CNP Assurances

Embedded Value Report

31/12/2008

2008 Results' Presentation

25th February 2009

Table of contents

1. Introduction

Since 1999, the financial communication of CNP group has included the publication of the Embedded Value of the portfolio of contracts and has incorporated the New Business Value. The covered business includes the set of entities that significantly affect the group's value, CNP Assurances and its French and international subsidiaries.

The resulting indicators give a present view of the future profits that the insurer can expect from his stock portfolio. A focus is performed on the new business subscribed in the current year throughout the New Business Value.

As at 31/12/2008, the published values are based on a "Market Consistent" methodology. The methodology used by Group CNP is consistent with the MCEV©[1] methodology enacted by "The European Insurance CFO Forum Market Consistent Embedded Value Principles", except for a liquidity premium that CNP Assurances has judged relevant to add to the swap yield curve in order to take into account dislocated financial markets as at 31/12/2008. Caixa Seguros valuation remains based on the traditional methodology.

The move from an EEV value to a MCEV value as at 31/12/2007 will be analyzed thoroughly in chapter 4. Throughout the document the transition tables are all presented using the new MCEV© methodology.

These valuations are methodologically reviewed and the coherence of the results is verified. The verifications lead to the certification by the Milliman firm.

The MCEV© sensitivities are integrated to the IFRS 7 Appendices.

[1] Copyright © Stichting CFO Forum Foundation 2008

2. Results

2.1 MCEV© at 31 December 2008

	MCEV 2008 before 08 dividend distribution		MCEV 2007 after 07 dividend distribution		MCEV 2007 before 07 dividend distribution		Variation before 08 dividend distribution	
	M€	€ / Share[2]	M€	€ / Share	M€	€ / Share	M€	%
ANAV – Adjusted Net Asset Value	**8 071**	**54,3**	**8 291**	**55,8**	**8 713**	**58,7**	**-220**	**-3%**
Required Capital	6 618	44,6	5 901	39,7	5 901	39,7	718	12%
Free Surplus	1 453	9,8	2 390	16,1	2 812	18,9	-937	-39%
VIF – Value of In Force	**2 369**	**15,9**	**3 779**	**25,4**	**3 779**	**25,4**	**-1 410**	**-37%**
Present Value of Future Profits	4 723	31,8	5 583	37,6	5 583	37,6	-860	-15%
Time Value of Financial Options and Guarantees	-1 012	-6,8	-422	-2,8	-422	-2,8	-590	140%
Frictional cots of required capital	-943	-6,4	-1 002	-6,7	-1 002	-6,7	58	-6%
Cost of residual non hedgeable risks	-398	-2,7	-380	-2,6	-380	-2,6	-18	5%
MCEV - Market Consistent Embedded Value	**10 440**	**70,3**	**12 070**	**81,3**	**12 492**	**84,1**	**-1 630**	**-14%**

The 2008 MCEV value of CNP Assurances is of 10 440 M€, which represents a decrease of 14% with respect to the 2007 value. This decrease is explained by a 37% reduction of the In Force value and a slight decrease of the ANAV by 3%.

The In Force value degradation can be explained by a significant increase in the time value of financial options and guarantees due to high volatilities observed in financial markets and by the reduction of the unrealized gains as at 31/12/2008.

The ANAV however had a limited decrease of 3%. 2008 operating profit partially compensates the reduction in unrealized gains on assets backing shareholder funds.

A keener analysis of the changes will be performed in the following sections. A decomposition of the In Force values by regions is displayed in Chapter 3.

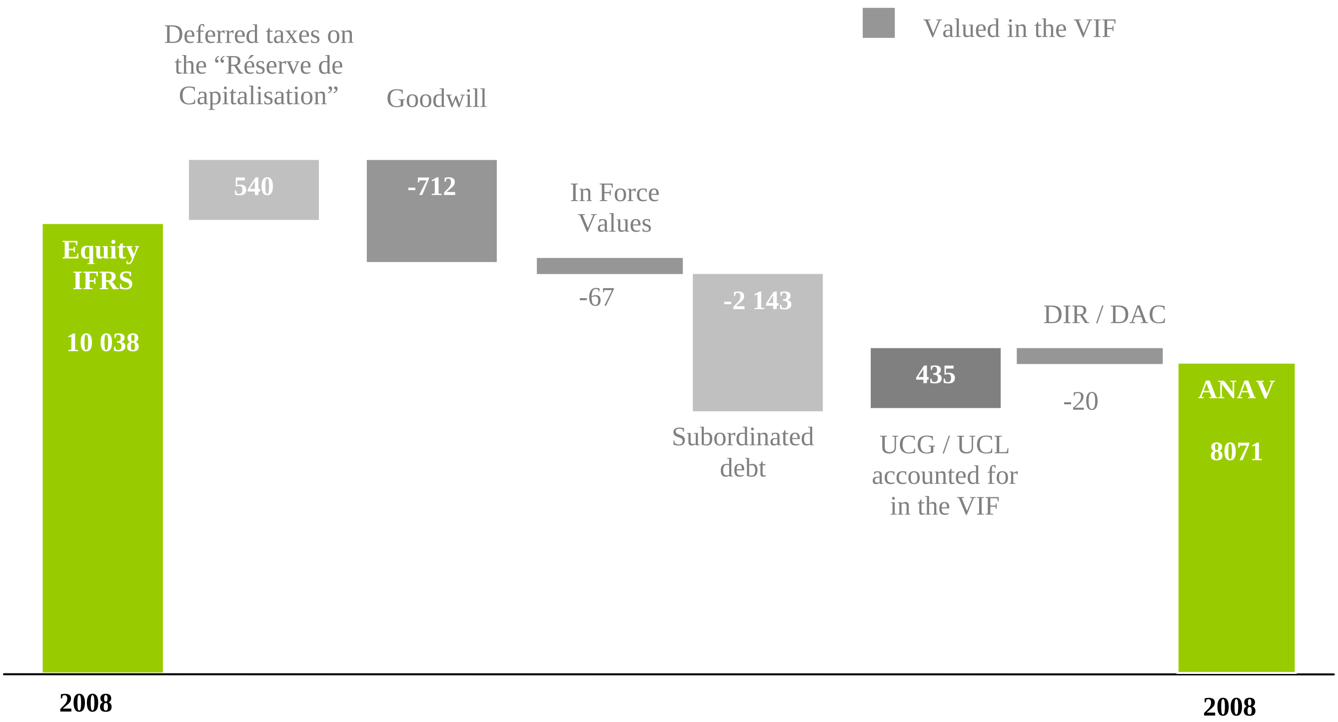
2.1.1 Adjusted Net Asset Value

The ANAV is derived from the IFRS Equity after performing the following adjustments:

- Elimination of intangible assets such as Goodwill, In Force Values and DAC;
- Deduction of the unrealized capital gains and losses already accounted for in the In Force value;
- Reintegration of the deferred tax deducted on the “Réserve de Capitalisation” in the IFRS framework;
- Deduction of the subordinated debt.

[2] Number of share : 148 537 823

The following diagram shows the reconciliation between the IFRS Equity versus the Adjusted Net Asset Value:



2.2 VNB at 31 December 2008

MCEV©	2008		2007		Variation	
	M€	€ / Share	M€	€ / Share	M€	%
Present Value of Future Profits	590	4,0	670	4,5	-80	-12%
Time Value of Financial Options and Guarantees	-86	-0,6	-50	-0,3	-36	71%
Frictional cots of required capital	-114	-0,8	-136	-0,9	22	-16%
Cost of residual non hedgeable risks	-48	-0,3	-54	-0,4	6	-11%
Value of New Business	**342**	**2,3**	**430**	**2,9**	**-88**	**-20%**
APE	2 753		3 098		-345	-11%
PVNBP	24 664		28 131		-3 467	-12%
APE Ratio	**12,4%**		**13,9%**		**-1,5%**	**-10%**
PVNBP Ratio	**1,4%**		**1,5%**		**-0,1%**	**-9%**

The 11% decrease in the APE volume reflects the sales diminution observed during 2008 in the European entities. It should be noted that the portfolio transfers in Group Pension business have not been included in VNB calculation. Development by regions is presented in section 3.2.1 of the present report.

The APE ratio decreased by 1.5 points to 12.4%. This is mainly explained by the decrease in unit linked contract sales and by financial markets movements, which have increased the time value of financial options and guarantees.

The overall impact of the decrease in both APE volume and APE ratio is a 20% reduction in the New Business Value, which leads to a 342M€ VNB as at 31/12/2008.

The following table displays a detailed analysis of VNB evolution:

MCEV©	VNB	Variation	Ratio APE
New Business 2007	**430**		**13,9%**
Change in APE volume	390	-40	13,9%
Change in product mix	338	-52	12,0%
Change in experience	377	39	13,4%
Change in financial market conditions	356	-21	12,7%
Change in tax rate	358	2	13,0%
Change in foreign exchange rate	342	-16	12,4%
New Business 2008	**342**	**-88**	**12,4%**

The impact of the APE[3] volume change over the New Business is of -40M€. Strong geographical disparities can be highlighted (Brazilian APE volume increases by 8% at constant foreign exchange rate whereas French and Italian APE volumes decrease by 10% and by 29%).

The 2008 product mix is mainly characterized by a net slackening of the unit linked contracts sales.

The change in experience data (both policy data and actuarial assumptions) preserves operating margins. In fact, we observe an increase in the duration of loans underlying Credit Life contracts associated to a rejuvenation of this portfolio, and an improvement in claim experience on the Brazilian portfolio. Moreover, expenses remain stable.

The financial markets impact is of -21M€, mostly explained by an increase in volatilities. The Italian tax rate moves from 38.25% to 32.4%, which increased the value by +2M€. The change in the Brazilian foreign exchange rate on the contrary has a negative impact of 16M€. In accordance with the CFO Forum recommendations, Brazilian values are based on the spot exchange rate as at 31/12/2008.

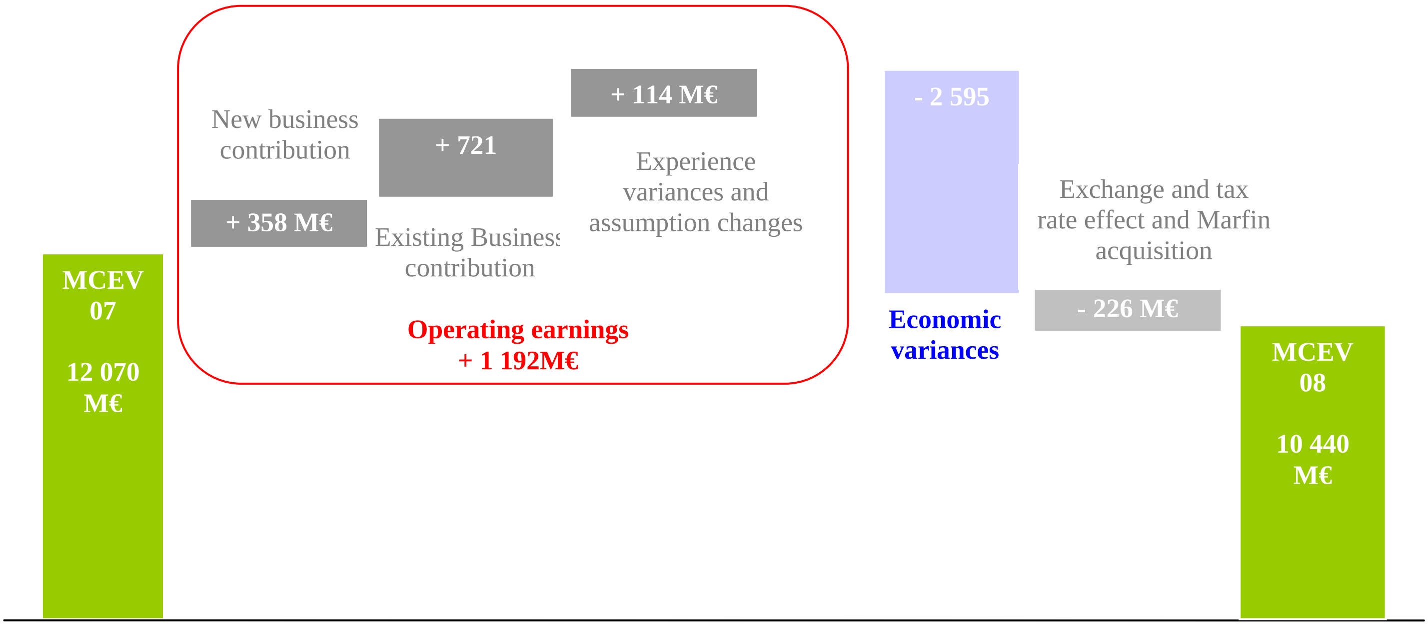
2.3 Sensitivities

The following sensitivities are performed in accordance to the CFO Forum requirements. Since 2008, the financial sensitivities are displayed in the IFRS 7 Appendices.

M€	ANAV	VIF	MCEV©	VNB
MCEV© - Market Consistent Embedded Value	**8 071**	**2 369**	**10 440**	**342**
+100bp change in the interest rate environment	-126	25	-101	-2
-100bp change in the interest rate environment	130	-184	-54	-38
10% decrease in equity capital values	-172	-182	-354	
10% proportionate decrease in lapse rates		158	158	17
10% increase in maintenance expenses		498	498	55
Required Capital over RSM[4]		87	87	10
5% proportionate decrease in base mortality/morbidity rates – longevity risk		-29	-29	-3
5% proportionate decrease in base mortality/morbidity rates – mortality and disability risk		107	107	41
25% increase in swaption volatilities		-430	-430	-32
25% increase in equity volatilities		-305	-305	-26

[3] Calculated at constant change
[4] RSM : Regulatory Solvency Margin

2.4 Analysis of Movements



The Analysis of Movements underlines the major impact of the economic environment on MCEV© change between 2007 and 2008. This economic environment impact is mainly driven by:

- a strong increase in the time value of financial options and guarantees;
- a reduction in the mathematical reserves of the unit linked contracts portfolio;
- a decrease in unrealized gains on assets backing both shareholder funds and policyholder funds.

The operating activity contribution remains by itself sturdy at + 1 192M€. This contribution is composed of:

- an amount of 358M€ due to new production[5];
- a 721M€ contract stock contribution in portfolio at 31/12/2007;
- and the amounts related to operational activity and assumptions change of 114M€

The other elements that lead to a MCEV© value of 10 440M€ correspond to the change in exchange rate for an amount of -151M€, the tax rate evolution and the Marfin society acquisition where the goodwill was valued at 99M€. At this stage, the In Force value of this society has not been taken into account.

The following table represents the analysis of movements distinguishing the Value of In Force and the Adjusted Net Asset Value. The ANAV is composed of the Required Capital and the Free Surplus. The new MCEV publication guidance has introduced these two new notions. The Required Capital corresponds to the capital that is required for the insurance activity according to each insurer's criteria. CNP Assurances has establish its capital requirement as 110% of the regulatory solvency margin requirement net of all other financial sources such as subordinated debt. The Free Surplus is the remaining capital once the Required Capital has been deducted.

[5] Calculated at constant exchange

	ANAV	Free Surplus	Required Capital	VIF	MCEV©
MCEV© 2007	**8 713**	**2 812**	**5 901**	**3 779**	**12 492**
Dividends	-422	-422	0	0	-422
Adjusted MCEV© 2007	**8 291**	**2 390**	**5 901**	**3 779**	**12 070**
New Business value	83	-757	839	275	358
Existing Business contribution	108	108	0	613	721
Transfers from VIF and Required Capital to Free Surplus	755	1 134	-378	-756	0
Experience variances	102	100	2	-110	-8
Assumption changes	0	0	0	122	122
Other operating variance	0	0	0	0	0
Operating earnings	**1 048**	**586**	**463**	**144**	**1 192**
Economic variances	-1 090	-1 362	271	-1 504	-2 595
Other non operating variance	16	16	0	8	24
Total MCEV© earnings	**-27**	**-760**	**733**	**-1 353**	**-1 379**
Closing Adjustments	-192	-177	-16	-58	-250
MCEV© 2008	**8 071**	**1 452**	**6 618**	**2 369**	**10 440**

The overall New Business value impact is an increase of +358 M€ in 2008 MCEV. This contribution includes the 2008 profit generated by new production, which is of 83M€. The increase of the Required Capital linked to this new business is of 839M€.

The existing business contribution (+721 M€) is mechanically calculated, and is the sum of the capitalizing of In Force Value over one year (+613 M€) and the projected return on Free Surplus (+108 M€). The projected profit embedded in the VIF as at 31/12/2007 is transferred to the ANAV and leads to an increase in the Free Surplus without any impact on the overall MCEV©.

Experience variances are almost neutral over the whole value and are mainly the result of the "PM Incapacité de Travail" release. This non recurring item creates a gap between actual and projected profits, which is however compensated by a decrease in the VIF.

The gap between the Required Capital actual and expected values mainly comes from the economic variances, which have lead to a reduction in the unit liked reserves and an increase of the Euro savings contracts reserves.

A detailed analysis by regions is displayed in the following section.

2.5 IDR Implied Discount Rate

The IDR, calculated on the basis of a 40bp spread in long term rates and an equity risk premium of 2% is 8,2% for CNP Group as of 31 December 2008, compared to 6,5% as of 31 December 2007, under MCEV© norms. The 1,7% increase reflects the rise of financial cost of options and guarantees.

3. Results by regions

The present chapter presents an analysis of the main indicators and evolution factors by regions.

3.1 VIF by regions at 31 December 2008

The following table presents the decomposition of the In Force value by regions:

		Group	France	Brazil	Italy
MCEV© 2007	Present Value of Future Profits	5 583	5 255	223	105
	Time Value of Financial Options and Guarantees	-422	-422	0	0
	Frictional costs of required capital	-1 002	-986	-12	-3
	Cost of residual non hedgeable risks	-380	-377	0	-2
	In Force Value	**3 779**	**3 469**	**211**	**99**
MCEV© 2008	Present Value of Future Profits	4 723	4 395	243	85
	Time Value of Financial Options and Guarantees	-1 012	-1 011	0	-2
	Frictional costs of required capital	-943	-930	-11	-2
	Cost of residual non hedgeable risks	-398	-396	0	-2
	In Force Value	**2 369**	**2 059**	**232**	**78**
Evolution	M€	**-1 410**	**-1 410**	**21**	**-21**
	%	**-37%**	**-41%**	**10%**	**-21%**

The contribution of international entities remains robust, mainly related to Brazilian's VIF that keeps growing by 10%.

3.2 VNB at 31 December 2008

3.2.1 APE Volume

	Group	France	Brazil	Italy
IFRS 2008 Gross Premium	27 728	24 979	1 522	1 228
IFRS 2007 Gross Premium	31 011	26 946	1 146	2 919
Gross Premium growth rate	-11%	-7%	33%	-58%
APE 2008	**2 753**	**2 399**	**226**	**128**
APE 2007	3 098	2 655	262	181
APE growth rate	-11%	-10%	-14%	-29%
PVNBP 2008	24 664	22 595	1 028	1 041
PVNBP 2007	28 131	25 426	1 041	1 664
PVNBP growth rate	-12%	-11%	-1%	-37%

- **France**

The APE volume decreased by 10% in a slackening market, resulting in a 2 399M€ value.

- **Brazil**

The Caixa Seguros APE decreased by 14% while the IFRS Gross Premium increased by 33%. The difference in the evolution of those two indicators is due to the foreign exchange rate used for their assessment: the mean exchange rate used for assessing the IFRS Gross Premium is of 2.75 R$ for 1€ while for the APE valuation the exchange rate used is the one observed as at 31/12/2008 (i.e. 3.26 R$ for 1€). Moreover, the Consorcio business, while not accounted for in the IFRS Gross Premium, is taken into account for the APE calculation. At constant exchange rate, the APE volume increases by

8%, mainly due to the significant development of Caixa Vida e Previdencia, which is a fully-owned subsidiary of Caixa Seguros that sells pension savings contracts.

- **Italy**

The Italian branch and subsidiary's APE volumes have dropped by 29% in a market that has shrunk by 21% (Bankinsurance sector have decreased by 39%). The crisis on the financial markets affects strongly CNP Vita's activity which is focused on unit linked contracts. The Credit Life business remains stable.

3.2.2 VNB by regions at 31 December 2008

	Group		France		Brazil		Italy	
	NB	APE Ratio	NB	APE Ratio	NB	APE Ratio	NB	APE Ratio
New Business 2007	**430**	**13,9%**	**341**	**12,9%**	**62**	**23,7%**	**26**	**14,4%**
Change in APE volume	394	14,0%	309	12,9%	67	23,7%	18	14,4%
Change in product mix	338	12,0%	253	10,5%	69	24,3%	16	12,7%
Change in experience	377	13,4%	281	11,7%	80	28,2%	16	12,8%
Change in financial markets conditions	356	12,7%	261	10,9%	80	28,4%	15	11,7%
Change in tax rate	358	13,0%	261	10,9%	80	28,4%	17	13,0%
Change in foreign exchange rate	342	12,4%	261	10,9%	64	28,4%	17	13,0%
New Business 2008	**342**	**12,4%**	**261**	**10,9%**	**64**	**28,4%**	**17**	**13,0%**
Evolution	**-88**	**-1,5%**	**-81**	**-2,0%**	**2**	**4,7%**	**-9**	**-1,4%**

- **France**

The APE volume change results in an impact of -32M€ on the VNB. The 2008 product mix resulted in a 2.4 point loss on the APE ratio. The weight of unit linked contracts in the APE volume reduced from 14% to 8% and the weight of saving contracts from 11% to 10%. This loss is partially compensated by a positive effect on Credit Life business (mainly due to an increase in the duration of the underlying loans associated to a rejuvenation of this portfolio), and the stability of expenses. The financial markets movements impact the VNB of -20M€, the volatilities rise leading to an increase in the financial options and guarantees value of 68%.

- **Brazil**

At constant exchange rate, the VNB of Caixa Seguros grows by 29% due to a 8% increase in the premium income and to a favorable product mix and experience. The progressive product range renewal leads to a rise in the technical results. Furthermore, productivity gains have been experienced due to a lesser growth in expenses than in premium income. The change in foreign exchange rate has an adverse impact on the VNB (-16M€).

- **Italy**

The VNB drops by 34% due to a decrease in the sales volume. The product mix is slightly disadvantageous. It corresponds to a complete product range renewal due to a renegotiation of agreements with Unicredit. Taking into account the tax rate reduction from 38.25% to 32.4% the value increases by 2M€.

The following table represents the decomposition of the MCEV© indicators by regions:

		Group	France	Brazil	Italy
2007	PVFP	670	574	68	28
	TVOG	-50	-50	0	0
	FCRC	-136	-129	-6	-1
	CNHR	-54	-53	0	-1
	VNB	**430**	**341**	**62**	**26**
	VNB / APE Ratio	**13,9%**	**12,9%**	**23,7%**	**14,4%**
	VNB / PVNBP Ratio	1,5%	1,3%	6,0%	1,6%
2008	PVFP	590	501	69	20
	TVOG	-86	-84	0	-2
	FCRC	-114	-109	-5	-1
	CNHR	-48	-48	0	-1
	VNB	**342**	**261**	**64**	**17**
	VNB / APE Ratio	**12,4%**	**10,9%**	**28,4%**	**13,0%**
	VNB / PVNBP Ratio	1,4%	1,2%	6,2%	1,6%

3.3 Sensitivities

3.3.1 VIF sensitivities

M€	Group	France	Brazil	Italy
VIF Value of In Force	**2 369**	**2 059**	**232**	**78**
+100bp change in the interest rate environment	25	24	-0,2	1,3
-100bp change in the interest rate environment	-184	-180	0,3	-4,4
10% decrease in equity capital values	-182	-166	0,0	-16,1
10% proportionate decrease in lapse rates	158	152	5,2	0,9
10% increase in maintenance expenses	498	491	3,1	4,1
Required Capital over RSM[6]	87	85	0,0	2,1
5% proportionate decrease in base mortality/morbidity rates – longevity risk	-29	-29	0,0	0,0
5% proportionate decrease in base mortality/morbidity rates – mortality and disability risk	107	98	6,5	1,7
25% increase in swaption volatilities	-430	-430	nd	-0,6
25% increase in equity volatilities	-305	-305	nd	-0,1

3.3.2 VNB sensitivities

M€	Group	France	Brazil	Italy
Value of New Business	**342**	**261**	**64,2**	**17**
+100bp change in the interest rate environment	-2	-1	-0,2	-0,03
-100bp change in the interest rate environment	-38	-37	0,2	-1,0
10% proportionate decrease in lapse rates	17	14	2,7	0,3
10% increase in maintenance expenses	55	51	3,0	1,1
Required Capital over RSM[7]	10	10	0,4	0,1
5% proportionate decrease in base mortality/morbidity rates – longevity risk	-3	-3	0,0	0,0
5% proportionate decrease in base mortality/morbidity rates – mortality and disability risk	41	37	3,7	0,4
25% increase in swaption volatilities	-32	-31	nd	-0,9
25% increase in equity volatilities	-26	-25	nd	-0,7

[6] RSM : Regulatory Solvency Margin
[7] RSM : Regulatory Solvency Margin

3.4 Analysis of Movements

- **France**

	ANAV	Free Surplus	Required Capital	VIF	MCEV©
MCEV© 2007	**8 174**	**2 404**	**5 770**	**3 469**	**11 643**
Dividends	-392	-392	0	0	-392
Adjusted MCEV© 2007	**7 782**	**2 012**	**5 770**	**3 469**	**11 251**
New Business value	76	-725	801	185	261
Existing Business contribution	76	76		561	636
Transfers from VIF and Required Capital to Free Surplus	675	1 035	-360	-675	0
Experience variances	89	89	0	-95	-7
Assumption changes	0	0	0	102	102
Other operating variance	0	0	0	0	0
Operating earnings	**916**	**474**	**441**	**77**	**993**
Economic variances	-1 007	-1 280	273	-1 487	-2 495
Other non operating variance	0	0	0	0	0
Total MCEV© earnings	**-92**	**-806**	**714**	**-1 410**	**-1 502**
Closing Adjustments	-99	-99	0	0	-99
MCEV© 2008	**7 591**	**1 107**	**6 484**	**2 059**	**9 650**

The New Business value increases the VIF by 185 M€. Experience variances mainly stem from the release of the “PM Incapacité de Travail” which represents 222M€ before tax. This release leads to a reduction in the In Force value and a profit increase that positively impacts the ANAV.

The assumption changes impact the VIF by +102M€. The main impact is due to economic variances, the VIF reduced by 1 487 M€ and the ANAV by 1 007 M€. The VIF reduction is mainly driven by:

- The increase in the time value of financial options and guarantees;
- The reduction in the mathematical reserves of the unit linked contracts portfolio;
- The decrease in unrealized gains on assets backing policyholder funds.

The Free Surplus is mainly impacted by a drop in unrealized gains on assets backing shareholder funds. The increase of Required Capital is due to a reduction in the unit liked reserves and an increase of the Euro savings contracts reserves.

The -99M€ item accounted for in the Free Surplus corresponds to the goodwill linked to the acquisition of the Marfin company.

- **Brazil**

	ANAV	Free Surplus	Required Capital	VIF	MCEV©
MCEV© 2007	**336**	**277**	**59**	**211**	**547**
Dividends	-23	-23		0	-23
Adjusted MCEV© 2007	**313**	**254**	**59**	**211**	**524**
New Business value	13	-14	27	67	80
Existing Business contribution	27	27	0	44	72
Transfers from VIF and Required Capital to Free Surplus	60	71	-11	-60	0
Experience variances	9	8	2	4	13
Assumption changes	0	0	0	18	18
Other operating variance	0	0	0	0	0
Operating earnings	**110**	**92**	**18**	**73**	**183**
Economic variances	4	3	1	5	9
Other non operating variance	14	14	0	0	14
Total MCEV© earnings	**128**	**109**	**19**	**78**	**206**
Closing Adjustments	-93	-78	-16	-58	-151
MCEV© 2008	**347**	**285**	**62**	**232**	**579**

The dividends paid by Caixa Seguros amount to 23M€, which leads to an adjusted MCEV© of 524M€.

The New Business value impact is an increase of 80M€ in MCEV at a constant exchange rate. This impact consists of:

- A 13M€ increase in the ANAV (-14M€ of Free Surplus and +27M€ of Required Capital);
- A 67M€ increase in the VIF

Operating assumptions changes are mainly due to actual general expenses level and actual claims experience being lesser than expected. This has lead CNP group to reassess their projection assumptions, resulting in a 18M€ increase in the VIF.

There is almost no impact due to economic variances on Caixa Seguros value: the actual return on assets backing shareholder funds compensates the drop in unrealized gains. The 14M€ amount accounted for in the item “Other non operating variance” is due to the difference between the effective tax rate and the normative rate used in VIF calculations.

The foreign exchange rate update leads to a MCEV reduction of 151 M€.

- **Italy**

	ANAV	Free Surplus	Required Capital	VIF	MCEV©
MCEV© 2007	**203**	**131**	**72**	**99**	**302**
Dividends	-7,5	-8			-8
Adjusted MCEV© 2007	**195**	**124**	**72**	**99**	**295**
New Business value	-7	-18	11	23	17
Existing Business contribution	5	5		7	13
Transfers from VIF and Required Capital to Free Surplus	20	28	-8	-21	0
Experience variances	4	4	0	-18	-14
Assumption changes	0	0	0	1	1
Other operating variance	0	0	0	0	0
Operating earnings	**22**	**20**	**3**	**-7**	**16**
Economic variances	-87	-85	-3	-22	-110
Other non operating variance	2	2	0	8	10
Total MCEV© earnings	**-63**	**-63**	**0**	**-21**	-84
Closing Adjustments	0	0	0	0	0
MCEV© 2008	**133**	**60**	**72**	**78**	**211**

The New Business value impact is an increase of 17M€ in MCEV©. This contribution is composed of two items:

- A 7M€ decrease in the ANAV (explained by acquisition fees and commissions level);
- A 23M€ increase in the VIF.

Italian portfolio MCEV© decreases by 28%. This drop is mainly due to the financial markets impact. After Lehman Brothers' default, CNP Vita set up a 90M€ net of tax reserve for Group CNP quota share, which impacts negatively the Free Surplus. The VIF also decreased by 22M€ mainly due to the fall in the unit liked mathematical reserves.

The 10M€ positive impact accounted for the "Other non operating variance" item is due to a decrease in tax rate.

4. Restatement 2007

4.1 MCEV© at 31 December 2007

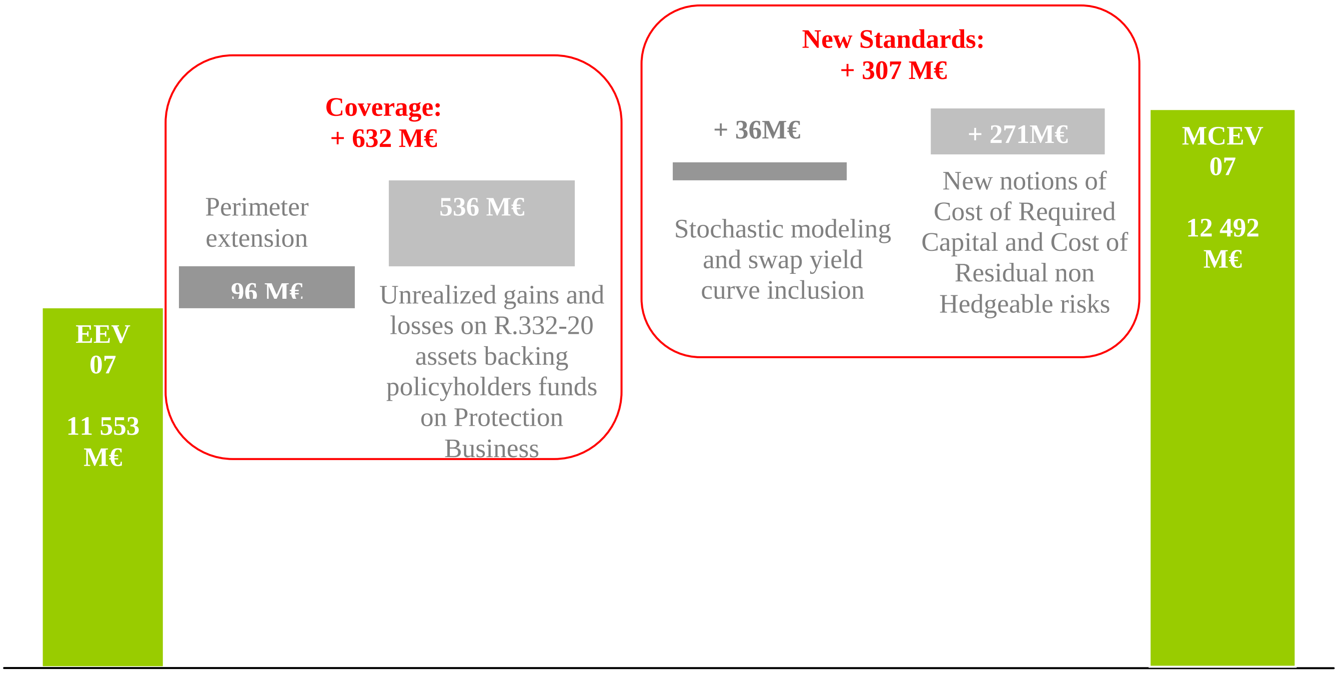
	MCEV©		EEV published		Variation
	M€	€ / Share	M€	€ / Share	M€
ANAV – Adjusted Net Asset Value (1)	**8 713**	**58,7**	**8 713**	**58,7**	
Required Capital	5 770	38,8	*NC*		
Free Surplus	2 943	19,8	*NC*		
VIF – Value of In Force	**3 779**	**25,4**	**2 840**	**19,1**	**939**
Present Value of Future Profits	5 583	37,6	4 917	33,1	**666**
Time Value of Financial Options and Guarantees	-422	-2,8	-425	-2,9	**3**
CMS & RNF	NC		-1 652	-11,1	
Frictional costs of required capital	-1 002	-6,7	NC		**271**
Cost of residual non hedgeable risks	-380	-2,6	NC		
MCEV© - Market Consistent Embedded Value	**12 492**	**84,1**	**11 553**	**77,8**	**939**

A thorough analysis of the move from EEV to MCEV© as at 31/12/2007 is displayed in section 4.3. Briefly, the restatement leads to an increase of 939 M€ over the VIF as at 31/12/2007, two thirds of which are due to the perimeter extension and one third of which is due to the move to the new CFO Forum requirements.

4.2 VNB at 31 December 2007

	New standards		Old standards		Variation
	M€	€ / Share	M€	€ / Share	M€
VNB – Value of New Business	**430**	**2,9**	**355**	**2,4**	**75**
Present Value of Future Profits	670	4,5	612	4,1	**58**
Time Value of Financial Options and Guarantees	-50	-0,3	-53	-0,4	**3**
CMS & RNF	*NC*		-205	-1,4	
Frictional cots of required capital	-136	-0,9	NC		**15**
Cost of residual non hedgeable risks	-54	-0,4	*NC*		
APE	3 098		3 098		
APE Ratio	**13,9%**		**11,5%**		**2,41%**

4.3 Movements from published EEV to MCEV©



The 2007 restatement takes into account the perimeter extension (inclusion of individual long term care products, quota share of unrealized gains and losses on R.332-20 assets backing both Individual and Group Protection Business) and in a lesser amount the inclusion of the new standards enacted by the CFO Forum.

As at 31/12/2008, applying the EEV methodology used last year would lead to figures comparable to the ones obtained with the MCEV methodology adopted this year. The positive impact due to the new approach set up to make allowance for non hedgeable residual risks is globally offset by the negative impact due to the extension of the perimeter where stochastic calculations are performed on the Group and Individual Pensions business.

4.3.1 Coverage change

The covered business has been extended, particularly in order to take into account individual long term care business.

4.3.2 Unrealized gains and losses on R.332-20 assets

Shareholders' quota-share of unrealized gains on assets backing Individual and Group Protection reserves and Credit Life reserves is included in the portfolio value, for a total amount of 536M€ after taxes.

4.3.3 Stochastic modeling of individual pension contracts, annuities and group pensions

According to the new CFO Forum principles, an allowance for the time value of all financial options and guarantees should be made on a Market Consistent basis. Time value of the minimum guaranteed rate related to Individual and Group Pension products has therefore been valued with a stochastic approach. This stochastic modeling makes this business more sensitive to financial markets conditions.

4.3.4 Inclusion of the swap rates curve

According to the new CFO Forum principles, projections are henceforth calculated with the SWAP rates curve.

The valuation methodology previously used for Euros savings contracts and Préfon portfolio as at 31/12/2007 was already Market Consistent. Therefore, the move to swap rates curve was the only change in methodology.

The risk premium previously used for the Individual and Group Protection business and Credit Life business in the EEV methodology has been removed. Henceforth, cash-flows related to this business are discounted with the swap rates curve. Moreover, shareholders' quota-share of unrealized gains on assets backing this business's reserves is taken into account.

4.3.5 Integration of Cost of Required Capital and Cost of Residual Non Hedgeable Risks

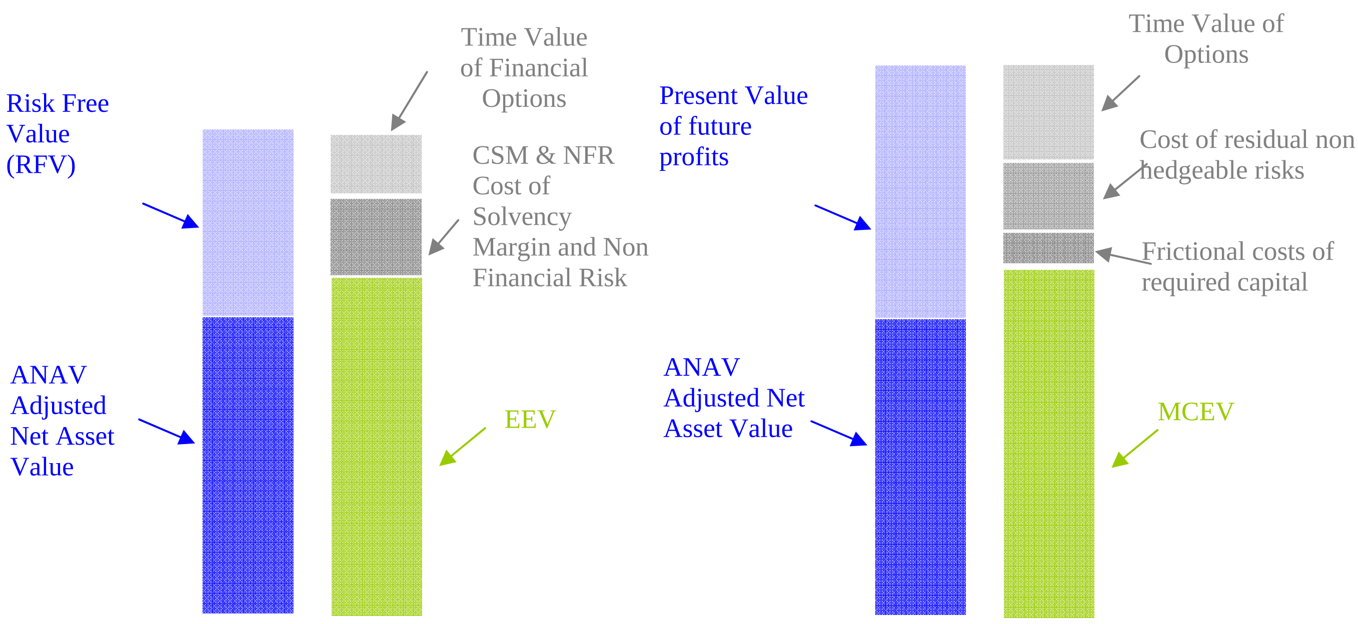
	MCEV©		EEV published		Variation
	M€	€ / Share	M€	€ / Share	M€
CMS & RNF	NC		-1 652	-11,1	
Frictional costs of required capital	-1 002	-6,7	NC		271
Cost of residual non hedgeable risks	-380	-2,6	NC		

In EEV methodology, a frictional cost was applied on 100% of the regulatory solvency margin. A cost allocated to the non financial risks was also deducted from the in force value. This cost was taken into account via the risk premium incorporated in the risk discount rate. On the total value, it was equivalent to locking 17% of the solvency margin.

The new CFO Forum principles introduce the Required Capital notion. The Required Capital is defined by CNP group as 110% of the regulatory solvency margin net of all other funding sources such as subordinated debt.

The Cost of Residual Non Hedgeable Risks is another new notion defined by the new CFO Forum principles. Section 2 of this document describes the methodology used to evaluate this cost. On the total value, it is equivalent to locking 30% of the solvency margin for corresponding contracts.

5. Methodology



The Embedded Value represents the consolidated value of shareholders' interests generated by the insurance business at the valuation date. This value does not take into account any future New Business. The methodology used by the CNP Assurance group is based on the MCEV©[8] calculation enacted by "The European Insurance CFO Forum Market Consistent Embedded Value Principles" on June 2008. This chapter displays the principles adopted by CNP Group and the main definitions over which this publication is based.

5.1 Coverage

The covered business is the total set of group entities that significantly contribute to the Group value, CNP Assurances, its subsidiaries in France and in the rest of the world:

Geographic zone	Entity	Quote-part
France	CNP Assurances	Main Entity
	CNP IAM	100%
	Préviposte	100%
	ITV	100%
	CNP International	100%
	La Banque Postale Prévoyance	50%
Italy	CNP Vita	57,5%
	CNP Assurances Italian branch	100%
Brazil	Caixa Seguros	51,75%

The other entities have been valued at their net accounting asset value according to IFRS framework. This is the case for Global and Global Vida, CNP Vida, CNP Seguros de Vida, Fongépar andFilassistance.

[8] Copyright © Stichting CFO Forum Foundation 2008

The CNP Assurances group activity is mainly focused on Life Insurance:

- Individual Euros and unit linked products
- Individual Pensions
- Individual and Group Protection
- Group Pensions
- Credit Life

All the calculations performed are net of reinsurance and external coinsurance.

5.2 Adjusted Net Asset Value

The Adjusted Net Asset Value, "ANAV", corresponds to the market value of any assets backing shareholders funds after deduction of intangible assets, subordinate debt and any other element accounted for in the In Force value.

From an analytical perspective, the ANAV is established at valuation date at a consolidated level and is split between Required Capital and Free Surplus.

5.2.1 Required Capital

The Required Capital is the market value of assets, attributed to the covered business over and above that required to back liabilities for covered business, whose distribution to shareholders is restricted.

The Required Capital is the level of capital a company defines to reach a targeted credit rating or to comply with its internal risk assessment. The capital level set by the CNP Assurances group to manage their risk corresponds to 110% of the regulatory solvency margin requirement net of all other sources of funding such as subordinated debt. Subordinated debt covers 40% of the margin requirement as at 31/12/07 and as at 31/12/2008 in Embedded Value calculations.

5.2.2 Free Surplus

The Free Surplus is the market value of any assets allocated to, but not required to support, the in-force covered business at the valuation date.

5.3 Value of In Force

5.3.1 PVFP Present Value of Future Profits

The PVFP corresponds to the present value of future profits net of tax generated by the in-force covered business at the valuation date. This value is calculated using a Market Consistent methodology except for Caixa Seguros where the traditional methodology is maintained. According to this MCEV© methodology, no risk premium is included in the projected returns and in the discount rates. The reference discount curve is the SWAP yield curve.

This value reflects the intrinsic value of financial options and guarantees on in-force covered business but does not include the time value of these financial options and guarantees.

5.3.2 Frictional Cost of Required Capital

Frictional costs of Required Capital reflect the taxation and investment costs on assets backing Required Capital.

5.3.3 Time value of financial options and guarantees

CNP Assurances uses a market consistent approach for the financial options and guarantees that could impact the shareholder cash flows.
Main financial options and guarantees within the in-force covered business value are the following:

- Minimum Guaranteed Rate
- Profit sharing
- Guaranteed annuity option
- Guaranteed minimum death denefit within unit linked contracts
- Guaranteed surrender value

The time value of financial options and guarantees (TVOG) is due to the asymmetric sharing between shareholders and policyholders according to the different movements of financial markets. In a rough manner, a financial loss is mainly supported by the shareholders while the financial profits are shared according to the regulation or/and to the terms of policy contracts. The stochastic calculations allow, in a base of multiple simulations, to go through the set of possible movements of the financial market and so to capture the costs related to adverse market movements.

The evaluation is then supported on a stochastic model based in a risk-neutral approach. This approach consists in defining the price of an asset as the expected value of future flows discounted at a risk-free instantaneous rate. The stochastic economic generator of the CNP group allows to have a set of 1000 scenarios with the same probability of occurrence with the following items:

- Equity index evolution
- Equity dividend rate
- Inflation
- Real rate curve with integer maturities from 1 to 30 years
- Nominal rate curve with integer maturities from 1 to 30 years.

The interest rate curve follows a Heath, Jarrow and Merton (HJM) model with two factors. The equity index is modeled with a geometric Brownian motion with a drift equal to the instant risk free rate obtained from the HJM model. The calibration techniques used by CNP are described in this report “Assumptions”.

The CNP group has also introduced into its model a specific situation lapse component. This component takes into account the policyholders propensity to surrender their contracts when their return is deteriorated with respect to the market reference.

Taking in consideration the economic and financial Brazilian context, the CNP group has kept a traditional methodology for the valuation of Caixa Seguros. This decision is motivated by the difficulty to establish stable enough parameters to value in accordance to CFO Forum. The Caixa Seguros activity is mainly focused in the insurance risk coverage, the financial options are therefore marginal considered with the group's scale.

5.3.3 Cost of residual non hedgeable risks

In accordance to the 6th and 9th principles of the embedded value publication guidelines, a cost must be allocated for the non hedgeable financial and non financial risks. This cost results from:

- taking into account the risks that are not considered in the Present Value of Future Profits or in the Time Value of Options and Guarantees
- asymmetries in the impact of some non hedgeable risks
- from the uncertainty that comes from establishing "best estimates" assumptions in non hedgeable risks

In order to evaluate the residual non hedgeable risks CNP Assurances uses a capital cost approach. The allocated capital for these risks is consistent with a 99.5% confidence level over a one year time horizon (i.e a level of capital allowing to cover a potential loss generated by those risks 99.5% with a 99.5% confidence level).

  - Risks not modelled in the time value of financial options and guarantees and the present value of future profit

The inventory of risks not evaluated in the other paragraphs is the following:

- Default risk,
- Concentration risk,
- Operational risk,
- and Catastrophe risk

  - Asymmetric risks

The asymmetric sharing of profits and risks between the shareholders and the policyholders for each possible evolution of the non financial parameters produces a cost that is worth taking into account in the portfolio valuation. The asymmetrical impact between the mortality/longevity/morbidity risk comes from contracts in which the profit sharing contains an element based on the technical result.

  - Uncertainty

The embedded value calculations rely on a set of assumptions called "best estimate": claim risk, lapse risk and expense risk. An additional cost due to the uncertainty of these values is added to the whole value.

5.4 Value of New Business

5.4.1 New Business definition

Projections made to evaluate one year of new production are based on the profile of the business subscribed during the year 2008 with the premium volume obtained from the 2008 production.

- Individual Pension Savings in Euros and Unit Linked:

New business is defined as the business generated from the sale of new contracts and in some cases increases to existing contracts during the reported period. Without an assumption of premium recurrence over the periodic premiums, the later payments are considered as unique premiums.

- Individual Risk:

The new production is only constituted of new contracts. The future periodic premiums over the existing contracts are evaluated with the stock value.

- Group Pensions :

The new production of L441 contracts is composed of new contracts and extensions of existing contracts. The future periodic premiums over existing contract are evaluated with the stock value.

- Group Risk :

The future premiums over existing contracts not being evaluated on stock contracts, the premium income of new production for the group workers' compensation products correspond to the renewal of premiums of existing contracts.

- Savings insurance:

The new production is only constituted of new contracts. The future periodic premiums over the existing contracts are evaluated with the stock value.

5.4.2 Methodology

The approach used to evaluate the New Business is identical to the one used for the evaluation of the In Force. The value of New Business is defined as the present value of projected results of policies subscribed during the year after deduction of frictional costs of required capital, of the time value of financial options and guarantees and of the cost of residual non hedgeable risks.

The new business value is based on the cash-flow projection taken into account from the subscription date. The economical assumptions are based on the market conditions existing on the 31/12/2008.

In accordance to the "stand alone" methodology used by CNP Assurances, no unrealized gain is allocated to the New Business. The new Business premiums are invested in the new assets available at the evaluation date following the acquisition strategy recorded during the year. Therefore there is no sharing unrealized gains and losses between the In Force and the New Business.

5.4.3 APE Annual Premium Equivalent

The APE is a volume indicator. It corresponds to a tenth of the sum of unique premiums and free payments subscribed during the year and of the periodic annualized premiums subscribed during the year. In opposition to the IFRS premium income, the APE produced by the new business is defined over the base of the group net collect net of coinsurance and reinsurance. As well, the foreign exchange rate used is the 31/12/2008 rate and not the mean rate applied for the IFRS premium income.

5.5 Sensitivities

The published sensitivities correspond to the sensitivities required by the CFO Forum Guidelines:

- 100 bp change in the yield curve:

This sensitivity corresponds to a 100 bp parallel shift in the swap yield curve. This shift is taken upwards and downward. This produces

  - a revaluation of the market value of bonds
  - the adjustment of the investment rate for all asset classes of 100 bp
  - an actualization of the discount curve

The impact over the initial mathematical reserve on unit link contracts is not evaluated.

- 10% decrease in the equity value :

This sensitivity allows to evaluate the impact over the firm's value of a sudden 10% drop on the equity and real estate indexes. This drop leads to a 10% decrease of the equities and real estate market value, a reduction of the mathematical reserves for the part invested in equities.

- 10% surrender change:

The surrender rates are reduced in 10%, partial surrenders and dynamic surrenders included.

- 10% expenses change:

This sensibility is used to evaluate the impact of the 10% decrease in the set of expenses, acquisition expenses and managing expenses.

- 5% change in loss ratios:

This sensitivity measures the impact of a reduction of 5% in the loss ratio: incidence rate, the loss ratio, the disability entrance rates as well as the mortality tables. The longevity risks and the mortality/disability risks are measured separately.

- 25% increase in Rates volatility / 25% increase in Equities volatility

This sensitivity measures the impact over the time value of financial options and guarantees of a 25% increase of the rates and equities volatilities.

- Required Capital

This sensitivity consists in defining the required capital as regulatory solvability margin by considering stable most of the subordinate titles and to measure the impact of this assumption change on the whole value.

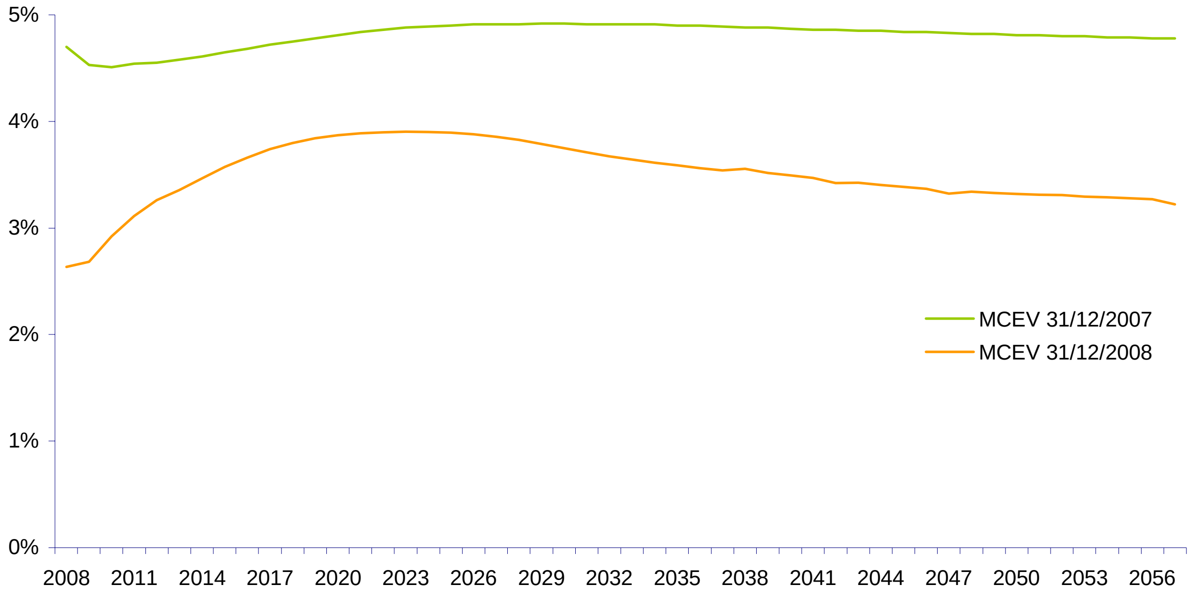
6. Assumptions

6.1 Financial Assumptions

The embedded value calculations are done using the market conditions as at 31/12/2008.

6.1.1 Reference Curve

According to the CFO Forum recommendations, the values used to estimate the interest rate curve are taken from the swap curve as provided by Bloomberg at 31/12/2008.



Taking into account the atypical evaluation of the corporate bonds due to the liquidity crisis, CNP Assurances has included in the swap yield curve a liquidity premium.

The methodology used consists of not modifying the market value of bonds, but to include in the simulated interest rate during the stochastic and determinist calculation of the portfolio estimation value a "liquidity premium" observed in the market.

The liquidity premium is estimated by comparing two indicators of the risk remuneration of the issuers default:

- A spread indicator observed in the bond market – IBOXX € Corporate 5-7 years - : this indicator is supposed to include the liquidity premium
- And an indicator based on the premium of CDS – ITRAXX Europe 5 years -: on the contrary this indicator is supposed not to be affected by the liquidity crisis.

The acquired amount is then pondered by the part each corporate bond has on the company's portfolio to obtain an estimator of the liquidity premium that will be added to the general level of the interest rate used in the calculation of the MCEV©.

6.1.2 Interest rate model calibration

The volatility parameter used in the HJM model is based on the implicit interest rate volatility. The implicit volatility structure is deduced from the swaption prices with maturities from 1 to 30 years as at 31/12/2007.

In accordance to the G15.3 principle, at 31/12/2008 CNP Assurances has calculated for the volatility level the mean value over the 1 year implicit volatilities, taking into account that the market showed from October exceptional features.

20 year maturity Swaptions	1 year	5 years	10 years	15 years	20 years
MCEV© 31/12/2007	11,85%	11,15%	10,65%	10,20%	9,80%
MCEV© 31/12/2008	16,96%	13,89%	13,33%	13,42%	13,46%

6.1.3 Equity calibration

A different level of volatility for projection horizons from 1 to 30 years has been used. This set of parameters is based on implicit volatility observed on Calls upon the CAC40 index as of 31/12/2007.

In accordance to the G15.3 principle, at 31/12/2008 the volatility level is calculated based on the mean value over the 1 year implicit volatilities, taking into account that the market showed from October exceptional features.

Maturity	1 year	5years	10 years	15 years	20 years
MCEV© 31/12/2007	21,40%	25,19%	27,01%	28,67%	28,62%
MCEV© 31/12/2008	27,08%	27,83%	29,60%	30,36%	30,17%

The correlation coefficient between the interest rate random source and the equity random source was taken to be 14.5%, on the base of the historic analysis of these two factors and based on the entire market practices.

6.1.4 Financial Assumptions in Brazil

		2008	2009	2010	2011	2012	2013	After 2014
MCEV© 07	Discount rate	16,3%	14,7%	13,1%	11,5%	11,3%	11,3%	11,3%
	Asset return	10,8%	10,0%	9,2%	8,4%	8,0%	8,0%	8,0%
	Inflation	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%
	Risk premium	9,8%	8,7%	7,6%	6,5%	6,5%	6,5%	6,5%
MCEV© 08	Discount rate	17,0%	16,9%	15,3%	13,3%	12,1%	11,8%	11,3%
	Asset return	12,0%	13,6%	12,9%	11,3%	9,4%	8,8%	8,0%
	Inflation	6,4%	5,0%	4,5%	4,5%	4,5%	4,5%	4,5%
	Risk premium	9,8%	8,7%	7,6%	6,5%	6,5%	6,5%	6,5%

The foreign exchange rate €/real passes from 2,6075 to 3,2590 as at 31/12/2008.

6.2 Tax rate

The tax rate used in for the embedded value is the one prescribed by the local authorities for the corresponding time period in each county where CNP Assurance is established. The rates used were:

Maturity	France	Italy	Brazil
MCEV© 31/12/2007	34,43%	38,25%	40%
MCEV© 31/12/2008	34,43%	32,4%	40% (1)

(1) Except for Caixa Consorcio where the tax rate was kept at 34%.

The tax credits observed by CNP France which allow to reduce the regulatory rate are evaluated elsewhere.

6.3 Capital allocation cost for non hedgeable residual risks

The rate applied for the capital of non modeled risk and asymmetries risks was of 5%. This is based on the study of returns offered during the last issue of mortality cat bonds. The allocated capital for the assumptions uncertainty had a frictional cost.

The mean of the capital applied rates was of 3,05% at 31/12/2007 and of 3,1% at 31/12/2008.

6.4 Non economical assumptions

6.4.1 General fees evaluation

CNP Assurances produces at each evaluation date an expenses analysis by source: acquisition, managing, loss, allocation costs and other technical and non technical charges. The expenses were also analyzed broken down by society and product type. An amount of 11,4M€ has been deducted as exceptional expenses, observed in the 31/12/2008 accounting.

Even more, an inflation rate of 2% was applied to the unitary expenses. This rate is in accordance to the anticipations of Economic & Financial Affairs European Commission. This commission estimated a 2% inflation in 2009 once it had considered the middle-year inflation rise in the euro zone.

No productivity gain is evaluated in exception to CNP Vita for which projects are based on an assumption of 4% expenses decrease in absolute value each year up to 2012, followed by a value growth pickup at the inflation pace. The business plan from which is derived this assumption has been approved and validated by the subsidiary’s administration council. The effect on the VIF is of 15M€ and on the VNB of 3M€.

6.4.2 Actuarial assumptions

The non economical assumptions, experience mortality and morbidity, lapse distributions and claim assumptions are determined by each entity on the base of their best estimation at the valuation date. They derive from the past and present experience analysis as observed on each of the evaluated portfolios.

7. Milliman's Opinion

Milliman, independent actuarial firm, has reviewed the Embedded Value figures of CNP Group as at 31 December 2008. In the course of our work, we have reviewed the methodology, the assumptions used and the calculations performed internally by the company according to the directives and under the management responsibility. Our review has covered the Embedded Value as of December 31, 2008, the 2008 New Business Value, the analysis of movements and the sensitivities.

Milliman has concluded that the methodology and the assumptions used comply with the "European Insurance CFO Forum Market Consistent Embedded Value Principles" and that the calculations have been made in conformity with this methodology with the exception of the reference rate used which is in excess of the swap rate by 70bp on a uniform basis to allow for the current dislocated market conditions in term of liquidity (liquidity premium).
As well, as it is prescribed in the guidelines for atypical market situations, the market equity and interest rate volatilities considered for the calculations are the one year average volatilities observed in the 2008 year.
Sensitivities have been calculated for all these parameters.

Moreover, the information disclosed in "CNP Assurances – Embedded value report 31/12/2008" complies with the current CFO Forum European Embedded Value principles. CNP Group will comply with the disclosure requirements as defined in the CFO Forum Market Consistent Embedded Value principles (principle n° 17) for the next yearly disclosure.

The calculations performed for the Brazilian subsidiary (Caixa Seguros) have been carried out according to a Traditional Embedded Value approach which allows for the risks through the use of a risk premium.

In arriving at these conclusions, we have relied on data and information provided by CNP Group without undertaking an exhaustive review of them. We have performed limited high-level checks and reconciliations as well as more detailed analysis on some specific portfolios. We have confirmed that any issues discovered do not have a material impact at the group level.

The calculation of Embedded Values necessarily relies on numerous assumptions with respect to economic conditions, operating conditions, policyholders' behaviour, taxes and other matters, many of which are beyond the Company's control. Although the assumptions used represent estimates which CNP Group and Milliman believe are altogether reasonable, actual future experience may vary from that assumed in the calculation of the Embedded Value results.