L'assureur de toute une vie

Report of the Board of Directors for the six months ended 30 June 2012

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1 SIGNIFICANT EVENTS OF THE PERIOD

1.1 First half

- Greek sovereign debt securities exchange plan

CNP Assurances is participating in the sovereign debt securities exchange plan proposed by the Greek Ministry of Finance. In exchange for each debt security currently held, the Group has received a securities "basket" comprising new Greek sovereign debt securities**,** securities issued by the EFSF (European Financial Stability Facility), and GDP-linked securities indexed to the performance of the Greek economy in relation to a specific GDP target growth rate.

The Group has complied with the derecognition criteria stipulated under IAS 39 and the old securities have been derecognised. In the first quarter of 2012, losses before tax of €125 million were recognised directly in profit or loss under the terms of the exchange plan.

During the second quarter of 2012, the Group sold the new Greek sovereign debt securities obtained as part of the exchange plan, resulting in an additional net loss of €34.2 million in the consolidated financial statements.

- Policy of reducing the Group's exposure to sovereign debt issued by peripheral eurozone countries

CNP has actively pursued a policy of reducing the Group's exposure to sovereign debt issued by the Italian, Spanish, Greek, Portuguese and Irish governments in order to minimise the portfolio credit risk exposure of French and Italian insurance policies.

When compared with positions at 31 December 2011, divestments together with a freeze on new investments have significantly reduced the Group's sovereign debt risk exposure. In terms of net amounts carried, the exposure to Italian, Spanish, Greek, Portuguese and Irish government bonds has fallen by €1.7 billion, €1.1 billion, €0.6 billion, 0.5 billion and €0.03 billion, respectively.

Losses on these divestments were offset by gains on the sale of sovereign debt issued by other European countries, including Germany, the Netherlands and Finland.

- Reorganisation of the CAIXA Seguros group in Brazil around a new holding company

As part of the process of reorganising the CAIXA Seguros group in Brazil, a new holding company has been created to separate insurance subsidiaries – which now belong to a specialised sub-holding entity – from those operating in other sectors.

The group has taken these steps both in response to requests from the Brazilian insurance regulator and to facilitate new development projects.

To date, the parent of the group has been an insurance company, however, under Brazilian law, an insurance company may not own either non-Brazilian insurance companies or entities supervised by other regulators, i.e., the banking regulator in the case of the tontine (CAIXA Concórcios) and the healthcare sector regulator for the new health insurance business (CAIXA Seguros Saúde). This new structure clearly separates subsidiaries that are supervised by different regulators and makes it possible for the new holding company to own non-Brazilian insurance companies.

It does not alter either the economic balance of the partnership or the stakes held by each shareholder which remain at 52% for CNP Assurances and 48% for CAIXA.

- Creation of a new joint holding company with Swiss Life to develop the assistance businesses

On 11 June 2012, CNP Assurances and Swiss Life announced the creation of Groupe Assuristance, a new joint holding company for their respective assistance businesses, Filassistance International and Garantie Assistance. Groupe Assuristance will be a new benchmark provider in the assistance market, covering both beneficiaries and their assets.

All of the necessary authorizations have been obtained from the French and European regulators, allowing the *de facto* merger of the businesses to be completed.

Groupe Assuristance, which is 66%-owned by CNP Assurances and 34% by Swiss Life, is now the sole shareholder of both Filassistance International and Garantie Assistance

Groupe Assuristance, which represents eight million clients, will benefit from the complementary expertise of Filassistance, specialised in local personal assistance services including long-term care, and Garantie Assistance, which provides medical, roadside, home and travel assistance services.

Groupe Assuristance will offer shareholders and partners an array of innovative assistance services to support policyholders confronted with various risks. It will have sufficient scale to develop a comprehensive service line-up in the areas of health, death/disability, long-term care, roadside and home assistance.

Much more than a simple insurance policy add-on, assistance services are part of a fully integrated insurance and service package and play a vital role in creating enduring client relationships.

Through this new approach to the personal insurance business, policyholders are supported throughout the life of their contract with an offer combining financial benefits and information, prevention, assistance and in-kind services in a single package.

About Filassistance International

Filassistance International is CNP Assurances's assistance subsidiary, specialised in local personal assistance services. Set up ten years ago and with a client base that now numbers over five million beneficiaries, the company acts as a lifestyle facilitator offering services that range from the most basic (such as help with day-to-day tasks, healthcare-related issues and funeral assistance), to the most innovative (such as long-term care, pension and hotline-based assistance services). Its 2011 revenue amounted to €14 million.

About Garantie Assistance

Garantie Assistance is Swiss Life's assistance subsidiary in France, specialized in medical, roadside, home and travel assistance. Set up in 1978, it has three million beneficiaries and reported 2011 revenue of €20 million.

- Right to elect for payment of the 2011 dividend in shares

The Annual General Meeting, held on 29 June 2012, proposed that each shareholder will have the right to elect for payment of the 2011 dividend either in cash or new shares.

- Award for Sérénia death cover marketed by La Banque Postale

La Banque Postale's newest death wealth insurance policy was awarded a silver medal for innovation in the *Grand prix des Actifs du Patrimoine* 2012 award.

This came hot on the heels of a first *Label d'Excellence*, awarded by the insurance comparator magazine *Dossiers de l'Epargne* in early 2012.

Sérénia was launched in 2011 and belongs to La Banque Postale's new generation of policies. It provides complete death wealth insurance in the event of death or serious disability or illness.

Customers can take out policies that pay out lump sums of up to €3 million and Sérénia is one of the few contracts on the market that provides a dread disease guarantee in the basic policy and not just as an add-on.

1.2. Subsequent events

With the exception of the payment of the 2011 dividend in cash or in stock (86.2% of shareholders opted for the latter) on 24 July 2012, no material changes have occurred in the Group's financial or commercial position since 30 June 2012. The Company issued 49,348,883 new shares for stock dividend payment purposes.

Judgement by the Conseil d'Etat on 23 July 2012

In a judgement handed down on 23 July 2012, the *Conseil d'Etat* (France's highest administrative court) invalidated the wording of Article A331-3 of the French Insurance Code (*Code des Assurances*) in force until April 2007. The wording provided "that the minimum amount of policyholder participation in underwriting and financial profits is to be determined and made applicable to all individual and collective contracts […] except for collective contracts with a guaranteed death benefit." In its judgement, the *Conseil d'Etat* considered that the article of the decree was illegal, as the exception was an amendment to the law.

This judgement must be considered together with that handed down by the *Conseil d'Etat* on 5 May 2010 which clearly indicated that policyholders have no individual right to a specific allowance in respect of the policyholders participation reserve. At this stage of analysis, the judgement by the *Conseil d'Etat* not recognising an individual right to this specific allowance has not had an impact on the interim financial statements.

2 MARKET AND BUSINESS REVIEW

2.1 Economic and financial environment

June marked a respite in the bear market that began in mid-March. After three months of uninterrupted decline, international stock markets began to rally despite the pervading economic gloom and concern over sovereign debt.

Market worries have focused on internal policies in the eurozone, particularly in Spain. The EU-sponsored bailout of the Spanish banking sector, which is worth a total of €100 billion, did not have the expected calming effect when it was first announced. Instead, creditors began to fret over the subordination of existing debt to the funds being put up by the EFSF and/or the ESM (European Stability Mechanism) as happened during the Greek bailout. Consequently, yields on ten-year Spanish government bonds climbed to over 7%, pushing up yields on Italian ten-year bonds in the process. At the same time, Cyprus demanded an EU bailout-out of its own banking sector which had been left high and dry by the Greek sovereign debt securities exchange plan.

This situation of acute crisis resulted in a hardening of Italian and Spanish bargaining positions at the EU Summit held on 28 and 29 June. Italy demanded a strong commitment from the eurozone countries to guarantee the debt of its most vulnerable members and to allow the EFSF and ESM to start buying sovereign bonds directly in both the primary and secondary markets. This concession was grudgingly agreed to by Germany and it helped to drive down bond yields and calm investor fears, however only time will tell if it can provide a lasting solution.

The EU summit also made progress in other areas. It confirmed that loans given by the EFSF to Spanish banks (up to a total amount of €100 billion; the estimated amount required by the external audit requested by the Bank of Spain is between €30 billion and €62 billion) will enjoy the same seniority as existing Spanish public sector debt. The eurozone has also committed to the creation of a banking union with centralised management of European central banks under the auspices of the ECB although the pooling of eurozone debt and the creation of "Eurobills" was once again firmly ruled out by Germany.

Ultimately, the key progress achieved at the summit comes down to the decoupling of sovereign debt from bank debt: it was bank debt that forced Ireland to request an EU bailout and risks leading Spain down a similar path. It demonstrated once again that the sovereign debt crisis can only be resolved in successive stages even though it is increasingly apparent that the G-20 members have upped the pressure on European countries to find a credible solution.

Macroeconomic indicators remain sluggish and the economic situation in Europe is clearly having major repercussions throughout the global economy. The marked slowdown in the eurozone – reflected in the PMI and IFO indices – is dragging down exports from emerging economies. This has been the case in China where lower exports have combined with a sharp drop in investment, particularly in real estate, and production indicators appear to point to a continued slowdown.

The eurozone – including Germany – seems to be heading for negative growth in the second quarter of the year and a sharp deterioration on first quarter 2012 performance. Unemployment continues to grow, retail spending is in the doldrums and industrial production is falling. Statistics published in early July would appear to indicate that the situation is stabilising albeit at very low levels of activity.

Worries are also rife in the United States where growth remains stunted and ISM indicators such as job creation are down. The consensus among economists is for more moderate growth of between 1.5% and 2% in the second quarter of the year. However, the resilience of the property market – where the NAHB index rose to 29 – and retail sales should prevent a more marked slowdown.

Trends in emerging economies would appear to be of greater concern. Brazilian growth has stalled and the Brazilian Central Bank has issued a revised growth forecast of 2.5% for 2012. Bank loan defaults (at 6.1%) have climbed back to 2009 record levels due to a squeeze on consumer credit (default rate close to 8%) and this has dragged down sales of cars and electrical goods. The picture is similar in India where annual growth is close to 5% and inflation continues to hover at over 10%, forcing the Central Bank to stop cutting interest rates. A number of emerging economies such as Russia are also grappling with the budgetary implications of lower raw material prices. Oil fell to $90 a barrel in 2012.

Inflationary forecasts remain low due to low energy prices and sluggish growth. Break-even inflation rates have been under 2% for the past year and the French ten-year breakeven rate fell as low as 1.4% in June 2012 (which means that a ten-year fixed-rate investment will give the same return as a French government bond [OAT] of similar maturity if average inflation remains at 1.4% over the period). This is in spite of the fact that the annual rolling inflation rate is around 2% in France and even more in Europe as a whole.

Paradoxically, in the midst of all this economic uncertainty there has been a rally in the financial markets after three months of uninterrupted decline. The stock markets would appear to have been reassured by the EU's recent decisions and the fall in raw material prices and to have realised that some companies are simply undervalued in terms of their assets and/or dividend rates. European stock markets gained about 10% in June and American markets are much closer to their highest annual levels. The CAC 40 is now up for 2012 as a whole and the market rally has resulted in less volatility. The VIX index shed 5 points and has fallen back below 20%.

This renewed appetite for risk has pushed up rates on sovereign debt used as a safe haven which had bottomed out in late May. The rate on ten-year French bonds rose from 2.35% to 2.7% and the French-German ten-year yield spread remains stable at 100 bps.
Italian and Spanish ten-year bond rates are also stable at 5.8% and 6.5%, respectively, however Portuguese and Irish rates fell by 180 bps and 90 bps, respectively, to reach 10.1% and 6.7%. Short-term yields remained excessively low as the market waited for the ECB to cut interest rates, which it duly did at its July meeting.

2.2 Regulatory and tax environment

In the first half of 2012, the regulatory and tax environment did not undergo changes likely to materially affect CNP Assurances’ business activity.

2.3 First-Half 2012 Business Review[1]

In the first half of 2012, consolidated revenue contracted by 13.1% under IFRS (13.4% under French GAAP) to €13.3 billion, continuing the trend observed in the first quarter. The Savings business was the hardest hit, due to competition from products offered by the banks in all host countries. The decline in Pensions business was partly due to the high basis of comparison created by the sale of a major group pensions contract in early 2011. The Risk businesses continued to grow at a healthy rate.

In €m	IFRS		French GAAP	
	First-half 2012	% change	First-half 2012	% change
Savings	8,829.5	- 15.0	9,210.9	- 14.7
Pensions	1,429.4	- 30.2	1,440.0	- 32.3
Personal Risk	1,005.7	+ 10.5	1,005.2	+ 10.3
Term Creditor Insurance	1,569.5	+ 3.4	1,569.5	+ 3.4
Health Insurance	261.0	+ 8.1	261.4	+ 8.3
Property & Casualty	175.7	+ 1.5	175.7	+ 1.5
TOTAL	**13,270.8**	**- 13.1**	**13,662.6**	**- 13.4**

New money in France declined 11% on a French GAAP basis, but the Group continued to outperform the life and pensions market, which contracted by 15% in the first six months of the year.

International operations accounted for one-fifth of total revenue, with 50% generated in South America. The first-half decline in these markets was due notably to the high basis of comparison in Ireland (group pensions contract) and to the negative currency effect in Brazil.

In €m	IFRS		French GAAP	
	First-half 2012	% change	First-half 2012	% change
France	10,788.3	- 10.5	10,800.0	- 11.0
Italy (1)	820.9	- 4.0	938.2	- 8.5
Portugal (2)	14.3	- 91.8	66.9	- 67.6
Brazil (3)	1,287.4	- 8.1	1,497.1	- 6.9
Argentina (3)	28.4	+ 140.0	28.4	+ 140.0
Spain (4)	230.6	+ 1.5	230.6	+ 1.5
Cyprus	94.8	- 11.9	95.3	- 14.3
Ireland	5.9	- 98.7	5.9	- 98.7
Other	0.0	- 94.9	0.0	- 94.9
Sub-total International	**2,482.5**	**- 23.1**	**2,862.6**	**- 21.4**
TOTAL	**13,270.8**	**- 13.1**	**13,662.6**	**- 13.4**

(1) CNP Italia branch, CNP UniCredit Vita and CNP BVP Italy
(2) CNP BVP Portugal
(3) Based on first-half 2012 exchange rates
(4) CNP España branch, CNP Vida and CNP BVP Spain

[1] Unless otherwise stated, all data are presented on an IFRS basis.

Unit-linked sales were at a similar level as in the first quarter, accounting for over 15% of Savings/Pensions business.

In all, net new money was a negative €500 million across the Group. However, average technical reserves (excluding deferred participation) continued to grow, rising by 1.2% versus first-half 2011 to €290.2 billion.

- **France**

In France, revenue contracted by 10.5% to €10.8 billion, mainly due to the decline in the Savings market, which is still suffering the effects of the economic crisis. CNP Assurances has outperformed the French savings market since the beginning of 2011, reporting below-market growth in claims and benefits and a less marked erosion of new money. Life and Pensions net new money for the period was a negative €718 million.
In the Personal Risk and Term Creditor Insurance segments, revenues were up 12.4% and 8.6% respectively.

La Banque Postale

La Banque Postale continued to outperform the market, with revenue down by just 0.6% compared with first-half 2011 at €4.8 billion. In Savings and Personal Risk insurance, sales of high-end products continued to grow, sustained by demand for the *Cachemire* endowment contract and the *Sérénia* term life insurance contract. Personal Risk revenues grew by a healthy 5.9% and Term Creditor Insurance revenues were up by a strong 21.4% in a soft credit market. These two businesses are nevertheless still fairly marginal. New marketing initiatives are planned in the second half, to maintain the good overall momentum.

Caisses d'Epargne

The Caisses d'Epargne (Savings Banks) experienced a 26.9% drop in revenue to €3.6 billion, due to stiff competition from the savings accounts offered by the banks. Unit-linked products accounted for a high 12.1% of Savings/Pensions revenue, helped by the launch of unit-linked funds invested in two new BPCE bond tranches. While the Savings business suffered a setback, Personal Risk revenues doubled thanks notably to vibrant demand for the new *Ecureuil Solutions Obsèques* funeral insurance product. Further personal risk products are due to be introduced in the second half.

CNP Trésor

CNP Trésor also outperformed the market, reporting first-half revenue of €315 million. During the period, business was sustained by successful promotional campaigns and healthy sales of high-end products. New promotional campaigns are planned for the second half and customer relationships will be strengthened through a dedicated appointments platform and local meetings.

Financial Institutions

With homebuyers finding it more difficult to obtain mortgages, home sales fell during the period. Despite these challenging conditions, revenues from the financial institutions partnership centre rose by 3.1% to €735 million, maintaining CNP Assurances's leadership in this segment. The period-on-period growth was mainly due to the fact that new business accounted for only a small proportion of total revenue. Added to that, loan renegotiations are rare in the current environment. In the first-half, efforts were kept up to win business from social economy lenders and auto finance companies.

Companies & Local Authorities

Revenue generated with companies and local authorities amounted to €836 million, a decrease of 2.1% that was mainly due to lower Pensions business as a result of the economic crisis. On a positive note, employee benefits revenue should be boosted this year by the rate adjustments negotiated in 2011.

Mutual Insurers

Revenue from the mutual insurance partnership centre totalled €448 million, an increase of 22.7% including the contribution of MFPrévoyance. Business volumes with civil service mutual insurers continued to grow, lifted by strong demand for the new optional long-term care insurance offered by MGEN, and with multi-sector insurers, following the acquisition of an employee benefits insurance book and a health insurance book.

- **International operations**

International revenue decreased by 23.1% to €2.5 billion. The decline reflected the unfavourable basis of comparison resulting from the first-half 2011 sale of a group pensions contract in Ireland and also the negative currency effect in Brazil, where revenues were stable in local currency but down 8.1% in euros. In Europe, all the subsidiaries except for CNP UniCredit Vita experienced a fall-off in revenues in a weak economic environment. The biggest impact was on Savings business and on term creditor insurance which is treated in Italy as single premium business (and not as regular premium business as it is in France). However, the favourable change in product mix led to an increase in net insurance revenue from international operations in the first half.

Caixa Seguros (Brazil)

The overall insurance market in Brazil is continuing to expand rapidly.
In first-half 2012, Caixa Seguros's revenue was stable in local currency but declined by 8.1% in euros due to unfavourable exchange rates. While Savings/Pensions business was affected by competition from products offered by the banks, term creditor insurance continued to grow, rising 17.2% in euros, with a significant positive effect on the subsidiary's profit.

CNP UniCredit Vita (Italy)

After enjoying a good first quarter, the Italian subsidiary CNP UniCredit Vita reported revenue up 3.9% in a life market that narrowed by 17% in the first five months. Savings revenue climbed to €664 million, with unit-linked sales accounting for 37% of the total. Term creditor insurance was down 58.7%, but this steep fall is not entirely meaningful because in Italy, the contracts are treated as single premium and not regular premium as is the case in France.

CNP Barclays Vida y Pensiones (Portugal, Spain and Italy)

In a chaotic market environment, CNP BVP's revenues fell by 46.2% to €248 million. However, net new money remained positive. During the period, CNP BVP continued to enjoy strong growth in the Personal Risk segment, with revenues from these business lines up 10.2%.

CNP Laiki Insurance Holdings[2] (Cyprus/Greece)

Revenue was down 11.9%, mainly as a result of the recognition in first-half 2011 of a large single premium but also due to the difficult financial environment. The subsidiary's performance was supported by an effective cost saving programme involving a wage freeze and adjustments to employee supplementary pension plans.

[2] Following the partner's name change, CNP Marfin Insurance Holdings (CNP MIH) was renamed CNP Laiki Insurance Holdings (CNP LIH)

REVENUE BY PARTNERSHIP CENTRE

(€m)	IFRS			French GAAP		
	H1 2012	H1 2011	% change	H1 2012	H1 2011	% change
La Banque Postale	4,846.4	4,874.4	-0.6	4,846.9	4,876.0	-0.6
Caisses d'Epargne	3,559.7	4,872.3	-26.9	3,560.4	4,873.3	-26.9
CNP Trésor	315.2	326.4	-3.4	315.2	326.4	-3.4
Financial Institutions France	735.4	713.5	+3.1	735.4	713.5	+3.1
Mutual Insurers	447.6	364.8	+22.7	447.6	364.8	+22.7
Companies and Local Authorities	836.4	854.7	-2.1	847.0	935.0	-9.4
Other (France)	47.4	43.9	+8.0	47.4	43.9	+8.0
TOTAL FRANCE	**10,788.3**	**12,050.0**	**-10.5**	**10,800.0**	**12,132.9**	**-11.0**
CNP Seguros de Vida (Argentina) (1)	28.4	11.9	+140.0	28.4	11.9	+140.0
CNP Vida (Spain)	96.4	80.3	+20.1	96.4	80.3	+20.1
Caixa Seguros (Brazil) (1)	1,287.4	1,400.9	-8.1	1,497.1	1,608.5	-6.9
CNP UniCredit Vita (Italy)	699.3	672.9	+3.9	816.7	843.4	-3.2
CNP Laiki Insurance Holdings (Cyprus)	94.8	107.6	-11.9	95.3	111.3	-14.3
CNP Europe (Ireland)	5.9	448.6	-98.7	5.9	448.6	-98.7
CNP BVP (Portugal-Spain-Italy) (2)	247.6	460.4	-46.2	300.1	493.1	-39.1
Financial institutions outside France (3)	0.0	3.2	-98.9	0.0	3.2	-98.9
Branches	22.6	40.3	-43.9	22.6	40.3	-43.9
TOTAL INTERNATIONAL	**2,482.5**	**3,226.1**	**-23.1**	**2,862.6**	**3,640.6**	**-21.4**
TOTAL	**13,270.8**	**15,276.2**	**-13.1**	**13,662.6**	**15,773.5**	**-13.4**

(1) Average exchange rates: Argentina: €1 = ARS 5.7452 - Brazil: €1 = BRL 2.4636
(2) o/w CNP BVP Portugal: -91.8%, CNP BVP Spain: -4.5%, CNP BVP Italy: -30.8%, under IFRS
(3) The business of writing term creditor insurance for Cofidis under the EU freedom of services directive was discontinued on 1 January 2011 and the related contracts no longer generate any revenues

3 CONSOLIDATED FINANCIAL STATEMENTS

The condensed 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 condensed interim consolidated financial statements were the same as those used for the annual financial statements.

In € millions	Segment			Other	Own-funds portfolios	Total first-half 2012	Total first-half 2011	*Change (%)*
	Savings	Pensions	Risk					
New money	9,211	1,440	3,012			13,663	15,773	-13.4%
Insurance and financial outstandings						290,167	286,703	1.2%
Premium income	**8,830**	**1,429**	**3,012**	**-**	**-**	**13,271**	**15,276**	**-13.1%**
Total NIR						1,144	1,197	-4.4%
Recurring NIR	549	107	562	55		1,274	1,212	5.1%
Revenue from own-funds portfolios					398	398	352	13.1%
Total costs						(441)	(453)	-2.5%
EBIT						**1,101**	**1,096**	**0.5%**
Finance costs						(80)	(70)	14.0%
Income tax expense						(359)	(340)	5.5%
Non-controlling interests						(147)	(133)	10.0%
Recurring profit						**516**	**552**	**-6.6%**
Net gains on equities and property, available-for-sale financial assets and impairment						68	14	395.8%
Fair value adjustments on securities held for trading						61	24	ns
Non-recurring items						(104)	(47)	ns
Net profit						**540**	**543**	**-0.5%**

EBIT and attributable recurring profit before capital gains are two key performance indicators used by the Group. They have the advantage of being unaffected by realised capital gains on equities and investment property attributable to shareholders or by fluctuations in the financial markets.

EBIT comprises:

- net insurance revenue (NIR), which corresponds to the margin on insurance contracts, excluding administrative costs;
- revenues from own-funds portfolios, corresponding mainly to equity-linked assets; and
- administrative costs.

The two drivers of NIR are:

- **premium income**, which came in at €13.3 billion (see section 2.3);
- **insurance and financial outstandings**, excluding the deferred participation reserve, which rose slightly by 1.2% during the period. This reflected the combined impact of negative new money and limited revaluation of policyholders' savings in relation to the rates applied in 2011.

Consolidated **NIR** came in at €1,144 million for the first six months of 2012, a 4.4% drop compared with the same period in 2011.

The international subsidiaries now contribute 50% of NIR which is six percentage points higher than last year. NIR from international subsidiaries grew 15% at constant exchange rates or 7.9% at current rates.
If non-recurring items are factored in, consolidated NIR was €1,274 million, up 5.1% year on year.

Non-recurring NIR

Non-recurring items were a negative amount of €130 million which included a negative amount of €89 million for the impacts of lower interest rates.

Recurring NIR

Risk and creditor insurance contributed 44% of recurring NIR, four percentage points more than one year previously, thanks to the growth of this business both inside and outside France at the expense of the Savings and Pension segments which contributed 51.5%, down four percentage points year on year.

- Recurring NIR in the Savings segment

The slight growth in NIR for the Savings segment reflected higher outstandings of traditional savings products in France.
The small rise in France was attributable to higher income from traditional savings products which was offset by a drop in loadings on premiums of unit-linked outstandings.
Outside France, NIR for the Savings segment was virtually unchanged and lower income in Brazil and Ireland was offset by higher income in Italy and Spain.

- Recurring NIR in the Pensions segment

The drop in NIR in the Pensions segment reflects the downturn in the French market.
Lower recurring NIR in the French Pensions segment is attributable to a drop in business and the underwriting result as well as to insufficient investment income.
Growth outside France was driven by the increase in assets under management in Brazil.

- Recurring NIR in the Risk insurance segment

The jump in recurring NIR in the Risk insurance segment reflects good growth in France and in the international businesses.
The increase in France is attributable to the new business brought in by MF Prévoyance, which has been consolidated since September 2011, and to enhanced underwriting profits.
Growth in the international businesses was driven by the Brazilian operation as well as by CNP BVP in Argentina.

Higher **revenues from own-funds portfolios** offset lower net revenue from insurance activities.
Net revenue from insurance activities increased to €398 million despite lower Brazilian revenue due to a drop in the "SELIC" rate from 12.5% to 8.5%.

Administrative costs

Consolidated administrative costs dropped 2.5% year on year.
In France, all costs remained stable with the exception of the C3S corporate social solidarity contribution levied on revenue which was less than last year.
In the international businesses, the 5.4% decrease was mainly attributable to the impact of exchange rates in Brazil. If the forex impact is factored out, costs before tax increased by 1.2% and certain subsidiaries including CNP UniCredit Vita and CNP LIH reduced their costs.

EBIT was stable at €1,101 million.

Finance costs (€80 million) increased due to the debt issued in April 2011.

The **effective tax rate** increased by two percentage points to 35.1% due to the increase in the French tax rate (36.1%) and the increasing contribution of Brazilian revenue (the effective tax rate in Brazil is 40%).
The increase in **non-controlling interests** reflects the increasing contribution of the international subsidiaries to income as a whole.

Consequently, **attributable recurring profit** was 6.6% lower than one-year previously at €516 million.

The impacts of **fair value adjustments to financial assets and non-recurring items** appear at the bottom of the income statement.
During the first six months of 2012, CNP Assurances took steps to reduce its equity exposure, generating gains of €68 million in the process.
Lower interest rates generated positive fair value adjustments of €61 million on securities held for trading.
"Non-recurring items" include a strengthening of general provisions by a pre-tax amount of €163 million (€104 million after tax).

Reported **profit** came in at €540 million, down 0.5%. Profit at constant exchange rates was €550 million which represents a 1.4% increase. 68% of profit was generated by the French businesses and 32% by the international businesses. In the six months to June 2011, the international businesses contributed 27% of profit.

Consolidated balance sheet at 30 June 2011

Total assets amounted to €332.4 billion at 30 June 2012, compared with €321 billion at 31 December 2011 and €325.2 billion at 30 June 2011, representing increases of 3.5% and 2.2%, respectively.

Insurance and financial liabilities totalled €297.4 billion, 2.8% higher than at 31 December 2011.

Deferred participation recognised to offset fair value adjustments to assets had a credit balance (deferred participation reserve) of €6.1 billion.

Excluding the change in the deferred participation reserve, insurance and financial liabilities stood at €290.9 billion which was slightly higher than the €288.8 billion recognised at 31 December 2011.

Equity attributable to owners of the parent, which includes €2,142 million in deeply-subordinated debt reclassified in accordance with the IFRIC interpretation published in November 2006, grew by €643 million during the six months to €12,637 million. This increase reflected the combined impact of profit for the period (a positive €540 million impact), the estimation at 30 June 2012 of the payment of dividends to the shareholders who did not opt for a dividend payment in shares (a negative €106 million impact), fair value adjustments recognised directly in equity (a positive €314 million impact) and translation adjustments (a negative €68 million impact).

Solvency capital

Solvency capital at 30 June 2012, calculated based on French GAAP equity in accordance with the guidelines issued by the French banking and insurance watchdog (*Autorité de Contrôle Prudentiel* – ACP), represented 113% of the regulatory minimum (against 115% at 31 December 2011) excluding unrealised gains and losses.

Asset portfolio and financial management

Insurance investments at 30 June 2012 rose 3.5% compared to 31 December 2011 to €313.5 billion in line with the growth in insurance commitments.

Investments are measured at fair value, except for held-to-maturity investments and property assets not backing linked liabilities, which are measured using the cost model.

Available-for-sale financial assets at 30 June 2012 represented 76.4% of total investments and financial assets at fair value through profit or loss (trading securities) represented 19.9%, while held-to-maturity investments and other investments (mainly investment property and loans) accounted for 3.7%.

4 RISK FACTORS

Following a risk assessment, CNP Assurances considers that the Group is not exposed to any risks other than those described on pages 57 to 67 and 225 to 236 of the 2011 Registration Document.

5 OUTLOOK

CNP Assurances will strive to protect its margins and to tailor its offering both to changes in the savings business, especially in France, and to constraints arising from more stringent regulatory requirements.
Outside France, the Group will focus on growing its South American businesses in high-growth markets and in Europe it will continue to adapt both its products and its businesses to the tough market conditions.