REPORT OF THE BOARD OF DIRECTORS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

Contents

SIGNIFICANT EVENTS OF THE PERIOD

First half

Renewed partnership between BPCE Group and CNP Assurances

Following their press releases dated 4 November 2014, BPCE Group and CNP Assurances announced that they had signed definitive agreements relating to the implementation of a renewed partnership as of 1 January 2016.

This renewed partnership, which is for an initial period of seven years, opens a new chapter in the relationship between BPCE Group and CNP Assurances. As of 1 January 2016, Natixis Assurances will underwrite all savings and retirement policies (life and endowment insurance) distributed by the Caisses d'Epargne networks. In parallel, the renewed partnership will include the implementation of an exclusive group term creditor insurance partnership with Natixis Assurances covering the entire BPCE Group network as well as specific partnerships in personal risk and group protection, including healthcare (see the national inter-professional agreement – *Accord National Interprofessionnel*). It will also include the introduction of a mechanism to align the interests of both partners concerning the contracts under management at CNP Assurances, and in relation to contracts purchased by Caisse d'Epargne clients up until 31 December 2015, as well as a 10%-quota share reinsurance treaty with Natixis Assurances.

Sale of stake in CNP BVP to Barclays Bank finalised

The sale of CNP Assurances' 50% stake in Spanish-based CNP Barclays Vida y Pensiones (CNP BVP) announced on 22 December 2014 was finalised on 21 April 2015 following clearance from the requisite regulatory authorities, for an amount of €457 million including a special dividend.

The transaction led to a pre-tax capital gain of €248.5 million, and a post-tax gain of €231.8 million, which was booked in first-half 2015.

Recognition for CNP Assurances' life insurance policies

CNP Assurances was once again a winner at the 38th annual "Best life insurance policy" awards ceremony sponsored by *Le Revenu* investor weekly, which crowns the best investment funds. In all, 70 policies picked up awards for their "performance, technical qualities, consistency and transparency".

This year, CNP Assurances was awarded the *Grand Prix de l'Innovation* for its Cachemire Patrimoine contract, introduced in 2014 and distributed by La Banque Postale network. This life insurance policy for high net worth clients (minimum investment: €150,000, or €75,000 if 100% under a portfolio management mandate) has competitive management fees that decrease as the amount invested rises. There is a varied range of financial instruments with numerous SICAV funds from the best management companies and, above all, 21 trackers (including some under unrestricted management), which replicate the performance of stock market indices without the high fees. Discretionary management is also offered, with the option to include several hundred active equities.

CNP Assurances was also a winner in the "Aggressive multi-instrument contracts including more than 50 funds" category, picking up the *Trophée d'Or* for the Nuances Privilège contract which has been distributed by the Caisses d'Epargne network since 2005. This put it in first place amongst insurance companies for the best overall performance over three years.

Subsequent events

No material changes have occurred in the Group's financial or commercial position since 30 June 2015.

MARKET AND BUSINESS REVIEW

Economic and financial environment

- **Central banks remain active with the launch of the ECB's QE programme**

Central banks continued to strongly influence the economy and the markets during the period. The European Central Bank (ECB) was the most active of all central banks, with the launch of its quantitative easing programme. The announcement of a bigger-than-expected €60 billion-per-month sovereign bond-buying programme over 18 months took the markets by surprise and prompted a powerful bond rally, which culminated in mid-April. The yield on 10-year German Bunds hit a low of 0.05% (0.35% for French government bonds with the same maturity). The plunge in yields drove European investors to turn to credit markets (including high-yield and subordinated debt) and to longer maturities in the search for returns. Long maturities hit unprecedented lows in mid-April, with the cost of borrowing over 30 years at 0.6% for Germany and 0.96% for France), as yield curves flattened.

The ECB's action further weakened the euro, leading central banks in Nordic countries and Switzerland to introduce negative interest rates to stem the rise in their currencies. Similarly, the fall in the euro against the dollar (down to 1.05 in April) coupled with sluggish US growth in first-quarter 2015 (down 0.2% on an annualised basis) convinced the Fed to postpone its return to a normal monetary policy. This shored up the USD bond market, allowing the yield on 10-year US Treasury bonds to temporarily fall below 2%. It also allowed central banks in emerging markets to reduce interest rates in order to address a slowdown in their domestic economies. China's central bank proved most active, lowering its benchmark rate three times and cutting the reserve requirement ratio for banks.

- **Economic climate dominated by oil price trends and inflation**

Besides central bank action, the drop in interest rates in the first quarter of 2015 was supported by the sharp fall in global inflation. The main reasons for this are excess production capacity in Asia and the collapse in commodity prices (oil and industrial metals). The spectacular drop in oil prices – from US$110 per barrel in June 2014 to US$40 in January – results from a slowdown in demand (especially from China) as well as a steep rise in production (shale gas) in the US. Headline inflation fell below 1% in the US in the three months to 31 March, and temporarily below 0% in the eurozone, Japan and the UK.

These levels, well below the 2% inflation targets, convinced central banks that firm action was needed in order to stave off the risks of deflation, and persuaded investors that interest rates would remain low for some time, or at least until April. However, this scenario gradually crumbled as oil prices rallied (from US$40 to US$65 per barrel in June) and wages and rents rose in certain countries including Germany, the US and Japan. Inflation thus moved back into positive territory more quickly than expected in Europe, with core inflation up from 0.6% to 0.9%, and also in the US (up to 1.8%).

The rebound in inflation coincided with the publication of improved first-quarter growth figures for Europe and Japan and a rally in consumption during the second quarter in the US, supporting the view that first-quarter weakness had been caused by temporary factors. Leading economic indicators for developed countries also improved sharply.

- **Sudden bond market rout in the second quarter due to the pick-up in inflation**

The combination of rising growth and inflation drove investors to review their positions. This led to a sudden, sharp correction in yields, which jumped from 0.05% to 0.90% on 10-year Bunds between mid-April and end-June, from 0.35% to 1.30% on French government bonds, and from 1.86% to 2.50% on US T-bonds. Yield curves also grew steeper, with the 10/30-year spread in Europe up from 57 bps to 100 bps. This interest rate rise wiped out gains on bond markets and led to negative performances during the first half, with European government bonds losing 1.2% (0% in the US), and European investment grade credit shedding 1.9% (0.5% in the US). Only the high-yield segment delivered a positive performance, up 1.8% in Europe and 2.5% in the US.

This correction was compounded by a stalemate in the negotiations regarding Greek debt restructuring, prompting caution from investors who moved out of high-risk assets, affected by rising volatility. Credit spreads widened in June and European equity markets gave up some of their gains.

- **Consolidation on European equity markets after a heady start to the year**

After an exceptional first quarter which saw eurozone equities gain 22% (25% for the DAX), euro indices suffered a correction, with the DAX losing 8.7%. Ultimately, eurozone stocks were the main beneficiaries in this first half, significantly outperforming other markets, as Eurostoxx gained 9%, the CAC and DAX indices 12%, the World index 3.9%, emerging equities 4.4%, and US stocks 0.9%. The only exception was Japan, which saw gains of 15%. The eurozone's performance reflects an improved economic climate (consensus growth forecasts for 2015 were raised from 1% to 1.5%), better-than-expected corporate profits (16% forecast versus 3% in the US), persistently favourable external factors (falling interest rates, weaker euro, lower oil prices), and significant flows of capital from non-resident investors.

The consolidation in June ultimately results less from a deterioration in European business fundamentals than from a more challenging global environment (situation in Greece, expected rate rise from the Fed in September), encouraging investors to reduce their risk exposure.

Regulatory and tax environment

In the first half of 2015, there were no changes in the regulatory and tax environment that were likely to materially affect CNP Assurances' business activity.

First-half 2015 business review

Consolidated premium income for the first half of 2015 came to €16.2 billion, an increase of 2.9% as reported and 2.6% like-for-like.

In **France**, premium income for the period was stable at €12.5 billion, an increase of 0.3% versus first-half 2014. Unit-linked sales continued to grow rapidly, rising by 45.5% to represent 17.8% of total savings/pensions premiums versus 11.6% in first-half 2014.

Personal risk/protection[1] premium income remained more or less stable, contracting by 1.3% despite assertive action to raise premium rates.

Life and pensions net new money (French GAAP) in France was a positive €132 million, reflecting a €1,064 million net inflow to unit-linked savings/pension contracts and a €932 million net outflow from traditional savings/pension products.

In **Latin America**, premium income was up 27.8%, or 33.0% like-for-like (based on a comparable scope of consolidation and at constant exchange rates), with all business segments contributing to the region's continued good performance.

In the **Europe excluding France** region, the period saw a further improvement in the product mix, led by 66.1% growth in unit-linked sales (based on a comparable scope of consolidation), and a 131.7% rise in personal risk/protection premiums reflecting the contribution of newly acquired CNP Santander Insurance. In all, premium income generated in Europe excluding France amounted to €2 billion, an increase of 2.0%.

[1] Personal risk, health and term creditor insurance

	Group premium income by country (IFRS)			
(in € millions) Policyholders' country of residence	**H1 2015**	**H1 2014**	% change	% change (like-for-like[1])
France	**12,462.5**	**12,421.1**	**+0.3**	**+0.3**
Brazil	1,727.9	1,355.4	+27.5	+33.0
Argentina	31.7	21.3	+49.2	+37.0
Italy[2]	1,593.6	1,684.5	-5.4	-2.7
Portugal[3]	32.7	60.1	-45.6	-20.6
Spain[4]	93.0	148.7	-37.4	-26.5
Cyprus	67.2	67.2	-0.1	-0.1
Ireland[5]	217.1	0.5	n.m.	+0.0
Other	2.0	5.2	-61.5	-61.5
Sub-total International	**3,765.2**	**3,342.8**	**+12.6**	**+11.2**
TOTAL	**16,227.7**	**15,763.9**	**+2.9**	**+2.6**

(1) Average exchange rates for Brazil:

At 30 June 2015: €1 = BRL 3.31

At 30 June 2014: €1 = BRL 3.15

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

(3) CNP BVP Portugal

(4) CNP España branch, CNP Partners(6), CNP BVP Spain

(5) CNP Santander Insurance

(6) New name for CNP Vida

	Premium income by segment (IFRS)			
(in € millions)	**H1 2015**	**H1 2014**	% change	% change (like-for-like[1])
Savings	10,937.6	11,199.5	-2.3	-1.6
Pensions	1,765.5	1,331.4	+32.6	+36.2
Personal Risk	1,112.8	1,088.1	+2.3	+3.9
Term Creditor Insurance	1,947.1	1,690.8	+15.2	+3.4
Health Insurance	285.0	287.7	-1.0	-5.0
Property & Casualty	179.8	166.3	+8.1	+12.8
TOTAL	**16,227.7**	**15,763.9**	**+2.9**	**+2.6**

(1) Average exchange rates for Brazil:

At 30 June 2015: €1 = BRL 3.31

At 30 June 2014: €1 = BRL 3.15

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 area			Own-funds portfolios	Total first-half 2015	Total first-half 2014 pro forma	*Change (%)*	*Change on a like-for-like basis (%)*
	France	Latin America	Europe excluding France					
New money	12,464	1,913	2,053		16,430	16,064	+2.3%	+2.1%
Insurance and financial outstandings					316,425	305,361	+3.6%	
Premium income	**12,462**	**1,760**	**2,006**	-	**16,228**	**15,764**	**+2.9%**	**+2.6%**
Total NIR	633	501	88		1,222	1,170	+4.4%	+6.4%
Revenue from own-funds portfolios				444	444	427	+4.0%	+3.7%
Administrative costs					(431)	(409)	+5.4%	+4.8%
EBIT					**1,235**	**1,188**	**+3.9%**	**+5.9%**
Finance costs					(95)	(83)	+14.1%	+14.1%
Share in earnings of associates					2	1	+82.2%	+91.5%
Income tax expense					(422)	(412)	+2.3%	+5.0%
Non-controlling interests					(177)	(152)	+16.2%	+21.0%
Recurring profit					**543**	**542**	**+0.4%**	**+1.4%**
Fair value adjustments and net gains (losses)					288	58	+393.0%	n/a
Non-recurring items					(216)	1	n.m.	n/a
Profit					**615**	**601**	**+2.4%**	**+3.4%**

NB: - 2014 pro forma data further to the reclassification of Brazilian social integration and contribution taxes (PIS/COFINS) from administrative costs to net insurance revenue in first-half 2015 (€28 million).
- 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 €16.2 billion (see Business Review)
- **insurance and financial outstandings**, excluding the deferred participation reserve, which rose 3.6% in first-half 2015.

Consolidated NIR came in at €1,222 million for the first six months of 2015, a 6.4% rise on the same period in 2014 on a like-for-like basis, driven by operations in Latin America (up 15.2%) and to a lesser extent in France (up 1.9%). At current Group structure and exchange rates, the increase was 4.4%.

The 1.9% growth recorded in France (an increase of €12 million on first-half 2014) was mainly attributable to the Savings and Pensions business:

- in Personal Risk/Protection, the €16 million fall in NIR reflects an increase in provisions for interest rate risk;
- in Savings and Pensions, NIR advanced by €28 million despite an increase in provisions for interest rate risk.

In Latin America, NIR growth (10.7% as reported and 15.2% like-for-like) continues to be driven by brisk business in the Brazilian Personal Risk/Protection business.

NIR for Europe excluding France was down 8.5%, hit by changes in business resulting from strategic transactions (sale of CNP BVP, acquisition of CNP Santander Insurance).

Revenue from own-funds portfolios grew by €17 million, or 4%, to €444 million.

Administrative costs were 5.4% higher than in first-half 2014. On a like-for-like basis, they grew by 4.8%.

In France, administrative costs edged up 1.8%, or €5 million.

In Latin America, they were up 14.4%, or by 13.6% on a like-for-like basis. In Brazil, administrative costs rose 13.7%, outpacing inflation (8.9%), due to sales and marketing expenditure incurred to promote the Previsul brand and reinforce the sales teams.

In Europe excluding France, administrative costs climbed 14.7%, or €7 million, particularly reflecting the growth in business for CNP Partners as well as the impact of changes in the scope of consolidation.

EBIT grew 3.9% on first-half 2014 (up 5.9% on a like-for-like basis), powered by Latin America and France.

Finance costs (€95 million) grew by €8 million owing to the June 2014 issue.

The **effective tax rate** remained virtually unchanged, at 37%.

Non-controlling interests were up 16.2%, due to an improved performance from the Group's subsidiaries and changes in the scope of consolidation.

Consequently, **attributable recurring profit** edged up 0.4% year-on-year, to €543 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 equities and property and impairment grew €230 million in the period, reflecting the net-of-tax capital gain arising on the sale of CNP BVP (€232 million).

Non-recurring items in first-half 2015 related to a €217 million increase in provisions after the tax effect (€350 million gross of the tax effect).

Reported **profit** came in at €615 million, an increase of 2.4%. Profit was €617 million on a like-for-like basis, which represents a 3.4% increase.

Consolidated balance sheet at 30 June 2015

Total assets amounted to €401.3 billion at 30 June 2015 compared with €395.4 billion at 31 December 2014, representing a 1.5% increase.

Insurance and financial liabilities totalled €349.1 billion at 30 June 2015, a 1.4% increase compared with 31 December 2014.

Equity attributable to owners of the parent, which includes €2,635 million in deeply subordinated notes reclassified in accordance with the IFRIC interpretation published in November 2006, remained fairly stable compared with 31 December 2014, at €16,688 million, with the impact of profit for first-half 2015 (€615 million) offset by the payment of a cash dividend for 2014 (€528 million) and by translation losses (€83 million).

Solvency capital

Solvency capital at 30 June 2015, calculated based on French GAAP equity in accordance with the guidelines issued by the French prudential supervision authority (*Autorité de Contrôle Prudentiel* – ACP), represented 120% of the regulatory minimum, excluding unrealised gains and losses (against 118% at 31 December 2014). The enhanced solvency ratio is attributable in particular to profit for the first half and to the sale of Group subsidiary CNP BVP.

Including unrealised capital gains, the solvency ratio stands at 398%.

Asset portfolio and financial management

Insurance investments at 30 June 2015 advanced by €5.5 billion to €372.6 billion from €367.1 billion at 31 December 2014.

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 2015 represented 77.1% of total investments and financial assets at fair value through profit or loss (trading securities) represented 19.1%, while held-to-maturity investments and other investments (mainly investment property and loans) accounted for 3.8%.

RISK FACTORS

Following a risk assessment, CNP Assurances considers that the Group is not exposed to any risks other than those described on pages 150 to 161, 269 to 281, and 314 to 323 of the 2014 Registration Document.

OUTLOOK

CNP Assurances will step up its strategic diversification, in terms of both partnerships and products, by:

- strengthening its business model with its major partners in France. It will diversify its products and services in order to deliver improved profitability going forward and will also consolidate its digital ambitions
- pursuing its growth in Europe and at the same time refocusing growth on protection businesses
- leveraging its recent acquisitions in Brazil by unlocking synergies, and looking for growth opportunities in South America.