

CNP Assurances

2008 Interim Results Presentation

27 August 2008

Questions and Answers

From the floor

You spoke about the need to maintain your guidance figures at their current level. How long would you have to see negative impacts in France before you review the guidance?

Gilles BENOIST

New flows in savings are at acceptable levels, around 4%, and the redemption rate at CNP has not increased compared to the rate seen in other areas. Consequently, the evolution of net new money collected has been stable. However, if we were threatened with increased redemption rates in the long term the current 10% rate of profits would be unsustainable. However, we do not expect a special increase in profit rates.

At the same time, someone asked me during our delivery of this presentation to the French investors how many times we could use our reserves in offsetting as we have done this year. This is a question that we cannot answer unequivocally. This year we used a reserve that our accountants advised us to take them back while supporting our current business model. However, I still feel that after the crisis the need for long-term savings in the French market will return, especially as without these products there is no way for French citizens to plan for retirement.

From the floor

In terms of strategy, you outlined initiatives relating to withdrawals. Do you have a timescale for when that will lead to tangible revenue increases? Are there other such initiatives on the way, as you seemed to suggest? Additionally, do you have any plans for future M&A activity?

Gilles BENOIST

We will have to adapt our strategy in relation to our two main networks, taking into account the struggles with French banks on the Livret A. We have dedicated teams discussing these issues, and we think that the idea of giving better returns on bonds to our customers in general is not particularly helpful. Instead, we should use the money to fund very specialised transfers with our favoured networks. We should focus on these transfers, because our strategy focuses on not missing the opportunity to take advantage when the markets improve.

In terms of M&A, since everyone now feels they understand Basel II we have been overwhelmed with potential opportunities. However, we also feel that the potential of certain markets such as Spain has been overstated. We are looking at opportunities in the Mediterranean and Latin America, but we will not get involved unless there are clear demonstrations of the potential for the

kind of success we have seen with Caixa Seguros. In that case we would be prepared to pay more than a traditional valuation.

Additionally, we have accepted the possibility of forming consortia to pursue global opportunities. Recently two in which we were involved, including one for a business in Turkey, dissolved when our partners pulled out. However, we will continue to be open to the possibility in future

From the floor

On the ABS portfolio, I am curious to know what kind of securities had taken negative hits.

Chief Investment Officer

You have the relevant figures. The total amount of ABS we are holding is €5.4 billion, and €2.5 billion are in CDOs and CLOs, and slightly more than €1 billion in RMBS and a little less than 1 billion in credit cards. The CDOs are mainly invested in corporate bonds and not ABS, which is crucial in the current market. The RMBS are mainly French because we have no exposure to RMBS from the US, and the risk in the French RMBS has been very slight. In terms of the Credit Cards, they are all still AAA rated, and the market value is very close to par.

From the floor

You were talking about the policy-holder participation fund. How much was it worth at year end, how much is it worth now and what were the transfer numbers? You speak about its fluctuations, and we would like to see some numbers.

Antoine LISSOWSKI

It is 1.4% of the technical reserves, and in the slideshow you can see the ratio of the reserves to the balance sheet.

From the floor

What was the transfer?

Antoine LISSOWSKI

There was no transfer. The transfer was between two sorts of policy-holder liabilities, not in the surpluses made for payment of the customers. The key issues were around two sorts of commercial liabilities, not the revenues attributable to customers.

From the floor

On the subject of the reserve reversal, can you give us an idea whether we have reached the end of your reserve allowance? Do you have something else if you need to offset again?

Antoine LISSOWSKI

When I was asked this by our audit committee, I said that we could repeat the offsetting, but we could not do it many more times. That would not be commercially sound, because it would be a sign of us trying to paper over the cracks in our business model. Our feeling is that the financial crisis has clear impacts on our income, linked to the recent fall in equities. In 2008, the crisis has reached the equity market, and we posted important adjustments in the value of equities. The amount of assets detained in ABS is 5 billion. That means that the crisis in ABS was the 2007 crisis, and it has had limited effect. The equity crisis has taken effect in 2008, and we have taken our opportunity to offset the effect of this crisis on shareholders. We could do it again if there was a further small decrease in the market at the end of the year. If it was a major decrease, we could not justify using our reserves again, because it is not in our interests to shore up a failing business model.

From the floor

Can we get clarity on your targets? You say that CNP expects double-digit growth in attributable recurring profit. Can you tell me whether that includes realised gains?

Antoine LISSOWSKI

If you look at our figures, you can see we have maintained our guidance of 10% for this year.

From the floor

I noticed that when you formulated this target for the first time, you included the word 'power'. Did you consciously change the word here, and not specify the change.

Antoine LISSOWSKI

There was no message implied by that change.

From the floor

If you are increasing risk products, will we see a hit due to the recession? People will claim on their insurance policies more during recessions, so how big a risk is that for CNP?

Antoine LISSOWSKI

I am not sure I share your opinion in that case. People tend to focus their investments on maintaining themselves during a time of recession.

From the floor

But personal claims will increase during that time.

Antoine LISSOWSKI

We have found that there is no direct link between claims and recession in our business.

From the Floor

Are there any plans to improve the business mix?

Antoine LISSOWSKI

We have no plans to reconsider the current business plan and change direction. We are very happy to have diversified in risks, mainly in foreign countries, and given the French market an opportunity to grow. However, we have no current plans to change the business plan. When we spoke with the Board recently, we acknowledged that the market has modified since the creation of this current business plan, but we also said now was not the time to modify the business mix, and modify it more than projected in the business plan.

At the end of 2008, we will think about the next five-year business plan, and either forecast that the time period will be the same as the previous five years, or different. The evolutions in premiums and mathematical reserves should entail modifications in the next business plan.

From the Floor

What is the exact nature of additions to reserves? Do you have complete freedom to modify it?

Antoine LISSOWSKI

Last year we posted operational results to reduce the amount of reserve by €200m, by constituting general provision. Essentially, that is shadow capital in the reserve. The reserve is not governed by any regulation; it is purely used to manage the evolution of the company's income.

From the Floor

Looking at the insurance and financial liabilities recurrence analysis, the percentage of benefits to premiums has increased over the three time periods shown. Could you explain that?

Antoine LISSOWSKI

Fourgous transfers reduce one side and increase the other. That is the main explanation of those evolutions. Without it, we have a very stable level of premiums.

From the Floor

Therefore, would you say that the investment margin stayed stable?

Antoine LISSOWSKI

Yes.

From the Floor

Could you explain why the dynamics of the reserve split and the split in insurance revenues are different?

Antoine LISSOWSKI

In risk business you have high concentration of risk but low concentration of capital. You do not need much more capital than is sufficient to manage the turnover of premiums. Traditional French insurers will say that in France the insurance business changed in the 1980s. Before that time, the risk model was purely an insurance one, but then there was a dramatic increase in banking insurance. That evolution introduced business models that resembled asset management to insurance companies. The two models to make margins are quite different.

From the Floor

Can you explain why the cost of guarantees has gone up in France?

Olivier Pekmezian

There are three factors: the economic conditions, which are very bad this year; volatility in the stock market has increased; and interest rates have increased. Risk therefore has increased for the company because claims could increase. The decreasing stock market has impact on company in unrealised gains. That increases risk for the company, and all risks are summarised in the options of the company.