Business Review and Sustainable Development Report

2006

CNP ASSURANCES

No.1
personal insurer in France

–

22
million clients worldwide put their trust in CNP Assurances

26,000
outlets around the world

–

4,200
employees in France and internationally

€32md
premium income (IFRS)

–

€948m
in attributable net profit (IFRS)

€229,7md
in managed assets (IFRS)

–

175,000
shareholders

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Company profile

CNP Assurances' core business is life insurance. As France's leading personal insurer, the Company designs, develops, distributes and manages savings, pension and personal risk products. By insuring people throughout their lives, we practice the principles of sustainability day in, day out. At CNP Assurances, the policyholder is our no. 1 concern, and we constantly endeavour to improve our range of products with comprehensive, innovative personal protection solutions for professionals and the general public.

In France, we meet the insurance needs of over 14 million people, helping them to protect their future by offering secure savings solutions and insurance against the risks of everyday life. We set exacting standards, offering a personalised service to every one of the holders of our roughly 12 million individual policies. Our products are distributed primarily through the networks of our two partners, La Banque Postale and the Savings Banks, together representing over 20,000 sales outlets, and also through our CNP Trésor insurance advisors. In group insurance, we have forged close ties with 250 financial institutions of all sizes, over one thousand companies, more than one hundred mutual insurers, 22,000 local authorities and numerous associations.

With over eight million policyholders and 6,000 sales outlets outside of France, our international presence is growing steadily as we extend our bancassurance model to our subsidiaries and joint ventures in Brazil, Italy, Portugal, Argentina and China. In 2006, we continued to expand internationally, through organic growth and the signature of an agreement to acquire Spanish life insurer Skandia Vida.

The extension through to 2015 of the shareholders' agreement and the distribution agreements with La Banque Postale and the Savings Banks has strengthened the Company's business model and growth outlook.

Message from Edmond Alphandéry

Chairman of the Supervisory Board

2006 was a very good year for CNP Assurances

CNP Assurances reported excellent results in 2006 and also made major advances in its development strategy. With premium income up 20.6% to €32 billion and recurring net profit 23% higher at €948 million, it was a record year for the Company led by market share gains in France, Italy and Brazil.
Revenue and earnings were boosted by the sharp rise in the French life insurance market and robust financial market conditions. However, the Company's excellent results were also attributable to the outstanding efforts of all of our teams and I would like to thank them for their hard work. The fact that senior management devoted considerable time and effort during the year to renegotiating major agreements that will play a key role in driving future growth and creating shareholder value makes the Company's operating performance all the more remarkable. The shareholders' agreement between Caisse des Dépôts, Sopassure and the French State, that was due to expire at the end of 2008, has been extended until the end of 2015. I was personally involved in negotiating the extension of this agreement, which reaffirms the determination of all members of the Supervisory Board to providing CNP Assurances with a stable backdrop for its future growth. At the same time, the acquisition of the entire capital of Écureuil Vie and the new distribution agreements with the Savings Banks and La Banque Postale, which will also run until the end of 2015, increase the transparency of our business model.

Stronger internal control

During 2006, the Supervisory Board actively supported measures to strengthen the Company's internal control, as explained in my report, which I encourage you to read. Stringent internal control assessment procedures have been introduced and priority has been given to managing the legal risks associated with product development and marketing.
CNP Assurances is determined to set an example for the entire industry in terms of fulfilling commitments to the insured. To this end, I encouraged the Company to energetically pursue its quality certification programme. Customer relationship management processes are already well on the way to being certified and the objective is now to obtain certification of all core insurance processes.
CNP Assurances' robust financial position and promising business model have not gone unnoticed by the markets.

Our shareholders can't fail to be satisfied with the performance of our shares, which gained 27% in 2006, outperforming both the CAC 40 (up 17.5%) and the DJ Eurostoxx Insurance index (up 16.3%). Since the IPO in October 1998, our shares have increased nearly four times in value.

The outlook is bright, despite a less buoyant environment

The personal insurance market is expected to be slightly less buoyant in 2007. According to the industry federation (FFSA), the French life insurance market is set to expand by no more than 4%, on the back of last year's exceptional 17% growth. There are also question marks about the international environment, with fears being expressed in some quarters that falling property prices and the persistently high trade deficit in the United States could act as a brake on global economic growth. In addition, we saw a steady rise in interest rates over the past year, followed by a period of market jitters at the beginning of this year. As a life insurer, our Company is directly affected by these developments. However, there are more grounds for optimism than pessimism. The IMF expects the global economy to expand by 4.9% in 2007, on the back of 5.4% growth last year, with dynamic emerging markets taking up the slack created by the slowdown in the US (where growth is expected to fall to 2.2% from 3.3% in 2006) and the euro zone (where the rate looks set to ease to 2.3% from 2.6%). And in the absence of major inflationary pressures, interest rates could well level off in the coming months. Whatever the actual trends, our shareholders can look to the future with serenity. CNP Assurances is well equipped to ride out any unfavourable movements in interest rates, thanks to our disciplined financial management. We've already proved this, during the turbulent stock market conditions of 2001. Added to this, we're continuing to expand internationally, most recently with the acquisition of Skandia Vida – renamed CNP Vida – which gives us a foothold in the Spanish individual life insurance market.

Interview with Gilles Benoist

President of the Executive Board

You've said that 2006 was an eventful year for CNP Assurances. Can you remind us of the main events?

We made a number of important advances in 2006 and early 2007. Our business model was consolidated with the extension until 2015 of the shareholders' agreement and the distribution agreements with our major partner networks. Standard & Poor's awarded our Company an AA rating, with a stable outlook. We acquired 49.9% of Écureuil Vie and successfully carried out a share issue and a subordinated debt issue to finance the acquisition.

CNP Assurances is the leading player in the French savings market, which expanded by nearly 17% in 2006. How much of this growth was organic and how much was due to non-recurring transfers?

It's true that you need to distinguish between organic growth and transfers from savings products distributed by the banks, which accounted for three-quarters of last year's increase in the market. Over half of the market growth – 9 points to be exact – was attributable to transfers from home-savings plans to life insurance following a change in tax rules, while about a quarter of the increase, or 4 points, reflected conversions of non-unit-linked contracts into combined unit-linked/non-unit-linked contracts, as allowed under the so-called "Fourgous amendment".

Did CNP Assurances share in these transfers?

In France, we didn't benefit as much as the bancassurers from transfers from home-savings plans, because they accounted for relatively little of the new money collected by the Savings Banks and they weren't even organised at La Banque Postale. However, our top line did include €2.3 billion worth of Fourgous transfers. And we significantly outperformed the market in terms of organic growth.

Are you pleased with your 2006 results?

We turned in a very good performance, with recurring net profit up 23%, new business up 30% and profit from international operations up more than 50%. In France, the repricing of group personal risk insurance carried out a few years ago had a positive impact on our bottom line. As a result, we are recommending a more than 20% increase in the 2006 dividend, payable on all our shares, including those purchased at the time of the January 2007 share issue.

Are you satisfied with last year's growth in unit-linked sales in France?

Unit-linked sales grew 36% in volume last year to represent 17% of our savings and pensions revenue, an increase of 2 points over the previous year.

We expect the trend to continue, with unit-linked business rising to 19 or 20% this year, provided that conditions in the stock markets remain favourable.

How are your international subsidiaries doing?

Our international subsidiaries are performing very well. Even in last year's less buoyant markets, their revenues continued to grow. For example, premium income in Italy was up 10% in a market down 4%. We also saw an increase in margins, particularly in Italy, thanks to an improvement in product mix led by the introduction of genuine unit-linked products, along with personal risk and loan insurance offerings. In Brazil, margins are generally high, with new business margins at more than 20%. All told, the profitability of our international subsidiaries is rising faster than our consolidated recurring net profit.

What's the outlook in France for 2007?

We can't expect the French market to perform quite as outstandingly as it did in 2006. For one thing, last year's non-recurring transfers created a high basis of comparison, particularly in the first half. Nevertheless, underlying growth is expected to remain strong – our industry federation, the FFSA, is forecasting an 8% increase – attesting to the market's vitality.

Do you have any specific international expansion plans?

We will integrate our new Spanish subsidiary, Skandia Vida, which has been consolidated as from 1 April. To mark its entry in the Group, the company has been renamed CNP Vida. In Italy and Brazil, we will continue to expand our offerings, focusing as in France on the higher-margin loan insurance and personal risk lines.

Will the creation of Natixis have an impact on your business?

We have just signed an agreement with Natixis Assurances for the joint marketing of a loan insurance offer to the Banques Populaires network. The offer will be rolled out to four of the nineteen Banques Populaires during the year.

What are your goals for 2007?

We are aiming to increase market share in all of our markets and strengthen our profitability.

Diligent corporate governance

on the part of the Supervisory and Executive Boards

One of the keys to sustainable development, corporate governance is a system of regulations and ethical rules designed to enhance management effectiveness and prevent the occurrence of business risks. Its purpose is to guarantee compliance with the rules of transparency and management accountability. CNP Assurances adheres to the fundamental rules of corporate governance applicable to listed companies.

Extension of the shareholders' agreement until the end of 2015

The September 1998 shareholders' agreement has been extended until 31 December 2015 in a third addendum signed on 8 January 2007. This agreement between Caisse des Dépôts, La Poste, Caisse Nationale des Caisses d'Epargne and the French State affirms their long-term commitment to the Group and sets out the basic tenets of their common policy. It defines a set of management principles and clear objectives relative to business, partnerships and ownership structure.
The addendum provides for an increase in the number of Supervisory Board members to eighteen and a re-allocation of seats on the Board, with six seats for Caisse des Dépôts, five for Sopassure (the holding company owned jointly by La Poste and Caisse Nationale des Caisses d'Épargne), and one for the State.
The original shareholders' agreement provided for employee-shareholders to be represented on the Board andthis is unchanged, with one seat on the Board being held by the Chairman of the Actions CNP corporate mutual fund.

Ever since September 1998, we have had a two-tier management structure comprising a Supervisory Board and an Executive Board, to separate management from control. The two Boards' practices comply with the fundamental principles of corporate governance. These practices are described in detail in their respective internal rules, consisting of practical guidelines that extend the related provisions of the Articles of Association.
The Executive Board, made up of five executive directors, is the Company's decision-making body. Each member is responsible for a specific aspect of the business, with all members focussing exclusively on managing the Group.
The Supervisory Board represents the Company's shareholders. It constantly monitors Executive Board initiatives and management decisions, ensures that the Company is efficiently run and reports to shareholders at the Annual General Meeting.
In line with its oversight role, the Supervisory Board is responsible for assessing whether the Executive Board's strategic and management decisions are appropriate, and also for reviewing the nature and adequacy of

the resources allocated to the preparation and control of the accounts and to the management of the business. The members of the Supervisory Board are chosen not only for their ability to protect the interests of all shareholders, but also for their varied technical competencies and professional experience, as well as for their firm grasp of strategic issues in the Group's markets and their availability to participate actively in supervising the Group.

Committees of the Board

As part of our commitment to protecting the interests of shareholders, we have worked diligently to optimise corporate governance practices, specifically by regularly updating the detailed internal rules of the Supervisory Board, the Committees of the Board and the Executive Board. The Supervisory Board is assisted by two Committees of the Board – the Audit Committee and the Remunerations and Nominations Committee. In accordance with its internal rules, the Audit Committee is headed by an independent director as defined in France's Viénot report on corporate governance. The five-member Audit Committee is responsible for ensuring the relevance, consistency and conformity of the accounting policies applied to prepare the financial statements of the Company and the Group, as well as the appropriate treatment of transactions that have a material impact on the Group accounts. Based on the documents and reports produced by the Company, the Committee also assesses the effectiveness of the Internal Audit department, the quality of internal control and the reliability of risk monitoring and management procedures. The role of the Remunerations and Nominations Committee is to make recommendations to the Supervisory Board concerning the choice of candidates for appointment as members of the Executive Board and Supervisory Board, and the remuneration to be paid to the members of both Boards, including the President of the Executive Board and the Chairman of the Supervisory Board.

See pages 2 and 3, 9 and 10, 61 and 62 of the Financial Report for more information.

From left to right: Xavier Larnaudie-Eiffel, Jean-Pierre Walbaum, Gilles Benoist, Gérard Ménéroud, Antoine Lissowski.

EXECUTIVE BOARD

President
Gilles Benoist
Members
Xavier Larnaudie-Eiffel, International Operations
Antoine Lissowski, Finance
Gérard Ménéroud, Development and Partnerships
Jean-Pierre Walbaum, Management and Innovation

SUPERVISORY BOARD AS OF 25 APRIL 2007

Chairman
Edmond Alphandéry

Vice Chairman
Jean-Paul Bailly[2]

Members
Caisse des Dépôts, represented by Augustin de Romanet[1]
Étienne Bertier[1]
Jérôme Gallot[1]
Dominique Marcel[1]
André Laurent Michelson[1]
Franck Silvent[1]
Sopassure, represented by Marc-André Feffer[2]
Charles Milhaud[2]
Nicolas Mérindol[2]
Patrick Werner[2]
The French State, represented by Xavier Musca[3]
Philippe Baumlin[4]
Antonio Borges
Jacques Hornez
Alexandre Lamfalussy
Henri Proglio

Non-voting members
Bernard Comolet
Jean-Louis de Mourgues

Secretary to the Board
Hugues de Vauplane

Representatives of the Works Council
Irène Wieclaw
Sébastien Fournier
Agnès Fraizy
André Daudet

1. Elected at the Annual General Meeting, proposed by Caisse des Dépôts.
2. Elected at the Annual General Meeting, proposed by Sopassure.
3. Elected at the Annual General Meeting, proposed by the French State.
4. Elected at the Annual General Meeting, representative of employee-shareholders.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Chairman
Alexandre Lamfalussy
Members
Edmond Alphandéry
Dominique Marcel
Nicolas Mérindol
Patrick Werner

REMUNERATIONS AND NOMINATIONS COMMITTEE

Chairman
Edmond Alphandéry
Members
Jean-Paul Bailly
Augustin de Romanet
Charles Milhaud
Henri Proglio

Committed to sustainable development

Our history, values and core competencies are all rooted in the principles of sustainable development. France's first pension funds were created by the State in the 19th century in order to alleviate poverty. In taking over these funds, we inherited their commitment to long-term sustainability and to a set of general values that we share with our partner networks. In pursuing our corporate social responsibility policy, we listen closely to our various stakeholders and respond to their needs through a wide range of initiatives.

How personal insurance provides added value

In today's risk-averse world where the focus is on living for the present, it is very difficult for individuals acting alone to protect themselves from the financial consequences of retirement or the accidents of life. This is where personal insurers provide added value. By pooling accident, unemployment, disability and death risks, personal insurers offer permanent protection against the accidents of life at a reasonable cost. The personal insurance business comprises three core activities, all of which concern the long term:

- Assessing the probability of risks occurring, in order to pool them more effectively and optimise their pricing.
- Managing policyholders' assets (savings contracts and contracts with an insurance risk), with the accent on stability, security and satisfactory long-term yields.
- Administering contracts (advising policyholders, managing the underwriting process, surrenders, claims, etc.) over very long periods, sometimes more than fifty years.

CNP Assurances, a socially responsible enterprise

The goal of creating added social value is central to our determination to pursue sustainable development. Based on the above analysis of the value added created by personal insurers and the expectations of stakeholders, the Executive Board has defined five priorities. The first three relate to our responsibility as an employer, our relations with shareholders and our actions in favour of the environment, while the other two concern our specific expertise as an insurer and an investor.

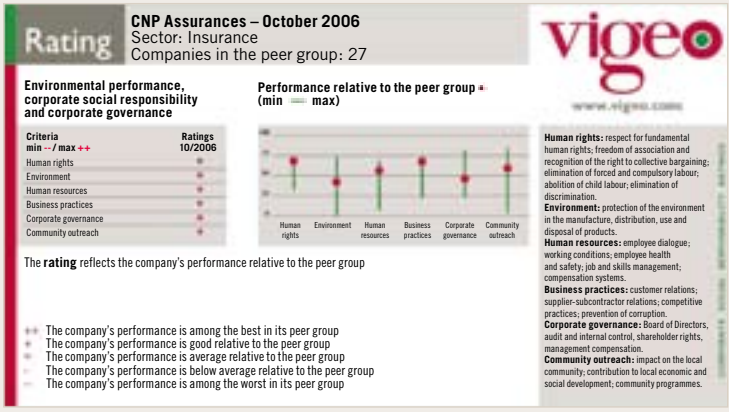
It was therefore natural for us to sign on to the Global Compact for responsible corporate citizenship in mid-2003. Cross-functional work groups have been created and have drawn up long-term action plans, some of which involve our distribution partners. The approach is deeply embedded in the day-to-day activities of the Company and its French and international subsidiaries. Progress in supporting

October 2006

CNP Assurances' shares are included in three new SRI indices

SRI RATINGS

CNP Assurances' dedication to corporate social responsibility has been recognized by the SRI rating agencies. The Company features among the top six insurers rated by Vigeo Europe. It has been included in the Aspi Eurozone 120 index since 2005 and in October 2006 it was added to two new Vigeo indices – Ethibel Sustainability Index Excellence and Ethibel Sustainability Index Pioneer – as well as to an Italian SRI index, ECPI Ethical Index Europe.



Rating

CNP Assurances – October 2006
Sector: Insurance
Companies in the peer group: 27

vigeo
www.vigeo.com

Environmental performance, corporate social responsibility and corporate governance

Criteria min -- / max ++	Ratings 10/2006
Human rights	+
Environment	+
Human resources	+
Business practices	+
Corporate governance	+
Community outreach	+

Performance relative to the peer group + (min — max)

Human rights, Environment, Human resources, Business practices, Corporate governance, Community outreach

The **rating** reflects the company's performance relative to the peer group

++ The company's performance is among the best in its peer group
+ The company's performance is good relative to the peer group
= The company's performance is average relative to the peer group
– The company's performance is below average relative to the peer group
-- The company's performance is among the worst in its peer group

Human rights: respect for fundamental human rights; freedom of association and recognition of the right to collective bargaining; elimination of forced and compulsory labour; abolition of child labour; elimination of discrimination.
Environment: protection of the environment in the manufacture, distribution, use and disposal of products.
Human resources: employee dialogue; working conditions; employee health and safety; job and skills management; compensation systems.
Business practices: customer relations; supplier-subcontractor relations; competitive practices; prevention of corruption.
Corporate governance: Board of Directors, audit and internal control, shareholder rights, management compensation.
Community outreach: impact on the local community; contribution to local economic and social development; community programmes.

the Global Compact is reviewed twice a year by the Executive Board.

In 2006, sustainable development and corporate social responsibility initiatives were stepped up throughout the organisation, with:

- Our participation in the launch of France's first microinsurance policy for creators of micro-enterprises.
- The application of SRI yardsticks to the entire equity portfolio.
- The signature of the Diversity Charter promoted by the French Ministry for Social Cohesion and Equal Opportunities.
- The launch of a dedicated intranet site to raise employee awareness of sustainable development and corporate social responsibility issues.
- The extension of action plans to combat the three main sources of CO_2 emissions within the Company: paper consumption, business travel and building management.

2003

CNP Assurances signs on
to the UN Global Compact

THE 10 PRINCIPLES OF THE GLOBAL COMPACT

In signing on to the Global Compact in 2003, CNP Assurances gave an undertaking to comply with the Compact's ten principles:

THE GLOBAL COMPACT

HUMAN RIGHTS

1
Businesses should support and respect the protection of internationally proclaimed human rights;
2
Make sure that they are not complicit in human rights abuses.

LABOUR

3
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4
The elimination of all forms of forced and compulsory labour;
5
The effective abolition of child labour;
6
The elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

7
Businesses should support a precautionary approach to environmental challenges;
8
Undertake initiatives to promote greater environmental responsibility;
9
Encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

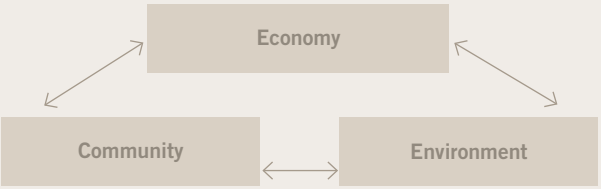
10
Business should work against all forms of corruption, including extortion and bribery.

A responsible insurer

fulfilling our commitments throughout the life of each contract

We endeavour to take into account the needs of all stakeholders at each phase of the contract's life, from the development and marketing of the product to the administration of the individual contract, in line with the three core aspects of sustainable development.

Some initiatives in this area are firmly rooted in our history and business, while others are more recent and are designed to address future developments.



An approach that begins with product design

Products tailored to each distributor's customer base

The first step in the product design phase consists of working with the distributor to determine the target customer base and then analysing these customers' needs. Each distribution partner's customers are different, for example in terms of their average age, their willingness to accept risks, their financial resources or their family structure. To take account of these differences, several versions of a given product are defined, geared to each target customer base.

Products that respond to emerging risks

Recognising that serious domestic accidents were a frequent occurrence but that our industry had never responded to this risk with appropriate insurance solutions, in 2003 we introduced policies covering the accidents of everyday life. And while long-term care insurance has been available for many years, we have responded to the fact that people now live longer and increasingly fall victim to degenerative diseases by enhancing the cover offered under our long-term care policies. The objective is to anticipate the payment of benefits and to steadily raise the benefit as the insured's need for outside assistance increases. Lastly, potentially tax-exempt gifting products respond to the wishes of the older generations to give a financial hand-up to the young.

2003
Launch of the first policies covering "the accidents of everyday life"

Helping customers to manage financial risks

We also help investors in our savings products to manage their risks. Non-unit-linked contracts include a capital guarantee and a ratchet mechanism that locks in the investment return earned in prior years. Unit-linked contracts offer a return that is directly linked to the performance of the financial markets, but only the number of units is guaranteed, not their value.
It is therefore essential to help customers to adapt their contract's unit-linked weighting according to their appetite for risk. This is why contracts such as Solésio, distributed by La Banque Postale, or Vivaccio, allow for different unit-linked weightings according to the intended savings period. We also deploy strategies to reduce the risks associated with unit-linked contracts. The first consists of systematically selecting the best funds available, with a range of different risk profiles. In addition, customers can reduce their exposure by specifying their investment period, which may end, for example, when they reach retirement age. In this case, premiums paid and capital gains generated in the period leading up to their retirement are invested automatically in lower-risk vehicles. Lastly, we offer products guaranteeing to customers that if the financial markets collapse (the worst case scenario), they will at least recover the premiums paid, net of the loading and any partial surrenders.
This guarantee applies in the case of death benefit claims, claims resulting from the accidents of life or when the contract matures. The new product offered by La Banque Postale, Vivaccio, gives customers the option of reinvesting capital gains from their unit-linked funds in non-unit-linked funds or, alternatively, to reinvest the annual return on their non-unit-linked funds in unit-linked funds, while also benefiting from a guarantee that they will recover the premiums paid, net of the loading and any partial surrenders. Caixa Seguros, for its part, has developed deferred annuity pension products with highly flexible payments and surrender options, to meet customers' financial needs when they come up to retirement age.

Products with an increasing service component

As well as financial benefits, we offer a range of services with certain of our savings products (Solésio Vie distributed by La Banque Postale), death/disability and

10,000 service providers behind the "CNP Services à la Personne" banner

funeral insurance products. And services represent an essential component of our long-term care offerings. To deliver services when and where they are needed, we have set up three dedicated subsidiaries, Filassistance International, Âge d'Or Services and CNP Services à la Personne. Filassistance International's call centre teams are available 24/7 to find solutions to the needs of the elderly and their carers.

These include providing transport, supplying information on benefits and administrative and legal issues, advising on autonomy-preserving measures, and arranging home help, childcare services and psychological counselling. And for people living alone, the company has developed Filassist Contact, a telephone assistance service based on a hands-free telephone worn as a necklace. By simply pressing a button, the wearer immediately triggers a call to the emergency services.

Âge d'Or is a franchise network offering an array of local support services to help the elderly and disabled to enjoy a good quality of life and continue living in their own home for as long as possible. In particular, the company arranges transport for their visits to the doctor and when they leave hospital.

Senior Plus is a highly successful service that enables the elderly to travel in France. Organised in partnership with the SNCF, the service includes arranging transport to and from the station, making the person's home secure during their absence and carrying their luggage. Set up in 2006, CNP Services à la Personne proposes tailor-made support based on a detailed analysis of each individual's needs, putting members in contact with one of the over 10,000 accredited service providers spread throughout mainland France and the overseas departments. The services are accessed via a call to the Filassistance Services call centre platform.

Combating financial exclusion with products tailored to all budgets

We are committed to offering affordable products aligned with the profiles of our distribution partners' customer bases. For example, young savers on very low incomes can still build up capital by investing in products with very low minimum premiums such as Ricochet, distributed by the Savings Banks, and Vivaccio, distributed by La Banque Postale. It takes just €30 to set up one of

The rejection rate
for loan insurance is now three times lower than five years ago

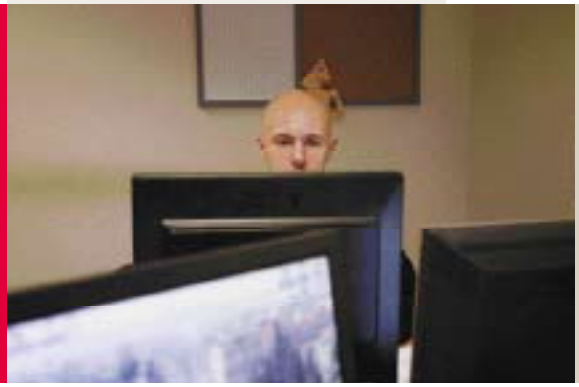
these policies and the premium can be as low as €30 per month. In group insurance, our Fongepar subsidiary has developed an employee saving product for very small, small and medium-sized businesses. Employee voluntary contributions can be set at a multiple of €45 and a system of predetermined matching employer payments helps to optimise payroll and income tax benefits.
In loan insurance, we played a pioneering role in extending cover to individuals representing an aggravated risk. Naturally, under no circumstances do we require genetic tests. By systematically obtaining a doctor's report and taking into account new treatments, we have achieved a threefold reduction in rejection rates in the last five years. Today, less than 0.25% of applications are rejected. Starting in January 2007, people classified as representing an aggravated health risk should find it easier to obtain credit and loan insurance with the replacement of France's Belorgey convention with the new Aeras convention, which sets higher borrowing ceilings and age limits. The criteria that we apply with some of our partners are already above these limits. Moreover, the new system has been extended to include disability cover, subject to certain conditions, and includes a cap on premiums. Since the beginning of this year, we have been introducing the new aggravated risk clauses in our contracts. We have also been working with our main customers to structure the underwriting process, to ensure that insurance decisions are made within three weeks of receiving the complete application file. Lastly, our contractual documents are being updated, to inform policyholders of the insurer's obligation to explain the reasons for rejecting an insurance application, restricting coverage or charging a higher premium.

Microinsurance to support the growing microfinance market

Microfinance and microinsurance are important weapons in the battle against financial exclusion. At international level, in November 2005 we committed to participating in the Global Commercial Microfinance Consortium fund lead-arranged and managed by Deutsche Bank. The Consortium will provide financing through local banks to Microfinance Institutions (MFI), which, in turn, will extend credit to the self-employed poor who are denied access to traditional bank credit. The loans will

Microinsurance

In 2006, CNP Assurances took part in France's first microinsurance initiative



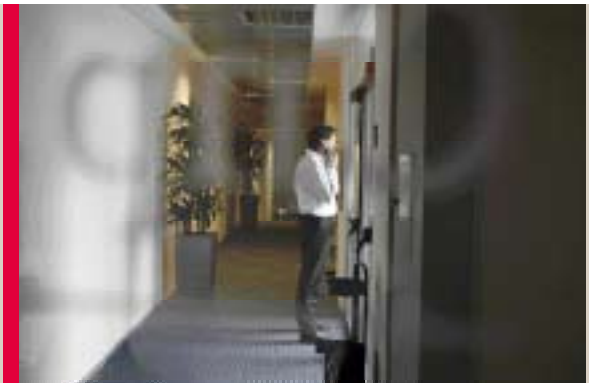
SRI Funds

Investment in SRI funds increased threefold in 2006

range from less than a hundred to several thousand dollars or euros, and will be repayable over periods ranging from a few days to several months. Experience shows that the repayment rate for microfinance loans is higher than for traditional bank loans, while lending margins are roughly the same. In France, we work in partnership with two microfinance organisations, Fondation France Active and Association pour le Droit à l'Initiative Economique (ADIE). Alongside Caisse des Dépôts and La Banque Postale, we are also the leading sponsors and supporters of Fondation Entrepreneurs de la Cité, a microinsurance initiative launched by the April Group, having contributed €1 million in non-repayable seed capital. At the same time, with La Mondiale, we act as insurer for the personal risk component of the product, which also includes health and professional liability cover. Personal risk cover is offered for less than €1 per day (€21.92 per month) through the networks of agencies created to help people to set up in business (ADIE, France Active, France Initiative and the Boutiques de Gestion network). The product is being trialled in the Rhône-Alpes region and, if it is successful, will be rolled out to the whole of France.

Socially responsible investment funds

We are also determined to give policyholders the opportunity to invest in companies that actively espouse the principles of sustainable development. Since 2001, SRI funds have been available with the GMO and Ascendo contracts distributed by La Banque Postale (Ethiciel) and the Nuances+ and Nuances 3D contracts sold through the Savings Banks (Écureuil 123 Futur). They were also included in the original investment options offered with Nuances Grenadine, Nuances Privilège and the Écureuil Vie Perp contract. Similar funds are offered with the CNP Trésor range. The increase in SRI assets managed on behalf of policyholders has significantly outstripped the growth in the SRI market as a whole since 2004. In 2006, we saw a nearly threefold increase in these assets to €125.8 million. SRI funds are also offered with our group insurance products. As well as the regularly enhanced investment options available for multi-company corporate mutual funds (FCPEs) – the vehicle for employee share ownership plans – a range of FCPEs approved by the French employee savings organisation CIES is available for all companies.



These FCPEs comply with the socially responsible investing principles and other criteria that are high on the list of employee representatives' priorities. For example, Fongepar, our employee savings plan management subsidiary, offers a range of FCPEs invested in companies that provide employment to the disabled. The funds – Fongepar Insertion Emplois, Écureuil Insertion Emplois, Amplitude Solidaire, Destination Solidaire – are eligible for inclusion in Perco and Perco I voluntary group pension plan portfolios. The funds have combined assets of some €23 million and around 7,500 unit holders.

Competitively priced products

When pricing insurance products, it's important to accurately estimate the frequency and seriousness of the insured risks. Our expertise and the size of our insurance portfolio ensure that our premium rates are extremely competitive. As the leading writer of annuity contracts and loan insurance, we have a wealth of risk data, particularly for long-tail business. These data are summarised in certified loss tables that are regularly adjusted, providing a sound basis for pricing decisions.

Risk prevention initiatives

We contribute to financing risk prevention initiatives launched by our industry federation (FFSA), particularly the road safety initiatives led by the Assureurs Prévention Santé (APS) association. We also pursue policies to support local government employees covered by our group insurance policies. For example, people returning to work after an accident are helped by measures to facilitate their transfer to a less physically demanding position, and psychological counselling is offered after a long absence on disability leave in conjunction with all the parties concerned.
In addition, we have complied with the obligation placed on health insurers to promote a responsible approach to healthcare, by introducing in all our policies two preventive measures selected from those available in the related regulations, tailored to the profile of our insureds.

For details of our SRI funds, see page 89.

CNPNet:
170,000
loan insurance applications processed in one year

Responsible marketing

Making clear and comprehensive information available to the insured

As a responsible insurer, we are committed to giving our customers high quality information. All policyholder documents have been reviewed to make them easier to read while also providing more complete information. General policy terms and conditions and insurance certificates – which specify surrender values and the cooling off period – have been reformulated in line with the guidelines contained in France's Policyholder Protection Act ("DDAC" Act of 25 December 2005). This Act has tightened up the requirements concerning the information to be given to policyholders before they commit to purchasing a policy, and we will continue our efforts in this area in 2007. And when La Banque Postale was set up, the wording of the general policy terms and conditions for contracts distributed by this network was reviewed with the same aim in mind.

Certification of marketing relations processes
In June 2006, a project was launched to obtain certification of our marketing relations with our distribution partners. The aim of the project is to ensure that all of our regional offices provide each distributor with the same high quality service, in line with the distributor's current and future standards. A pre-certification audit is due to be carried out in September of this year, followed by a certification audit in 2008.

Improving marketing approaches to ensure full compliance with the respective legal obligations of the insurer and the distributor

Our marketing input depends on the distribution partner involved. With our major partners, it consists of contributing to sales force training by sharing our expertise. And in 2006, we worked with La Banque Postale's teams to make the entire marketing process legally watertight. Training is also essential for CNP Trésor insurance advisors, to ensure that they give proper advice and comply strictly with our professional code of ethics.

Global Compact initiative (p.11) principle 10

The industry-defined ethical rules for the sale of insurance products are available on the intranet portal, while compliance with anti-money laundering rules is assured through specific training backed by a database of permanent data. Our dedication to advising policyholders doesn't end when they sign the policy. Since 2006, we have been working with our distribution partners to monitor insurance portfolios, in order to analyse emerging risks and opportunities for policyholders, based on financial market trends and the intended investment period.

Online applications to provide customers with a swift response

Efforts to speed up response times have focussed in particular on cases where the insurance decision is based on the customer's medical history. In 2006, the CNPNet extranet portal was rolled out to all 31 Savings Banks as part of the Loan Insurance Project, as well as to partners such as MGEN (the teaching profession's mutual insurance company) and Crédit Agricole Ile-de-France. It is also accessible by our partner Crédit Immobilier de France, one of France's leading mortgage lenders. CNPNet is an online loan insurance underwriting platform, which also offers loan insurance claims data in real time. In 2006, it was used to process a total of 170,000 insurance applications. Once the insurance policies are in place, Puma, a new management application shared with the Savings Banks, allows 80% of administrative transactions to be processed directly at the point of sale.

Combining an industrial approach to back-office operations with personalised front-office services

Offering a personalised service to each policyholder while managing a portfolio of some 12.5 million contracts can be a difficult balancing act, but with around a thousand staff in customer-facing positions, all sharing the same service culture, we are more than up to the challenge. Based in Angers and in Arcueil, a Paris suburb, policyholder services encompass contract administration, policyholder and beneficiary services, distribution network assistance, and customer advice and communications. The process certification programme was pursued in 2006, with beneficiary services for La Banque Postale customers in the Meurthe-et-Moselle region selected for a pilot project.

Customer care

In 2006, we broadly extended the programme pilot-tested in 2004 to assess the perceived quality of policyholder services among customers and in the networks.
To improve the information obtained from the surveys, analyses by business process and a rating system for identified weaknesses have been introduced, allowing us to prioritize corrective action more effectively. Panel meetings are also organised with the networks on a regular basis. During the year, a project for the certification of our customer relationship management processes was launched, starting with the call centres, and certification of the policy statement production process was renewed. We are also working towards obtaining certification of all of our loan insurance processes by 2008.

UNCLAIMED LIFE INSURANCE SETTLEMENTS

The government has introduced several measures in recent years to avoid life insurance settlements remaining unclaimed. France's 2003 *Loi de Sécurité Financière* tightened up the requirements concerning the information to be sent to policyholders each year, while the Act of 15 December 2005 authorises individuals in possession of a death certificate to write to insurance industry representative bodies to inquire whether they are named as beneficiaries of a life insurance policy that may have been taken out by the deceased. To facilitate the exercise of this right, the insurance industry has set up an association – named Agira – to centralise all such enquiries and avoid potential beneficiaries having to contact each insurance company separately. CNP Assurances is a member of Agira and has already launched the settlement of eighteen claims, out of a total of 440 received to date under this procedure.

The first certification was obtained in June 1999, for the Crédit Agricole business. As of end-2006, processes for standard policies with all financial institution partners in France, including the Savings Banks, were certified. Certification will be extended this year to specific contracts with financial institution partners in France and to loan insurance written for Cofidis in eight EU countries, and next year to loan insurance written on behalf of mutual insurers. A dedicated consumer relations unit handles all complaints concerning individual insurance policies received by mail, fax or e-mail, whatever their origin. The unit brings together the listening, writing and customer relationship skills needed to satisfactorily settle frequently complex issues.

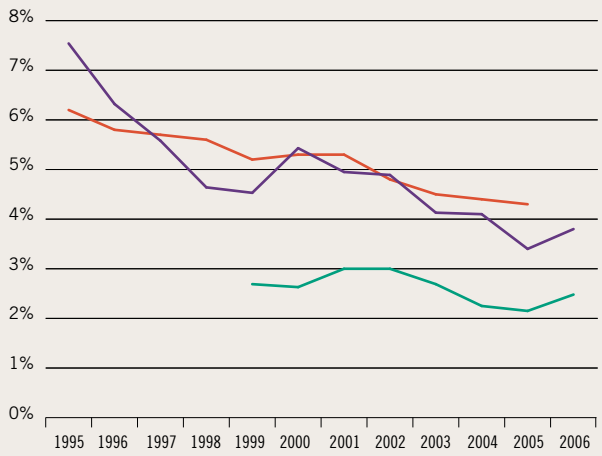
The low complaint rate attests to the high perceived quality of our services. In 2006, 4,600 complaints were received, representing only a minute proportion of the 3.7 million administrative transactions carried out during the year. A tracking and review committee meets quarterly to analyse complaints and recommend corrective action, such as a refresher course on the rules for processing and forwarding incoming mail, deploying new quality tracking indicators, and changes in letter and form templates. Customers may also request that their complaints be referred to the Mediation unit, which comprises a team of reviewers and an external Mediator. The unit endeavours to resolve disputes when all internal avenues of complaint resolution have been exhausted, with the aim of avoiding legal action. Most complaints put to mediation concern group insurance contracts, with the result that the Mediator issues a ruling in law and in equity.

In 2006, the Mediation unit examined 835 complaints and issued 691 rulings. All of the rulings were accepted by the policyholders concerned, despite the fact that most of them were in CNP's favour. Customer service is never more important than in times of crisis and the crisis management unit set up immediately following the explosion at the AZF chemicals plant in Toulouse in 2001 can be reassembled at any time. The unit's dedicated team is available to help victims' relatives in obtaining contract reimbursements or settlement of guaranteed capital, as well as in dealing with administrative formalities.

The unit also undertakes procedures to notify beneficiaries of the existence of contracts, based on the list of victims issued by the public authorities. The same customer-centric approach is adopted for group insurance. Responsibility for administering group policies lies with CNP Assurances; however, in some cases, all or part of the process is outsourced to our partner financial institutions, mutual insurers, employee benefits organisations, brokers, companies, local authorities or hospitals.

In recent years, many services related to the administrative management of group policies have been developed to optimise the quality of administration processes and communications. For example, specific websites have been created for companies and their employees, providing information about group pension plans. For group pension savings plans, dedicated websites facilitate secure exchanges of data between the company concerned and CNP Assurances, while a site for employees allows them

A STABLE, SATISFACTORY YIELD



Insurance CAGR, 10-year OAT rate and Livret A passbook savings account rate

10-year OAT rate (annual average)

Livret A passbook savings account rate (annual average)

Market compound average growth rate

Source: FFSA.

Every year, CNP Assurances invests over
€20bn

to check the balance on their individual pension account and make changes on line. The site also includes a simulator enabling them to estimate the capital they will have built up by the time they retire and their future pension, based on financial assumptions and assumptions concerning their future career development.

Financial management combining low risk with sustained performance

As a financial intermediary, the insurer's job is to transform individual savings into long-term investments, generally while allowing the sums invested in these products to be converted back to cash by the insured at any time if the need arises. By pooling the capital built up for specific personal projects based on individual saving periods, and also pooling death risks, the insurer is able to extend the overall investment period and deliver higher yields. Moreover, capital invested in non-unit-linked products is guaranteed. Yields are further boosted by a considered allocation of assets among bonds, equities, private equity funds, forests, property and other asset classes. The insurer's financial strategy limits the policyholder's risk exposure while at the same time providing a stable, satisfactory yield, as can be seen from the long-term comparison of average annual yields on non-unit-linked life insurance policies, Livret A passbook savings accounts and 10-year government bonds.

Investing in the economy

Insurers like CNP also fulfil their corporate social responsibility through their investment strategies. Our Company is a major economic player, investing over €20 billion per year. Our bond portfolio comprises over 500 issuers, including governments, local authorities, financial institutions and corporates, while at end-2006 we held equities totalling €56.85 billion, including €23.9 billion in unit-linked portfolios. We are also rapidly expanding our private equity portfolio, with net commitments of some €2.5 billion at the end of 2006. Our commitment to sustainable development also underpins our asset management strategies, covering not only securities but also property and forests.

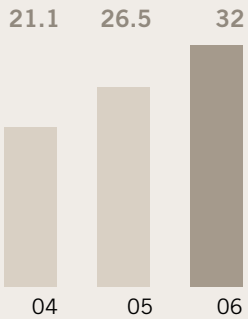
For more information, see pages 80 to 90.

2006 key figures
(under IFRS)

Premium income
+ 20.6%

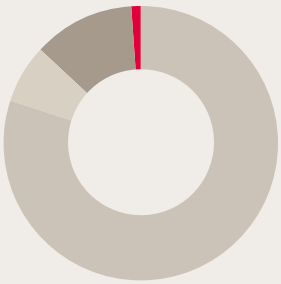
International premium income
In € millions

Operations outside France contributed €4,100.5 million to 2006 premium income, representing a sharp 20.5% increase compared with 2005. Based on 2005 pro forma premiums and exchange rates (i.e. including CNP Capitalia Vita as from 1 January 2005), like-for-like growth came to 12.5%. In Italy, CNP Capitalia Vita reported consolidated premium income of €2,901.6 million, up 18.7% from €2,445.4 million in 2005. In Brazil, Caixa Seguros had premium income of €887.5 million, up 25.5% on a reported basis and 15.3% at constant exchange rates.



Premium income
In € billions

In 2006, consolidated premium income totalled €31,989.5 million, an increase of 20.6% from the previous year. Pro forma growth came to 19.8%, in line with the target of over 19%. Unit-linked sales were 27.2% higher at €7,244.4 million. The French personal insurance market grew by a strong 16.1% due to substantial transfers to life insurance contracts from PEL home-savings plans, following a change in tax rules applicable to those plans. At the same time, buoyant stock markets and France's "Fourgous amendment" (allowing policyholders to transfer funds from non-unit-linked contracts to combined unit-linked/non-unit-linked contracts without incurring a tax penalty) fuelled a sharp increase in new money invested in unit-linked products.



Premium income
By business segment in 2006

- **80%** Savings
- **7%** Pensions
- **12%** Personal Risk*
- **1%** Property & Casualty

* The Personal Risk category includes personal risk products, loan insurance and health insurance.

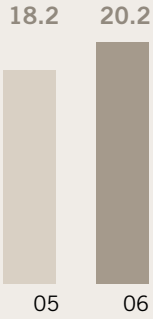
Operating profit
+ 20.8%

Operating profit

In € millions

–

Operating profit rose 20.8% in 2006 to €1,594 million. The sharp rise was largely attributable to an improved loss ratio in the group personal risk business*.



Profitability

In %

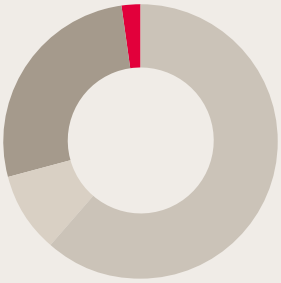
–

Profitability corresponds to the ratio of operating profit to solvency capital.

Solvency capital

–

The solvency capital requirement at 31 December 2006 after dividends was covered 3.18 times in total and 1.26 times before taking into account unrealised capital gains. After taking into account the share issue and payment for 49.9% of Écureuil Vie in February 2007, solvency capital excluding unrealised gains represented 1.17 times the regulatory minimum.



Operating profit

By business segment in 2006

–

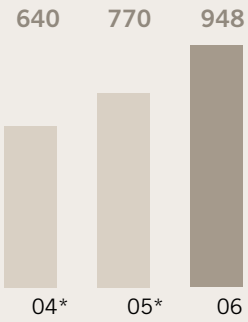
- **61.4%** Savings
- **9.6%** Pensions
- **26.9%** Risk*
- **2.1%** Other

* The Risk category includes personal risk products, loan insurance, health insurance and property and casualty insurance.

During the year, the Company issued €1,518 million worth of subordinated debt.

2006 key figures
(under IFRS)

Recurring profit
+ 23.2%



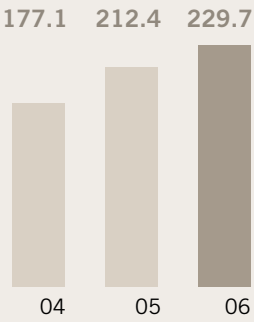
Attributable recurring profit

In € millions

–

Recurring profit attributable to equity holders of the parent came to €948 million, up 23.2% over 2005. International subsidiaries contributed €123 million, an increase of 29.5%. After the €58 million impact of fair value adjustments and non-recurring items, attributable net profit was €1,145 million, versus €970 million in 2005.

* Pro forma



Insurance and financial liabilities

In € billions

–

At 31 December 2006, insurance and financial liabilities stood at €229.7 billion, an increase of 8.1% compared with year-end 2005. Under IFRS, the carrying amounts of insurance and financial liabilities include a significant proportion of unrealised gains from fair value adjustments due to higher prices on the financial markets.

Employees

France

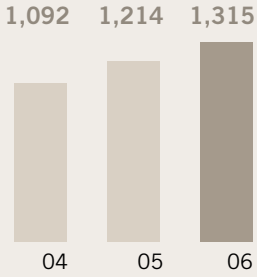
–

The total number of employees remained virtually unchanged after increasing sharply in 2004 when the CNP Trésor sales force was set up.

Foreign subsidiaries

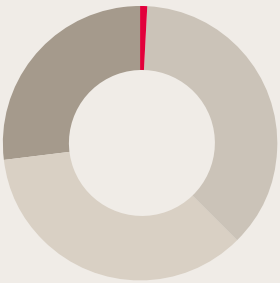
Brazil, Italy and Portugal...

–



CNP Assurances ownership structure

At 31 March 2007



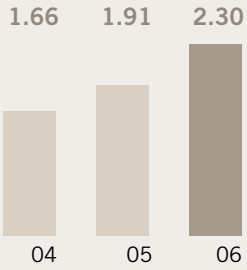
- **36.67%** Caisse des Dépôts
- **35.48%** Sopassure*
- **26.75%** Free float
- **1.09%** French State

*Sopassure is a holding company owned by La Poste (50.1%) and Groupe Caisses d'Épargne (49.9%).

The French State, Caisse des Dépôts, the French Post Office and Groupe Caisse d'Épargne – all signatories of the CNP Assurances shareholders' agreement – decided in May 2006 to extend the agreement until 31 December 2015. The decision was formalised by the 8 January 2007 signature of an addendum to the original agreement, which also authorises Caisse des Dépôts to increase its share of the Company's capital to 40%.

Dividend

In € per share



At the Annual General Meeting, the Executive Board will recommend raising the dividend by 20.4% to €2.30 per share. The 9.9 million shares issued in February 2007 carry rights to the 2006 dividend, bringing the total number of shares with dividend rights to 148.5 million.

CNP Assurances share performance over two years

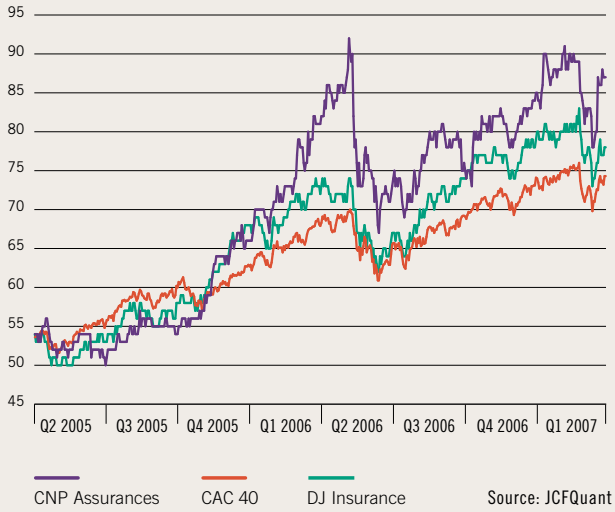
From 30 March 2005 to 30 March 2007

Share price at 30 March 2007	€87.18
High (8 May 2006)	€91.74
Low (28 June 2005)	€50.31
Market capitalisation as of 30 March 2007	€12.9bn
Average daily trading volume in 2006	186,496
Average daily trading volume over two years	164,160

The CNP share is included in the following indices: CAC Next 20, SBF 120, Euronext 100 and DJ Eurostoxx Insurance. It is also part of the following SRI indices: ASPI Eurozone 120, Ethibel Sustainability Index Excellence, Ethibel Sustainability Index Pioneer and ECPI Ethical Index Europe.

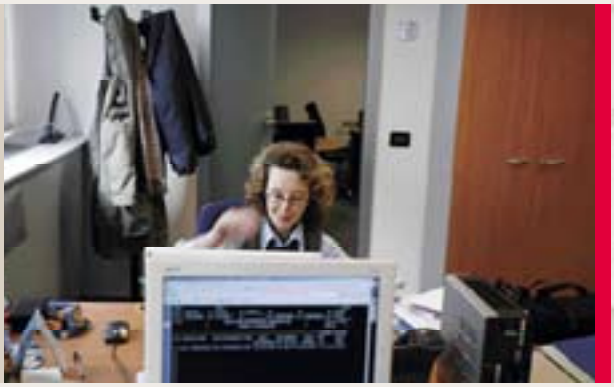
Share performance

From 30 March 2005 to 30 March 2007 – In €



Over the past two years, from 30 March 2005 to 30 March 2007, the CNP Assurances share has gained 63%, significantly outperforming the CAC 40 (39%) and the DJ Eurostoxx Insurance index of Europe's leading insurance companies (45%). The release of our 2006 results, which exceeded analysts' expectations, drove a sharp increase in the share price in March 2007.

Embedded value up sharply in 2006



Embedded value reporting since 1999

CNP Assurances has reported its embedded value and the value of new business since 1999 in order to offer more transparent financial information to shareholders and partners. Embedded value corresponds to the consolidated present value of shareholders' interests generated by the insurance business at the measurement date. New business represents value created during the year through new contracts.

We also publish additional information, including the main assumptions used to calculate embedded value, as well as an analysis of sensitivity to changes in assumptions.

Since 31 December 2005, embedded value has been calculated in accordance with CFO Forum principles (European embedded value). European embedded value (EEV) is the sum of:

- Adjusted net asset value (ANAV), corresponding to the market value of assets attributable to shareholders after deducting goodwill and any actuarial adjustments.
- In-force business, corresponding to the discounted present value of future profits, calculated at a risk-free rate over the life of the contracts in the portfolio and assuming immediate distribution of after-tax profits to shareholders, less:

– The time value of financial options, estimated based on the dynamic modelling of policyholder behaviour and the Company's financial policy, and

– The cost of required capital and the cost of non-financial risks.

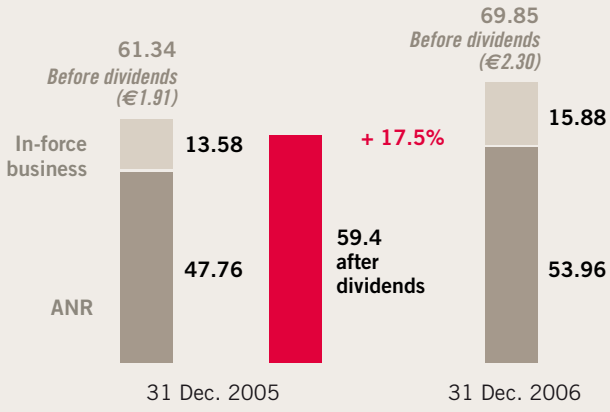
Change in European embedded value (EEV) in 2006

In € per share

EEV at 31 December 2005	59.4
One-year rollforward	+3.4
Change in economic conditions	+3.1
2006 management	+3.9
2006 dividend	- 2.3
EEV at 31 December 2006	67.5

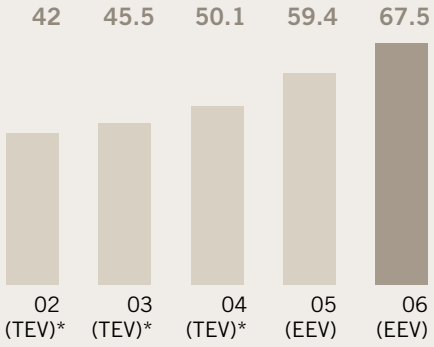
Analysis of change in embedded value (EEV)

In € per share



Embedded value

In € per share

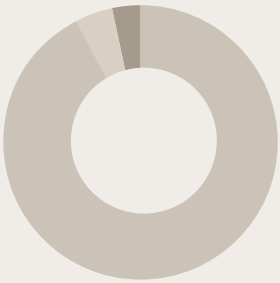


* TEV: traditional embedded value

European embedded value (EEV)

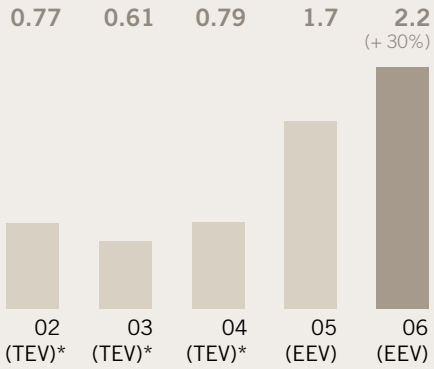
By country

- **92.4%** France
- **4.4%** Brazil
- **3.2%** Italy



2006 value of new business

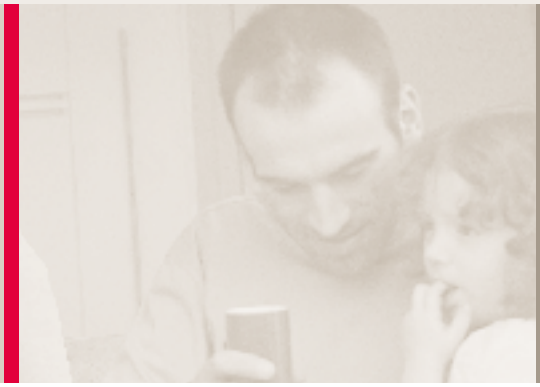
In € per share



* TEV: traditional embedded value

See pages 96-101 of the Financial Report for additional information.

150 years of experience



CNP Assurances develops and manages insurance products that meet the needs of more than 22 million people worldwide, including 14 million in France, who choose to protect themselves against the risks of everyday life.

1850

France's first pension fund – Caisse Nationale de Retraite pour la Vieillesse (CNRV) – is created. The fund is managed by Caisse des Dépôts.

1868

The State-sponsored accident insurance fund – Caisse Nationale d'Assurances en Cas d'Accident (CNAA) – and life insurance fund – Caisse Nationale d'Assurances en Cas de Décès (CNAD) – are created.

1959

The State-owned Caisse Nationale de Prévoyance (CNP) is created, to take over managing the three funds previously held by Caisse des Dépôts.

1960

The first individual insurance policies invested in mutual funds are launched. The policies are distributed by the French Post Office and the French Treasury.

1988

Life insurers Écureuil Vie, Préviposte and Investissement Trésor-Vie are created with Caisses d'Épargne, La Poste and the French Treasury, respectively.

1992

CNP becomes CNP Assurances, a company governed by the French Insurance Code with a two-tier management structure comprising an Executive Board and a Supervisory Board.

1995

Compañía de Seguros de Vida is created in Argentina as a wholly owned subsidiary.

1998

22.5% of the Company's capital is floated on the stock market. A new distribution agreement valid until the end of 2009 is signed with La Poste.

Assurposte, a health and personal risk insurance subsidiary owned jointly with La Poste, is set up.

1999

Global SA and Global Vida SA are acquired in Portugal.

2000

An agreement is signed with Dexia-Sofaxis to serve the local government market.

2001

Caixa Seguros is acquired in Brazil. Filassitance International is created with Azur-GMF to develop local assistance services.

2002

Several agreements are renewed, with Crédit Immobilier de France, Cofidis and Covefi Bank. An agreement is signed with the Chinese Post Office to create a life insurance joint venture.

2003

The shareholder agreement is extended until 31 December 2008. Distribution agreements with Groupe Caisse d'Épargne are extended to 31 December 2008. A ten-year partnership agreement is signed with Mutualité Française.

2004

Effective 1 January, CNP Assurances takes over the management of policies sold via the French Treasury. A partnership agreement is signed with the Casino Group.

2005

CNP Assurances acquires 57.5% of Italy's 11th-largest insurer, Fineco Vita, which is renamed CNP Capitalia Vita in 2006.

Significant events of the year

First half

Renewal of distribution agreements with the French Post Office and Savings Banks networks

CNP Assurances reached an agreement with its two major partners in France – La Banque Postale for the Post Office network and CNCE for the Savings Banks network – to extend its individual insurance and loan insurance distribution agreements until 31 December 2015. Renewal of the distribution agreements and the shareholders' agreement through to 2015 has strengthened the Group's business model and growth outlook.

Creation of La Banque Postale

La Banque Postale, which was set up on 1 January 2006, combines all of the French Post Office's financial services operations, including current accounts, securities accounts, life insurance and personal risk insurance sales. In addition, the home loan offering – which was previously only available to customers who had a home-savings account – is now marketed to all clients. The transformation of the French Post Office's financial services business into a fully-fledged bank represents a major marketing challenge for us in the areas of life insurance and personal risk insurance.

Deeply-subordinated notes issues

In April, we carried out a €160-million perpetual deeply-subordinated notes issue on very favourable terms. The notes are quoted on the Luxembourg stock exchange and were placed with French pension funds. Qualifying as quasi-equity, the issue has strengthened our capital base.

Launch of the CNP Capitalia Vita brand

In February 2005, we acquired a 57.5% interest in Fineco Vita. Renamed CNP Capitalia Vita to reflect its new ownership structure, the subsidiary distributes its products through the Capitalia Group banking network.

Launch of the "CNP Services à la Personne" banner

With the government's launch of CESU service vouchers in February, we made "CNP Services à la Personne" the new national banner of our local services offer. The purpose of the offer is to assist people in their everyday lives with a network of pre-selected and indexed service providers and friendly, personalised advice.

Participation in innovative microfinance and microinsurance initiatives

We participated in the launch of an international microfinance consortium set up by a bank with recognised expertise in this area, by purchasing a €5-million bond. With the same aim of helping to combat social exclusion, we also supported a fellow insurer, April, in setting up France's first microinsurance policy, by contributing to the capital

of the Foundation created as the project vehicle, and by writing personal risk cover for the owners of microbusinesses.

Information systems migration

Migration of the dedicated La Banque Postale applications to our new system was completed on time and without any major problems, marking the final phase in the migration from a Bull to an IBM operating system. This major project – the largest of its kind in Europe – has significantly extended the life of our applications and technical systems, as well as providing increased systems security.

Second half

Announcement of the planned acquisition of 49.9% of Écureuil Vie

At its meeting on 10 October 2006, the CNP Assurances Supervisory Board approved the terms of acquisition of 49.9% of Écureuil Vie from Groupe Caisses d'Épargne, raising our interest in this fully consolidated subsidiary from 50.1% to 100%. The acquisition will enable us to deploy the same life insurance business model with both of our main partners in France, the Savings Banks network and La Banque Postale.

Financing for the acquisition of 49.9% of Écureuil Vie

The transaction was financed by a combination of subordinated debt (€700 million) and stock (€700 million).

CNP Assurances assigned AA insurer financial strength rating by S&P

On 22 November 2006, Standard and Poor's announced that CNP Assurances had been assigned AA insurer financial strength and counterparty credit ratings, with a stable outlook.

Employee bonus share issue

Pursuant to the resolution passed at the 2005 Annual General Meeting, on 5 July 2006 the Executive Board decided to issue bonus shares to permanent employees in France other than senior executives.

Acquisition of 94% of Skandia Vida

On 20 December 2006, we signed an agreement with Skandia Insurance Company Ltd, a subsidiary of Old Mutual plc, to acquire its 94% stake in Spanish insurer Skandia Vida S.A. de Seguros y Reaseguros ("Skandia Vida") for €76 million.

Renewal of the partnership with Crédit Immobilier de France through to 2015

CNP Assurances and Crédit Immobilier de France (CIF) have signed a memorandum of understanding to extend their loan insurance partnership until 1 January 2015, based on redefined terms.

Buoyant insurance markets
in France and Brazil

In 2006, the French personal insurance market expanded by an exceptional 15.8% to €155.2 billion. The Brazilian insurance market grew 13% in local currency to reach BRL 64.6 billion, while the Italian and Portuguese markets contracted by around 4%.

A favourable economic and financial environment in France

In a global economy shaped by the slowdown of the US market, growth in the euro zone remained steady, and the European Central Bank continued to raise interest rates, mainly to contain the growth of credit and its potential threat to price stability. Long-term rates were erratic during the year, rising sharply to 4.10% at the end of the first half (compared to 3.80% at the end of 2005) before easing back slightly in the second half, following initial signs of the US slowdown, to roughly 4% at the year-end. In this environment, the home loan market rose 15% or €9.8 billion, freeing up new investment capacity. Total credit, including overdrafts, at 31 December 2006 was 9% higher than at the previous year-end, after several months of more than 30% growth.

Life insurance became an even more attractive option in 2006, as new tax rules impacting PEL home-savings plans led to €26.4 billion being withdrawn from these accounts, with part of that amount being reinvested in life insurance.

CNP ASSURANCES 2006 MARKET SHARE IN FRANCE

Personal insurance (revenue): **18.1%**

Life insurance and savings (revenue): **18.6%**

Life insurance and savings (net new money): **19.5%**

Source: CNP Assurances accounts and market estimate published by FFSA in March 2007.

French market:
€1,062bn
in technical reserves
at 31 December 2006

French market:
€141.1bn
in life insurance
and savings revenues

At the end of 2006, life insurance accounted for more than half of financial investments made by households and a third of their financial assets. Lastly – as exemplified by the 17.5% increase in the CAC 40 – the financial markets grew at a steady pace, driving up investment in unit-linked contracts.

Life insurance and savings drive the market

The personal insurance market enjoyed its fifth consecutive year of growth in 2006, setting its second fastest pace in a decade after 2000, when growth reached 19%. Personal insurance premiums stood at approximately €155.2 billion, led by growth in the savings and pensions segments. The savings, pensions and whole life insurance segments together represented revenues of some €141.1 billion, an exceptional increase of 16.9% over 2005. Performances were nonetheless uneven from one quarter to the next. The market was shaped by two one-off developments:

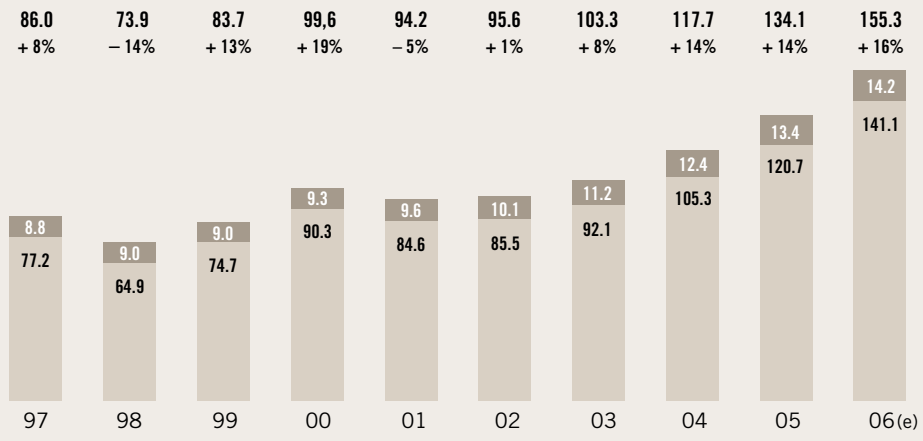
• Major transfers of funds from PEL home-savings plans (€11 billion or 40% of total PEL withdrawals), occurring primarily in the first quarter.

• "Fourgous" transfers from non-unit-linked contracts to combined unit-linked/non-unit-linked contracts, which certain insurers (including CNP Assurances) recognised as revenue, for €5.2 billion.

Strong growth in unit-linked sales in France

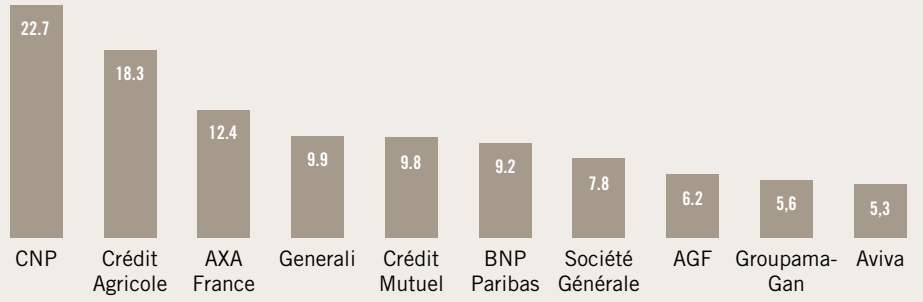
In 2006, customers continued to show a preference for non-unit-link contracts, which represented 73% of total new money. However, owing to robust financial market conditions, investment in unit-linked contracts rose sharply for the third year in a row, climbing 45% on the back of 47% growth in 2005. In 2006, unit-linked products represented 27% of the market in terms of premiums, up 4 points from 2005. Note that unit-linked contracts represented 42% of the market in 2000.
Net new money invested in the savings and pensions market is measured by deducting benefit payments, which stood at €76.5 billion or 54% of premium income in 2006. In 2006, net new money was up by a record 24% to €64.5 billion. Mathematical reserves on direct life insurance business exceeded the €1,000-billion mark in the summer to total €1,044 billion at the end of

PERSONAL INSURANCE MARKET IN FRANCE OVER TEN YEARS
In € billions



Source: FFSA, March 2007.

FRANCE'S LEADING PERSONAL INSURER
Comparison of the ten leading personal insurers in France in 2005. Premiums in € billions (direct business)



Source: FFSA, July 2006.

2006, an increase of 11.2% over the year. Unit-linked mathematical reserves rose by a strong 23% to an estimated €231.1 billion, constituting 22.1% of total mathematical reserves.

Slowdown in the health and bodily injury markets

There was a visible slowdown in premiums and claims in the health and bodily injury insurance markets in 2006.
Following three years of solid growth, premium income rose by just 6% in 2006 to reach a total of €14.2 billion. The more moderate pace of growth was due to significantly smaller increases in health insurance premiums, which went up by only 7% in 2006 compared with 9% in 2005, with group rates rising faster than for individual policies. Temporary and permanent disability insurance premiums rose by 5% in 2006 compared with 7% the previous year, reflecting smaller increases in group rates. Paid claims inched up 2% to €8.8 billion, after rising 4% in 2005.

Health insurance claims rose by 7% in 2006 versus 6% in 2005, while disability claims fell by a sharp 4%, due mainly to a 6% decline in group claims.

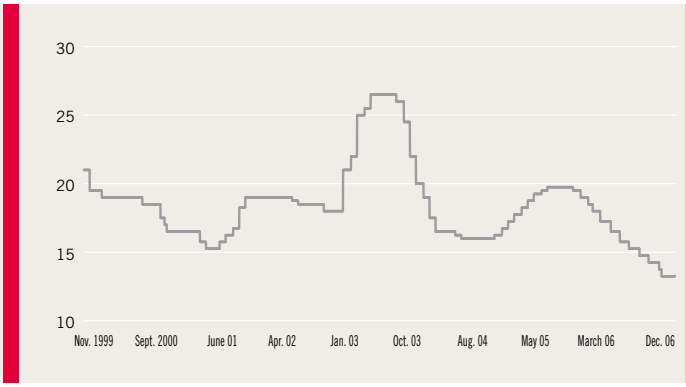
A contracting Portuguese market

In 2006, unfavourable economic conditions negatively affected consumer morale in Portugal. After several years of double-digit growth, the life insurance market contracted by 4.1% compared to 2005, which saw exceptional growth as non-residents transferred funds from their bank savings accounts to life insurance. At the same time, the non-life market grew 1.2% over the year.

A year of economic recovery for Italy

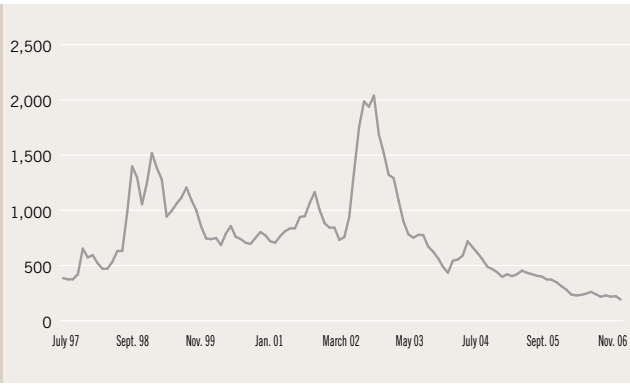
The 2006 recovery brought an end to four and a half years of virtual stagnation. The Italian economy grew 1.7% in the first three quarters, on an annualised basis, picking up speed in the fourth quarter to end the year up 2.9%. Growth was mainly driven by a sharp increase in exports. The more flexible credit market, sharply lower unemployment and stable prices (with inflation

Changes in the Brazilian Central Bank's base rate (Selic – in %)



Source: Brazilian Central Bank - www.bcb.gov.br

Change in Brazil's country risk spread (EMBI +)



Sources: Centro de Economia Internacional (Mecon, Argentina) and JP Morgan

at 2.1%) helped to boost consumer confidence. Growth is expected to slow in 2007, partly due to the impact of the government's belt-tightening measures, before picking up again in 2008, the goal being to rein in the deficit to 3% of GDP.

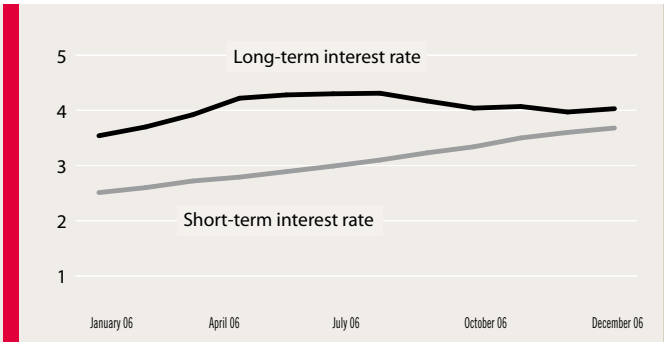
A contracting life insurance market

The Italian life insurance market was down by an estimated 4% in 2006 (source: IAMA). The decline was attributable to the following economic factors:

- A series of bank mergers (São Paolo IMI and Intensa, BP Verona e Novara and BP Italiana, BP Unite and Banca Lombarda).
- Rising short-term interest rates, tapering long-term rates and a dip in equity prices during the year (followed by an upturn at the year-end).

The market decline was mainly due to a 13% fall-off in sales of non-unit-linked products to retail savers and corporates (45% of the market). New money

Italian interest rates



Source: http://www.epp.eurostat.ec.europa.eu

Italian MIB 30 Index in 2006

Source: http://www.euroinvestor.fr

Brazilian Bovespa Index

Source: http://www.bovespa.com.br/principal.asp

Daily change in the BRL/EUR exchange rate

Source: AFG-ASFFI (*Association Française de la Gestion Financière – Association des Sociétés et Fonds Français d'Investissement)*

invested in index-linked products fell 4%, as the banks adapted their product offer to the yield curve. Demand for unit-linked products without a capital guarantee (17% of the market) rose by a strong 34%, thanks to the vitality of the banking networks.

Stronger fundamentals in the Brazilian economy

Alongside the re-election of President Luiz Inácio Lula da Silva, the fundamentals of the Brazilian economy improved in 2006. Inflation was kept under control and the country became much less financially vulnerable to external events. With GDP growth of 2.9%, the Brazilian economy has not yet fulfilled its long-term development potential. However, the new government has proposed a growth acceleration plan (PAC) based on the strategies and priorities outlined by President Lula in his election manifesto for his second term in office.

Inflation fell sharply to end the year at 3.14%, the lowest level recorded since 1998 and well below the Brazilian Central Bank's 4.5% annual target. This led to a further decrease in interest rates, with the Selic dropping to 13.25% in 2006 from 18% in 2005. Circumstances continued to improve for Brazilian households, which enjoyed improved working conditions despite a persistently high 8.4% unemployment rate. The number of formal workers increased by 4.4%, average real income rose 4.5% and the minimum wage was lifted by nearly 9%. In this environment, Brazilian consumers proved to be relatively optimistic, increasing their borrowing by a hefty 20%. Brazil's country risk, as measured by the EMBI+ index, fell to a record low of 193 at the end of 2006, down 36.5% from end-2005. The São Paulo Stock Exchange performed well in 2006, with the Bovespa Index gaining 32.9% in local currency. The Brazilian real remained stable, ending the year down a slight 2.35% against the euro to BRL 2.81.

Development opportunities
in France and abroad

By remaining focused on its area of expertise and its business model, CNP Assurances intends to increase its market share in France and internationally while achieving exemplary profitability and solvency. This goal is an integral part of the Company's sustainable growth strategy.

Consolidating leadership in France

According to estimates published by the French insurance industry federation (FFSA) in January 2007, the life insurance market is expected to grow 4% in 2007. This forecast takes into account the high basis of comparison in 2006, which saw significant transfers from PEL home-savings plans. Underlying growth should remain strong at an estimated 8%. Assuming that stock market conditions remain buoyant in 2007, we intend to continue building unit-linked sales by developing high-end products, renewing existing combined unit-linked/non-unit-linked offers and creating new ones, and launching new campaigns to promote transfers from non-unit-linked contracts to combined contracts ("Fourgous" transfers). Through our partnership with La Banque Postale, we are continuing to expand sales of Vivaccio and also of loan insurance. In addition, we are promoting Fourgous transfers and conversions of GMO contracts into unit-linked contracts. Marketing activities are being stepped up to boost sales of personal risk products. We are helping La Banque Postale to meet the needs of customers interested in building up capital, notably by offering a Vivaccio formula specially designed for this customer category and by training a dedicated team of advisors.
The Savings Banks are encouraging policyholders to increase the unit-linked portion of their combined contracts and promoting Fourgous transfers. They are also working to expand their private banking business, helped by high-end products Nuances Plus and Nuances Privilège. In the individual personal risk category, a new long-term care product is scheduled to be launched in the autumn of 2007. Integration of Écureuil Vie is underway, supported by a partnership committee and a joint marketing structure.
The CNP Trésor sales force aims to continue achieving profitable growth, by leveraging the customer base. With a team of 300 insurance advisors, CNP Trésor is now in a position to offer a local service throughout France. New products are being launched, including an innovative long-term care product and a potentially tax-exempt gifting solution for grandparents wishing to give a financial hand-up to the younger generation. The fund offerings available with combined unit-linked/non-unit-linked products are being diversified.
In loan insurance, we have established a new partnership

with Banque de Commerce et de Placements (BCP), the former French subsidiary of Portugal's BCP group, which has been acquired by Groupe Caisse d'Épargne. To mark the renewal of the partnership with Crédit Immobilier de France (CIF) until 2015, we are launching a new loan insurance solution with differential pricing according to the age of the insured and optional disability cover for people who are not in employment. Lastly, we have signed an agreement with Natixis Assurances to develop a loan insurance product for Banques Populaires clients, to be co-insured by CNP Assurances and Natixis Assurances on a 50/50 basis. The offer has been rolled out to four of the nineteen Banques Populaires and will be extended to the other fifteen in the medium term.

Developing existing local markets

Our Brazilian subsidiary, Caixa Seguros, aims to continue growing its business, mainly in pensions, personal risk and loan insurance. An ambitious strategy has been developed with Caixa Economica Federal (CEF) to leverage the impact of President Lula's growth acceleration plan, which includes incentives for borrowers. In Italy, we are enjoying growing sales of combined unit-linked/non-unit-linked contracts, personal risk products and loan insurance. A new individual pensions offer is scheduled to be launched in the first half of 2007, in line with a 2006 reform of the Italian pensions system allowing TFR leaving bonuses to be invested in life insurance or pension funds. Lastly, CNP Capitalia Vita's teams are working hard to develop solutions that discourage surrenders and build customer loyalty. The Global sub-group in Portugal is implementing a plan to grow the life business, through the introduction of a new combined unit-linked/non-unit-linked contract offering a selection of funds based on the intended investment period, and through measures to support the sales force. In Spain, the acquisition of Skandia Vida was finalised in April 2007 and the new subsidiary was renamed CNP Vida. A CNP Assurances team is working with the company's local management to develop a strategic plan covering the personal risk business, and also the savings and pensions business, with the development of combined unit-linked/non-unit-linked offers.

Constantly updating and improving management processes

We have been implementing an innovation policy to optimise economies of scale, particularly in the development of computer applications. As an example of how this policy works, software developed for our Italian subsidiary is currently being deployed to our other international subsidiaries. We are pursuing a Group-wide campaign to optimise the "IT cost/premiums" ratio, which remains among the lowest in the market. In addition, the Puma, Partages and Majestic workstation applications continue to serve as efficient, reliable resources for the Savings Banks, La Banque Postale and the CNP Trésor sales force, respectively. These resources are constantly upgraded and enhanced. CNPNet, our online loan insurance underwriting and management platform, is being rolled out to all our loan insurance partners. All of our customer service centres remain committed to improving quality of service day in, day out.