REPORT OF THE BOARD OF DIRECTORS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

Contents

SIGNIFICANT EVENTS OF THE PERIOD

First half

€500 million subordinated bond issue

On 27 May 2014, CNP Assurances completed a €500-million issue of subordinated bonds with a final maturity date of 5 June 2045 and a first-call date of 5 June 2025.

The order book totalled around €5 billion, from more than 350 investors, a successful performance that confirms institutional investor interest and confidence in the CNP Assurances signature.

The issue was structured to be recognised as capital under both insurance regulations and Standard & Poor's rating rules, the contractual terms and conditions meaning that it is classified within debt under IFRS. Under Solvency 1 standards, it will be eligible for inclusion in regulatory capital, while under Solvency 2, it should be considered as Tier 2 capital, according to the latest EIOPA technical specifications.

The bonds will pay a 4.25% fixed rate of interest over the first 11 years and the coupon will subsequently be adjusted every five years in line with new conditions. This is the third-lowest coupon paid in the European insurance industry for euro-denominated subordinated debt eligible for inclusion in Tier 2 capital under Solvency 2 rules and the lowest fixed coupon paid by the Group since its inaugural subordinated issue in 1999.

Proceeds from the issue will be used to refinance bonds maturing in the near future.

The new bond should be rated BBB+ by Standard & Poor's, using the rating methodology applied to hybrid debt.

Successful launch of Cachemire Patrimoine and Cachemire 2

Following a four-month trial period held in two departments to test contract administration procedures, the Cachemire Patrimoine policy, targeting high net worth clients at La Banque Postale was marketed throughout France.

Policyholder advisers were quick to take up this new product offering, which reflects La Banque Postale's pivotal strategic objective of diversifying its policyholder savings business. Cachemire Patrimoine offers policyholders a dynamic unit-linked savings product (held in mutual funds or active equities) combined with expert guidance or portfolio management services provided by LBP Gestion Privée, La Banque Postale's private wealth management arm.

Awards for investment products

CNP Assurances was once again a winner at the 28th investment funds awards ceremony sponsored by Le Revenu investor weekly and it came away with two awards, including the *Trophée d'or* for the best range of funds over three years.

In addition to first prize for best fund performance over three years, CNP Assurances picked up a *Trophée de bronze* for the performance of its diversified funds over a three-year period.

Signature of the first full on-line term creditor insurance policies with Boursorama

Getting in ahead of the competition, CNP Assurances has accepted electronic signatures on term creditor insurance applications and health questionnaires since January 2014. The fully on-line, paperless service offers customers the opportunity to purchase insurance quickly and easily without leaving their computer screen. With the boom in on-line and paperless banking services, CNP Assurances wanted to be first to provide complete on-line solutions to maintain its leadership in term creditor insurance.

It is the first market player to accept electronic signatures on insurance applications and CNP has been able to combine existing processes with the latest technological innovations to offer partners multiple advantages.

The value added of the CNPnet electronic signature service is apparent throughout the value chain for partners, policyholders and insurer alike. The full on-line solution significantly reduces customers' perception of the time required to purchase insurance, facilitates the bank's back and middle office processes and offers more secure storage of insurance applications. Moreover, being paperless, the process is more efficient and also has a positive effect on the Group's carbon footprint.

Recognition for CNP Assurances' personal risk products

Every year, the French insurance comparator magazine 'Dossiers de l'Epargne' asks recognised independent experts to analyse, discuss and classify existing policies on the market.

CNP Assurances and its partners obtained excellent ratings in the 2014 guide and nine of their policies were awarded a *Label d'Excellence* out of the 66 awards handed out for the entire French insurance market.

<u>La Banque Postale Prévoyance</u>

Death cover: Avisys Protection Famille and Sérenia
Long-term care: Protectys Autonomie
Funeral insurance: Résolys Obsèques Prestations
Coverage for accident victims: Prévialys Accidents de la Vie

<u>Caisse d'Epargne</u>

Long-term care: Assistance Vie

<u>CNP Trésor</u>

Long-term care: Trésor Prévoyance Garantie Autonomie

<u>Préfon</u>

Long-term care: Préfon Dépendance
Funeral insurance: Préfon Obsèques

Subsequent events

Signature of a long-term strategic partnership with Banco Santander in Europe

CNP Assurances has announced an exclusive long-term distribution agreement with Santander Consumer Finance (Groupe Banco Santander) and acquired a 51% stake in its Life and Non-life insurance subsidiaries.

The partnership will cover Santander Consumer Finance's full range of personal protection solutions with a particular focus on personal risk and term creditor products. It covers 10 European countries in which the company enjoys leading positions, namely, Germany, Poland, Italy, Spain, Austria, Portugal, Norway, Sweden, Denmark and Finland.

Santander Consumer Finance (SCF) operates both a multi-channel distribution network based around partnerships with car dealers, stores, supermarkets and specialised providers of consumer credit, and direct marketing channels. By combining CNP Assurances' expertise in personal insurance and SCF's formidable distribution capacity, this operation creates value for both groups and provides Santander Consumer Finance's 12 million customers with an enhanced offering.

It also reflects CNP's strategic priority of developing its protection business in Europe and it will bring the Group up to critical mass immediately in a number of mature European markets, particularly Germany, the eurozone's leading economy.

In 2013, SCF's insurance subsidiaries delivered premium income of nearly €600 million and the business has considerable untapped potential in terms of both margins and growth.

Consideration for the transaction amounts to €290 million and this figure may be adjusted upwards or downwards based on financial performance observed over the coming years.

The operation will be financed from the Group's existing resources and is expected to close by year-end 2014, subject to regulatory approvals.

MARKET AND BUSINESS REVIEW

Economic and financial environment

The main talking point in first-half 2014 is the disparity between the optimistic forecasts at the start of the year and the general slowdown in the global economy due primarily to an exceptionally harsh winter in North America that brought the US economy to a virtual standstill (negative growth of 1.1% in the first quarter). The "hole" that this put in US growth figures had significant knock-on effects in other economic regions, beginning with the eurozone and China.

In the eurozone, growth in the first quarter of 2014 was lower than expected (0.2% versus a forecast of 0.4%) as the Dutch, Portuguese and Italian economies turned in poor performances and the French economy remained sluggish. However, Germany confirmed its role as Europe's economic powerhouse and the Spanish economy continued to recover. Aside from growth, the main worry concerned persistently low inflation (0.5% at end-June 2014) with a number of eurozone countries actually experiencing deflation. This reopened the debate over deflationary risks and "Japanisation" of the eurozone, forcing the ECB to launch a third series of unconventional monetary measures. Apart from falling interest rates (the ECB refi rate was lowered to 0.15% and deposit rates are actually negative at -0.1%), the ECB's primary objective is to get credit flowing to businesses once again as this is still the weak link in the current recovery. Although industrial output and retail sales are growing again, investment is extremely sluggish and employment remains high (11.7% at end-May 2014 vs. 12% at end-2013). The other challenge in the eurozone is economic convergence. Here again, ECB intervention should provide support for the central banks of the "peripheral" economies both directly by providing enhanced refinancing terms, and indirectly by encouraging them to boost credit in their own economies thanks to a new €400 billion long-term refinancing operation (LTRO) covering a four-year period.

The other country to suffer from poor US economic performance in the first part of the year was China, where growth slowed in the first quarter of 2014 to 7.4% on a full-year basis under the combined impacts of lower investment and exports.

Although the "US hibernation" did affect global economic performance, its main impact was to trigger a major revision of market expectations. This was felt most keenly on bond yields. In spite of the continued reduction in government bond purchases by an amount of USD 10 billion a month that began in December 2013, yields on ten-year US government bonds fell from 3% to 2.6% (falling as low as 2.4% in May 2014) and the yield curve slope (i.e., the spread between 10- and 30-year yields) flattened from 95 to 82 basis points. The Federal Reserve is continuing to oversee the transition in its monetary policy and, despite a few setbacks, it has succeeded in deferring investor expectations of higher rates through summer 2015.

This drop in yields on long-dated US bonds driven by very low inflation also affected yields on European bonds: yields on ten-year French government bonds came in from 2.55% to 1.70% while those on German government bonds dropped from 1.93% to 1.30%. At the same time, there was a sharp narrowing in spreads on ten-year bonds issued by peripheral eurozone countries: spreads on 10-year Italian, Spanish and Portuguese government bonds narrowed by 75, 90 and 210 basis points to 2.7%, 2.9% and 3.5%, respectively, their lowest level since the creation of the single currency in 1999.

Other fixed income assets also benefited from this rally, beginning with sovereign debt issued by emerging economies which had been hard hit in summer 2013 and early 2014. Spreads on dollar-denominated bonds narrowed from 310 to 260 basis points while those on bonds denominated in local currencies were 30 basis points lower. Credit spreads on both investment grade and high-yield corporate bonds narrowed considerably on both sides of the Atlantic. This rally in the bond markets was buoyed by the abundance of liquidity injected into the system by central banks as well as by the scramble for returns by institutional investors.

The quest for a return on investment in a non-inflationary, moderate growth environment benefited most categories of risky assets. The disappearance of "extreme risks" such as those related to the 2012 eurozone sovereign debt crisis or the emerging market debt crisis of 2013 has meant considerably less volatility which has returned to the very low levels experienced in 2006-2007. After the wait-and-see attitude of the first quarter (again, linked to the poor performance of the US economy), US and European equity markets again began to grow strongly and posted new record highs: the CAC and Eurostoxx indexes reached their highest levels since before the collapse of

Lehman Brothers in 2008. Even emerging market stock exchanges which had been hit by capital flight early in the year, wiped out previous losses and some put in a solid performance.

These across-the-board stock market gains contradict forecasts because although analysts had predicted an improvement, it was supposed to be contingent on business performance. But with the exception of US corporations, published results in Europe and emerging markets were disappointing and profits were flat or even slightly down.

To sum up, economic performance in the first six months was fairly subdued with lower-than-forecast growth in the global economy and sluggish trade. Nevertheless, fixed income securities and equities all performed well thanks to decisive action by central banks and an abundance of liquidity.

Regulatory and tax environment

In the first-half of 2014, the regulatory and tax environment did not undergo changes likely to materially affect CNP Assurances' business activity.

First-half 2014 business review

On an IFRS basis, first-half 2014 premium income to €15.8 billion, up 12.5% as reported and 14.2% at comparable scope of consolidation and constant exchange rates (like-for-like). The Group reported positive net new money of €2.2 billion for the period (French GAAP).

In France, premium income rose 19.7% to €12.4 billion, led by growth in the savings business, underpinned by a 58.7% surge in unit-linked sales that lifted their contribution to savings and pensions premiums to 11.6%. The personal risk/protection business (corresponding to death & disability, health and term creditor insurance) expanded 3.0% in the first half of 2014, reflecting strong momentum across the whole range. Life and pensions net new money in France was a positive €693 million, including a €568 million net inflow to unit-linked contracts and a €125 million net inflow to traditional savings products.

In Latin America, premium income dropped 14.2% to €1.4 billion in the first half of 2014, reflecting three main trends:

- a decline in pensions business;
- strong growth in personal risk/protection business;
- unfavourable exchange rates.

Premium income generated in Europe excluding France amounted to €2 billion. Excluding the high basis of comparison created by the €420 million group pensions contract sold in the first quarter of 2013, growth stood at 22.4%, driven primarily by the savings/pensions business.

	Group premium income by country (IFRS)			
(in € millions) Policyholders' country of residence	**H1 2014**	**H1 2013**	% change	% change (like-for-like[1])
France	**12,421.1**	**10,377.8**	**+19.7**	**+19.7**
Brazil	1,355.4	1,574.4	-13.9	0.0
Argentina	21.3	30.3	-29.9	+11.7
Italy[2]	1,684.5	1,374.3	+22.6	+22.6
Portugal[3]	60.1	30.3	+98.4	+98.4
Spain[4]	148.7	99.2	+49.9	+49.9
Cyprus	67.2	80.3	-16.4	-16.4
Ireland	0.5	0.5	-0.2	-0.2
Other	5.2	442.5	-98.8	-98.8
Sub-total International	**3,342.8**	**3,631.7**	**-8.0**	**-1.6**
TOTAL	**15,763.9**	**14,009.6**	**+12.5**	**+14.2**

(1) Average exchange rates for Brazil:

At 30 June 2014: €1 = BRL 3.15

At 30 June 2013: €1 = BRL 2.67

(2) CNP Italia branch, CNP UniCredit Vita, CNP BVP Italia, CNP Europe Life business written under the EU freedom of services directive

(3) CNP BVP Portugal

(4) CNP España branch, CNP Vida, CNP BVP Spain

	Premium income by segment (IFRS)			
(in € millions)	**H1 2014**	**H1 2013**	% change	% change (like-for-like[1])
Savings	11,199.5	8,829.7	+26.8	+26.9
Pensions	1,331.4	2,057.3	-35.3	-29.4
Personal Risk	1,088.1	1,007.9	+8.0	+10.8
Term Creditor Insurance	1,690.8	1,673.6	+1.0	+3.8
Health Insurance	287.7	258.3	+11.4	+13.0
Property & Casualty	166.3	182.9	-9.0	+4.7
TOTAL	**15,763.9**	**14,009.6**	**+12.5**	**+14.2**

(1) Average exchange rates for Brazil:

At 30 June 2014: €1 = BRL 3.15

At 30 June 2013: €1 = BRL 2.67

CONSOLIDATED FINANCIAL STATEMENTS

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

In € millions	Geographic region			Own-funds portfolios	Total first-half 2014	Total first-half 2013	*Change (%)*	*Change on a like-for-like basis (%)*
	France	Latin America	Europe excluding France					
New money	12,464	1,540	2,059		16,064	14,568	10.3%	12.1%
Insurance and financial outstandings					305,361	296,910	2.8%	3.4%
Premium income	**12,421**	**1,377**	**1,966**	**-**	**15,764**	**14,010**	**12.5%**	**14.2%**
Total NIR	621	481	97		1,198	1,178	1.7%	9.3%
Revenue from own-funds portfolios				427	427	419	2.0%	4.6%
Administrative costs					(437)	(445)	-1.7%	2.0%
EBIT					**1,188**	**1,152**	**3.2%**	**10.4%**
Finance costs					(83)	(75)	11.4%	11.4%
Equity-accounted entities					1	0	n.m.	n/a
Income tax expense					(412)	(386)	6.8%	15.0%
Non-controlling interests					(152)	(161)	-5.5%	10.4%
Recurring profit					**542**	**529**	**2.3%**	**6.8%**
Fair value adjustments and net gains (losses) on disposal of investments					58	42	40.2%	41.5%
Non-recurring items					1	12	n.m.	n.m.
Profit					**601**	**583**	**3.0%**	**7.2%**

NB: this consolidated income statement includes CNP Assurances' proportionate share (50%) in its subsidiary La Banque Postale Prévoyance (LBPP).

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;
- revenue 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 €15.8 billion (see Business Review);
- **insurance and financial outstandings**, excluding the deferred participation reserve, which rose 2.8% during the period. They grew 3.4% on a like-for-like basis, buoyed by a 17.7% surge in Latin American outstandings.

Consolidated NIR came in at €1,198 million for the first six months of 2014, a 9.3% jump on the same period in 2013 on a like-for-like basis, thanks to 7% growth in France and 13.5% growth in Latin America. At current Group structure and exchange rates, the increase was 1.7%.

The 7% growth recorded in France (an increase of €40 million on H1 2013) was attributable to the weaker impact of falling interest rates – if this impact is factored out, French NIR grew by 2.4%.

- The €46 million jump in NIR from the Personal risk/Protection businesses was driven by the growth in term creditor insurance and individual personal risk products;
- NIR from Savings and Pension products was fairly stable when compared with H1 2013.

In Latin America, the 13.5% increase in NIR on a like-for-like basis was mainly driven by brisk business in the Brazilian Personal risk/Protection businesses. At current exchange rates, Latin American NIR was down 4.2%.

NIR in Europe excluding France edged up by 1% and by €1 million.

Revenue from own-funds portfolios grew by €9 million or 2% to €427million.

Administrative costs were 1.7% lower than in H1 2013. On a like-for-like basis they grew by 2%.

In France administrative costs grew by 1.1% or by €3 million.

Latin American administrative costs were 6.1% lower thanks to a favourable currency effect. Administrative costs in Brazil grew by 5.8% on a like-for-like basis and net of tax, which was below the local rate of inflation (6.5%).

In Europe excluding France, administrative costs were 8.8% or €4 million lower period-on-period, mainly as a result of a voluntary early retirement plan introduced in late 2013 in Cyprus.

EBIT grew 3.2% on first-half 2013 on the back of an 8.5% jump in French earnings that more than offset the unfavourable currency effect in Latin America (earnings down by 3.3%, but up 15.2% on a like-for-like basis) and the 4.5% drop in earnings in Europe excluding France.

Finance costs grew by €8 million to €83 million for the first six months of the year due to the bond issues of July 2013 and June 2014.

The **effective tax rate** increased by 1.4 percentage points to 37.3% due to higher taxes in France.

The 5.5% decrease in **non-controlling interests** reflects the currency effect in Latin America: on a like-for-like basis, they grew 10.4% to €178 million.

Consequently, **attributable recurring profit** was 2.3% higher than one-year previously at €542 million.

The impacts of net gains (losses) on disposal of investments, fair value adjustments to financial assets and non-recurring items appear at the bottom of the income statement.

Fair value adjustments and net gains (losses) on disposal of equities and property and impairment grew by €17 million period on period. At 30 June 2013, this caption included a €50 million write-down taken on the Group's Cypriot business and provisions for losses on various other Cypriot assets totalling €13 million.

"**Non-recurring items**" at 30 June 2013 essentially consisted of a technical adjustment to provisions.

Reported **profit** came in at €601 million, an increase of 3%. Profit was €625 million on a like-for-like basis which represents a 7.2% increase.

Consolidated balance sheet at 30 June 2014

Following application of the new consolidation standard IFRS 11, total assets amounted to €386.1 billion at 30 June 2014, compared with €365.4 billion at 31 December 2013, representing an increase of 5.6%.

Insurance and financial liabilities totalled €335.6 billion, a 4.9% increase on 31 December 2013 due to a higher balance on the deferred participation reserve (€27.1 billion at 30 June 2014, compared with €19 billion at 31 December 2013) as a result of higher amounts of fair value adjustments recognised on assets.

Excluding the change in the deferred participation reserve, insurance and financial liabilities stood at €308.5 billion which was 2.5% higher than the €301.1 billion recognised at 31 December 2013.

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 €870 million during the six months to €15,497 million. This increase reflected the combined impact of profit for the period (a positive €601 million impact), the payment of dividends in cash for 2013 (a negative €529 million impact), fair value adjustments recognised directly in equity (a positive €748 million impact) and translation adjustments (a positive €84 million impact).

Solvency capital

Solvency capital at 30 June 2014, 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 119% of the regulatory minimum, excluding unrealised gains and losses, compared to 115% as at 31 December 2013. The enhanced solvency ratio is mainly attributable to the subordinated debt issued in the first half of 2014.

The acquisition of Banco Santander Finance's insurance subsidiaries will push the Group's solvency ratio down by around 3 points.

Asset portfolio and financial management

Insurance investments at 30 June 2014 advanced by €15.2 billion to €360 billion from €344.8 billion at 31 December 2013.

Most 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 2014 represented 77.4% of total investments and financial assets at fair value through profit or loss (trading securities) represented 18.9%, while held- to-maturity investments and other investments (mainly investment property and loans) accounted for 3.7%.

RISK FACTORS

Following a risk assessment, CNP Assurances considers that the Group is not exposed to any risks other than those described on pages 138 to 149 and 294 to 307 of the 2013 Registration Document.

OUTLOOK

CNP Assurances will continue to focus on its strategic priorities, in particular by:

- developing and reorganising its partnership-based bancassurance business model;
- unlocking the potential of the high-end personal risk, term creditor insurance and life insurance markets in France and Europe;
- generally strengthening the Group's positions in Brazil and South America.