeting, the Board formally decided to separate the functions of Chairman and Chief Executive Officer, in line with the procedure prescribed by Article L.225-51-1 of the French Commercial Code and Article 23-1 of the Company's Articles of Association. Edmond Alphandéry was appointed Chairman of the Board and Gilles Benoist was appointed Chief Executive Officer.

Restrictions on the powers of the Chief Executive Officer

The Chief Executive Officer has full powers to act in the Company's interests, within the limits of the corporate purpose and annual budget, except for the following operations for which the Board of Director's prior authorisation is required:
• The issue of guarantees in excess of €100 million.
• Business acquisitions and disposals for amounts in excess of €50 million per transaction, except for disposals of assets as part of the portfolio management process.
• Business acquisitions and disposals for any amounts that are not part of the strategy decided by the Board of Directors.

At its 10 July meeting, the Board of Directors gave the Chief Executive Officer a one-year authorisation to:
• Issue surety bonds and other guarantees in the Company's name for up to €100 million or the equivalent in any foreign currency, covering the commitments of subsidiaries and other third parties.
• Issue debt securities for a maximum of €200 million. The securities issued under this authorisation may be dated or undated and subordinated or unsubordinated,

and may pay interest at a fixed or variable rate (or any other form of remuneration). The Chief Executive Officer has full discretionary powers to determine the amount(s) of the issue(s) carried out under this authorisation, within the aggregate limit of €200 million. The securities may be placed in France or on an international market.

The Board has also authorised the Chief Executive Officer to trade in the Company's shares, pursuant to the powers of delegation granted in the corresponding resolution of the Annual General Meeting.

Activities of the Committees of the Board in 2007

a) The Audit Committee

The Audit Committee met three times in 2007, with an average attendance rate of over 90%. The five members of the Committee are Alexandre Lamfalussy (chairman), an independent director, Antonio Borgès, an independent director, Dominique Marcel, Patrick Werner and Nicolas Mérindol.

The Committee makes inquiries of the persons responsible for preparing the financial statements of the Company and the Group, and also meets with the Auditors without any members of management being present.

The Audit Committee examined the following main issues in 2007:
• Financial statements of the Company and the Group for 2006 and the first half of 2007, and financial forecasts and budget projections for 2008.
• Management of the Group's investments following the crisis in the financial markets.
• Internal Audit report for 2007 and related programme for 2008.
• Issues concerning the security of the Group's portfolios and changes to the organisation of the Accounting and Legal Affairs department.

b) Remunerations & Nominations Committee

The Committee's terms of reference, as revised by the Board of Directors on 10 July 2007, are to make recommendations to the Board concerning (i) the appointment, re-appointment and removal from office of the Chief Executive Officer and the amount of his remuneration (as a corporate officer and under his employment contract), (ii) candidates for election as directors and the allocation of directors' fees among the Board members, and (iii) any proposals to carry out an employee share issue or to make share grants to employees and members of senior management.

The Remunerations & Nominations Committee, comprising four members under the former governance structure and then five members following the appointment of Henri Proglio, an independent director, met five times in 2007, with an average attendance rate of over 80%.The members are Henri Proglio (chairman since 10 July), Edmond Alphandéry, Chairman of the Board of Directors, Augustin de Romanet, Chief Executive Officer of Caisse des Dépôts et Consignations, Jean-Paul Bailly, Chairman of the Supervisory Board of La Banque Postale, and Charles Milhaud, President of the Executive Board of Caisse Nationale des Caisses d'Épargne.

The Committee examined the following main issues in 2007:
• The remuneration of each of the members of the Executive Board for 2006 and 2007, and the directors' fees to be allocated to each of the members of the Supervisory Board.
• The recommendations to be made to the Board of Directors concerning the remuneration of the Chairman of the Board and the appointment and remuneration of the Chief Executive Officer.

For further details, refer to the Board of Directors' report.

c) Strategy Committee

The role of the Strategy Committee, which was set up on 10 July 2007, is to provide the Board of Directors with information and analyses to support strategic decisions.

The Committee members are Edmond Alphandéry (chairman), Augustin de Romanet, Dominique Marcel, Marc-André Feffer, Nicolas Mérindol and Henri Proglio.

The Strategy Committee met twice in 2007, with an average attendance rate of over 75%.During these meetings, the Committee reviewed the original draft of the Group's 2008-2012 business plan presented by the Chief Executive Officer and the revised version taking into account the Committee's observations. The final plan was adopted in early 2008.

2_ORGANISATION OF INTERNAL CONTROL PROCEDURES

Procedures carried out by the Chairman for the preparation of this report

This report has been prepared based on the recommendations of the French securities regulator (AMF) concerning the application of the reference framework and the use of a progressive and dynamic approach. In preparing the report, I reviewed the progress made since my first report and identified, for each component of the system, the main controls established by the Company, the risks addressed by these controls and the resources dedicated to the controls.

I paid particular attention to:
• Assessing the quality of relations with partner networks.
• The Group's international development.
• The Solvency II program.
• The effects of the subprime crisis.

As Chairman of the Board of Directors, I had regular opportunities to review internal control procedures and discuss these procedures with the Executive Committee, the heads of operating departments and the Auditors.

I also held a series of meetings with members of the Executive Committee and senior management, in order to determine the matters that could most usefully be discussed in this report.

In addition, prior to drawing up this report, I personally met with the heads of the departments that have specific responsibility for cross-functional controls (Internal Audit and Risk Management & Compliance) as well as the heads of certain operating departments (Investments, Policyholder Services, Information Systems, Individual and Consumer Partnerships) and the Director, Accounting and Legal Affairs, so that they could describe to me the measures taken in the area of internal control.

To prepare these meetings, each department manager sent me a written report describing his or her department's internal control organisation and activities.

2.1_Internal control objectives

Legal and regulatory environment

This report describes the situation within CNP Assurances, but I also looked at the procedures for the control and management of the subsidiaries.

CNP Assurances' business is governed by numerous laws and regulations, including the French Insurance Code which contains strict rules covering the legal, technical, financial and accounting aspects of insurance operations and solvency capital requirements. In addition, insurance companies in France are supervised by the Autorité de Contrôle des Assurances et des Mutuelles (ACAM).

While there is no legal definition of internal control, CNP Assurances, in common with other market players, recognised many years ago the need to have increasingly effective management and control systems. To this end, specific structures and procedures have been put in place over the years within the operating departments.

The AMF reference framework

Since 2003, the Group has applied the COSO reference framework, which is compatible with the framework recommended by the AMF. COSO defines internal control as a set of resources, behaviours and procedures geared to each company's characteristics, that is designed to address material operational, financial or compliance risks in order to control the business and use the company's resources efficiently. Internal control can be expected to provide only reasonable assurance, not absolute assurance, that the process will enable the entity to fulfil these objectives.

The five components of a system of internal control are as follows:
• An organisation with clearly defined procedures and accountabilities.
• Internal communication of relevant information.
• An internal and external risk analysis system.
• Controls geared to the risks associated with each process.
• Regular monitoring of internal control effectiveness.

2.2_Main initiatives and improvements in 2007

I have been monitoring the progress made since my first internal control report. This year, my progress reviews covered the following main areas:
• Measures taken with the partner networks to strengthen controls over legal and reputational risks linked to product design and marketing. Examples include the tightening up of procedures for the review and approval of contractual documents and advertising materials, which have been extended to all types of documents and are now systematically evidenced.
• Action taken by the Company and its partners in the areas of product distribution and management and policyholder relations, leading for example to the introduction in 2007 of service charters signed with the networks.
• The gradual extension of the quality certification programme, starting with all customer relationship management processes, to be followed by all the other fundamental insurance processes.
• The ongoing LSF-Internal Control project coordinated by the Chief Executive Officer, covering internal controls over financial and accounting information. During 2007, the self-assessment initiative was extended to all identified controls within the units concerned by the project, and tests were performed, providing a basis for the definition and implementation of action plans to strengthen internal control in priority areas.

2.3_Overview of the internal control system

2.3.1_An organisation with clearly defined procedures and accountabilities

The internal control system is built around references such as the Internal Control Charter, the Code of Conduct and internal delegations of authority. Two Committees have specific responsibility for overseeing risk management processes and the quality of internal control:
• The Audit Committee of the Board of Directors (see above).
• The Risks Committee, made up of the members of the Executive Committee and the Director, Risk Management & Compliance, which is responsible for:
  – Monitoring the Company's material risk exposures.
  – Obtaining assurance about the existence and appropriateness of risk prevention, detection and management measures.

The system is organised in two tiers:
• Each operating unit or corporate department is required to establish first-tier controls to manage the risks associated with its activities or the cross-functional and other risks affecting the Company as a whole.

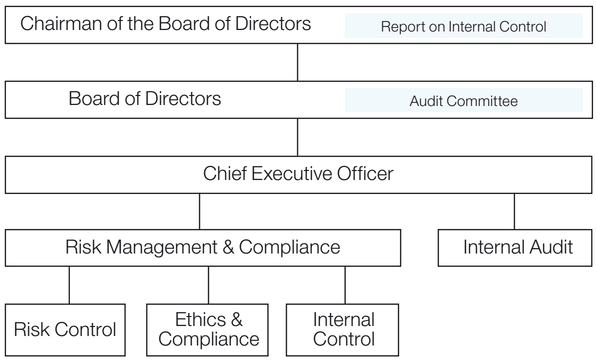
• Second-tier controls are performed by Internal Audit and the Risk Management & Compliance department, to validate the effectiveness and quality of first-tier controls and generally ensure that risks are adequately controlled.

In common with the other leading market players, the Group has set up three dedicated departments to perform second-tier controls:
a) The four-member **Risk Control unit** helps to contain risks by identifying the nature of the risks incurred by the Company's businesses and assessing their significance.
b) The 10-member **Internal Control unit** contributes to assessing the internal control environment by identifying measures in place to contain material risks and verifying their practical effectiveness.
c) The 12-member **Internal Audit department** helps to strengthen the internal control environment by performing diagnostic reviews of internal controls and recommending improvements to enhance the system's overall quality.

In setting up the three functions shown in the chart below, the Group has complied with the best practice recommended by European regulators for the application of the future Solvency II directive.
In its comments on Solvency II, the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) recommended the creation of three separate functions, described in the following chart:

CEIOPS Solvency II functions	Functions within CNP
Risk assessment and management	Risk Control
Control: checks on the effectiveness of basic controls and internal procedures	Internal Control
Audit: assessment and recommendations for improvement	Internal Audit

In 2007, an Ethics & Compliance unit was set up within the Risk Management & Compliance department *(see 2.3.3 below)*.



2.3.2_Internal control monitoring system

Ongoing monitoring (the Internal Control unit)

We have chosen to set up a system of internal control self-assessments, in order to provide us with an annual assessment of the entire system and also to promote a greater sense of accountability among the employees responsible for the controls.

The results of the self-assessments are backed up by tests performed using sampling techniques. The key aspects of the procedure are as follows:
• The line managers fill in a standard questionnaire assessing the internal controls within their unit.
• The assessment is validated by the line manager's direct superior; if any weaknesses are detected, the line manager is responsible for determining the action to be taken to remedy the situation.
• The procedure is overseen by the Internal Control Committees headed by the Executive Committee member responsible for each area concerned.

Two categories of tests are performed. The first category consists of detailed tests to check the quality of the self-assessments and evaluate the consistency of control procedures and the overall quality of risk management. The second consists of compliance tests performed on controls that are judged to be satisfactory by the persons responsible for the self-assessments. These random tests serve to confirm the reliability of the information obtained through the self-assessment process.

To guarantee a high level of buy-in among all employees, which is essential for effective risk management, the process was supported by a large-scale communication and training drive. Between 2006 and 2007, six articles were published in in-house magazines, a dedicated page was created on the intranet, some thirty oral presentations were made prior to the launch of the self-assessment exercise, thirty-three training sessions were held within the various units and nine Internal Control Committee meetings were held.

The scope of the internal control assessment exercise was defined, giving priority to procedures for the preparation and processing of financial and accounting information.

After devoting all of its time in 2006 to setting up the first self-assessments, in 2007, the Internal Control unit extend the exercise to cover the over 1,800 identified controls in the processes included in the assessment scope. The tests performed on around 10% of the controls provided an initial assessment of the results' reliability.

Reporting systems have been set up to inform the various departments and the Executive Committee:
• At the half-yearly Internal Control Committee meeting, the results of the self-assessments and tests are reported to the Executive Committee members and the heads of the units reporting directly to them, along with status reports on the related action plans.
• The Executive Committee also receives half-yearly executive summaries of the above information, along with an annual internal control assessment at each year-end.

Plans for 2008 concern:
• Gradual extension of the assessment scope, with the addition of further processes to cover the whole of the AMF reference framework.
• Optimisation of the controls and risks database, to eliminate a certain number of redundant controls, refine the risk assessment and develop key controls to cover these risks.
• Deploying the self-assessment exercise to the Portuguese subsidiary and preparing the rollout to the Italian and Spanish subsidiaries.

The Internal Control unit, which is responsible for managing the system, comprises ten seasoned managers who previously held technical positions in the actuarial, accounting-finance and management information systems units. In 2008, a further two managers will join the unit, raising the total to twelve.

Four experienced managers responsible for leading the drive against money laundering and checking the legality of financial flows are also involved in implementing the system.

Periodic monitoring (Internal Audit department)

The Internal Audit department assesses the quality and effectiveness of the internal control system on behalf of the Executive Committee and the Board of Directors, and issues recommendations for improvement.

An internal audit plan is drawn up, providing for all the activities leading to material risks to be audited at least once every five years. The plan takes into account the work already performed by the external Auditors and the Internal Control unit and is developed jointly with the Risk Control unit based on an assessment of the level of risk in each broad area of activity.

The five-year plan is rolled down into annual internal audit programmes approved by the Executive Committee and submitted to the Audit Committee.

Strengths highlighted during the 16 internal audits carried out in 2007 included:
• The existence of and compliance with procedures, particularly in areas that have obtained quality certification.
• Significant reduction in the Company's operating costs, and
• General strengthening of internal control.

The main areas for improvement concern:
• Certain management systems that need to be upgraded or require additional developments.
• The management of certain types of legal and other risks, following regulatory changes.

The action taken in 2007 included:
• Completing the alignment of the Internal Audit department's methods with professional guidelines published by the French internal audit and internal control institute (IFACI) and the Institute of Internal Auditors (IIA), and communicating the approved Internal Audit Charter.
• Providing additional training to the internal auditors (IFACI training sessions and specific modules), with a nearly 80% increase in the total number of training days compared with 2006.
• Continuing to cooperate with the Internal Audit units of the Company's main partners, with several joint audits conducted during the year.
• Leading the network set up in 2006 with the Internal Audit and Internal Control units of the Company's main subsidiaries outside France.

The main objectives for 2008 are as follows:
• Build on the progress made to date in drafting recommendations and monitoring their implementation, as well as in the supervising relationships.
• Keep up the training drive and fine-tune the internal auditors' performance assessment system.
• Have internal audit processes audited by IFACI, as the first step towards obtaining IFACI certification before the end of 2008.

During 2007, the Company continued to expand its internal audit resources. The Internal Audit department is made up of the Director, ten auditors – including three lead auditors – specialised in finance, accounting, legal matters, actuarial analysis, information systems and marketing, and two members responsible for cross-functional audits (methodology, certification, etc.).

2.3.3_Internal and external risk analysis system

Risk identification and assessment

The aim of the risk identification and measurement process is to provide senior management and the Board with the assessments and information needed to manage inherent business risks and define an overall risk management strategy for the Group as a whole.

The main risk management systems are organised around general (company-level) risk maps providing an overview of the various risk categories and specific (process-level) risk maps providing an analytical view of the entity's basic risk exposures.

In light of the wide ranging areas covered and their highly technical nature, the Risk Control team is made up of four seasoned executives, each with experience in a different area (actuarial analyses, accounting, risk management, IT project management). A fifth member will join the team in 2008.

During 2007, an Ethics-Compliance unit was set up with specific responsibility for monitoring:
• External and internal compliance risks related to insurance products and transactions.
• The risk of ethical rules being breached, including internal rules (employee behaviour), laws and regulations (securities regulations concerning inside information, etc.) and rules governing the Group's dealings with third parties (purchases, external communication, duty of advice, corporate philanthropy, etc.).

Concerning ethical risks, the unit is supported by a special committee responsible for ensuring that the Company's Code of Ethics is updated to reflect regulatory changes and for performing periodic assessments of the Company's corporate values and compliance with these values.

Lastly, a product and contract review committee is responsible for ensuring that new products comply with all applicable regulations at the end of the development process.

Risk management

The Group's insurance products fall into three categories:

• Savings contracts, giving rise to mainly financial risks.

• Pension products, giving rise to insurance and financial risks.

• Personal risk products, giving rise mainly to insurance risks.

Financial risks include markets risks, asset/liability management risks (ALM risks), credit risks and currency risks. Insurance risks consist mainly of mortality, morbidity, disability and unemployment risks.

Market risk and ALM risk

Market risk – particularly the risk of changes in interest rates – is a major issue for life insurance companies. CNP is organised and equipped to accurately measure these risks and implement appropriate strategies to limit their impact.

We use asset-liability management (ALM) software to simulate insurer and policyholder behaviour, taking into account the characteristics of the various products, the assets held and the insured populations. The software uses regularly updated scenarios to simulate changes in asset and liability values based on different market conditions.

We will continue to develop the asset/liability simulation and calculation processes, to keep pace with ongoing changes to IFRS, the forthcoming implementation of Solvency II and constant calls for increased transparency. Upgrading these applications began in 2007, in a more flexible and efficient modelling environment.

In last year's low interest rate environment, we continued to invest in hedge funds, such as structured funds with a capital guarantee and diversified dedicated funds of funds and funds. However, investments in securitization vehicles were very limited.

Hedge funds have the advantage of offering more attractive yields than traditional fixed income products, and their performance is disconnected from that of other asset classes, helping to reduce the overall portfolio risk. However, they also carry specific risks – including more uneven performance, limited liquidity of certain positions and reduced transparency – that have increased since the financial market crisis began in August 2007. Measures to contain these risks include high-level diversification of strategies and managers, and strict procedures for the selection and control of management teams.

Credit risk

A monthly reporting system has been set up to monitor credit risks by issuer. Issuer credit quality is assessed primarily on the basis of analyses published by the rating agencies and investment banks. The concentration of credit risk and the exposure of short, medium and long-term bond portfolios to default risk are analysed using an internally-developed model.

The financial market crisis

Historically, we have always applied a conservative and disciplined investment strategy. The strategy's effectiveness has been demonstrated by our low exposure to the liquidity crisis:

• We have virtually no exposure to the US subprime market.

• Our positions in money market growth funds have been significantly reduced.

• Our positions in asset-backed securities are limited, diversified and robust.

We do not have any direct exposure to the US subprime market and our indirect exposure – primarily through funds of funds – is limited to around €10 million.

The money market growth funds were invested for the most part in structured credit products and we therefore reduced our exposure by selling substantially all of the portfolio in March and August 2007.

Our total investments in asset-backed securities represented less than 3% of our assets at 31 December 2007 excluding unit-linked portfolios. The asset-backed portfolio is highly diversified, comprising over 200 issuers, and the underlyings are of a very high quality. We have been largely unaffected by the successive waves of ratings downgrades announced since last summer, which concerned several thousand securitisation vehicles, because our portfolios include virtually none of the worst affected categories.

In addition, we have not observed any deterioration of cash flows associated with our portfolios.

Specific exposure limits by product family have been applied for many years, supported by a process to examine each investment vehicle on a case-by-case basis. Three successive limits apply:
• Overall limit on asset-backed securities in each of our investment portfolios.
• Specific limit on each family of asset-backed securities.
• Individual limit per transaction, based not only on the issue's credit rating, but also on the quality of the underlying and the degree of risk concentration.

The asset manager's initial review of the securitisation vehicle is backed up by a second review by our Investment department, covering the quality of the underlyings, the securities' ranking for repayment purposes, the risks, the results of stress tests, etc. Each transaction is formally approved.

We responded several years ago to the increasing risks associated with the equity portfolio by setting up an early-warning procedure. Under this procedure, if the markets are at a level where a fall of around 30% would reduce the portfolio's market value to below break-even (leading to an unrealised loss on the portfolio), the Executive Committee is notified immediately and confirms, suspends or modifies the equity investment strategy, based on the various available options.

This procedure ensured that risks were efficiently managed after the dot-com bubble burst (in the period 2001-2003). At the time, the Executive Board decided to halt purchases of equities and to authorise the implementation of a partial hedging strategy; then, once the markets had stabilised, the strategy of investing in equities was resumed.

At the beginning of 2008, the early-warning procedure was triggered once again, due to the fall in the CAC 40 index and the portfolio's break-even point, leading to the Executive Committee being notified.

During 2007, work was undertaken to reduce the sensitivity to short-term market fluctuations of the Group's reported earnings under IFRS by:
• Setting up a hedging programme for equities classified as "held for trading".
• Gradually scaling back investment in dedicated funds
• Reporting on a separate line of the income statement fair value adjustments to the portfolio classified as held for trading (reflecting the impact of market fluctuations), capital gains and impairment losses.

Insurance risks

Procedures are implemented to measure insurance risks, determine the amount of related technical reserves and also of any necessary reinsurance cover, and track the profitability and value of in-force business.

The management applications used to measure actual performance against targets are also used to assess whether new products should be introduced in the market and determine whether they are properly priced. These applications (i) roll down Group objectives to the level of the individual businesses, (ii) track the progress made by each business in meeting these objectives, in order to allow corrective action to be taken on a timely basis, and (iii) analyse the components of profit and value creation.

The analyses are also used for embedded value and new business calculations for CNP and all of the subsidiaries. These calculations, which provide the basis for profitability analyses and for managing business-related risks, are reviewed by a qualified independent actuary at each period-end and are disclosed in the annual and interim reports. They are also used to generate ALM indicators that help to further strengthen controls over in-force business by factoring in the cost of surrender options and yield guarantees offered with savings contracts.

Since 2006, at each period-end the Group Actuarial Analyses department provides a description of reserving methods and the results of technical reserve calculations to the Sales & Marketing and Management Accounting departments. This presentation helps to highlight major insurance risks and to determine any marketing initiatives to be launched to attenuate their impact.

Our reinsurance programmes for the Company and its subsidiaries represent the final planks in the system. Reviewed at regular intervals, the programmes cover both direct business and inward reinsurance written for provident institutions and subsidiaries. In 2007, CNP Vita's reinsurance programme was optimised and realigned with the Group's reinsurance strategy. The programmes provide overall protection of underwriting results, as well as transferring part of the potential loss on significant new business. The claims-paying ability of the Group's reinsurers and the reinsured portfolios are reviewed at regular intervals.

A major project has been launched to prepare the transition to Solvency II, involving all Finance department teams, and a new internal modelling environment is being developed, based on the current ALM application.

2.3.4_Controls geared to the challenges represented by core processes

Product development and distribution

The life insurance business carries operational, legal and reputational risks. The risks emerge as soon as a product is developed and the related contractual documents are drafted, but they also concern the way that the product is presented to the public (i.e. in terms of the advice and information given to prospective policyholders). In addition, new rulings by the courts or the regulatory authorities may lead to emerging risks.

The risks concern certain documents and advertising materials made available to policyholders and the public, such as general and specific policy terms and conditions, institutional and point-of-sale advertising materials, and product prospectuses.

For example, in 2004, French life insurers received a flood of complaints from policyholders who had lost money on unit-linked contracts due to falling stock market prices. Arguing that the general terms and conditions of the contracts in question were flawed or too vague, the policyholders concerned sought a court ruling extending the cooling-off period, which would allow them to obtain a refund of their premiums. With the changes in case law, particularly the rulings on points of principle handed down by the Supreme Court of Appeal in March 2006, CNP, along with the other insurance companies, has taken several initiatives:
• Provisions have been booked to cover a reasonable estimate of the expected costs on loss-making contracts.
• Letters have been sent to policyholders reminding them that they benefit from a cooling off period and giving them the necessary information to terminate this period. The mailing campaign was launched in 2007 for part of the portfolio and will be pursued in 2008.

Strengthening internal controls over legal risks is one of our priorities. While products need to be attractive so that they sell, it is also critically important to strike an appropriate balance between risk and profitability by constantly improving internal controls over legal risks. We must protect our image in the Company's interests and also in those of our policyholders. We must also be in a position to fulfil our commitments. And lastly, we must ensure that clients fully understand the terms of their contract and that our advertising is never misleading.

Under CNP's business model, the presentation of insurance offerings and some aspects of policy administration are handled primarily by the distribution networks. Specific first-tier controls are necessary to manage the risks associated with these decentralised processes and we therefore work closely with our partners to develop and implement common control systems that effectively address our shared exposures.

The agreements governing relations between our Company and the networks clearly define each party's role and responsibilities, and as such represent an important component of the control environment. Following the adoption of the "DDAC Act" of 15 December 2005 transposing European insurance legislation into French law, the status of our distribution partners was changed and formal mandates were drawn up describing in detail the tasks assigned to the networks by CNP and the way in which responsibilities are shared. During 2006, contractual documents were extensively re-written to comply with the new requirements which concern, in particular, the information given to policyholders.

The requirement for the Legal and Tax Guidance department to formally sign off on the general and specific contract terms and conditions for new products, before they are introduced in the market, was extended in 2006 to include all types of documents (including advertising materials) for individual clients of La Banque Postale and CNP Trésor, and in, 2007, for clients of the Savings Banks as well as for group insurance.

The way that insurance products are presented to potential clients carries risks for both our Company and our partners, particularly as regards the insurer's obligation to provide information and advice. Procedures to manage these risks are developed and implemented jointly with the networks. They include the formal accreditation of insurance sales persons and programmes to train and inform the networks' sales forces.

In the area of distribution network management and training, in 2007 we stepped up our visits to the Savings Banks in conjunction with the installation of the new CNP Net loan insurance underwriting system. No less than 310 visits were made during the first nine months of the year, to organise training sessions, preparatory meetings and post-implementation reviews.

Detailed reviews of client complaints also help to reduce risks, by allowing us to identify any recurring causes and improve the wording of contractual documents where necessary. The number of lawsuits has been falling steadily over the last ten years, despite an increasingly litigious environment, indicating that our performance in this area has improved. It is nevertheless important to keep watch for any emerging contractual issues that may be specific to CNP or concern the practices of all French insurers in order to measure their impact and assess potential developments. We also need to anticipate possible changes in the law to allow class actions.

A major challenge for the coming years will be to sustain the drive to contain product marketing risks. We will continue to support our partners by providing training for their sales teams and assisting them in resolving claims and lawsuits, arising in particular from their obligation to provide advice to prospective policyholders.

<u>**Policy administration**</u>

One of our core aims must be to achieve the highest standards of excellence in terms of the quality and efficiency of our contract administration processes. Procedures in this area are designed to strengthen controls over processing operations and transactions, and to guarantee client service quality.

Individual insurance

The main policy administration risks are due to the wide-ranging product offer, which comprises savings, pension and personal risk products, and the massive volumes involved. In all, we administer over 200 different types of policies representing some 13 million individual contracts at end-2007 and around 4.2 million administrative transactions per year

For several years now, we have been working closely with the networks to drive steady improvements in administrative efficiency. Milestones in this area in 2007 included:

• The signature of service level agreements with the Banque Postale and Savings Banks networks. These agreements, which are in addition to the partnership agreements, create a contractual framework defining roles and responsibilities in the areas of administration, production quality and policyholder service quality for the main management processes (underwriting, top-up premiums, surrenders, etc.). For each process, jointly defined quality indicators will be tracked in 2008.

• Completion of a detailed analysis of required upgrades of management applications that have a material impact on productivity and service quality.

• Following on from the initiatives launched in prior years with La Banque Postale (such as the Procedure Manual adopted in November 2006), creation of a joint committee between CNP and the Post Office's regional network to monitor progress and share information. The committee met six times in 2007. A comparable system already exists with the Savings Banks and is being updated following CNP's acquisition of exclusive control of Écureuil Vie.

In the coming years, we will need to launch joint initiatives with La Banque Postale in order to adopt the best practices observed with our other partners, particularly in the area of software applications, with the aim of generating additional efficiency gains.

A quality programme will need to be developed with the distribution networks to help contain risks, by standardising and optimising administrative processes (for example, risk acceptance, benefit payments, production of policyholder tax information). The ultimate aim of the programme will be to obtain ISO certification of the entire policy administration process.

Two processes have been ISO 9001-certified for several years:

• The loan insurance acceptance process, for which certification was renewed in 2005 for three years and extended to all loan insurance partners, with the addition, since 2007, of individually-priced contracts and loan insurance written in international markets for Cofidis.

• The process for issuing policyholder tax information, for which certification was renewed last year.

During 2006, a project was launched with La Banque Postale with the aim of obtaining certification of the benefits payment process. Certification of a pilot unit was obtained in 2007 and should be extended to other units in 2008.

Another major quality project has been launched for the certification of the customer relationship management process. The network of call centres was optimised and internal quality controls were carried out in late 2006, to prepare for the certification audit, and the process was ISO 9001-certified in 2007. The next phase will address correspondence with clients.

Since 2004, the perceived quality of policyholder services among clients and the networks has been monitored through satisfaction surveys. Starting in 2007, these surveys are carried out by external consultants to ensure that the results are objective and to permit the inclusion of benchmarking questions.

Lastly, service level agreements have been set up with all service providers used by the policy administration unit, for example to deal with correspondence, enter documents in the information system, file documents in the archives, produce documents and process cheques. These agreements have been in place with all service providers since 2006. Service levels and service-provider compliance with agreed transaction processing times are checked at regular intervals by Monitoring Committees which also track the performance of the administrative centres.

Group insurance

Group policies cover essentially the same types of guarantees as individual policies and the inherent administrative risks are therefore the same. However, group policies also give rise to specific risks due to the delegation of decision-making authority to clients (mainly companies, mutual insurers and banks), brokers and outside service providers.

Specific procedures have been set up to control the activities of these partners:

• Formal delegations of authority are issued describing the respective responsibilities of CNP and the partner in the execution of administrative transactions; these documents are updated regularly to take into account regulatory changes and acquired experience.

• Indicators are increasingly closely monitored in partnership with the Management Accounting and Actuarial Analysis departments to track marketing activity and insurance risks by analysing portfolio profitability, asset-liability matches for the various plans, etc.

• General audits are carried out to advise partners and service providers on the best methods, tools and organisation for the marketing, operational and financial aspects of their activities. In 2007, eleven such audits were carried out in the Companies sector, seven in the Local Authorities sector, seven in the Financial Institutions sector and three in the Mutual Insurers sector.

• Lastly, certain delegations of authority are subject to regular controls, extending where necessary as far as a detailed review of individual files; in 2007,33 such controls were performed in the Financial Institutions sector.

For administrative transactions executed directly by CNP's staff, specific internal control procedures are carried out by managers and by the control teams.

Our employees and those of our partners are given training in the various skills required to correctly perform delegated management tasks, and we have also issued guidelines for partners and service providers, as well as a procedure manual for our own teams. For example, in the Financial Institutions sector, more than a hundred training sessions were organised for partners in 2007, representing over 3,000 participants, and no fewer than 180 CNP employees followed the complete claims management and complaint processing training cycle.

Investment management

Investments are organised in separate portfolios that represent the commitments under the various insurance policies that we sell. Each portfolio corresponds to an insurance product or a family of products with similar characteristics. This has several advantages, in that it helps or enables us to:

i) Perform controls over the allocation of investment income to the contracts and thus to policyholders.

ii) Match assets with liabilities.

iii) Involve our partners in the choice of financial strategy. Finance committees have been set up with several partners and clients, and meet at regular intervals.

The selected organisation establishes a clear separation between defining investment strategies and setting exposure limits by issuer. The two investment control systems are managed by separate units and two different sets of instructions are given to managers.

Investment strategies are mainly based on ALM analyses. However, they also reflect the strategies discussed with partners and clients, particularly with a view to optimising yields based on prevailing market conditions. This approach enables us to control our exposure to risks as well as our policyholder dividend policy. Investment strategies for all portfolios are reviewed at least once every quarter, or every month for the largest portfolios. They may be adjusted at any time, in the case of a change in the economic and financial environment or outlook.

Execution of the strategies is outsourced, primarily to Ixis AM and LBP AM. Various measures have been taken to manage operational risk affecting the execution of investment strategies or portfolio managers' compliance with exposure limits. These include:

i) The requirement for portfolio managers to give a contractual undertaking to implement the strategies and comply with the limits communicated by CNP.

ii) Written confirmation of monthly strategies and limits to portfolio managers.

iii) Regular reporting of buy/sell transactions by portfolio managers to CNP, evidencing implementation of the strategy.

iv) Almost daily contacts and monthly meetings between portfolio managers and the teams responsible for the portfolios at CNP Assurances.

Our portfolio information system tracks positions and flows (purchases, sales, coupons, rights), and takes into account the accounting, regulatory and tax aspects. The system provides the basis for controls over flows and positions (through reconciliations, variance reports, adjustments, etc.) as well as helping to monitor compliance with investment strategies and exposure limits by issuer. The data managed by the system correspond primarily to transaction advices, securities account extracts and other information received from the custodian banks that hold the securities.

The property investment strategy, which is reviewed annually, specifies the type and location of properties to be acquired and is supported by a programme of scheduled sales. A dedicated unit analyses the purchase and sale opportunities presented by the various market players. Each project that is in line with the strategy is examined by the Property Investment Committee and submitted to the Chief Executive Officer.

Derivatives transactions are entered into under the hedging strategies approved each year by the Executive Committee and the Board of Directors. Derivatives positions are managed and valued by a dedicated unit using a software application that is widely recognised in the market.

2.3.5_Management of internal information

Information systems

Information systems play a critical role in all our processes, both in our core activities, such as policy administration and asset management, and in our corporate activities, such as management and statutory accounting and actuarial analysis. They support our development and are upgraded in line with our strategy of conducting operations on an industrial scale.

Information system controls are designed to guarantee systems reliability and the integrity of data accessible by our operating units and partners.

The advances made in recent years have mainly concerned controls over data security and protection, information system uptime and transaction processing reliability. They include the following:

Protection of data following a major incident

Two daily back-up copies of production data are now produced, one of which is stored at a secure off-site location. The disaster recovery plan has been fully tested with our partner.

Information systems reliability

Business-critical computer hardware and infrastructure (CPU servers and disks, programmes, etc.) are backed by redundant systems and power supplies.

Information systems access

Remote access infrastructure has been set up to enable employees working on business critical applications to access them from another site or from their home.

Processing operations and data

A software application has been developed that tests sensitive computerised data for reasonableness and consistency on a fully-automated basis. Around 30% of data was tested automatically in 2006 and the coverage rate is set to increase to 100% by the first half of 2008, with particular attention paid to sensitive processing operations.

Data confidentiality

Data sensitivity (medical information, personal information, etc.) is assessed with the business specialists during monthly meetings of the Security Committee comprising the heads of Internal Audit, Risk Management & Compliance, IT Investment and IT Operations. The Committee is required to sign off on applications that process sensitive data before they are put into production. The applications also incorporate specific preventive controls such as data encryption, and are subject to external security audits (4 to 5 audits per year).

Assessment of information system controls

A dedicated information systems control structure was set up in 2005 as part of the "LSF – Internal Control" project. The first IT process self-assessment exercises were launched during 2006, and were followed in 2007 by a review of the risks and of measures to rationalise the related controls, designed to improve consistency and enhance coverage of major risks. In 2008, new campaigns will be launched to assess the system's overall effectiveness and make any necessary improvements. In addition, the approach will be extended to information system development processes.

Process quality, standardisation and documentation

Action has already been taken and will be pursued in the coming years to maintain the IT skills base and the quality of our information systems.

For example, the IT department is continuing to compile a manual of technical and organisational standards that will be available at all times on our intranet. Following on from the initiatives launched in prior years, a single signature application – allowing authorised users to access all applications by entering a single user ID and password – has been installed on a test basis, with deployment scheduled for 2008.

A quality programme has been launched with the aim of obtaining certification of IT development and operations processes by 2010.

In the coming years, priority will be given to industrialising IT operations in order to facilitate the deployment of documented, standardised IT processes offering the levels of service expected by our partners and clients.

Management accounting

In line with our commitment to having one of the lowest cost ratios in the market and leading the field in terms of productivity gains and policy administration cost savings, we have steadily improved the related systems and applications. The management accounting function has been reorganised and refocused on strategic planning, performance tracking and budget control.

Strategic planning consists of rolling down to the lowest level in the organisation the medium-term strategies proposed by the Executive Committee and approved by the Board of Directors.

This is achieved by drawing up action plans comprising quantified targets (by strategic product segment, by distribution partner and by unit), and preparing three-year results projections for CNP and each of its subsidiaries.

Actual performance in relation to targets, expressed in terms of revenue, business volume, allocated resources, quality and progress in implementing various projects, is monitored based on monthly performance indicators developed jointly with the departments concerned.

Budget monitoring activities are coordinated by the Planning and Performance department. These activities include:

• Preparing cost projections and general operating expense budgets, based on the business plan.
• Tracking expenditures by unit.
• Aggregating these data by department and by company, and producing consolidated data at CNP Group level.

During 2007, the management information schedules were improved and the cost classification system was simplified to facilitate analyses. Profitability analyses were also performed at the level of the pensions business and for the CNP Trésor network.

All of this work was performed by the Management Accounting department which comprises some 50 employees. The department's policy consists of creating multi-disciplinary teams and, to this end, a training plan was introduced in 2007.

International operations

International subsidiaries

The control environment for international operations is based on the regulations and corporate governance principles applicable in each host country, the appointment of the majority of the members of the Boards of Directors or Supervisory Boards of the subsidiaries, and Group reporting systems.

CNP Capitalia Vita [1] (Italy), Caixa Seguros (Brazil), Global (Portugal) and CNP Seguros de Vida (Argentina) have all set up Committees of the Board (Strategy Committee, Audit Committee or Internal Control Committee) to provide detailed background analyses to support Board decisions. In addition, these subsidiaries now all have dedicated Internal Control units and have launched projects to describe and assess the main processes that contribute to the preparation and processing of financial information. The Group's self-assessment system and application will be gradually rolled out to all subsidiaries, starting in 2008.

Targets are managed based on business plans that are updated annually and on results reporting systems. This ensures that we are able to closely monitor changes in the subsidiaries' businesses, their business models (which determine their profitability) and their sources of value creation (such as changes in product mix, optimised business processes and investment projects).

Each business plan includes an analysis of the regulatory, financial and competitive environment, an analysis of medium-term strengths, weaknesses, opportunities and threats (SWOT analysis), business action plans and earnings projections prepared according to local and French GAAP and IFRS.

Reporting systems are designed to guarantee consistency between the data reported by the various subsidiaries and comprise:

• Monthly management reporting packages, which include the main indicators for premium income and benefit payments.
• Quarterly management reporting packages, including a discussion of the economic environment, margin analyses by business and an estimate of each market segment's contribution to the subsidiary's earnings.

Lastly, Finance Committees have been established, made up of representatives of the Investment departments of CNP and the subsidiary, and CNP teams visit each subsidiary every quarter to provide support.

These reporting and management systems are fully integrated in the Group's business reporting system and represent an essential means of detecting potential crisis situations. They also drive the application of corrective measures or the implementation of business development initiatives, while the quarterly management reviews provide an opportunity for regular exchanges of information and views with each subsidiary.

1) Following the October 2007 merger of Capitalia into UniCredit, CNP Capitalia Vita S.p.A. held an Extraordinary General Meeting on 24 January 2008 at which its name was changed to CNP UniCredit Vita S.p.A., shortened to CNP Vita S.p.A.

International development

In the area of acquisitions (identifying and selecting acquisition opportunities, analysing projects and files, coordinating negotiations, presenting the project for approval, etc.), 2007 was devoted to improving methods, strengthening the team and refining the definition of priorities in terms of:
• Diversifying partners.
• Leveraging our expertise in deploying the business model in new geographic markets, while retaining the necessary responsiveness and agility to adapt to the particularities of new countries and new partnerships.
• Formulating strict criteria for the selection of acquisition projects and partnerships.

2.4_Internal control procedures covering the preparation of financial and accounting information

The operating departments are responsible for internal controls over routine administrative transactions leading to the generation of “recurring” accounting data. Examples include the issuance of premium notes, premium collection, benefit assessments and payments, purchases and sales of investments and the collection of interest and dividends. The main internal controls over recurring data are described earlier on in this report, in the section dealing with first-tier controls.

Other departments (mainly the Actuarial Analyses and Accounting departments) also perform internal controls over the information and calculation methods underlying non-recurring data and accounting estimates. Examples include estimates of accrued premiums and technical reserves, general operating expense allocations and accounts closing entries.

These controls over non-recurring data and accounting estimates are described below. They fall into two broad categories:
• Determination of underwriting results.
• Statutory accounting entries and preparation of the financial statements.

2.4.1_Determination of underwriting results

The main controls over technical reserve estimates consist of:
• Updating the calculation base to include new partnerships and products and to reflect new contractual arrangements (for example, changes in commission rates or structures).
• Updating and checking the contractual and financial data underlying the reserve calculations.
• Applying calculation methods that comply with the French Insurance Code, generally accepted accounting principles, market standards and Group practices.
• Double-checking the results of automatic calculations performed by the contract administration systems.
• Performing detailed statistical and other analyses of claims data and the utilisation of technical reserves.

The most significant technical items in the financial statements include contractual customer relationships – corresponding to the value of the insurance books of acquired subsidiaries – and the related amortisation. At each period-end, results projections and simulations are produced to verify that the carrying amount of these intangible assets will be recovered through future profits and, where recovery is not assured, to calculate the related impairment loss.

The main objectives for the coming years as regards the measurement of underwriting results include:
• Developing applications and hiring in the skills needed to successfully transition to Solvency II and phase 2 of the International Accounting Standards Board’s insurance project, as well as for the calculation of embedded value according to CFO Forum principles (European Embedded Value or EEV).
• Extending the quality certification programme to include the process for determining technical reserves for the various product categories (personal risk, pensions and savings).

Our success in meeting these objectives will hinge on our ability to retain existing team members and complete the recruitments currently in progress, as the use of external consultants cannot be viewed as anything more than a stop-gap solution.

2.4.2_Statutory accounting and preparation of the financial statements

The main statutory accounting risks concern the accuracy, completeness and fairness of accounting data, and compliance with regulatory deadlines for the publication of the financial statements.

Controls over statutory accounting data include:
• Reconciliations to management accounting data.
• Consistency and completeness checks on manually transferred data.
• Reconciliations of certain accounting data to external information, such as bank statements and securities portfolio statements received from custodians.

Accounting procedures and detailed, regularly updated accounts closing procedures provide assurance concerning the reliability of year-end entries. A Group accounting and reporting manual has been produced for use by subsidiaries in preparing their consolidation packages.

As well as producing accounting data, the Accounting department is tasked with analysing and explaining changes in the main financial statement items and other financial disclosures.

Accounting and tax compliance risks are managed by implementing procedures to monitor regulatory changes and by participating in industry workgroups set up to examine emerging issues.

However, regulatory changes such as the transition to IFRS and implementation of the European Transparency Directive, which requires interim and annual financial statements to be published closer to the period-end, have created the need to strengthen existing controls.

To this end, the following major initiatives have been launched in recent years:
• Migration to a new, more efficient consolidation system which is being gradually rolled out to the international subsidiaries.
• The Fast Close project launched in the summer of 2006.

Publication of the financial statements was brought forward by two weeks at 31 December 2006 and 30 June 2007 and by four weeks at 31 December 2007, and the aim is to complete the 30 June 2008 close more than a month earlier than in first-half 2007. An analysis of the entire closing process revealed opportunities for improvement in working methods and information systems, allowing the financial statements to be produced more rapidly without compromising internal control, which has been strengthened in the process. In the last two years, the Accounting and Legal Affairs department has been reorganised by allocating more resources to the consolidation unit, while accounting units in France have been combined within a new “Accounting France” department.

One of the main organisational challenges is to establish a better balance between the resources allocated to producing the financial statements and those allocated to controlling, analysing and documenting the underlying data. This entails significantly increasing the number of accounting staff and expanding the skills base. Out of the estimated forty additional positions to be created, seventeen were filled in 2007 through external hires and internal transfers. The hiring process will continue, with the aim of filling the majority of the new positions and finalising the reorganisation of the Accounting department by the end of 2008.

2.5_Proposed improvements

In the current environment shaped by weakened financial markets, generating significant risks for the banking and insurance industries, I will continue to ensure that CNP maintains its conservative and highly disciplined asset management approach.

The LSF-Internal Control project will continue in 2008, with the phased deployment of the self-assessment process to the international subsidiaries. We will also need to step up our communication and training initiatives, in order to ensure that all of our employees share our commitment to constantly improving internal control.

I will closely monitor the ambitious Solvency II project launched in 2007, for which ten work groups have already been created.

I also want CNP to continue working with its partners to manage product marketing risks more effectively, particularly the obligation to provide information and advice to prospective policyholders, to track client satisfaction and to constantly improve service quality.

Lastly, the Company must complete the process launched in prior years to strengthen its accounting and actuarial teams.

In my capacity as Chairman of the Board of Directors, I will ensure that regularly improving the system of internal control remains high on the list of the Company's priorities.

2.6_Auditors' comments on internal control weaknesses

The Auditors have not informed me of any material internal control weaknesses identified during their audit.

Edmond Alphandéry
Chairman of the Board of Directors

— Auditors' Report

Year ended 31 December 2007

Prepared in accordance with Article L.225-235 of the French Commercial Code,

on the report of the Chairman of the Board of Directors on internal control procedures covering the preparation and processing of accounting and financial information

To the shareholders

In our capacity as Statutory Auditors of CNP Assurances SA and as required by Article L.225-235 of the French Commercial Code *(Code de Commerce)*, we hereby present our report on the report prepared by the Chairman of the Board of Directors of the Company in accordance with Article L.225-37 of the Commercial Code for the year ended 31 December 2007.

The Chairman of the Board of Directors is responsible for preparing a report describing the Board's practices and the internal control procedures in place within the Company. Our responsibility is to report to shareholders our observations on the information given in the Chairman's report on internal control procedures covering the preparation and processing of accounting and financial information.

We performed our review in accordance with the professional guidelines applicable in France. Those guidelines require us to perform procedures to assess the fairness of the information given in the Chairman's report about the internal control procedures covering the preparation and processing of accounting and financial information. These procedures included:

- Reviewing internal control procedures for the preparation and processing of accounting and financial information underlying the information presented in the Chairman's report as well as the existing documentation.
- Reviewing the work performed in order to prepare this information and the existing documentation.
- Determining whether any major weaknesses in internal controls covering the preparation and processing of accounting and financial information that would have been detected during our audit were fully disclosed in the Chairman's report.

On the basis of these procedures, we have no observations to make concerning the information about the Company's internal control procedures covering the preparation and processing of accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared in accordance with Article L.225-37, final paragraph, of the Commercial Code.

Paris-La Défense and Courbevoie, 20 March 2008
The Statutory Auditors

KPMG Audit
Department of KPMG SA
Régis Tribout
Partner

Mazars & Guérard

Pascal Parant
Partner

— Embedded value

Embedded value is calculated in accordance with European Embedded Value (EEV) principles. These principles were defined by the CFO Forum, a high-level discussion group formed and attended by the Chief Financial Officers of major European insurance companies that was set up in 2002. The Forum has published twelve EEV principles that its members across Europe committed to adopt as from 2005.

CNP Assurances has chosen to adopt a market consistent approach to measuring financial options under EEV. This approach consists of objectively determining financial assumptions based on market conditions at the year-end.

The Group is participating in CFO Forum discussions concerning the creation of a new Market Consistent Embedded Value reporting standard, to be published in 2008.

B&W Deloitte, the consulting actuaries retained by CNP Assurances, reviewed the methodological choices, assumptions and results used by the Group for the publication of its insurance business's embedded value at 31 December 2007.

B&W Deloitte informed the Company that, in their opinion:

• The methodology applied by the Company was in line with market practices and CFO Forum principles.
• The underlying assumptions were reasonable, and
• The methodology and assumptions were correctly applied in performing the embedded value calculations.

For the purpose of its review, B&W Deloitte checked selected data provided by CNP Assurances.

Under the chosen method, the Company takes into account the time value of financial options for savings portfolios and the Préfon pension contract, while continuing to apply the risk premium approach to other portfolios. Account is also taken of the cost of holding required capital and non-financial risks.

EEV is the sum of:

• Adjusted Net Asset Value (ANAV), corresponding to the value of assets attributable to shareholders after deducting intangible assets, subordinated debt and other items included in the value of in-force business.
• The value of in-force business (IF EEV). This corresponds to the discounted present value of future profits calculated using a risk-free interest rate over the life of the contracts in the insurance book (risk-free value or RFV), less:
  – The time value of financial options (TVO) calculated by dynamically modelling policyholder behaviours and the Group's financial policy.
  – The cost of holding required capital and the cost of non-financial risks.

Required capital corresponds to the level of solvency capital required under European directives. For portfolios measured using the risk premium approach, the discount rate assumes that a certain portion of required capital is covered by subordinated debt.

1_EEV AT 31 DECEMBER 2007

1.1_Results

Attributable to equity holders of the parent	2007 EEV (A)		Écureuil Vie 2006 EEV 100% (B)		Écureuil Vie 2006 EEV 50%(C)		Increase in EEV (D) (D) = (A) – (B) % = (D)/(B)	
	€m	€/share*	€m	€/share*	€m	€/share*	€m	
Adjusted net asset value	8,713	58.7	7,508	50.5	7,481	54.0	1,205	16%
In-force business	2,840	19.1	2,596	17.5	2,202	15.9	244	9%
Embedded Value	**11,553**	**77.8**	**10,104**	**68.0**	**9,683**	**69.8**	**1,449**	**14%**
O/w EV France	10,710	72.1	9,442	63.6	8,948	64.5	1,268	13%
O/w EV Brazil	547	3.7	374	2.5	430	3.1	173	46%
O/w EV Italy	296	2.0	288	1.9	305	2.2	8	3%

(A): Before 2007 dividend.
(B): Value including 100% of Écureuil Vie, after share issue and dividends.
(C): Value including 50% of Écureuil Vie, before share issue and dividends.
(D): Before 2007 dividend.

*Number of shares
At 31 December 2006: 138,635,302.
At 31 December 2007: 148,537,823.

EEV = ANAV + IF EEV = €11,553 million or €77.80 per share before dividend.

Breakdown of IF EEV by country

In € millions **Attributable to equity holders of the parent**	Total	France	Brazil	Italy
In-force business	2,840	2,535	211	93
In € per share	19.1	17.1	1.4	0.6

1.2_Assumptions

Assumptions at 31 December 2007: France

	Savings and Préfon	Other
Risk-free rate (RFR)	3.98% (2006) • 4.42% (2007)	3.98% (2006) • 4.42% (2007)
Discount rate	RFR (1)	6.2% (2006) • 6.1% (2007) (2)
Risk premium – bonds	0%	0%
Risk premium – equities and property	0%	2%
Unrealised gains on bonds attributable to policyholders at 31 December	Valued in In-force	Split between New Business and In-force
Unrealised gains on equities attributable to policyholders at 31 December 2007	Valued in In-force	Not valued
Tax rate	34.43%	34.43%
Administrative cost inflation	2%	2%

1) The discount rate applied to the Préfon pensions contract includes a premium compared with the risk-free rate to take into account non-financial risks.

2) The discount rate for the other segments, corresponding to the Company's weighted average cost of capital (WACC), was reduced to 6.1% from 6.2% due to the increase in the weighting of subordinated debt to 40% from 30%, offsetting the increase in the risk-free rate to 4.42% from 3.98%. Although the weighting of subordinated debt had already increased at 31 December 2006, the effect was taken into account only in the 2007 EEV calculation as the additional debt was taken on to finance part of the cost of acquiring the remaining 49.9% of Écureuil Vie.

Assumptions: Italy

	Unit-linked savings contracts	Other
Risk-free rate (RFR)	3.98% (2006) • 4.42% (2007)	3.98% (2006) • 4.42% (2007)
Discount rate	RFR (1)	6.2% (2006) • 6.1% (2007)
Risk premium - bonds	0%	0%
Risk premium – equities and property	0%	2%
Tax rate	38.25% (3)	38.25% (3)
Administrative cost inflation	2% (2)	2% (2)

1) Discount rate based on the company's weighted average cost of capital (WACC), including the cost of subordinated debt.

2) Based on the budget for the first three years, with cost inflation rate applied beyond that period.

3) The proposed reduction in the Italian corporate tax rate to 31.8% from 38.25% has not been taken into account.

Assumptions: Brazil

	2008	2009	2010	2011	2012	Post 2012
Discount rate	16.82%	15.20%	13.58%	11.96%	11.70%	11.70%
Asset yield	10.80%	10.00%	9.20%	8.40%	8.00%	8.00%
Inflation	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Risk premium	9.80%	8.70%	7.60%	6.50%	6.50%	6.50%
Tax rate	40%					
€/real exchange rate	2.6075					

Economic assumptions for Brazil take into account:

- The country's improved economic situation, with a lower country risk rating, lower interest rates and a stronger currency.
- Inflation, which is reflected in profit projections and the discount rate.
- The expected increase in the tax rate (rise in the "social contribution" rate to 15% from 9%)

1.3_EEV sensitivities at 31 December 2007

In € millions Attributable to equity holders of the parent	EEV	In-force business	ANAV	EEV €/share
Unadjusted value	11,553	2,840	8,713	77.78
100bps increase in interest rates	(143)	(28)	(115)	(0.96)
100bps fall in interest rates	51	(64)	115	0.34
100bps increase in non-financial risk premium	(151)	(151)	0	(1.01)
10% fall in stock market prices	(280)	(72)	(208)	(1.88)
10% fall in surrender rate	109	109	–	0.73
10% reduction in costs	302	302	–	2.03
5% fall in loss ratio Life expectancy risk	(60)	(60)	–	(0.41)
5% fall in loss ratio Mortality and disability risk	105	105	–	0.71
25% increase in interest rate volatility	(140)	(140)	–	(0.94)
25% increase in share price volatility	(147)	(147)	–	(0.99)

1.4_Year-on-year change in EEV

Attributable to equity holders of the parent	ANR €m	In-force business €m	EEV €m
EEV at 31 December 2006 – Écureuil Vie at 50%	**7,481**	**2,202**	**9,683**
EEV at 31 December 2006 – Écureuil Vie at 100%	**7,149**	**2,596**	**9,745**
Initial adjustments	–	(7)	(7)
Adjusted EEV at 31 December 2006	**7,149**	**2,589**	**9,738**
Contribution of new business	99	256	355
Contribution of in-force business	741	(119)	622
Expected value	**7,989**	**2,726**	**10,715**
Observed operating variances	28	(14)	14
Changes in operating assumptions	–	293	293
Other operations-related movements	(11)	–	(11)
Contribution from operations (total)	**857**	**416**	**1,273**
Change in economic conditions	260	(160)	99
Other non-operating movements	56	(21)	35
Contribution of other effects (total)	**316**	**(181)**	**134**
Changes in capital and/or dividends	359	–	359
Change in exchange rates	32	17	49
EEV at 31 December 2007	**8,713**	**2,840**	**11,553**

1.5_Implied risk discount rate

The implied risk discount rate corresponds to the target discount rate used to calculate embedded value under the traditional approach.

The rate is 5.16% for CNP Assurances France – corresponding to a 20bps spread on long-term rates and an equity risk premium of 2% – and 5.77% for the Group as a whole.

2_VALUE OF 2007 NEW BUSINESS

2.1_New business by country

In € millions Attributable to equity holders of the parent	2007 NB €m	2007 NB €/share	2006 NB Écureuil Vie at 100% €m	2006 NB Écureuil Vie at 100% €/share	Reported 2006 NB Écureuil Vie at 50% €m	Reported 2006 NB Écureuil Vie at 50% €/share	Growth based on comparable scope %
Value of new business	**355**	**2.4**	**352**	**2.4**	**300**	**2.2**	**1%**
O/w France	268	1.8	278	1.9	226	1.6	(3%)
O/w Brazil	62	0.4	53	0.4	53	0.4	17%
O/w Italy	25	0.2	21	0.1	21	0.2	17%

New business increased by 1% despite a 3% decline in the annual premium equivalent (APE).

2.2_APE by country

In € millions Attributable to equity holders of the parent	Total	France	Brazil	Italy
2007 premium income (IFRS) (1)	**31,010**	**26,946**	**1,146**	**2,919**
2006 premium income (IFRS)	31,678	27,889	887	2,902
Premium income growth rate	(2%)	(3%)	29%	1%
2007 APE (2)	**3,098**	**2,655**	**262**	**181**
Pro forma 2006 APE	3,189	2,762	244	183
APE growth rate	(3%)	(4%)	7%	(1%)

(1) Premium income under IFRS is calculated on a 100% basis, net of co-insurance but before reinsurance. Premium income does not include new money invested in financial instruments without DPF (“IAS 39” contracts). The exchange rate is the average rate for 2007, i.e. BRL 2.66.

(2) Unlike premium income under IFRS, new business APE in 2007 is defined based on new money attributable to equity holders of the parent, net of co-insurance and net of reinsurance. The exchange rate is the rate at 31 December 2007, i.e. BRL 2.61.

APE = Annualised new business premiums x single premiums/10 + annualised new business premiums x (1 – single premiums).

2.3_New Business margin

The margin on new business is an important profitability indicator. It can be calculated in two ways:

• Value of new business as a percentage of annual premium equivalents (NB/APE), or

• Value of new business as a percentage of the present value of new business premiums (NB/PVP). CFO Forum principles require the publication of NB/PVP ratios.

In € millions Attributable to equity holders of the parent	Total	France	Brazil	Italy
Risk-free value (RFV)				
Time value of financial options (TVO)	(53)	(53)	–	–
Cost of solvency margin and non-financial risks (CSM and NFR)	(205)	(197)	(6)	(2)
New Business	**355**	**268**	**62**	**25**
In € per share	2.4	1.8	0.4	0.2
APE: annual premium equivalents	3,098	2,655	262	181
PVP: present value of new business premiums	27,943	25,239	1,041	1,664
NB/APE ratio	**11.5%**	**10.1%**	**23.7%**	**13.6%**
NB/PVP ratio	1.3%	1.1%	6.0%	1.5%

2.4_Year-on-year change in New Business

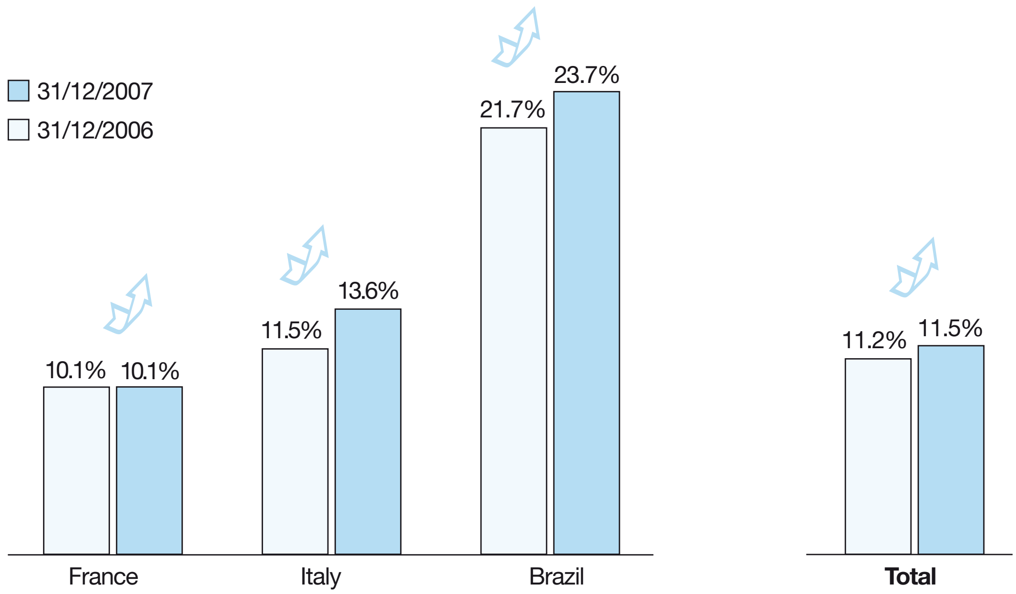
In € millions	Group		France		Brazil		Italy	
Attributable to equity holders of the parent	NB	NB/APE ratio	NB	NB/APE ratio	NB	NB/APE ratio	NB	NB/APE ratio
2006 new business, Ecureuil Vie at 50%	**300**	**11.2%**	**226**	**10.1%**	**53**	**21.7%**	**21**	**11.5%**
2006 new business, Écureuil Vie at 100%	352	11.0%	278	10.1%	53	21.7%	21	11.5%
Change in APE volume	(11)	11.1%	(11)	10.1%	0	21.7%	0	11.5%
Change in product mix	7	11.3%	(1)	10.0%	0	21.7%	8	15.8%
Experience adjustments	5	11.5%	1	10.1%	10	25.8%	(6)	12.7%
Change in financial market conditions	3	11.6%	1	10.1%	1	26.1%	2	13.6%
Change in tax rate	(6)	11.4%			(6)	23.7%		
Change in exchange rates	5	11.5%			5	23.7%		
2007 New Business	**355**	**11.5%**	**268**	**10.1%**	**63**	**23.7%**	**25**	**13.6%**

France: the NB/APE ratio remained stable despite lower APE volume.

Brazil: Caixa Seguros's improved profitability primarily reflects the lifting of the requirement to reinsure part of the loan insurance business with the Brazilian State, as well as the favourable change in the real/euro exchange rate.

Italy: CNP Capitalia Vita's NB/APE ratio improved to 13.6% from 11.5%, led by a favourable change in the product mix, with increased sales of loan insurance.

New Business margin by country



2.5_Sensitivities

In € millions Attributable to equity holders of the parent	NB Group	NB France	NB Brazil	NB Italy	EEV €/share
Unadjusted value	355	268	62	25	2.39
100bps increase in interest rates	15	14	0.4	0.9	0.10
100bps fall in interest rates	(31)	(30	(0.4)	0.8	(0.21)
100bps increase in non-financial risk premium	(13)	(10	(2)	0.1	(0.09)
10% fall in surrender rate	27	26	1.4	0.4	0.18
10% reduction in costs	46	41	3.5	1.1	0.31
5% fall in loss ratio Life expectancy risk	(6)	(6)	0	–	(0.04)
5% fall in loss ratios Mortality and disability risk	44	39	4	0.6	0.29
25% increase in interest rate volatility	(12)	(12)	–	–	(0.08)
25% increase in share price volatility	(15)	(15)	–	–	(0.10)