PROSPECTUS DATED 14 NOVEMBER 2006

LA MONDIALE

€200,000,000 Undated Deeply Subordinated Fixed to Floating Rate Notes

Issue Price: 100.00%

The €200,000,000 Undated Deeply Subordinated fixed to floating rate Notes (the **Notes**) of La Mondiale (the **Issuer**) will be issued outside the French Republic on 15 November 2006 (the **Issue Date**).

The principal and interest of the Notes constitute (subject to certain limitations described in "Terms and Conditions of the Notes – Status of the Notes and Rights of Noteholders in the event of liquidation") direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and will rank (i) *pari passu* among themselves, (ii) *pari passu* with all other present and future Parity Securities but (iii) shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations and Unsubordinated Obligations, as further described in "Terms and Conditions of the Notes – Status of the Notes and Rights of Noteholders in the event of liquidation".

Each Note will bear interest on its Current Principal Amount (i) at a fixed rate of 5.11% per annum from, and including, the Issue Date to, but excluding, 15 November 2016 (the **First Call Date**) (the **Fixed Rate Period**), payable annually in arrear on 15 November of each year commencing on 15 November 2007 and (ii) thereafter (the **Floating Rate Period**), at a floating rate per annum equal to the European inter-bank offered rate for three (3) month euro deposits (**Euribor**) plus a margin of 2.13% per annum, payable quarterly in arrear on or about 15 November, 15 February, 15 May and 15 August, commencing on 15 February 2017, all as set out in "Terms and Conditions of the Notes – Interest".

Provided the mandatory interest provisions do not apply, payment of interest on the Notes may be deferred at the option of the Issuer, as set out in "Terms and Conditions of the Notes – Interest – Interest Deferral". Any deferred interest may be settled, at the option of the Issuer, and in certain circumstances must be settled, up to certain limits, through the use of the Payment-in-Kind mechanism (PIK). Any remaining deferred interest not so settled will be forfeited. Furthermore, in certain circumstances, the Issuer will be required not to pay interest on the Notes, which interest will then be lost and will therefore no longer be due and payable by the Issuer, all as more fully described in "Terms and Conditions of the Notes – Interest – Interest Deferral". In addition, the Issuer shall be required, in certain circumstances, to reduce the Current Principal Amount of the Notes. The amount of any such reduction of principal may in certain circumstances be reinstated, as more fully described in "Terms and Conditions of the Notes – Loss Absorption and Return to Financial Health".

The Notes will be undated obligations in respect of which there is no final maturity. The Issuer may, at its option, redeem the Notes in whole or in part on the Interest Payment Date falling on 15 November 2016 or on any subsequent Interest Payment Date, as further described in "Terms and Conditions of the Notes – Redemption and Purchase – Call from the First Call Date". In addition, the Issuer may, at its option, redeem the Notes in whole or in part upon the occurrence of certain events, as further described in "Terms and Conditions of the Notes – Redemption and Purchase – Call before or after the First Call Date", " – Mandatory Redemption" and " – Redemption for Taxation Reasons".

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the **CSSF**), which is the competent authority in Luxembourg for the purpose of Directive n°2003/71/EC (the **Prospectus Directive**) and the Luxembourg law on prospectuses for securities dated 10 July 2005, for the purpose of approving this Prospectus. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the official list and traded on the Regulated Market (regulated by Directive 2004/39/EC) of the Luxembourg Stock Exchange.

The Notes will be issued in dematerialised bearer form (*au porteur*) in the denomination of €50,000 each. Title to the Notes will be evidenced in accordance with Article L. 211-4 of the French *Code monétaire et financier* by book-entries (*inscription en compte*) in the books of Account Holders. No physical document of title (including *certificats représentatifs* pursuant to Article R. 211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes. The Notes will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Notes – Form, Denomination and Title") including Euroclear Bank SA/N.V. (**Euroclear**) and the depositary bank for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). The Notes have been accepted for clearance through Euroclear France, Euroclear and Clearstream, Luxembourg.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the **Securities Act**) and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

The Notes have been assigned a rating of A- by Standard & Poor's Ratings Services and A- by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

This Prospectus has not been submitted to the approval of the *Autorité des marchés financiers* in France.

An investment in the Notes involves certain risks. Potential investors should review all the information contained or incorporated by reference in this document and, in particular, the information set out in the section entitled "Risk Factors" before making a decision to invest in the Notes.

Sole Structuring Adviser, Sole Bookrunner and Joint Lead Manager

BNP PARIBAS

Joint Lead Manager

CALYON CORPORATE AND INVESTMENT BANK

This prospectus constitutes a prospectus (the ***Prospectus****) for the purposes of Article 5.3 of the Prospectus Directive and the Luxembourg law on prospectuses for securities dated 10 July 2005 implementing the Prospectus Directive in Luxembourg.*

The Issuer, having taken all reasonable care to ensure that such is the case, confirms that the information contained or incorporated by reference in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

Certain information contained in this Prospectus and/or documents incorporated herein by reference has been extracted from sources specified in the sections where such information appears. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the above sources, no facts have been omitted which would render the information reproduced inaccurate or misleading. The Issuer has also identified the source(s) of such information.

References herein to the ***Issuer*** *are to La Mondiale. References to the* ***Group*** *are to the Issuer, together with its consolidated subsidiaries.*

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see the section entitled "Documents Incorporated by Reference"). This Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus.

The Joint Lead Managers (as defined in the section entitled "Subscription and Sale") have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the issue and sale of the Notes. The Joint Lead Managers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the issue and sale of the Notes.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and the Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issue and sale of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to its attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to subscribe for or to purchase any Notes.

Neither this Prospectus nor any other information supplied in connection with the issue and sale of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issue and sale of the Notes *should purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the issue and sale of the Notes constitutes an offer or invitation by, or on behalf of, the Issuer or the Joint Lead Managers to any person to subscribe for or to purchase any Notes.*

In making an investment decision regarding the Notes, prospective investors should rely on their own independent investigation and appraisal of the Issuer, its business, its financial condition and affairs and the terms of the offering of the Notes, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which would permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom and France – see the section entitled "Subscription and Sale".

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the ***Securities Act****), or under any relevant securities laws of any state of the United States of America and may not be offered, sold or delivered within the United States of America or to or for the account or benefit of any person in the United States of America, within the meaning of Regulation S under the Securities Act (***Regulation S***), or to any person acting on a non-discretionary basis for any person in the United States of America.*

In this Prospectus, unless otherwise specified or the context requires, references to "euro", "EUR" and "€" are to the single currency of the participating member states of the European Economic and Monetary Union.

In connection with this issue, BNP Paribas (herein referred to as the Stabilisation Manager) or any person acting for the Stabilisation Manager may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed one hundred and five (105)% of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Notes and sixty (60) days after the date of the allotment of the Notes.

TABLE OF CONTENTS

Clause **Page**

PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS

The Issuer accepts responsibility for the information contained in this Prospectus. The Issuer, having taken all reasonable care to ensure that such is the case, confirms that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

La Mondiale
32, avenue Emile Zola
59370 Mons-en-Baroeul
France

Duly represented by:
Mr. Alain Gajan
Directeur Général

RISK FACTORS

Prior to making an investment decision, prospective investors in the Notes offered hereby should consider carefully, among other things and in light of their financial circumstances and investment objectives, all the information of this Prospectus and, in particular, the risk factors set out below. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial conditions or prospects of the Issuer, which in turn could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment. This section is not intended to be exhaustive and prospective investors should make their own independent evaluation of all risk factors and should read the detailed information set out elsewhere in this Prospectus. Words and expressions defined in the section entitled "Terms and Conditions of the Notes" herein shall have the same meanings in this section.

The order in which the following risk factors are presented is not an indication of the likelihood of their occurrence.

RISK FACTORS RELATING TO THE ISSUER

The materialisation of any of the risks described below may affect the Issuer's capacity to repay, and/or adversely affect the market price of, the Notes and lead to Noteholders suffering loss if they sell their Notes prior to maturity. Investors are therefore at risk of losing all or part of their investment.

Financial risks

La Mondiale and its consolidated subsidiaries taken as a whole (the **Group**) is exposed to the following financial risks:

Market risks

Market levels and returns on investment are a significant part of the overall profitability of the Group and fluctuations in financial markets, like those in the capital markets, may have a material effect on operating results. It can be very difficult to predict how such factors will evolve. Any downturn in the economy and/or change in the financial markets on which managed assets are invested could have an adverse effect on the financial situation, operating results and cash flow of the Issuer.

Fluctuations in interest rates may affect returns on and the market value of the Notes. In general, income on investments may fall during extended periods of low interest rates and to an even greater extent when profits from high yield instruments are reinvested at lower rates, even if cumulative gains tend to increase. During periods when interest rates are going up, the price of fixed income securities tends to decrease and gains on sale of such securities are lower or losses greater.

Variations in interest rates and returns on equity markets may also have an impact on customers' behaviour. This phenomenon is particularly marked in our life insurance and savings business.

In addition, La Mondiale invests part of its assets in shares (the percentage of general assets invested in shares as at 31 December 2005 was 16%), which are generally exposed to volatility risks. General economic conditions, stock market conditions and many other factors outside the control of the Group may adversely affect the capital markets.

Investment risk on life insurance portfolios is sometimes borne by the insured which is the case of unit-linked life insurance policies. In these cases, fluctuations of the price of underlying securities will directly or indirectly affect the financial results of life insurance business. Furthermore such fluctuations could affect the solvency of the Group.

The value of property assets (10% of La Mondiale's assets as at 31 December 2005) may decrease when the state of the market changes. In this case property sales may lead to losses on such investments.

<u>*Credit risk*</u>

La Mondiale is exposed to counterparty risk in its relations with third parties. A default by any of its counterparties could have a material effect on its financial situation. La Mondiale is exposed to credit risk, *inter alia*, through its financial assets, its advances on policies and securities lending.

La Mondiale has exposure to its reinsurers through its reinsurance treaties. In such treaties, the other insurers assume part of the cost, losses and expenses associated with incidents, and losses whether or not carried over, in exchange for a proportion of the premiums. The ability to make a claim under, and the amount and cost of, the reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of reinsurance cover purchased will increase the risk of loss for La Mondiale. When reinsurance is put in place, La Mondiale remains liable for transferred risks if the reinsurer does not fulfill its obligations. Default by a reinsurer therefore could affect La Mondiale's profits and financial situation.

A solvency default by a counterparty could generate significant liquidity problems and cause other institutions to default. Stability of such institutions depends greatly on the equilibrium in the markets, notably through credit and other financial flows linking these institutions together. This risk can adversely affect the financial intermediaries, banks and depositories with which La Mondiale operates daily which may therefore adversely affect its income, returns and solvency.

<u>*Deterioration in financial results due to insurance claims for incidents*</u>

The frequency and seriousness of insurance claims incurred and registered are an important factor in the overall profitability of La Mondiale and fluctuations in insurance claims can have a material effect on its income. Furthermore, unfavourable changes in the rate of insurance claims or in the cost of reinsurance protection could have an adverse effect on La Mondiale's financial condition, operating results and cash flow. Changes in these parameters are very difficult to predict.

Insurance risks

The Group is exposed to the following insurance risks:

<u>*Pricing risk*</u>

This risk may arise as a result of premiums being too low to meet commitments (risk of incorrect assessment of the characteristics of the insured risk, risk of under-evaluation of the premium). The launch process for new products or changes to existing products may lead to the materialisation of this type of risk. In order to control this risk, formal validation by the general management and all the relevant departments (technical, marketing, commissioning...) is obtained prior to the decision to launch new products. All guarantees and options provided under the product are reviewed. La Mondiale does however have guaranteed-rate contracts which may involve risk in the case of a mismatch between an underlying asset and the related back-to-back transaction and if the rate of return is insufficient.

Provision risk

This risk may arise if insufficient provision is made to meet commitments due to poor assessment of available data or subsequent modification of the risk factors. The Group has not recorded any provision for exigibility risk (*provision pour risque d'exigibilité* (PRE)) or provision for financial risks (*provision pour aléas financiers* (PAF)).

Disaster risk

The risk for an insurer of the sudden occurrence of an incident involving very large claims or an accumulation of incidents due to one single event.

Contractual risk

The risk of pay-out rates associated with the guarantees incorporated in the contracts, the market risk associated with the options incorporated in the contracts and the credit risk associated with transfers of risk to reinsurers.

Operational risks

The Group defines operational risk as the risk of loss due to inappropriate or failure of procedures, individuals or systems or loss resulting from external events.

Operational risks can be classified into the following categories:

- Risk of business interruption due to external events (disaster, etc.) or internal events: disaster scenarios have been provided for through the implementation of a business continuity plan.

- Risk of fraud: fraud scenarios have been considered. Controls and procedures have been introduced in the most vulnerable areas: accounts, access to computerised data, changes to figures records…

- Litigation risk: the Sénacq affair (see "Recent Developments" below) led La Mondiale Partenaire to make provision of significant amounts in its accounts to cover risk of unilateral withdrawal by customers (litigation under article L. 132.5.1 of the French *Code des assurances*).

- Governance risks: this relates in particular to failure by policyholders (*sociétaires*) to comply with the by-laws in the context of the election of representatives, exceeding the permitted number of directorships, compliance with and declaration of regulated agreements, supplying incorrect information to the regulatory authorities.

- Human resources and skills risk: this relates to the unforeseen loss of a person in a key position, loss of know-how, poor skills and careers management, errors in setting parameters and calculating pay, bad management of labour disputes.

- Risks relating to information systems, physical security and confidentiality. These risks can be broken down as follows: risk of physical or computer system intrusion, risk of malicious acts, risk of information theft, risk of non-compliance with the data protection authority (*Commission Nationale de l'Informatique et des Libertés*).

- Communication and reputation risk: the risk of internal or external dissemination of any communication having a detrimental effect on the brand's reputation.

- Mismanagement risk: these risks concern the risk of failure to comply with authorised signatory requirements for specific management operations, risk of failure to validate derogations, risk of failure to monitor and control manual transactions.

- Commercialisation, profitability and product risks: the use of new means of distribution (such as Internet), failure to respect client scoring, failure in the duty to advise customers are areas for vigilance.

Professional conduct

Professional conduct risks concern in particular the failure by the legal and tax departments to monitor and communicate with respect to professional obligations and failure to integrate such obligations into the operational systems of the business (both at a commercial and management level).

Regulatory compliance

La Mondiale is subject to governmental regulation. The regulatory authorities, notably the *Autorité de Contrôle des Assurances et des Mutuelles* (**ACAM**), have broad authority over many aspects such as solvency, premium levels, sales and marketing practices, advertising, employees' business cards and insurance policy forms. La Mondiale is obliged to manage the risks specified by the supervisory authorities, in particular those in respect of which the Group has not yet managed to comply and those in respect of which the necessary corrective measures have not yet been implemented. An action by the authority against a member of the Group could have an adverse effect on the business, results and/or solvency of the Group.

In addition changes to government policy, laws or their interpretation could adversely affect the range of products offered by the Group, the distribution networks or its capital requirements and therefore its income and solvency. Such changes which can occur at any moment include potential changes to retirement pension policy, regulation of commercial practices and solvency requirements.

The risk management policies, procedures and methods may leave La Mondiale exposed to unforeseen or unidentified risks.

The Group commits significant resources to develop evaluation policies, procedures and methods to manage operational, liquidity, credit and market risks and plans to continue making efforts in this direction in the future.

However the Group’s risk management strategies and techniques may not be entirely effective in mitigating exposure to risk in all market environments or against all types of risks, including those risks that the Group has not yet identified or anticipated.

If potential or existing customers believe that the risk management procedures and policies of the Group are not suitable, the Issuer’s reputation as well as its revenues and profits may be adversely affected.

RISK FACTORS RELATING TO THE NOTES

The Notes are Deeply Subordinated Obligations

The obligations of the Issuer under the Notes in respect of principal and interest are lowest ranking, deeply subordinated obligations of the Issuer, subordinated to and ranking behind the claims of lenders in relation to *prêts participatifs* granted to the Issuer, holders of *titres participatifs* issued by the Issuer and creditors with respect to Ordinarily Subordinated Obligations and Unsubordinated Obligations of the Issuer. The Issuer's obligations under the Notes rank in priority only to any class of share capital of the Issuer.

If any judgment is rendered by any competent court declaring the judicial liquidation *(liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any reason, the rights of the Noteholders in respect of the payment of principal and interest on the Notes shall be subordinated to the payment in full of all other creditors of the Issuer ranking in priority to the Noteholders. In the event that the Issuer has insufficient assets to satisfy claims in such liquidation, the Noteholders may receive less than the Original Principal Amount of the Notes and may incur a loss of their entire investment. See "Terms and Conditions of the Notes – Status and Rights of Noteholders in the event of liquidation" of this Prospectus.

The Notes are undated securities

The Notes are undated obligations of the Issuer and have no fixed maturity date. The Issuer is under no obligation to redeem the Notes at any time, except for certain taxation reasons. The Noteholders have no right to require redemption of the Notes, except if a judgment is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason. See "Terms and Conditions of the Notes – Redemption and Purchase" of this Prospectus.

In such event, any outstanding Optional Deferred Interest will, subject to the Overall PIK Limit, become due and payable in cash but shall only be due and payable after all the Original Principal Amount of Notes shall have been paid in full. Any excess Optional Deferred Interest shall be forfeited and, accordingly, the Issuer's obligations in respect of such Optional Deferred Interest shall be terminated.

No voting rights

The Notes do not give the Noteholders the right to vote at meetings of the policyholders (*sociétaires*) of the Issuer.

Securities qualifying as Tier 1 capital

The Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Tier 1 capital (or the equivalent core capital for insurance entities when such category of capital becomes available for insurance entities) for the Issuer subject to the limits on the portion of the Issuer's Tier 1 capital that may consist of hybrid securities in accordance with the then applicable regulations and the interpretations of the Relevant Supervisory Authority. Such eligibility depends upon a number of conditions being satisfied, the expected requirements are reflected in the section entitled "Terms and Conditions of the Notes". One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb losses of the Issuer. Accordingly, following a Capital Deficiency Event, a Loss Absorption will be implemented by a partial or full reduction of the Current Principal Amount.

Restrictions on payment

In certain circumstances, payments of interest under the Notes will be restricted and the amount of principal may be reduced as follows:

Optional Non-Payment of Interest and Mandatory Non-Payment of Interest

Provided the mandatory interest provisions do not apply, payment of interest on the Notes may be deferred at the option of the Issuer. Any deferred interest may be settled, at the option of the Issuer, and in certain circumstances must be settled, up to certain limits, through the use of the Payment-in-Kind mechanism. Any remaining deferred interest not so settled will be forfeited. Furthermore, in certain circumstances, the Issuer will be required not to pay interest on the Notes, which interest will then be lost and will therefore no longer be due and payable by the Issuer.

See "Terms and Conditions of the Notes – Interest – Interest Deferral" of this Prospectus.

Principal

The Issuer shall also be required, in certain circumstances, to reduce the Current Principal Amount of the Notes. The amount of any such reduction of principal may in certain circumstances be reinstated. See "Terms and Conditions of the Notes – Loss Absorption and Return to Financial Health" of this Prospectus.

No limitation on issuing or guaranteeing debt ranking senior or *pari passu* with the Notes

There is no restriction on the amount of debt which the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior in priority of payment to the obligations under and in connection with the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer were liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

Redemption risk

The Notes may be redeemed at the option of the Issuer (i) in whole or in part, on 15 November 2016 (the **First Call Date**) or on any Interest Payment Date thereafter and (ii) in whole but not in part, on any Interest Payment Date for certain taxation or regulatory reasons. Such redemption option will be exercised at a price equal to the (i) Original Principal Amount of the Notes and any accrued and unpaid interest up to their effective redemption date or (ii) Early Redemption Amount as the case may be and as specified in "Terms and Conditions – Redemption and Purchase".

Each Note shall become immediately due and payable at (i) its Original Principal Amount together with all interest accrued, if any, since the last Interest Payment Date to the date of payment if any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or (ii) its Original Principal Amount together with all interest accrued, if any, since the last Interest Payment Date to the date of payment if the Issuer is liquidated for any other reason (except in the case of a consolidation, amalgamation, merger or other reorganisation in which all or substantially all of the assets of the Issuer are transferred to another legal entity (including, without limitation, pursuant to a *fusion*, *scission* or *apport partiel d'actifs*) which simultaneously assumes all the obligations of the Issuer under the Notes whether by operation of law or otherwise), provided in both cases that notice in writing declaring the Notes to be due and payable is given to the Fiscal Agent by the Representative (as defined in Condition 9), in which case each Note shall become immediately due and payable together with the amounts referred to above upon receipt of such notice by the Fiscal Agent.

In certain circumstances, the Issuer will be required to redeem the Notes (in whole but not in part) for taxation reasons.

In each case, except in the case of liquidation, early redemption of the Notes is subject to the prior approval of the Relevant Supervisory Authority.

See "Terms and Conditions of the Notes – Redemption and Purchase".

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at the same rate of return as that provided by their investment in the Notes.

Fixed to floating rate Notes

Fixed to floating rate Notes bear interest at a fixed rate during the Fixed Rate Period and at a floating rate during the Floating Rate Period, both as defined in the section "Terms and Conditions of the Notes – Interest" of this Prospectus. During the Fixed Rate Period, changes in market interest rate may adversely affect the value of the Notes. Further, the conversion of the interest rate from fixed to floating may affect the secondary market and the market value of the Notes since the conversion may lead to a lower overall cost of borrowing. Upon such conversion, the spread on the Notes may be less favourable than then prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes.

Interest rate risk during the Floating Rate Period

Interest on the Notes for each Floating Rate Period shall be calculated on the basis of three (3) month Euribor. This rate is a variable rate and as such is not pre-defined for the lifespan of the Notes; conversely a variable rate allows investors to follow market changes with an instrument reflecting changes in the levels of yields. Higher rates mean a higher interest and lower rates mean a lower interest.

Potential conflicts of interest

The Issuer may from time to time be engaged in transactions involving an index or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Credit ratings may not reflect all risks

The independent credit rating agencies Standard & Poor's Rating Services and Fitch Ratings have assigned a rating of A- and A- respectively to the Notes. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

The trading market for the Notes may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in France, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

An active trading market for the Notes may not develop

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. The Issuer is entitled to buy back the Notes (which shall then be cancelled) and to issue further notes to be assimilated (*assimilables*) with the Notes. Such transactions may favourably or adversely affect the price development of the Notes. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

Market value of the Notes

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including, but not limited to, market interest and yield rates and the time remaining to the maturity date. The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

Exchange rate

Prospective investors of the Notes should be aware that an investment in the Notes may involve exchange rate risks. The Notes may be denominated in a currency other than the currency of the purchaser's home jurisdiction; and/or the Notes may be denominated in a currency other than the currency in which a purchaser wishes to receive funds. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macroeconomic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of the Notes.

Modification and waivers

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in French law or the official application or interpretation of French law after the date of this Prospectus.

No legal and tax advice

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes. A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with the Prospectus and that have been filed with the CSSF in Luxembourg and shall be incorporated in, and form part of, this Prospectus (together, the **Documents Incorporated by Reference**):

- the *Comptes sociaux* 2005, which includes the audited annual financial statements for the year ended 31 December 2005 and the report of the auditors on such accounts, and the *Comptes consolidés* 2005, which includes the audited consolidated annual financial statements for the year ended 31 December 2005 and the report of the auditors on such accounts; and
- the *Comptes sociaux* 2004, which includes the audited annual financial statements for the year ended 31 December 2004 and the report of the auditors on such accounts, and the *Comptes consolidés* 2004, which includes the audited consolidated annual financial statements for the year ended 31 December 2004 and the report of the auditors on such accounts.

All Documents Incorporated by Reference are available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of the Issuer (www.lamondiale.com). The Documents Incorporated by Reference will also be available free of charge to the public at the premises of the Paying Agent in Luxembourg and at the premises of the Issuer in France.

Any statement contained in the Documents Incorporated by Reference shall be deemed to be modified or superseded for the purpose of this Prospectus, to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Documents Incorporated by Reference shall be read in connection with the table below (as set out in "Cross-Reference List"). Any information contained in the Documents Incorporated by Reference that is not cross-referenced in the following table is for informational purposes only.

		CROSS-REFERENCE LIST (Extract of Annex IX)	2005 Accounts	2004 Accounts
11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	**11.1**	**Historical Financial Information:**		
		Audited financial statements:		
		(a) audited balance sheets;	**2 and 3**	**2 and 3**
		(b) audited statement of income;	**4 and 5**	**4 and 5**
		(c) audited accounting policies and explanatory notes;	**6 to 31**	**6 to 31**
		(d) audit reports on the annual financial statements.	**32**	**32**
	11.2.	**Audited consolidated financial statements:**		
		(a) audited consolidated balance sheets;	**6 and 7**	**6 and 7**
		(b) audited consolidated statement of income;	**5**	**5**
		(c) audited consolidated accounting policies and explanatory notes;	**8 to 29**	**8 to 31**
		(d) audit reports on the consolidated financial statements.	**4**	**4**

SUMMARY

This summary of the terms and conditions of the Notes must be read as an introduction to this Prospectus and any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the Documents Incorporated by Reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them in the section entitled "Terms and Conditions of the Notes".

Issuer:	La Mondiale.
Description:	€200,000,000 Undated Deeply Subordinated Fixed to Floating Rate Notes (the **Notes**).
Sole Structuring Adviser, Sole Bookrunner and Joint Lead Manager:	BNP Paribas.
Joint Lead Manager:	CALYON Corporate and Investment Bank.
Fiscal and Principal PayingAgent:	BNP Paribas Securities Services.
Paying Agent in Luxembourg and Calculation Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Use of proceeds:	The net proceeds of the issue of the Notes will be used initially by the Issuer to finance its *Fonds d'établissement* in accordance with the Applicable Regulations.
Original Principal Amount:	Means €50,000, being the principal amount of each Note on the Issue Date (as defined below) without taking into account any Loss Absorption and/or Reinstatement. In the case of a partial redemption of the Notes, as described below, the Original Principal Amount will be reduced permanently by an amount equal to the principal amount reimbursed on such occasion.
Current Principal Amount:	Means at any time the principal amount of each Note, calculated on the basis of the Original Principal Amount of such Note, as such amount may be reduced following a Loss Absorption and/or reinstated following a Reinstatement.

Maturity date: The Notes are undated Obligations of the Issuer with no fixed maturity date.

Denomination: €50,000.

Form of the Notes: The Notes will be issued in dematerialised bearer form (*au porteur*) in a denomination of €50,000 per Note. Title to the Notes will be evidenced in accordance with Article L. 211-4 of the French *Code monétaire et financier* by book-entries (*inscription en compte*) in the books of Account Holders (as defined below) and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books. No physical document of title (including *certificats représentatifs* pursuant to Article R. 211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes. The Notes will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders.

Account Holder shall mean any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking *société anonyme* (**Clearstream**).

Ranking: The Notes are deeply subordinated notes issued in accordance with the provisions of Article L. 228-97 of the French *Code de commerce* and Article L. 322-2-1 of the French *Code des assurances*.

The principal and interest of the Notes constitute direct, unconditional, unsecured and undated Deeply Subordinated Obligations of the Issuer and rank (i) *pari passu* among themselves, (ii) *pari passu* with all other present and future Deeply Subordinated Obligations, but (iii) shall be subordinated to all present and future *titres participatifs* issued by the Issuer, *prêts participatifs* granted to the Issuer, Ordinarily Subordinated Obligations of the Issuer and Unsubordinated Obligations of the Issuer.

For the purposes of these Conditions:

Deeply Subordinated Obligations means all and any bonds or borrowings or any other Obligations of the Issuer which constitute direct, unconditional, unsecured and lowest ranking subordinated obligations of the Issuer, including bonds or borrowings, the subordination provisions of which are governed by the provisions of Article L. 228-97 of the French *Code de commerce,* and which rank and will rank (i) *pari passu* among themselves, (ii) *pari passu* with all other present and future Deeply Subordinated Obligations of the Issuer, but (iii) shall be subordinated to all present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations of the Issuer and Unsubordinated Obligations of the Issuer.

Obligations means any payment obligation expressed to be assumed by, or imposed on, the Issuer under, or arising as a result of, any contract, agreement, document, instrument, conduct, relationship or by operation of law.

Ordinarily Subordinated Obligations means any Obligations of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which rank and will rank in priority to all present and future *titres participatifs* issued by the Issuer, *prêts participatifs* granted to the Issuer and Deeply Subordinated Obligations of the Issuer.

Unsubordinated Obligations means any Obligations of the Issuer which are unsubordinated.

Rights of Noteholders in the event of liquidation:

The rights of the Noteholders in the event of the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer has been liquidated for any other reason, will be calculated on the basis of the Original Principal Amount of the Notes, together with accrued interest (if any) and any other outstanding payments under the Notes.

Furthermore, if the Issuer is liquidated or wound up for any reason, any outstanding Optional Deferred Interest will, to the extent the Overall PIK Limit has not been reached, become due and payable in cash but shall only be due and payable after the Original Principal Amount of the Notes shall have been paid in full and only to the extent that such payment would not result in exceeding the Overall PIK Limit. Any amount of Optional Deferred Interest that would result in exceeding the Overall PIK Limit shall be lost and shall no longer be due and payable by the Issuer.

In the event of incomplete payment of less subordinated creditors, the Issuer's obligations with respect to the Notes shall be terminated.

Negative pledge: There will be no negative pledge in respect of the Notes.

Events of default: There will be no events of default in respect of the Notes.

Interest: Each Note bears interest on its Current Principal Amount at a fixed rate of 5.11% per annum (i) from (and including) 15 November 2006 (the **Issue Date**) to (but excluding) 15 November 2016 (the **First Call Date**) (the **Fixed Rate Period**), payable annually in arrear on 15 November in each year and commencing on 15 November 2007 (each a **Fixed Rate Interest Payment Date**) and (ii) following the Fixed Rate Period (the **Floating Rate Period**), each Note will bear interest on its Current Principal Amount at a three (3) month Euribor floating rate plus the Margin payable quarterly in arrear on or about 15 November, 15 February, 15 May and 15 August in each year (each a **Floating Rate Interest Payment Date** and, together with each Fixed Rate Interest Payment Date, an **Interest Payment Date**) commencing on or about 15 February 2017.

Margin means 2.13% per annum.

Optional non-payment of interest: On any Interest Payment Date that is not a Mandatory Interest Payment Date (an **Optional Interest Payment Date**), the Issuer may, at its option, pay interest in respect of the Notes accrued to that date, in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date but the Issuer shall have no obligation to make such payment and may elect to defer the payment of such interest (the **Optional Deferred Interest**), with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure in the case where the Issuer believes that such a weakening of its financial structure could likely lead to a Solvency Event (as defined below). Any such failure to pay Optional Deferred Interest which would otherwise have been due on such Optional Interest Payment Date shall not constitute a default by the Issuer under the Notes or for any other purpose.

Any outstanding Optional Deferred Interest must be settled on the earlier of (i) the next Mandatory Interest Payment Date or (ii) the redemption of the Notes, both subject to the Overall PIK Limit, as defined below.

The payment of Optional Deferred Interest can only be achieved by the use of the Payment-In-Kind mechanism (**PIK**) as set out below.

Optional Deferred Interest shall not bear interest.

Under the PIK, the Issuer will have the obligation to settle the Optional Deferred Interest by issuing and granting to the Noteholders Further Securities; provided, however, that such issue, together with any previous issue pursuant to the PIK, may never exceed twenty-five (25)% of the Original Principal Amount of the Notes on the Issue Date (the **Overall PIK Limit**).

For each Noteholder the number of Further Securities received will be equal to the amount of Optional Deferred Interest owed divided by the nominal amount of the Further Securities rounded down, subject to the Overall PIK Limit. The relevant number of Further Securities to be issued (as determined by the Calculation Agent taking into account any Further Securities previously issued and the Overall PIK Limit) shall be allocated to the Account Holders on behalf of the Noteholders by the Fiscal Agent on the basis of each Account Holder's total holding of Notes rather than on a per Note basis. Any broken amount of Optional Deferred Interest shall be forfeited.

The Fiscal Agent shall cause any Further Securities which could not be allotted by an Account Holder as a result of the holdings of the relevant Noteholders not being divisible by the denomination of the Further Securities to be cancelled. The Calculation Agent shall notify the Noteholders in accordance with Condition 10 and the other Agents if and when the Overall PIK Limit has been reached.

For the purposes of these Conditions:

Further Securities means securities identical to the originally issued Notes, except that interest will begin to accrue from their date of issue rather than the issue date of the Notes.

The Issuer undertakes to use its best efforts to obtain a listing for the Further Securities on the same stock exchange as the Notes or on another regulated market within the European Union as soon as reasonably practicable following their issue.

Interest payable on any Optional Interest Payment Date will always be calculated on the basis of the Current Principal Amount of the Notes.

Mandatory non-payment of interest:

With respect to any Interest Payment Date that is not a Mandatory Interest Payment Date and which falls following a Mandatory Non-Payment of Interest Event which is continuing (a **Mandatory Non-Payment of Interest Date**), interest shall be suspended and shall not accrue during the period commencing on the occurrence of the Mandatory Non-Payment of Interest Event and ending on the date of the end of such Mandatory Non-Payment of Interest Event.

For the purposes of these Conditions:

Mandatory Non-Payment of Interest Event means at any time when:

(i) a Solvency Event has occurred, or would occur if the next Interest Payment due on the Notes would effectively be made on the next Interest Payment Date; or

(ii) the Issuer is notified by the Relevant Supervisory Authority that it has determined, in its sole discretion, in view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (i) would apply in the near term.

For the avoidance of doubt, the determination by the Issuer of the occurrence of any of the events referred to under (i) and (ii) above and any resulting notice will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which any of the events referred to under (i) or (ii) above is continuing or occurs again.

Any interest not so paid on any such Interest Payment Date shall be lost and shall no longer be due and payable by the Issuer.

For the purposes of these Conditions:

A **Solvency Event** will be deemed to have occurred if the Issuer's Consolidated Solvency Margin level has fallen below one hundred (100)% of the minimum Consolidated Solvency Margin level required by the Applicable Regulations.

Applicable Regulations means, at any time, the solvency margin, capital adequacy regulations or any other regulatory capital rules then in effect in France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) and/or any other relevant jurisdiction as applied and construed by the Relevant Supervisory Authority and applicable to the Issuer.

Consolidated Solvency Margin means the solvency margin (*marge de solvabilité*) level applicable to the Issuer on a consolidated basis, determined and calculated in accordance with the Applicable Regulations.

Relevant Supervisory Authority means any supervisory authority having jurisdiction over the Issuer, as long as the Issuer's insurance activities are regulated and the Issuer is required by Applicable Regulations to comply with certain applicable solvency margins, capital adequacy regulations or any other capital adequacy rules. The current Relevant Supervisory Authority is the *Autorité de Contrôle des Assurances et des Mutuelles* (**ACAM**).

Mandatory payment of interest:

On any Mandatory Interest Payment Date (as defined below), the Issuer shall pay interest accrued to that date in respect of the Interest Period ending immediately prior to such Mandatory Interest Payment Date on the Notes.

However, a Mandatory Interest Payment Date will not exist if a Mandatory Non-Payment of Interest Event has occurred prior to an Interest Payment Date and is continuing.

Interest payable on Mandatory Interest Payment Dates will always be calculated on the basis of the Current Principal Amount.

For the purposes of these Conditions:

Mandatory Interest Payment Date means any Interest Payment Date, which is not a Mandatory Non-Payment of Interest Date, prior to which at any time during a period of one (1) year prior to such Interest Payment Date, any of the following events has occurred:

(i) the Issuer has made a payment on any other Deeply Subordinated Obligations which feature similar interest deferral / non-payment mechanisms as the Notes, other than a Reinstatement (as defined below), unless such payment was a mandatory interest payment under the terms of any such other Deeply Subordinated Obligations of the Issuer;

(ii) the Issuer has redeemed, purchased or acquired any Deeply Subordinated Obligations (including any partial prepayment of the Notes) by any means;

(iii) the Issuer has made a payment on or has redeemed, purchased or acquired any securities ranking junior to Deeply Subordinated Obligations; or

(iv) the Issuer has for the current fiscal year, allocated to insurance contracts a Beneficiary Participation which amounts to more than 90%.

Beneficiary Participation means, with respect to a given fiscal year, the ratio of (i) the Allocated Investments Income to (ii) the Total Investments Net Income.

Allocated Investments Income means, with respect to a given fiscal year, the amount of financial income allocated to all insurance contracts entered into by the Issuer, being the gross amount (without taking into account amounts relating to sales and retrocessions) of the item "Investment income" (*Produits des placements*) less the total constituted by the gross amounts of items "Investment charges" (*Charges des placements*) and "Transferred investments' income" (*Produits de placements transférés*) and the net amount of the sales and retrocessions of the item "Technical result of life insurance" (*Résultat technique de l'assurance vie*), all as they appear in the Issuer's annual non-consolidated profit and loss account.

Total Investments Net Income means, with respect to a given fiscal year, the gross amount of the item "Investments income" (*Produits des placements*) (without taking into account the amounts relating to sales and retrocessions) less the amount of the item "Investments charges" (*Charges des placements*), all as they appear in the Issuer's annual non-consolidated profit and loss account.

Loss Absorption:

In the event that at any time a Solvency Event (as defined above) has occurred, the board of directors of the Issuer will convene an extraordinary general meeting (*assemblée générale extraordinaire*) of the policyholders (*sociétaires*) of the Issuer during the three (3) month period following the occurrence of such Solvency Event in order to propose any and all measures regarded as necessary or useful to remedy such Solvency Event. If such proposed measures are not adopted by the extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer or if measures adopted are not sufficient to remedy such Solvency Event, or if such Solvency Event remains on the last day of the financial semester following such extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer notwithstanding the implementation of the means adopted by the board of directors of the Issuer or the extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer, the board of directors of the Issuer will implement, within ten (10) days following the last day of such financial semester, a reduction of the Current Principal Amount of the Notes (a **Loss Absorption**) necessary to remedy the Solvency Event.

A Loss Absorption will be implemented by a partial or full reduction of the Current Principal Amount of each Note.

The amount by which the Current Principal Amount as aforesaid is reduced to enable the Issuer to continue operating its business on a going concern basis without weakening its financial structure will be the lower of:

(i) the amount of losses not set off against such measures adopted by the extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer as provided above and needed to remedy the Solvency Event; and

(ii) the amount of the Current Principal Amount of the Notes immediately prior to such reduction.

Any such reduction shall be applied on a *pro rata* basis among the Notes and, in the event that the Issuer has other Deeply Subordinated Obligations outstanding at the time of such event, such reduction will be applied on a *pro rata* basis among them.

The Current Principal Amount of the Notes pursuant to the above provisions may be reduced on one or more occasions, as required, save that no reduction shall result in the Current Principal Amount of a Note becoming lower than one cent of a euro (€0.01).

Return to Financial Health:

If, following a Loss Absorption, a positive Consolidated Net Income is recorded by the Issuer for at least two (2) consecutive financial years following the End of a Solvency Event (a **Return to Financial Health**), the Issuer shall increase the Current Principal Amount of the Notes up to such maximum amount (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount) (a **Reinstatement**) to the extent that any such Reinstatement does not trigger the occurrence of a Solvency Event.

Such Reinstatement shall be made on one or more occasions in the conditions described above until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount as from the Return to Financial Health (save in the event of the occurrence of another Solvency Event).

The amount of the Reinstatement will not exceed the amount of the latest Consolidated Net Income of the Issuer.

However, in any event, whether or not a Return to Financial Health has occurred, the Issuer shall increase the Current Principal Amount of the Notes up to the Original Principal Amount of the Notes if any of the events referred to in the definition of Mandatory Interest Payment Date occurs.

Notice of the occurrence of a Solvency Event, End of Solvency Event or Return to Financial Health and any Reinstatement (which notice should, *inter alia*, describe the consequences of such Reinstatement on the payment of interest on the Notes) shall be given to the Noteholders and the Luxembourg Stock Exchange and any other stock exchange on which the Notes are then listed in accordance with Condition 10 as soon as possible following the occurrence of such event and, in the case of a Reinstatement, no later than five (5) Business Days prior to the date on which such Reinstatement becomes effective.

For the purposes of this Agreement:

Consolidated Net Income means the consolidated net income (excluding minority interests) (*Résultat Net – Part du Groupe*) of the Issuer as calculated in the consolidated accounts approved by the annual ordinary general meeting of the policyholders (*sociétaires*) of the Issuer.

End of Solvency Event means that, following a Solvency Event, the Issuer is no longer in breach of the required Consolidated Solvency Margin.

Call from the First Call Date:

The Notes may be redeemed in whole or in part, at the option of the Issuer, on any Interest Payment Date from and including 15 November 2016 (the **First Call Date**) at the Current Principal Amount of the Notes plus any accrued but unpaid interest thereon, subject to (i) the Current Principal Amount being equal to the Original Principal Amount, (ii) the prior consent of the Relevant Supervisory Authority, and (iii) the Issuer having given the Noteholders not less than thirty (30), or more than forty-five (45), Business Days' prior notice (which notice shall be irrevocable).

As a condition to any redemption and subject to the Overall PIK Limit, any outstanding Optional Deferred Interest shall have been paid through the PIK mechanism (except if the Issuer is liquidated or wound up for any reason). Any excess Optional Deferred Interest shall be forfeited.

In the case of a partial redemption, same shall be performed by way of a *pro rata* reduction of the Current Principal Amount of each Note. For the avoidance of doubt, such reduction of the Current Principal Amount is distinct from the Loss Absorption mechanism and the resulting reduced Current Principal Amount, unlike in the case of a Loss Absorption, shall become the new Original Principal Amount (as defined above).

Redemption for regulatory reasons:

If at any time the Issuer determines that a Capital Disqualification Event (as defined below) has occurred with respect to the Notes, the Notes may be redeemed in whole but not in part at the option of the Issuer, subject to (i) the prior consent of the Relevant Supervisory Authority and (ii) the Issuer having given the Noteholders not less than thirty (30), or more than forty-five (45), Business Days' prior notice (which notice shall be irrevocable) in accordance with Condition 10, on any Interest Payment Date at their Early Redemption Amount.

For the purposes of these Conditions:

Capital Disqualification Event means that:

(i) under any Applicable Regulations (including any Future Capital Regulations) or an official application or interpretation of those regulations including a decision of a court or tribunal, the Notes are not eligible for inclusion, in whole or in part, in the Issuer's Consolidated Solvency Margin;

(ii) the Notes are not eligible for inclusion in the Issuer's core regulatory capital or Tier 1 capital (whatever the terminology that may be retained and as opposed to supplementary capital) for the purpose of the determination of its Consolidated Solvency Margin under Future Capital Regulations or an official application or interpretation of those regulations including a decision of a court or tribunal; or

(iii) as a consequence of a change in the rating methodology of both Standard & Poor's and Fitch, or interpretation of such methodology, the capital treatment of the Notes becomes, in the reasonable opinion of the Issuer, materially less favourable to the Issuer.

Future Capital Regulations means the solvency margin or capital adequacy regulations which may in the future be introduced in France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) and be applicable to the Issuer, if and when the same shall come into effect and which would lay down new requirements to be fulfilled by financial instruments or other financial obligations for inclusion (for their entire amount) in the regulatory core capital or Tier 1 (whatever the terminology that may be retained and as opposed to supplementary capital) for insurance companies or insurance groups.

As a condition to any redemption and subject to the Overall PIK Limit, any outstanding Optional Deferred Interest shall have been paid through the PIK mechanism (except if the Issuer is liquidated or wound up for any reason). Any excess Optional Deferred Interest shall be forfeited.

Redemption for tax reasons: If at any time the Issuer determines that a Tax Event (as defined below) has occurred with respect to the Notes, the Notes may be redeemed in whole but not in part at the option of the Issuer, subject to (i) the prior consent of the Relevant Supervisory Authority and (ii) the Issuer having given the Noteholders not less than thirty (30), or more than forty-five (45), Business Days' prior notice (which notice shall be irrevocable), on any Interest Payment Date at the Original Principal Amount of the Notes plus any accrued but unpaid interest thereon.

Tax Event means any of the following events:

(i) by reason of a change in any law or regulation of the French Republic or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a decision by a competent court), becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts;

(ii) any French law or regulation prohibits the payment of such additional amounts; or

(iii) by reason of a change in any law or regulation of the French Republic or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a decision by a competent court), becoming effective after the Issue Date, interest payments under the Notes were but are no longer tax-deductible by the Issuer for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes.

As a condition to any redemption and subject to the Overall PIK Limit, any outstanding Optional Deferred Interest shall have been paid through the PIK mechanism (except if the Issuer is liquidated or wound up for any reason). Any excess Optional Deferred Interest shall be forfeited.

Substitution or amendment in case of Capital Disqualification Event or Tax Event:

The Issuer may at any time on any Interest Payment Date without any requirement for the consent or approval of the Noteholders, substitute all (but not some only) of the Notes, or vary the terms of the Notes (i) if a Tax Event occurs, so that no Tax Event exists after such substitution or variation or (ii) if a Capital Disqualification Event occurs, so that the Notes or the substituted notes become Qualifying Core Capital Equivalent Indebtedness. The amount of Qualifying Core Capital Equivalent Indebtedness to be given in substitution will be equal to the Original Principal Amount of the Notes. Any substitution will be implemented by inscription of the substituted notes in the accounts of the Noteholders in the books of the Account Holders in place of the Notes.

Any substitution or variation of the Notes shall be subject to (i) the Issuer giving at least six (6) months' prior written notice to, and receiving no objection from, the Relevant Supervisory Authority (or such shorter period of notice as the Relevant Supervisory Authority may accept and so long as such notice is required to be given), (ii) the Issuer being in compliance with the Applicable Regulations on the date of such substitution or variation, and such substitution or variation not resulting directly or indirectly in a breach of the then Applicable Regulations, (iii) compliance by the Issuer with the regulation applicable on the regulated market on which the Notes are then admitted to negotiation and, so long as the Notes are listed on the Luxembourg Stock Exchange and the regulations applicable to such exchange so require, preparation and publication of any supplement, amendment or prospectus which may be required for such substitution or amendment, (iv) the full payment on the relevant Interest Payment Date of all interest amounts (if any) due on such date, (v) the Current Principal Amount being equal to, or, as the case may be, reinstated up to, the Original Principal Amount, and (vi) the Issuer having given the Noteholders not more than forty-five (45) nor less than thirty (30) days' prior notice (which notice shall include the full text of the advice of the independent experts referred to below and shall be irrevocable).

For the purposes of these Conditions:

Qualifying Core Capital Equivalent Indebtedness means any security issued by the Issuer that (i) has terms which, taken as a whole, are not less favourable to a Noteholder (as certified in writing by an independent expert (which shall be a bank of international repute) to the Fiscal Agent prior to any substitution or variation) than the terms of the Notes save for the PIK mechanism if it proved not to be compatible with the Future Capital Regulations and that a compatible alternative can be designed, (ii) has a ranking equal or senior to that of the Notes, (iii) complies with the then current requirements of the Relevant Supervisory Authority in relation to the equivalent for insurance companies of core regulatory capital (whatever terminology may be retained), (iv) has an original principal amount equal to the Original Principal Amount of the Notes, (v) bears the same interest rate as the Interest Rate applying from time to time to the Notes, and (vi) are admitted to negotiation on the regulated market of the Luxembourg Stock Exchange, Euronext Paris or any other major regulated market of the European Union selected by the Issuer.

Purchase:	The Issuer may at any time purchase Notes in the open market or otherwise (including by way of tender offer) at any price and on any conditions subject to compliance with any applicable laws. If such purchase amounts to one-third (1/3) or more of the aggregate Current Principal Amount of the outstanding Notes, such purchase shall be subject to the Issuer having given prior written notice to, and receiving no objections from the Relevant Supervisory Authority (if required at such time).
Taxation:	The Notes being denominated in euro and accordingly deemed to be issued outside the French Republic for taxation purposes, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents benefit under present law from the exemption from deduction of tax at source on account of French taxes provided by Article 131 *quater* of the *Code général des impôts* (French General Tax Code). Accordingly, such payments do not give the right to any tax credit from any French source.
Representation of the Noteholders:	The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the **Masse**). In accordance with Article L. 228-90 of the French *Code de commerce*, the Masse will be governed by the provisions of the French *Code de commerce* applicable to the Masse and of French decree No. 67-236 of 23 March 1967, as amended, applicable to the Masse (with the exception of the provisions of certain articles thereof).
Clearing systems:	The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear with the Common Code number 027520014 and Euroclear France with the International Securities Identification Number (ISIN) FR0010397885.
Listing:	Application has been made for the Notes to be admitted to trading on the EU regulated market of the Luxembourg Stock Exchange and to listing on the official list of the Luxembourg Stock Exchange. Such listing is expected to occur as of the Issue Date or as soon as practicable thereafter.
Ratings:	The Notes have been assigned a rating of A- by Standard & Poor's Ratings Services and A- by Fitch Ratings.
Applicable law:	French law.

TERMS AND CONDITIONS OF THE NOTES

The issue outside the French Republic of the €200,000,000 undated deeply subordinated fixed to floating rate notes (the **Notes**) of La Mondiale (the **Issuer**) has been authorised pursuant to a resolution of the *Assemblée Générale* of the policyholders (*sociétaires*) of the Issuer adopted on 28 April 2006, a decision of the *Autorité de Contrôle des Assurances et des Mutuelles* on 26 October 2006 and a resolution of the *Conseil d'administration* of the Issuer adopted on 11 October 2006. A fiscal and paying agency agreement (the **Agency Agreement**) dated 14 November 2006 has been entered into in relation to the Notes between the Issuer and BNP Paribas Securities Services, as fiscal agent and principal paying agent (the **Fiscal Agent** which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent) and BNP Paribas Securities Services, Luxembourg Branch as paying agent (together with any substitute or additional paying agents which may be appointed from time to time under the Agency Agreement, the **Paying Agent**) and calculation agent (the **Calculation Agent**, which expression shall, where the context so admits, include any successor for the time being as Calculation Agent). The Fiscal Agent, the Calculation Agent and the Paying Agent are collectively referred to as the Agents. Copies of the Agency Agreement are available for inspection during usual business hours at the specified office of the Paying Agents.

References below to **Conditions** are, unless the context otherwise requires, to the numbered paragraphs below.

1. FORM, DENOMINATION AND TITLE

The Notes will be issued in dematerialised bearer form (*au porteur*) in a denomination of €50,000 per Note. Title to the Notes will be evidenced in accordance with Article L. 211-4 of the French *Code monétaire et financier* by book-entries (*inscription en compte*) in the books of Account Holders (as defined below) and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books. No physical document of title (including *certificats représentatifs* pursuant to Article R. 211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes. The Notes will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders.

Account Holder shall mean any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking *société anonyme* (**Clearstream**).

2. STATUS OF THE NOTES AND RIGHTS OF NOTEHOLDERS IN THE EVENT OF LIQUIDATION

(a) Status of the Notes

The Notes are deeply subordinated notes issued in accordance with the provisions of Article L. 228-97 of the French *Code de commerce* and Article L. 322-2-1 of the French *Code des assurances*.

The principal and interest of the Notes constitute direct, unconditional, unsecured and undated Deeply Subordinated Obligations of the Issuer and rank (i) *pari passu* among themselves, (ii) *pari passu* with all other present and future Deeply Subordinated Obligations, but (iii) shall be subordinated to all present and future *titres participatifs* issued by the Issuer, *prêts participatifs* granted to the Issuer, Ordinarily Subordinated Obligations of the Issuer and Unsubordinated Obligations of the Issuer.

Pursuant to Article L. 327-2 of the French* Code des assurances*, a lien over the assets of the Issuer is granted for the benefit of the Issuer's policyholders (*sociétaires*). Noteholders, even if they are policyholders (*sociétaires*) of the Issuer, do not have the benefit of such lien in relation to amounts due under the Notes.

For the purposes of these Conditions:

Deeply Subordinated Obligations means all and any bonds or borrowings or any other Obligations of the Issuer which constitute direct, unconditional, unsecured and lowest ranking subordinated obligations of the Issuer, including bonds or borrowings, the subordination provisions of which are governed by the provisions of Article L. 228-97 of the French *Code de commerce,* and which rank and will rank (i) *pari passu* among themselves, (ii) *pari passu* with all other present and future Deeply Subordinated Obligations of the Issuer, but (iii) shall be subordinated to all present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, Ordinarily Subordinated Obligations of the Issuer and Unsubordinated Obligations of the Issuer.

Obligations means any payment obligation expressed to be assumed by, or imposed on, the Issuer under, or arising as a result of, any contract, agreement, document, instrument, conduct, relationship or by operation of law.

Ordinarily Subordinated Obligations means any Obligations of the Issuer which constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and which rank and will rank in priority to all present and future *titres participatifs* issued by the Issuer, *prêts participatifs* granted to the Issuer and Deeply Subordinated Obligations of the Issuer.

Unsubordinated Obligations means any Obligations of the Issuer which are unsubordinated.

(b) Rights of Noteholders in the event of liquidation

The rights of the Noteholders in the event of the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer has been liquidated for any other reason, will be calculated on the basis of the Original Principal Amount of the Notes, together with accrued interest (if any) and any other outstanding payments under the Notes.

Furthermore, if the Issuer is liquidated or wound up for any reason, any outstanding Optional Deferred Interest will, to the extent the Overall PIK Limit has not been reached, become due and payable in cash but shall only be due and payable after the Original Principal Amount of the Notes shall have been paid in full and only to the extent that such payment would not result in exceeding the Overall PIK Limit. Any amount of Optional Deferred Interest that would result in exceeding the Overall PIK Limit shall be lost and shall no longer be due and payable by the Issuer.

In the event of incomplete payment of less subordinated creditors, the Issuer's obligations with respect to the Notes shall be terminated.

For the purposes of these Conditions:

Original Principal Amount means €50,000 being the principal amount of each Note on the Issue Date (as defined below) without taking into account any Loss Absorption and/or Reinstatement. In the case of a partial redemption of the Notes in accordance with Condition 5(b), the Original Principal Amount will be reduced permanently by an amount equal to the principal amount reimbursed on such occasion.

3. INTEREST

(a) Interest Payment Dates

(1) Fixed Rate Period

Each Note bears interest on its Current Principal Amount at a fixed rate of 5.11% per annum (i) from (and including) 15 November 2006 (the **Issue Date**) to (but excluding) 15 November 2016 (the **First Call Date**), payable annually in arrear on 15 November in each year and commencing on 15 November 2007 (each a **Fixed Rate Interest Payment Date**).

The period from and including the Issue Date, to but excluding the first Fixed Rate Interest Payment Date and each successive period from and including a Fixed Rate Interest Payment Date to but excluding the next Fixed Rate Interest Payment Date is called a **Fixed Rate Period**.

If interest is required to be calculated for a period within the Fixed Rate Period of less than one (1) year, it will be calculated on the basis of the actual number of days elapsed in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Fixed Rate Period in which the relevant period falls (including the first such day but excluding the last) and rounding the resultant figure to the nearest €0.01 (0.005 being rounded upwards).

For the purposes of these Conditions:

Current Principal Amount means at any time the principal amount of each Note, calculated on the basis of the Original Principal Amount of such Note, as such amount may be reduced following a Loss Absorption and/or reinstated following a Reinstatement (as defined in Conditions 4(a) and 4(b)).

(2) Floating Rate Interest Period

Following the Fixed Rate Period (the **Floating Rate Period**), each Note will bear interest on its Current Principal Amount at a Floating Rate (as defined in Condition 3(c)) plus the Margin payable quarterly in arrear on or about 15 November, 15 February, 15 May and 15 August in each year (each a **Floating Rate Interest Payment Date** and together with each Fixed Rate Interest Payment Date, an **Interest Payment Date**) commencing on or about 15 February 2017.

Margin means 2.13% per annum.

The period from and including the First Call Date to but excluding the first Floating Rate Interest Payment Date and each successive period from and including a Floating Rate Interest Payment Date to but excluding the next Floating Rate Interest Payment Date is called a **Floating Rate Interest Period** and together with the Fixed Rate Periods, an **Interest Period**.

If any Floating Rate Interest Payment Date would otherwise fall on a day which is not a TARGET Settlement Day (as defined below) it shall be postponed to the next day which is a TARGET Settlement Day unless it would then fall into the next calendar month in which event it shall be brought forward to the immediately preceding TARGET Settlement Day.

The obligations of the Issuer to make payments of interest on any particular Interest Payment Date are subject to the provisions of Condition 3(h).

(b) Interest accrual

Each Note will cease to bear interest from and including the due date for redemption unless payment of the principal in respect of the Note is improperly withheld or refused on such date or unless default is otherwise made in respect of the payment.

(c) Floating Rate

The variable rate of interest payable in respect of the Notes (the **Floating Rate**) for each quarterly interest period within the Floating Rate Period shall be calculated on the basis of the following provisions:

(i) On each **Interest Determination Date**, namely the second Business Day before the commencement of the Floating Rate Period for which the rate will apply, the Calculation Agent will determine the Reference Rate (as defined below) as at or about 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If the Reference Rate is unavailable, the Calculation Agent will request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation to prime banks in the Euro-zone (as defined below) interbank market for Euro deposits for a period of three (3) months commencing on the first day of the relevant Floating Rate Period, as at or about 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If the Reference Rate is unavailable, it shall be equal to the arithmetic average (rounded upwards if necessary to the nearest fifth decimal place with 0.000005 being rounded upwards) of the offered quotations as established by the Calculation Agent.

(ii) If on any Interest Determination Date the Reference Rate is unavailable and two (2) or three (3) only of the Reference Banks provide offered quotations, the Floating Rate for the relevant Floating Rate Period shall be determined in accordance with the provisions of paragraph (i) on the basis of the offered quotations of those Reference Banks providing the offered quotations.

(iii) If on any Interest Determination Date the Reference Rate is unavailable and less than two (2) Reference Banks provide offered quotations, the Floating Rate for the relevant Floating Rate Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded upwards if necessary to the nearest fifth decimal place with 0.000005 being rounded upwards) of the Euro lending rates quoted by major banks in the Euro-zone (selected by the Calculation Agent and being at least two (2) in number) at or about 11.00 a.m. (Brussels time) on the Interest Determination Date in question for loans in Euro to leading European banks for a period of three (3) months commencing on the first day of the relevant Floating Rate Interest Period, except that if the banks so selected by the Calculation Agent are not quoting on such Interest Determination Date, the Floating Rate for the relevant Floating Rate Interest Period shall be the Floating Rate in effect for the last preceding Floating Rate Interest Period to which one of paragraphs (i) or (ii) of this Condition 3(c) shall have applied.

(iv) For the purposes of these Conditions:

Business Day means any day, not being a Saturday or a Sunday, (i) on which exchange markets and commercial banks are open for business in Paris and Luxembourg, (ii) on which Euroclear France, Euroclear and Clearstream, Luxembourg are operating, and (iii) which is a TARGET Settlement Day.

Euro-zone means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union.

Reference Banks means the principal Euro-zone office of four (4) major banks in the Euro-zone interbank market selected by the Calculation Agent.

Reference Rate means the offered rate, expressed as a rate per annum, for three (3) month Euro deposits commencing on the first day of the relevant Floating Interest Period, as calculated by Bridge Information Systems on behalf of the European Banking Federation and the International Foreign Exchange Dealers' Association, which appears, for information purposes only, at or about 11.00 a.m. (Brussels time) on the display designated as page "248" on Bridge/Telerate (or such other page or service as may replace it for the purpose of displaying Euribor).

TARGET Settlement Day means any day on which the TARGET System is operating.

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor thereto.

(d) Determination of Floating Rate and Interest Amount with respect to the Floating Rate Interest Period

The Calculation Agent shall, as soon as practicable after 11.00 a.m. (Brussels time) on each Interest Determination Date determine the Floating Rate and amount of interest (each an **Interest Amount**) payable (if any) on the relevant Floating Rate Interest Payment Date on each Note for the relevant Floating Rate Interest Period.

The Interest Amounts shall be determined by applying the Floating Rate and the Margin to the Current Principal Amount, multiplying the sum by the actual number of days in the Floating Rate Interest Period concerned divided by three hundred and sixty (360) and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(e) Publication of Floating Rate, the Margin and Interest Amount with respect to the Floating Rate Interest Period

The Calculation Agent shall cause the Floating Rate, the Margin and the Interest Amount for each Floating Rate Interest Period and the relevant Interest Payment Date to be notified (a) to the Issuer, the Fiscal Agent and each other Paying Agent (if any), and to any stock exchange on which the Notes are at the relevant time listed not later than 3.00 p.m. (Brussels time) on the Interest Determination Date and (b) to the Noteholders in accordance with Condition 10 as soon as possible after their determination but in no event later than the second Business Day thereafter. The Interest Amount and Interest Payment Date so published may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice to the Noteholders in the event of an extension or shortening of the Floating Rate Interest Period. If the Notes become due and payable other than on a Floating Rate Interest Payment Date, the Floating Rate and the Interest Amount shall nevertheless continue to be calculated as previously by the Calculation Agent in accordance with this Condition 3 but no publication of the Floating Rate, the Margin and the Interest Amount so calculated need be made.

(f) Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition whether by the Reference Banks (or any of them) or the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Fiscal Agent and all Noteholders.

(g) Calculation Agent

The Agency Agreement provides that the Issuer may at any time terminate the appointment of the Calculation Agent and appoint a substitute Calculation Agent provided that so long as any of the Notes remain outstanding there shall at all times be a Calculation Agent for the purposes of the Notes having a specified office in a major European city. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine the Floating Rate and the Interest Amount for any Floating Rate Interest Period, the Issuer shall appoint the European office of another leading bank engaged in the Paris, London or Luxembourg interbank market to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed. The Calculation Agent shall act as an independent expert and not as agent for the Issuer or the Noteholders.

(h) Interest deferral

On each Interest Payment Date, the Issuer shall pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Interest Payment Date, subject to the provisions of the following paragraphs.

(1) Optional non-payment of interest

On any Interest Payment Date that is not a Mandatory Interest Payment Date (an **Optional Interest Payment Date**), the Issuer may pay interest in respect of the Notes accrued to that date, in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date, but the Issuer shall have no obligation to make such payment and may elect to defer the payment of such interest (the **Optional Deferred Interest**), with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure in the case where the Issuer believes that such a weakening of its financial structure could likely lead to a Solvency Event (as defined below). Any such failure to pay Optional Deferred Interest which would otherwise have been due on such Optional Interest Payment Date shall not constitute a default by the Issuer under the Notes or for any other purpose.

Optional Deferred Interest shall not bear interest.

Interest payable on any Optional Interest Payment Date will always be calculated on the basis of the Current Principal Amount of the Notes.

(2) Payment of Optional Deferred Interest

Any outstanding Optional Deferred Interest must be settled on the earlier of (i) the next Mandatory Interest Payment Date (as defined below) or (ii) the redemption of the Notes, both subject to the Overall PIK Limit (as defined below).

The payment of Optional Deferred Interest can only be achieved by the use of the Payment-In-Kind mechanism (**PIK**) as set out below.

Under the PIK, the Issuer will have the obligation to settle the Optional Deferred Interest by issuing and granting to the Noteholders Further Securities (as defined below); provided, however, that such issue, together with any previous issue pursuant to the PIK, may never exceed twenty-five (25)% of the Original Principal Amount of the Notes on the Issue Date (the **Overall PIK Limit**).

For each Noteholder the number of Further Securities received will be equal to the amount of Optional Deferred Interest owed divided by the nominal amount of the Further Securities rounded down, subject to the Overall PIK Limit. The relevant number of Further Securities to be issued (as determined by the Calculation Agent taking into account any Further Securities previously issued and the Overall PIK Limit) shall be allocated to the Account Holders on behalf of the Noteholders by the Fiscal Agent on the basis of each Account Holder's total holding of Notes rather than on a per Note basis. Any broken amount of Optional Deferred Interest shall be forfeited.

The Fiscal Agent shall cause any Further Securities which could not be allotted by an Account Holder as a result of the holdings of the relevant Noteholders not being divisible by the denomination of the Further Securities to be cancelled. The Calculation Agent shall notify the Noteholders in accordance with Condition 10 and the other Agents if and when the Overall PIK Limit has been reached.

For the purposes of these Conditions:

Further Securities means securities identical to the originally issued Notes, except that interest will begin to accrue from their date of issue rather than the issue date of the Notes.

The Issuer undertakes to use its best efforts to obtain a listing for the Further Securities on the same stock exchange as the Notes or on another regulated market within the European Union as soon as reasonably practicable following their issue.

(3) *Mandatory non-payment of interest*

With respect to any Interest Payment Date that is not a Mandatory Interest Payment Date and which falls following a Mandatory Non-Payment of Interest Event which is continuing (a **Mandatory Non-Payment of Interest Date**), interest shall be suspended and shall not accrue during the period commencing on the occurrence of the Mandatory Non-Payment of Interest Event and ending on the date of the end of such Mandatory Non-Payment of Interest Event.

For the purposes of these Conditions:

Mandatory Non-Payment of Interest Event means at any time when:

(i) a Solvency Event has occurred, or would occur if the next Interest Payment due on the Notes would effectively be made on the next Interest Payment Date; or

(ii) the Issuer is notified by the Relevant Supervisory Authority that it has determined, in its sole discretion, in view of the deteriorating financial condition of the Issuer, that the foregoing paragraph (i) would apply in the near term.

For the avoidance of doubt, the determination by the Issuer of the occurrence of any of the events referred to under (i) and (ii) and any resulting notice, will be effective only with respect to the interest amount due on the immediately following Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which any of the events referred to under (i) or (ii) is continuing or occurs again.

Any interest not so paid on any such Interest Payment Date shall be lost and shall no longer be due and payable by the Issuer.

For the purposes of these Conditions:

A **Solvency Event** will be deemed to have occurred if the Issuer's Consolidated Solvency Margin level has fallen below one hundred (100)% of the minimum Consolidated Solvency Margin level required by the Applicable Regulations.

Applicable Regulations means, at any time, the solvency margin, capital adequacy regulations or any other regulatory capital rules then in effect in France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) and/or any other relevant jurisdiction as applied and construed by the Relevant Supervisory Authority and applicable to the Issuer.

Consolidated Solvency Margin means the solvency margin (*marge de solvabilité*) level applicable to the Issuer on a consolidated basis, determined and calculated in accordance with the Applicable Regulations.

Relevant Supervisory Authority means any supervisory authority having jurisdiction over the Issuer, as long as the Issuer's insurance activities are regulated and the Issuer is required by Applicable Regulations to comply with certain applicable solvency margins, capital adequacy regulations or any other capital adequacy rules on a consolidated or non-consolidated basis. The current Relevant Supervisory Authority is the *Autorité de Contrôle des Assurances et des Mutuelles* (**ACAM**).

(4) Mandatory payment of interest

On any Mandatory Interest Payment Date (as defined below), the Issuer shall pay interest accrued to that date in respect of the Interest Period ending immediately prior to such Mandatory Interest Payment Date on the Notes.

However, a Mandatory Interest Payment Date will not exist if a Mandatory Non-Payment of Interest Event has occurred prior to an Interest Payment Date and is continuing.

Interest payable on Mandatory Interest Payment Dates will always be calculated on the basis of the Current Principal Amount.

For the purposes of these Conditions:

Mandatory Interest Payment Date means any Interest Payment Date, which is not a Mandatory Non-Payment of Interest Date, prior to which at any time during a period of one (1) year prior to such Interest Payment Date, any of the following events has occurred:

(i) the Issuer has made a payment on any other Deeply Subordinated Obligations which feature similar interest deferral / non-payment mechanisms as the Notes, other than a Reinstatement (as defined in Condition 4(b)), unless such payment was a mandatory interest payment under the terms of any such other Deeply Subordinated Obligations of the Issuer;

(ii) the Issuer has redeemed, purchased or acquired any Deeply Subordinated Obligations (including any partial prepayment of the Notes) by any means;

(iii) the Issuer has made a payment on or has redeemed, purchased or acquired any securities ranking junior to Deeply Subordinated Obligations; or

(iv) the Issuer has for the current fiscal year, allocated to insurance contracts a Beneficiary Participation which amounts to more than ninety (90)%.

Beneficiary Participation means, with respect to a given fiscal year, the ratio of (i) the Allocated Investments Income to (ii) the Total Investments Net Income.

Allocated Investments Income means, with respect to a given fiscal year, the amount of financial income allocated to all insurance contracts entered into by the Issuer, being the gross amount (without taking into account amounts relating to sales and retrocessions) of the item "Investment income" (*Produits des placements*) less the total constituted by the gross amounts of items "Investment charges" (*Charges des placements*) and "Transferred investments' income" (*Produits de placements transférés*) and the net amount of the sales and retrocessions of the item "Technical result of life insurance" (*Résultat technique de l'assurance vie*), all as they appear in the Issuer's annual non-consolidated profit and loss account.

Total Investments Net Income means, with respect to a given fiscal year, the gross amount of the item "Investments income" (*Produits des placements*) (without taking into account the amounts relating to sales and retrocessions) less the amount of the item "Investments charges" (*Charges des placements*), all as they appear in the Issuer's annual non-consolidated profit and loss account.

(5) *Notice of non-payment*

The deferral, suspension of payment and suspension of accrual of interest in accordance with this Condition 3(h) shall be notified by the Issuer to the Noteholders in accordance with Condition 10, and to the Fiscal Agent and the Calculation Agent not later than seven (7) Business Days prior to the relevant Interest Payment Date.

4. LOSS ABSORPTION AND RETURN TO FINANCIAL HEALTH

(a) Loss Absorption

In the event that at any time a Solvency Event (as defined above) has occurred, the board of directors of the Issuer will convene an extraordinary general meeting (*assemblée générale extraordinaire*) of the policyholders (*sociétaires*) of the Issuer during the three (3) month period following the occurrence of such Solvency Event in order to propose any and all measures regarded as necessary or useful to remedy such Solvency Event. If such proposed measures are not adopted by the extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer or if measures adopted are not sufficient to remedy such Solvency Event, or if such Solvency Event remains on the last day of the financial semester following such extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer notwithstanding the implementation of the means adopted by the board of directors of the Issuer or the extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer, the board of directors of the Issuer will implement, within ten (10) days following the last day of such financial semester, a reduction of the Current Principal Amount of the Notes (a **Loss Absorption**) necessary to remedy the Solvency Event.

A Loss Absorption will be implemented by a partial or full reduction of the Current Principal Amount of each Note.

The amount by which the Current Principal Amount as aforesaid is reduced to enable the Issuer to continue operating its business on a going concern basis without weakening its financial structure will be the lower of:

(i) the amount of losses not set off against such measures adopted by the extraordinary general meeting of the policyholders (*sociétaires*) of the Issuer as provided above and needed to remedy the Solvency Event; and

(ii) the amount of the Current Principal Amount of the Notes immediately prior to such reduction.

Any such reduction shall be applied on a *pro rata* basis among the Notes and, in the event that the Issuer has other Deeply Subordinated Obligations outstanding at the time of such event, such reduction will be applied on a *pro rata* basis among them.

The Current Principal Amount of the Notes pursuant to the above provisions may be reduced on one or more occasions, as required, save that no reduction shall result in the Current Principal Amount of a Note becoming lower than one cent of a euro (€0.01).

Notice of any event described above shall be given to the Noteholders in accordance with Condition 10 as soon as possible following the occurrence of such event. Notice of any Loss Absorption (which notice should, *inter alia*, describe the consequences of such Loss Absorption on the payment of interest on the Notes) shall be given to the Noteholders and the Luxembourg Stock Exchange and any other stock exchange on which the Notes are then listed in accordance with Condition 10 as soon as possible and no later than five (5) Business Days prior to the date on which such Loss Absorption becomes effective.

(b) Return to Financial Health

If, following a Loss Absorption, a positive Consolidated Net Income is recorded by the Issuer for at least two (2) consecutive financial years following the End of a Solvency Event (a **Return to Financial Health**), the Issuer shall increase the Current Principal Amount of the Notes up to such maximum amount (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount) (a **Reinstatement**) to the extent that any such Reinstatement does not trigger the occurrence of a Solvency Event.

Such Reinstatement shall be made on one or more occasions in the conditions described above until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount as from the Return to Financial Health (save in the event of the occurrence of another Solvency Event).

The amount of the Reinstatement will not exceed the amount of the latest Consolidated Net Income of the Issuer.

However, in any event, whether or not a Return to Financial Health has occurred, the Issuer shall increase the Current Principal Amount of the Notes up to the Original Principal Amount of the Notes if any of the events referred to in paragraphs (i) to (iv) of the definition of Mandatory Interest Payment Date occurs.

Notice of the occurrence of a Solvency Event, End of Solvency Event or Return to Financial Health and any Reinstatement (which notice should, *inter alia*, describe the consequences of such Reinstatement on the payment of interest on the Notes) shall be given to the Noteholders and the Luxembourg Stock Exchange and any other stock exchange on which the Notes are then listed in accordance with Condition 10 as soon as possible following the occurrence of such event and, in the case of a Reinstatement, no later than five (5) Business Days prior to the date on which such Reinstatement becomes effective.

For the purposes of these Conditions:

Consolidated Net Income means the consolidated net income (excluding minority interests) (*Résultat Net – Part du Groupe*) of the Issuer as calculated in the consolidated accounts approved by the annual ordinary general meeting of the policyholders (*sociétaires*) of the Issuer.

End of Solvency Event means that, following a Solvency Event, the Issuer is no longer in breach of the required Consolidated Solvency Margin.

5. REDEMPTION AND PURCHASE

The Notes may not be redeemed otherwise than in accordance with this Condition.

(a) No dated maturity

The Notes are undated Obligations of the Issuer with no fixed redemption or maturity date.

(b) Call from the First Call Date

The Notes may be redeemed in whole or in part, at the option of the Issuer, on any Interest Payment Date from and including 15 November 2016 (the **First Call Date**) at the Current Principal Amount of the Notes plus any accrued but unpaid interest thereon, subject to (i) the Current Principal Amount being equal to the Original Principal Amount, (ii) the prior consent of the Relevant Supervisory Authority, and (iii) the Issuer having given the Noteholders not less than thirty (30), or more than forty-five (45), Business Days' prior notice (which notice shall be irrevocable).

In the case of a partial redemption, same shall be performed by way of a *pro rata* reduction of the Current Principal Amount of each Note. For the avoidance of doubt, such reduction of the Current Principal Amount is distinct from the Loss Absorption mechanism and the resulting reduced Current Principal Amount, unlike in the case of a Loss Absorption, shall become the new Original Principal Amount (as defined above).

(c) Call before or after the First Call Date

(1) Redemption for regulatory reasons

If at any time the Issuer determines that a Capital Disqualification Event (as defined below) has occurred with respect to the Notes, the Notes may be redeemed in whole but not in part at the option of the Issuer, subject to (i) the prior consent of the Relevant Supervisory Authority and (ii) the Issuer having given the Noteholders not less than thirty (30), or more than forty-five (45), Business Days' prior notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 10, on any Interest Payment Date at their Early Redemption Amount.

For the purposes of these conditions:

Capital Disqualification Event means that:

(i) under any Applicable Regulations (including any Future Capital Regulations) or an official application or interpretation of those regulations including a decision of a court or tribunal, the Notes are not eligible for inclusion, in whole or in part, in the Issuer's Consolidated Solvency Margin;

(ii) the Notes are not eligible for inclusion in the Issuer's core regulatory capital or Tier 1 capital (whatever the terminology that may be retained and as opposed to supplementary capital) for the purpose of the determination of its Consolidated Solvency Margin under Future Capital Regulations or an official application or interpretation of those regulations including a decision of a court or tribunal; or

(iii) as a consequence of a change in the rating methodology of both Standard & Poor's and Fitch, or interpretation of such methodology, the capital treatment of the Notes becomes, in the reasonable opinion of the Issuer, materially less favourable to the Issuer.

Future Capital Regulations means the solvency margin or capital adequacy regulations which may in the future be introduced in France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) and be applicable to the Issuer, if and when the same shall come into effect and which would lay down new requirements to be fulfilled by financial instruments or other financial obligations for inclusion (for their entire amount) in the regulatory core capital or Tier 1 (whatever the terminology that may be retained and as opposed to supplementary capital) for insurance companies or insurance groups.

Early Redemption Amount means in respect of each Note on the date set forth for redemption the higher of (i) the Original Principal Amount of such Note and (b) the Make Whole Amount.

Make Whole Amount means in respect of each Note an amount, as determined by the Calculation Agent, equal to the sum of (x) the present value of the Original Principal Amount of such Note discounted from the First Call Date to the date set forth for redemption and (y) the present value of each scheduled interest payment to (and including) the First Call Date, calculated on the basis of the Original Principal Amount of the Note, discounted from the relevant Interest Payment Date to the date set forth for redemption, in each case at a discount rate equal to the sum of (a) 87.5 basis points and (b) the Bond Yield on an Actual/Actual-ICMA annual basis.

Bond Yield means the rate per annum equal to the annual yield to maturity of the Comparable Bond Issue, assuming a price equal to the Comparable Bond Price for the Calculation Date.

Comparable Bond Issue means, with respect to date set forth for redemption, the bond selected by the Calculation Agent that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes from the date set forth for redemption to the First Call Date.

Comparable Bond Price means (a) the average of five (5) Reference Bond Dealer Quotations, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (b) if the Calculation Agent obtains fewer than five (5) such Reference Bond Dealer Quotations, the average of all such Reference Bond Dealer Quotations.

Reference Bond Dealer Quotations means the average, as determined by the Calculation Agent, of the bid and ask prices for the Comparable Bond Issue (expressed in each case as a percentage of its nominal amount) quoted in writing to the Calculation Agent by such Reference Bond Dealer at 11:00 am (London time) on the Calculation Date.

Calculation Date means the third TARGET Settlement Day prior to the date set forth for redemption.

Primary Bond Dealer means any credit institution or financial services institution that regularly deals in bonds and other debt securities.

Reference Bond Dealer means either the Calculation Agent, or any other Primary Bond Dealer selected by the Calculation Agent after consultation with the Issuer.

(2) *Redemption for taxation reasons*

If at any time the Issuer determines that a Tax Event (as defined below) has occurred with respect to the Notes, the Notes may be redeemed in whole but not in part at the option of the Issuer, subject to (i) the prior consent of the Relevant Supervisory Authority and (ii) the Issuer having given the Noteholders not less than thirty (30), or more than forty-five (45), Business Days' prior notice (which notice shall be irrevocable), on any Interest Payment Date at the Original Principal Amount of the Notes plus any accrued but unpaid interest thereon.

Tax Event means any of the following events:

(i) by reason of a change in any law or regulation of the French Republic or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a decision by a competent court), becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as set out in Condition 7(b);

(ii) any French law or regulation prohibits the payment of such additional amounts; or

(iii) by reason of a change in any law or regulation of the French Republic or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a decision by a competent court), becoming effective after the Issue Date, interest payments under the Notes were but are no longer tax-deductible by the Issuer for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes.

(d) Substitution or amendment in case of Capital Disqualification Event or Tax Event

The Issuer may at any time on any Interest Payment Date without any requirement for the consent or approval of the Noteholders, substitute all (but not some only) of the Notes, or vary the terms of the Notes (i) if a Tax Event occurs, so that no Tax Event exists after such substitution or variation or (ii) if a Capital Disqualification Event occurs, so that the Notes or the substituted notes become Qualifying Core Capital Equivalent Indebtedness. The amount of Qualifying Core Capital Equivalent Indebtedness to be given in substitution will be equal to the Original Principal Amount of the Notes. Any substitution will be implemented by inscription of the substituted notes in the accounts of the Noteholders in the books of the Account Holders in place of the Notes.

Any substitution or variation of the Notes shall be subject to (i) the Issuer giving at least six (6) months' prior written notice to, and receiving no objection from, the Relevant Supervisory Authority (or such shorter period of notice as the Relevant Supervisory Authority may accept and so long as such notice is required to be given), (ii) the Issuer being in compliance with the Applicable Regulations on the date of such substitution or variation, and such substitution or variation not resulting directly or indirectly in a breach of the then Applicable Regulations, (iii) compliance by the Issuer with the regulations applicable on the regulated market on which the Notes are then admitted to negotiation and, so long as the Notes are listed on the Luxembourg Stock Exchange and the regulations applicable to such exchange so require, preparation and publication of any supplement, amendment or prospectus which may be required for such substitution or amendment, (iv) the full payment on the relevant Interest Payment Date of all interest amounts (if any) due on such date, (v) the Current Principal Amount being equal to, or, as the case may be, reinstated up to, the Original Principal Amount, and (vi) the Issuer having given the Noteholders not less than thirty (30), or more than forty-five (45), Business Days' prior notice (which notice shall include the full text of the advice of the independent experts referred to below and shall be irrevocable).

For the purposes of these Conditions:

Qualifying Core Capital Equivalent Indebtedness means any security issued by the Issuer that (i) has terms which, taken as a whole, are not less favourable to a Noteholder (as certified in writing by an independent expert (which shall be a bank of international repute) to the Fiscal Agent prior to any substitution or variation) than the terms of the Notes save for the PIK mechanism if it proved not to be compatible with the Future Capital Regulations and that a compatible alternative can be designed, (ii) has a ranking equal or senior to that of the Notes, (iii) complies with the then current requirements of the Relevant Supervisory Authority in relation to the equivalent for insurance companies of core regulatory capital (whatever terminology may be retained), (iv) has an original principal amount equal to the Original Principal Amount of the Notes, (v) bears the same interest rate as the Interest Rate applying from time to time to the Notes, and (vi) are admitted to negotiation on the regulated market of the Luxembourg Stock Exchange, Euronext Paris or any other major regulated market of the European Union selected by the Issuer.

(e) Mandatory redemption

Each Note shall become immediately due and payable at (i) its Original Principal Amount together with all interest accrued, if any, since the last Interest Payment Date to the date of payment if any judgment is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or (ii) its Original Principal Amount together with all interest accrued, if any, since the last Interest Payment Date to the date of payment if the Issuer is liquidated for any other reason (except in the case of a consolidation, amalgamation, merger or other reorganisation in which all or substantially all of the assets of the Issuer are transferred to another legal entity (including, without limitation, pursuant to a *fusion*, *scission* or *apport partiel d'actifs*) which simultaneously assumes all the obligations of the Issuer under the Notes whether by operation of law or otherwise), provided in both cases that notice in writing declaring the Notes to be due and payable is given to the Fiscal Agent by the Representative (as defined in Condition 9), in which case each Note shall become immediately due and payable together with the amounts referred to above upon receipt of such notice by the Fiscal Agent.

In such event, any outstanding Optional Deferred Interest will, subject to the Overall PIK Limit, become due and payable in cash but shall only be due and payable after the Original Principal Amount of the Notes shall have been paid in full. Any excess Optional Deferred Interest shall be forfeited and, accordingly, the Issuer's obligations in respect of such Optional Deferred Interest shall be terminated.

(f) Condition to redemption

As a condition to any early redemption pursuant to Condition 5(b) and (c), the Issuer's obligations in respect of any outstanding Optional Deferred Interest shall have been discharged not later than the effective date of redemption through the use of the PIK mechanism subject to the Overall PIK Limit. Any excess Optional Deferred Interest shall be forfeited.

(g) Notice of redemption

All Notes in respect of which any notice of redemption is given by the Issuer under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

Such notice of redemption must be given to the Noteholders and the Luxembourg Stock Exchange and any other stock exchange in accordance with Condition 10.

(h) Purchase

The Issuer may at any time purchase Notes in the open market or otherwise (including by way of tender offer) at any price and on any conditions subject to compliance with any applicable laws. If such purchase amounts to one-third (1/3) or more of the aggregate Current Principal Amount of the outstanding Notes, the Issuer shall give prior written notice to, and receive no objections from the Relevant Supervisory Authority (if required at such time), prior to executing such purchase.

(i) Cancellation

All Notes redeemed or purchased by the Issuer pursuant to this Condition 5 shall be cancelled and accordingly may not be re-issued or resold. Such redemption or purchase shall result in a permanent reduction in the aggregate Original Principal Amount of the Notes.

6. PAYMENTS

(a) Method of payment

Payments of principal, interest and other amounts in respect of the Notes will be made in euro, by credit or transfer to an account denominated in euro (or any other account to which euro may be credited or transferred) specified by the payee. Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments made to such Account Holders in favour of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments of principal, interest and other amounts in respect of the Notes will be made subject to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions described in Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(b) Payments on Business Days

If any due date for payment of principal, interest or other amounts in respect of any Note is not a Business Day, then the holder of such Note shall not be entitled to payment of the amount due until the next following Business Day and will not be entitled to any interest or other sums with respect to such postponed payment.

(c) Fiscal Agent, Paying Agents and Calculation Agent

The name and specified offices of the initial Fiscal Agent, the Paying Agents and the Calculation Agent are as follows:

Fiscal Agent and Principal Paying Agent

BNP Paribas Securities Services
Immeuble Tolbiac
25, quai Panhard Levassor
75450 Paris Cedex 9
France

Paying Agent and Calculation Agent

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
Howald-Hesperange
L – 2085 Luxembourg
Luxembourg

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Calculation Agent or any Paying Agent and/or appoint a substitute Fiscal Agent, Calculation Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, Calculation Agent or any Paying Agent acts, provided that, so long as any Note is outstanding, there will at all times be (i) a Fiscal Agent having a specified office in a major European city and which is a participant in Euroclear France, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, at least one Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent), and (iii) so long as any Note is outstanding, a Calculation Agent for the purposes of the Notes having a specified office in a major European city. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Notes, the Issuer shall appoint some other leading European bank engaged in the euro inter-bank market (having a specified office in a major European city) to act in its place, subject to having given to the Noteholders in accordance with Condition 10 not less than thirty (30), nor more than forty-five (45), days' prior notice of such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed.

Such appointment or termination shall be notified to the Noteholders in accordance with Condition 10.

(d) Certificates, etc. to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the Conditions by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and the Noteholders. No Noteholder shall (in the absence as aforesaid) be entitled to proceed against the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions.

7. TAXATION

(a) Withholding tax exemption

The Notes being denominated in euro and accordingly deemed to be issued outside the French Republic for taxation purposes, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents benefit under present law from the exemption from deduction of tax at source on account of French taxes provided by Article 131 *quater* of the *Code général des impôts* (French General Tax Code). Accordingly, such payments do not give the right to any tax credit from any French source.

(b) Additional amounts

If any French law or regulation should require that any payment of principal or interest in respect of the Notes be subject to deduction or withholding with respect to any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the French Republic or any political subdivision or authority therein or thereof having power to tax, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the Noteholders, after such deduction or withholding, receive the full amount provided in such Notes to be then due and payable; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a holder (or beneficial owner (*ayant droit*)):

(i) who is subject to such taxes, duties, assessments or other governmental charges, in respect of such Note by reason of his having some connection with the French Republic other than the mere holding of such Note;

(ii) more than thirty (30) days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of thirty (30) days; or

(iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such EU Directive.

For the purpose of this Condition 7, **Relevant Date** in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 10 to Noteholders that such moneys have been so received.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 7.

8. PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the due date for payment thereof.

9. REPRESENTATION OF THE NOTEHOLDERS

The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the **Masse**).

In accordance with Article L. 228-90 of the French *Code de commerce* , the Masse will be governed by the provisions of the French *Code de commerce* applicable to the Masse (with the exception of the provisions of Articles L. 228-48, L. 228-59, L. 228-65 II and L. 228-71 thereof) and of French decree No. 67-236 of 23 March 1967, as amended, applicable to the Masse (with the exception of the provisions of Articles 222, 224 and 226 thereof), subject to the following provisions:

(a) Legal personality

The Masse will be a separate legal entity, by virtue of Article L. 228-46 of the French *Code de commerce*, acting in part through a representative (the **Representative**) and in part through a general assembly of Noteholders.

The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Notes.

(b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

(i) the Issuer, the members of its *Conseil d'administration* (Board of Directors), its *Directeurs Généraux* (general managers), its statutory auditors, its employees and their ascendants, descendants and spouses;

(ii) companies possessing at least ten (10)% of the share capital of the Issuer or of which the Issuer possesses at least ten (10)% of the share capital;

(iii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers, members of their board of directors, management board or supervisory board, their statutory auditors, and their ascendants, descendants and spouses;

(iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The initial Representative shall be:

Christopher Drennen
10 Harewood Avenue
London NW1 6AA
United Kingdom

In the event of death, incapacity, resignation or revocation of the Representative, a substitute representative will be elected by a meeting of the general assembly of the Noteholders.

No remuneration will be paid to the Representative.

All interested parties will at all times have the right to obtain the name and the address of the Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

(c) Powers of the Representative

The Representative shall, in the absence of any decision to the contrary of the general assembly of the Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, in order to be valid, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

(d) General assemblies of Noteholders

General assemblies of Noteholders may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30) of the outstanding Original Principal Amount of the Notes, may address to the Issuer and the Representative a demand for convocation of the general assembly; if such general assembly has not been convened within two (2) months from such demand, such Noteholders may commission one of themselves to petition the competent court in Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any meeting of a general assembly will be published as provided under Condition 10 not less than fifteen (15) calendar days prior to the date of the general assembly.

Each Noteholder has the right to participate in meetings of the Masse in person or by proxy. Each Note carries the right to one (1) vote.

(e) Powers of general assemblies

A general assembly is empowered to deliberate on the fixing of the remuneration, dismissal or replacement of the Representative and, on its dismissal and replacement, may also act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

A general assembly may further deliberate on any proposal relating to the modification of the Conditions of the Notes, including:

(i) any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions; and

(ii) any proposal relating to the issue of securities carrying a right of preference compared to the rights of the Noteholders,

it being specified, however, that a general assembly may not increase amounts payable by the Noteholders nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares.

Meetings of a general assembly may deliberate validly on first convocation only if Noteholders present or represented hold at least one-fifth (1/5) of the Original Principal Amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a fifty (50)% majority of votes cast by the Noteholders attending such meeting or represented thereat.

Decisions of the general assembly must be published in accordance with the provisions set out in Condition 10 not more than ninety (90) calendar days from the date thereof.

Any amendment to the Conditions shall be subject to the prior written approval of the ACAM in accordance with Article A. 334-3 of the French *Code des assurances*.

(f) Information to the Noteholders

Each Noteholder or representative thereof will have the right, during the fifteen (15) calendar days period preceding the holding of each meeting of a general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of meeting.

(g) Expenses

The Issuer will pay all reasonable expenses incurred in the operation of the Masse, including expenses relating to the calling and holding of meetings and the expenses which arise by virtue of the remuneration of the Representative, and more generally all administrative expenses resolved upon by a general assembly of the Noteholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

10. NOTICES

Any notice to the Noteholders will be valid if delivered to Euroclear France, Euroclear and Clearstream, Luxembourg for so long as the Notes are cleared through such clearing systems, except that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange so require, such notice shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, at the option of the Issuer, in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*). If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

11. FURTHER ISSUES AND ASSIMILATION

The Issuer may from time to time without the consent of the Noteholders issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects save for the amount and date of the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation.

In the event of such an assimilation, the Noteholders and the holders of such further notes will be grouped together in a single masse for the defence of their common interests.

12. GOVERNING LAW AND JURISDICTION

(a) Governing law

The Notes are governed by and shall be construed in accordance with the laws of the French Republic.

(b) Jurisdiction

Any action against the Issuer arising out of or in connection with the Notes will be submitted to the exclusive jurisdiction of the competent courts in Paris.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used initially by the Issuer to finance its *Fonds d'établissement* in accordance with the Applicable Regulations (as defined in "Terms and Conditions of the Notes – Interest – Interest Deferral").

DESCRIPTION OF THE ISSUER

LEGAL ENVIRONMENT OF LA MONDIALE

Legal form, legal and commercial name

La Mondiale is a Mutual Life and Pension Insurance Company (*société d'assurance mutuelle sur la vie et de capitalisation*), administered by a board of directors under the French *Code des assurances* and registered at the *Registre du Commerce et des Sociétés* of Lille under reference number 775 625 635. The legal and commercial name of La Mondiale is "La Mondiale". Its registered office is currently 32, avenue Emile Zola, 59370 Mons-en-Baroeul, France and its telephone number is 33 (0)1 44 94 67 00.

Establishment and Duration

La Mondiale was founded in 1905 in Lille by local industrial partners. Its statutes were registered on 16 October 1905 and approved by the first general assembly on 18 December 1905.

Registered first as an "insurance company with a mutual form" approved by a public decree published on 13 March 1907, La Mondiale became a Mutual Life and Pension Insurance Company (*société d'assurance mutuelle sur la vie et de capitalisation*) with the 1989 reform of the French *Code des assurances* enacted by the insurance law of 31 December 1989. La Mondiale is regulated by the French *Autorité de Contrôle des Assurances et des Mutuelles (***ACAM***)*.

La Mondiale was initially constituted for 99 years. It is now established until 31 December 2082.

Its fiscal year ends on 31 December of each year.

Activities permitted by the by laws

La Mondiale is permitted to engage in all life insurance and reinsurance operations including savings plans, capitalisation, annuities, pension plans, single or regular premium. Major life insurance products in France are split between savings-type products and pension-type products. Savings-type products benefit from a tax advantage and give a guarantee, for a certain period or for the whole life of the product, of capital denominated either in currency or in units (unit-linked contracts). Most savings-type products are single premium although additional premiums can also be made. Pension-type products also benefit from a tax advantage but the guarantee is given on a minimum annuity. These products are generally sold for the whole life of the insured. Premiums are paid regularly by the insured until retirement after which a pension or an annuity is paid to the insured until death.

La Mondiale is also allowed to engage in health and disability coverage.

Board of Directors

Mr. André RENAUDIN, Chairman

Electing place: 22, boulevard Malesherbes – 75008 Paris – France

Mr. Patrick PEUGEOT, Honorary Chairman

Electing place: 22, boulevard Malesherbes – 75008 Paris – France

Chairman of La Mondiale Partenaire SA

Mr. Jean-François DUTILLEUL, Vice-Chairman

Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Chairman of Rabot-Dutilleul SAS

Mr. Emmanuel d'ANDRE

Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Former Chairman of "Les Trois Suisses"

Mr. André-Paul BAHUON

Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Chairman of Creatis Group SA

Mr. Serge FAUTRE

Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Chief Executive Officer of Cofinimmo, Belgium Unit Trust

Mr. Pierre GEIRNAERT

Electing place: 22, boulevard Malesherbes – 75008 Paris – France

Mr. Christian GOLLIER

Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Professor, University of Toulouse – Chair of Insurance at IDEI

Mr. Gilles GUITTON

Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Chairman of the Interest Group "cartes bancaires"

Mr. Thierry JEANTET

Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Managing Director of Euresa, Economic Interest Group

Mr. Philippe LAMBLIN
Electing place: 22, boulevard Malesherbes – 75008 Paris - France
Director of Human Resources of Lesaffre

Mr. Jean-Louis de MOURGUES
Electing place: 22, boulevard Malesherbes – 75008 Paris - France
CEO of AG2R Prévoyance

Mr. Paul RAGUIN
Electing place: 22, boulevard Malesherbes – 75008 Paris - France
CEO of Eolane SAS

Mrs. Sylvie REULET
Electing place: 22, boulevard Malesherbes – 75008 Paris - France
Avocat

Censeurs

Mr. Raymond LEFEBVRE
Electing place: 22, boulevard Malesherbes – 75008 Paris – France

Mr. Robert MYARD
Electing place: 22, boulevard Malesherbes – 75008 Paris - France

Executive Committee

Mr. André RENAUDIN, Chairman

Mr. Alain GAJAN, Chief Executive Officer

Mr. Patrice BONIN, Executive vice-president – Group pension

Mr. Jean-Marc CRESTANI, Executive vice-president – Wealth insurance

Mr. Antoine HENNEQUIN, Executive vice-president – Investments

Mr. Philippe DABAT, Executive vice-president – Sales force

Mr. Pascal MANIEZ, Executive vice-president – Accounting

Mr. Olivier BAILLY, Managing director

Mrs. Carole CATRY, Vice-president – Human & IT Resources

Auditors

Deloitte Touche Tohmatsu	KPMG Audit
185, avenue Charles de Gaulle	1, Cours Valmy
92200 Neuilly-sur-Seine	92923 Paris La Défense
France	France

General Description of La Mondiale

In 2005, La Mondiale was the tenth largest insurance company in France with a 3.6% market share (source: *Fédération Française des Sociétés d'Assurance* (**FFSA**) July 2006). Premiums paid have increased by 15% to €4.8 billion in 2005 and total assets have reached €31.9 billion, representing an increase of 16%. At 31 December 2005, La Mondiale had a surplus (equivalent to shareholders' equity) of €825 million (excluding minority interests), consolidated net profit of €82 million and solvency capital (admitted surplus + unrealised capital gains + subordinated debt) of €2 billion, representing 2.14 times the minimum required solvency ratio. La Mondiale had 2367 employees at the end of 2005.

La Mondiale specialises in three market sectors:

- **Wealth insurance product management** (through La Mondiale Partenaire SA): savings products for high net worth individuals ("HNWI") mostly sold through private banking divisions of large European banks. This sector represented 51.1% of La Mondiale's 2005 premiums.

- **Individual pension and life insurance** (through La Mondiale Experts): life insurance products oriented towards retirement, life and disability, health and savings for individuals and independent entrepreneurs sold through a sales force of 1,000 professionals. This sector represented 30.9% of La Mondiale's 2005 premiums.

- **Group pension and insurance** (through Arial Assurance SA (**Arial**), previously La Mondiale Entreprises): group retirement plans and accident and health plans for large corporations sold directly and through insurance brokers. This sector represented 9.3% of La Mondiale's 2005 premiums. (Arial is 50% consolidated only.)

La Mondiale is one of the leading operators in each sector of the insurance industry in which it operates. In wealth insurance product management, La Mondiale is one of the market leaders for dedicated insurance contracts for private banking clients. In the individual pension market for independent entrepreneurs, La Mondiale is competing with AXA and Generali and has an estimated 17% market share (source: FFSA April 2006). In the group insurance market, La Mondiale is ranked number two, behind AXA, with a 19% market share in 2005 (source: FFSA June 2006).

La Mondiale mainly conducts its business in France, with small operations in Spain and Luxembourg representing 8.9% of premiums.

Historically sales have been generated through a network of salaried agents, but in the last decade, La Mondiale developed and expanded its sales strategy. La Mondiale now focuses on targeting specific products and sales teams to clearly defined market sectors.

In July 1999, La Mondiale acquired a majority stake (68.3%) in La Hénin-Vie (**LHV**) from the Suez Group. LHV was specialised in the unit-linked business, distributed through financial partners (banks and stock brokers) and targeted at HNWI. LHV used this expertise to compete successfully against the "bancassurance" institutions (i.e. insurance companies which are subsidiaries of banks) that have carved out a strong position in the French life insurance market. LHV's portfolio complements La Mondiale's traditional product range, and overall the LHV acquisition has substantially enhanced La Mondiale's competitive position in the French market.

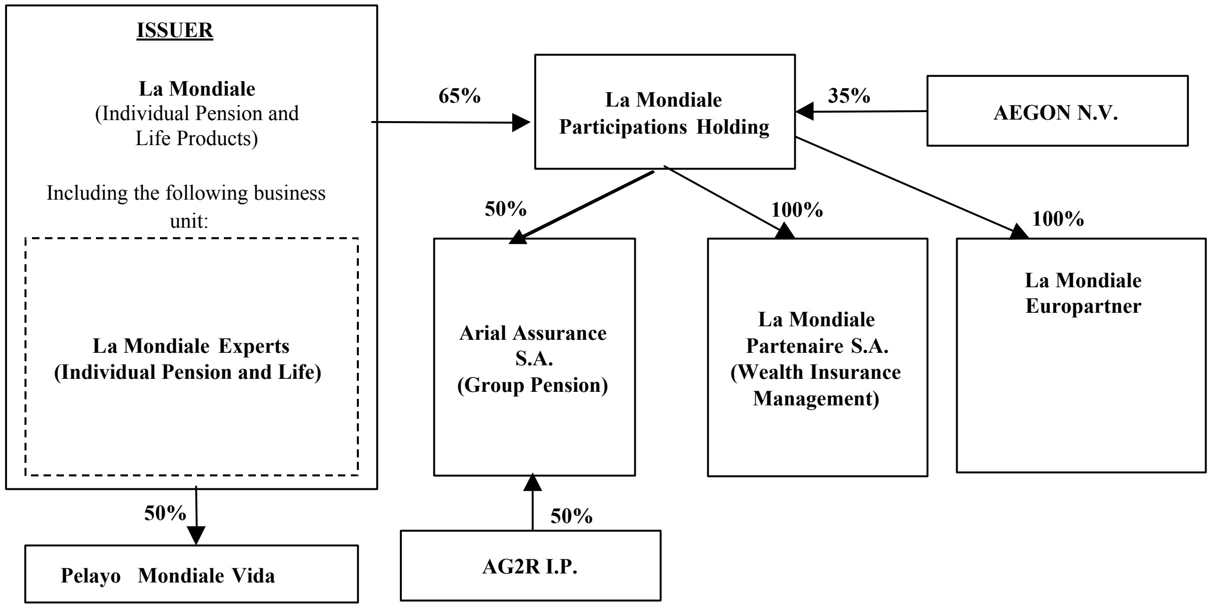
In 2002, La Mondiale signed a partnership agreement with Aegon, one of the world's leading providers of pension and life insurance products. Aegon and La Mondiale have created the first European network in the field of corporate pension products, which will offer the whole range of pension products to international groups in most European markets. Aegon acquired 20% of the holding company La Mondiale Participations.

Also in 2002, La Mondiale signed a partnership agreement with AG2RP, the largest *institution de prévoyance* in France in charge of managing complementary pay-as-you-go pension systems. The group AG2R (which includes AG2RP) is also one of the leaders in group health and disability insurance. La Mondiale and AG2R decided to join their expertise in group retirement plans and accident and health plans for large corporations. In doing so, La Mondiale transferred its large group pension activity to a 50/50 partnership, Arial Assurance, held by AG2RP and La Mondiale Participations.

In 2005, Aegon increased its share of the holding company, La Mondiale Participations, to 35% and in early 2006 the holding company purchased Aegon's subsidiary in Luxembourg specialising in HNWI in the UK market. La Mondiale is now one of the major operators in insurance savings product for HNWI based in Luxembourg.

La Mondiale's financial strength rating was confirmed A+ (stable outlook) by both Fitch (in July 2006) and Standard & Poor's (in October 2006). In 1995, La Mondiale became the first French insurance mutual to be rated.

Group Structure as of the date of this Prospectus



La Mondiale's business is organised into four business units, each targeting a distinct market sector: La Mondiale Partenaire, La Mondiale Experts, Arial Assurance and International Operations.

1. La Mondiale Partenaire (LMP) – 51.1% of 2005 Premiums

LMP is the market leader in sales of unit-linked products to HNWI through "partners" (non-affiliated intermediaries and institutions), such as private banking arms of large European banks, stockbrokers and a network of independent advisors.

LMP premiums increased by 7% in 2005 and unit-linked contracts accounted for 33% of premiums. In the same year, LMP had 155,000 customers and mathematical provisions amounted to €15.7 billion of which unit linked account for 46%.

2. La Mondiale Experts – 30.9% of 2005 Premiums

This business unit, which comprises the original sales team of La Mondiale, has a highly skilled sales force of 1,000 professionals serving 490,000 subscribers mostly in France. It focuses on self-employed workers, such as freelancers, traders or managers of small and midsize firms, and offers a range of life insurance products oriented towards retirement, life and disability, health and savings.

The pension business in 2005 experienced a 5% increase in premium and unit linked contracts, accounting for 58% of new business. Average regular premiums ranged from €1,900 to €3,800 depending on the customer sector. Around 30% of the new business was achieved with the help of the customers' institutional relationships such as trade associations and certified accountants. Savings premiums also increased substantially (+12%), with most of this increase in guaranteed products invested in La Mondiale General Funds. Mathematical provisions reached €10.9 billion.

3. Arial Assurance – 9.3% of 2005 Premiums (50% consolidation)

Arial Assurance operates in group retirement, disability and health insurance, and corporate group life benefits schemes. Arial is currently 50% owned by La Mondiale Participations Holding and 50% by AG2RP. In 2003 La Mondiale transferred its large group pension portfolio, with the agreement of the ACAM, to Arial. As part of the La Mondiale - AG2RP agreement, La Mondiale also accepted that its group accident and health renewals would be directly dealt by Arial, i.e. La Mondiale would no longer be a carrier of group accident and health insurance. Arial has now become the vehicle for AG2R's life insurance business. The unit sells mainly through insurance brokers, consultancy firms and direct marketing/sales channels, and sells to firms with more than 200 employees, smaller companies being the target of La Mondiale Experts.

Arial experienced a 21% increase in premiums in 2005. The pension reform in France in 2003-2004 encouraged large corporations to offer their management additional retirement packages such as retirement benefits, and defined contribution or defined benefits pension schemes. In the health and disability sector, the partnership with AG2R has started producing results with new production up 40% in 2005.

Arial's mathematical provisions reached €5.6 billion with over 550,000 employees under group insurance coverage at the end of 2005.

4. International Operations - 8.7% of 2005 Premiums

La Mondiale's principal foreign operation is La Mondiale Europartner (**Europartner**), which is 100% owned by the intermediate holding company. Europartner is mostly engaged in the same business as LMP and sells insurance packages through 'partners' such as private banking or independent financial advisers. Europartner is also engaged in group pension activities, mostly for multinational corporations. Premiums increased threefold in 2005 and mathematical provisions reached €1.1 billion. In March 2006 La Mondiale Participation purchased Scottish Equitable International Luxembourg (**SEIL**) from Aegon NV. SEIL specialises in HNWI in the UK market; SEIL and Europartner will merge in early 2007 with SEIL bringing €1 billion additional mathematical provisions mostly in unit-linked products to the Group.

As far as La Mondiale's foreign operations are concerned, La Mondiale Mutuelle also controls a 50% participation in La Mondiale Vida, with the other 50% belonging to Pelayo, a Spanish mutual specialised in the motor insurance sector. It is now called Pelayo Mondiale Vida. It is a small operation with life premiums of €30 million in 2005.

Ownership

As of 31 December 2005, La Mondiale had around 490,000 policyholders (*sociétaires*).

Strategic Objectives

La Mondiale has three main strategic objectives: clear market segmentation and product distribution, efficient operational management and distribution partnerships.

Segmentation / Distribution: La Mondiale's first objective is to develop innovative products which differ from the traditional standard saving products of the "bancassurance" network (i.e. insurance companies which are subsidiaries of banks). La Mondiale owes part of its results to its ability to identify market sectors with high growth potential and to develop these sectors through the sale of innovative and quality products and services. La Mondiale's distribution strategy consists of focusing on three sectors through three distribution channels. This has proven to be successful, as demonstrated by the performance over the past few years in terms of growth and penetration of these markets.

Efficient operational management: La Mondiale has built an efficient value-added distribution network for the individual pension and life operations, which has succeeded in steadily increasing the average regular premium value to €3,000 in 2005, compared with €1,650 eight years ago.

Partnerships: In 2003, La Mondiale further developed its partnership strategy and signed agreements with AG2R and Aegon to broaden its distribution network in France and other European markets. These distribution partnerships have given La Mondiale access to complementary expertise and know-how.

Partnerships

La Mondiale has signed agreements with AG2RP (a French *institution de prévoyance*, leader in its market with over 5 million customers) and the Dutch insurer Aegon (one of the world's leading insurance groups).

AG2RP: The pension system in France is split between three schemes: 1) the compulsory pay-as-you-go social security system; 2) additional pay-as-you-go schemes, also compulsory, managed by *institutions de prévoyance*, such as AG2R, which are a 50/50 partnership between trade associations and employee unions; and 3) private capitalisation schemes sold primarily by insurance companies such as La Mondiale. The first two schemes account for over 90% of pensions paid.

AG2R has entered additional business lines such as health and disability coverage through the creation of specialised entities such as AG2RP (*Prévoyance*), which signed the partnership agreement with La Mondiale.

With over 5 million policyholders, the AG2RP Group is a leading diversified financial services firm specialising in group life insurance (life and disability) and pension benefits. AG2RP has developed a broad range of products and services in areas such as pensions, provident schemes, complementary health coverage and services for companies and individuals.

The agreement with AG2RP covers group accident and health products and employee's savings and pension plans, and has been implemented through the creation of two companies, Arial Assurance and Arial Epargne, each jointly owned by La Mondiale and AG2RP.

Arial Assurance specialises in group insurance, with La Mondiale contributing pension products and AG2RP health and accident products. Arial Assurance uses brokers and consultants as distribution channels. This partnership allows La Mondiale to extend its client base to small and midsize companies and boosts La Mondiale Experts' presence in the accident and health sector for very small firms.

Arial Epargne distributes savings products to employees through the agent network of the two parent companies. This agreement allows La Mondiale to market individual savings products to the employees of AG2RP's client base.

Aegon: Aegon is one of the world's ten largest life insurance groups, ranked by market capitalisation and assets. Life insurance, pensions and related investment products are Aegon's core businesses.

Aegon has chosen La Mondiale to jointly build the first European corporate pension network, a market perceived by both partners as having major growth potential. The two companies will exploit the successful distribution model adopted by La Mondiale to provide retirement products for multinational companies. For countries in which neither La Mondiale nor Aegon is present, the two companies intend to establish their presence either with a green field operation or through acquisitions and joint ventures. Under the cooperation agreement, La Mondiale sold 35% of La Mondiale Participations' capital, the holding company of the Group, to Aegon.

These alliances will enable La Mondiale to broaden its distribution network in France and other European markets, and give access to complementary expertise and know-how, which should help enhance revenues in the next few years.

Risk management

La Mondiale manages certain key risks as follows:

- **Financial risks cover**

With respect to financial risks, the Finance Committee's mission is to examine the general economic and financial situation, analyse the financing needs of La Mondiale and the Group, their investment policies and their income targets.

It is in this context that, together with the relevant Group directors who provide the necessary information, the Committee measures the financial risks to which the Group is exposed, looks at past management and evaluates performance, studies all income statement, balance sheet and financial structure forecasts and gives its opinion on financing methods, examines all investments, in particular new investments, gives its opinion on material investments and assesses investment management.

It then reaches a decision with respect to guidelines for the financing policy of La Mondiale and the Group and for investment and asset allocation policies, including prudential limits and ratios to be complied with.

The following committees are responsible for overseeing financial risk management:

- Credit Committees, responsible on a bi-annual basis for examining and deciding maximum commitments in accordance with credit ratings, generally AA and AAA;

- Intermediaries Committees, responsible for verifying the split of fund allocations between intermediaries and the list of authorised intermediaries (dispersal analysis);

- Weekly Economic Situation Committee whose mission is to follow economic trends:

  - monitoring subscriptions and repurchases;

  - monitoring performance of UCITS (OPCVM);

- Selection of UCITS (OPCVM) Managers Committee, whose mission is to analyse the performance of Funds of Funds and unit trusts (SICAV), oversees the:

  - performance of Funds of Funds compared to the benchmark;

  - performance of internal UCITS (OPCVM) and selection of external UCITS (OPCVM).

Regular periodical controls are carried out as part of securities and property asset management to cover the financial risks in these areas (transactions, outstandings, commitments, arbitraging, congruence …).

Controls at the specific request of ACAM are carried out.

- **Insurance risks cover**

The Assets-Liabilities Committee is the key organisation for actuarial work and technical risks management. It meets once monthly and brings together the representatives of the relevant departments (Actuarial, Finance and Investments, Accounts, Management Supervision).

The objectives of the Assets-Liabilities Committee are:

- to bring a forward looking vision to risk evaluation techniques;

- to validate actuarial methodology and systems to form La Mondiale's policy in technical matters;

- to decide how to organise work either by activity area or group related projects;

- to ensure work produced is pooled for the benefit of all.

In this context the latest analysis work carried out in 2005 involved:

- controlling how the situation of the company is evolving with regard to the main technical risks based on analysis of asset liability management indicators and analysis of the effect of the deeply subordinated loan and the new reinsurance treaties on the soundness of the Group's asset-liability situation;

- forecasting the most significant pay-out rate commitments and controlling the effectiveness of the coverage programme to cover such commitments;

- detailed analysis of the actual rate of incidents of the portfolio and its evolution over time with regard to forecast mortality tables;

- analysis of the risks associated with minimum level guarantees: monitoring risk and harmonisation of methods for provisioning within the Group;

- anticipating the impact of new regulations:

    - simulating the impact of changes to mortality tables that are due to be introduced in 2006, whether in relation to life insurance contracts or annuity contracts;

    - simulating the effects of transferring to IFRS standards on the soundness of the Group's asset-liability situation: specific analysis has been carried out into the effects of the practical application of standards IFRS4 and IAS 39 as amended;

    - evaluation of solvency margin requirements in view of the forthcoming application of new solvency standards (Solvency II). Applying the effects of a "standard" calculation model has been simulated.

- **Anti-money laundering mission**

The objective of La Mondiale's anti-money laundering procedure is to fight against laundering of the proceeds of drug trafficking, fraud against the financial interests of the European Community, corruption, organised criminal activities or those which may be used to finance terrorism.

This procedure breaks down operationally into the following:

- seminars to inform collaborators and raise awareness amongst new collaborators;

- reviewing agreements with partners containing requirements;

- conducting controls to ensure procedures are being implemented and complied with;

- declarations when suspicions have been raised;

- preparing a report.

The head of anti-money laundering monitors risks associated with payments in and payments out, risks in partnership agreements containing requirements, non-compliance with procedures by sales managers and advisers. Transactions that are identified risks include payments exceeding a threshold of €150,000, overseas subscriptions, relinquishments, withdrawals, repurchases and premature advances.

- **Insurance and risk cover**

La Mondiale has put in place and periodically updates an insurance programme to protect its asset base. The insurance policies include:

- insurance covering damage to property: all building risks, all computer risks;

- civil liability insurance;

- personal insurance (assistance).

The insurances subscribed and the level of self-insurance depend on the business activity, the size and rate of occurrence of incidents of the principal entities of the Group.

These insurance policies have been subscribed with insurance companies of international repute.

Financial Results

At 31 December 2005, La Mondiale had consolidated assets of €31.9 billion of which 30% are unit-linked products. The 70% remaining are guaranteed products invested in General Funds split between bonds (79%), equities (13%) and real estate (8%).

Consolidated equity capital at 31 December 2005, increased €74 million to €906 million (or €1,084 million including minority interests). Subordinated obligations amounted to €491 million of which €476 million are on a perpetual basis with a call option. The solvency coverage of La Mondiale is 4.86 times the minimum regulatory requirement. Consolidation accounting, which eliminates dividends and intra-group borrowings, facilitates the measurement of the Group's solvency level. The margins required by the various entities of the Group (after the elimination of intra-group reinsurance transactions) amount to €949 million, which is covered 2.14 times by the Group's equity capital (net of intangible items and deferred acquisition costs), subordinated debt and unrealised capital gains.

The components of the Group margin are lower than those of the parent company in so far as the regulations place a ceiling on the amount of unrealised capital gains permitted in the margin requirements for each company in the Group. Moreover, the Group's equity capital is adjusted for deferred acquisition costs net of deferred tax.

La Mondiale's reported 2005 operating income of €135 million compared to €112 million the previous year. La Mondiale generated consolidated net income of €82 million in 2005, down 27% compared to 2004 mostly due to the extraordinary gain of €28 million in 2004 when Aegon increased its share of the intermediate holding company from 20% to 35%.

Beneficiary Participation

Over the past five fiscal years, the items used for the determination of the "Beneficiary Participation", as defined in clause 3.(h) (4) (*Mandatory payment of interest)* of the Conditions of the Notes, has evolved as follows:

In thousands of Euros	2005	2004	2003	2002	2001
Investments income allocated to insurance contracts	858,584	773,143	633,180	547,477	541,175
Total net investments income for the fiscal year	880,584	751,536	667,070	576,459	575,655
Beneficiary Participation	97.5%	102.9%	94.9%	95%	94%

Conflict of Interest

To the Issuer's knowledge, there are no conflicts of interest between the duties of the directors and members of executive management with regard to La Mondiale and their private interests.

Change of Control

To the Issuer's knowledge, there is no arrangement, the operation of which may at a subsequent date result in a change in control of the Issuer.

Important Contracts

There are, at the date of this Prospectus, no material contracts entered into in the ordinary course of the Issuer's business, which could result in any member of the Issuer's Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

RECENT DEVELOPMENTS

1. Financial results

The first semester 2006 registered a growth of 22% in premiums up to €2.8 billion. Net consolidated earnings reached €57.4 million and total investments amounted to €35.1 billion with unit-linked products accounting for €11.6 billion.

2. Litigation

In March 2006, the *Cour de Cassation* rejected La Mondiale's claims against the *arrêt de la Cour d'Appel* of Paris of 18 January 2005 (the Sénacq Affair) in favour of a customer who sued the company on technical grounds concerning the wording of an insurance contract. The judgment led to the repayment of the claimant's unit-linked insurance contract by the company at subscription value. Around 50 customers have sued the company on the same ground and a total provision of €18 million has been set aside. As a consequence, the wording of such insurance contracts has been changed and 80% of all the customers have been notified of the new wording, the remaining 20% will be notified before the end of 2006.

3. Regulatory control

The Group was inspected by its regulatory body (ACAM) in 2006; the inspections are ongoing, and most of the regulator's remarks concern the wording of the insurance contracts (see above) and an additional provision of €10 million has been required for minimum yield coverage on some contracts.

4. Other

The impact of the new mortality tables (*Table par génération* 2006): the *Fédération Française des Assurances* has worked with the regulatory body to update the mortality/survival prospective tables using actual customers of the industry. These tables will be used for pension products starting in 2006 and the additional accounting costs for the Group is estimated to be around €20-30 million. These costs will be amortised entirely in the 2006 consolidated accounts.

5. Financial indicators as of 30 June 2006 as published in the *Bulletin des annonces légales obligatoires* (BALO) in France

I 30 June 2006 consolidated revenues and profit

In millions of euros	1st half year 2006	1st half year 2005	Full year 2005
• premiums	2 817	2 315	4 808
• net financial income	609	522	1 063
• operating income	90	97	135
• consolidated profit after tax (group contribution)	57	61	82

II 30 June 2006 activity report

The Group's consolidated financial statements are drawn up pursuant to current legal and regulatory provisions, that is the Accounting Standards Committee's regulation 2000-05 of 7 December 2000 and its implementation decree No. 2001-51 of 17 January 2001.

As of 30 June 2006, consolidated revenues globally increased by 21.7% as compared with 30 June 2005. The business through the "Réseau Experts" (Expert Network, Pension and Savings to independent and small businesses) was up by 11% while the business through the "Partenariats" (Partnerships) rose by 37%. The "Large Businesses" activity (Retirement and Employee Benefits) was down by 15% as compared with the 1st half year 2005, due to exceptional operations underwritten at the beginning of 2005.

As of 30 June 2006, total assets under management reached €34.7 billion, up by nearly 20% as compared with 30 June 2005, 66% of which being general fund assets and 34% unit-linked assets.

After tax and goodwill amortization up to €0.8 million, the Group's contribution in the net profit as at 30 June 2006 reached €57 million against €61 million as at 30 June 2005.

The Group's total equity, including minority interests, reached €1.145 billion as at 30 June 2006 allowing to maintain the Group's solvency ratio* at 210% (214% as at 31 December 2005).

* solvency ratio = actual solvency margin / minimum required solvency margin

Below is a free translation into English of an attestation issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France:

"La Mondiale – Mutual Life Insurance and Capitalization Company

Head Office: 32, avenue Emile Zola – 59370 Mons-en-Baroeul

Statutory auditors' report of factual findings

on 30 June 2006 consolidated financial indicators issued by the Company

In our capacity as statutory auditors of La Mondiale, Mutual Life Insurance and Capitalization Company, and in accordance with your request, we carried out verification procedures with respect to the 30 June 2006 consolidated financial indicators which your company plans to issue.

These indicators, of which a copy is attached, have been prepared by the Company.

Our verification procedures consisted of comparing the information provided in paragraph I (30 June 2006 consolidated revenues and profit) and II (30 June 2006 activity report) with the consolidated balance sheet at 30 June 2006 and profit and loss statement for the six-month period then ended as prepared by the Company.

This verification has been conducted on the basis of consolidated balance sheet as at 30 June 2006 and the profit and loss statement for the six-month period then ended as prepared by the Company and for which we carried out a limited review in accordance with French professional standards.

Paris La Défense and Neuilly-sur-Seine, 23 October 2006

KPMG Audit *KPMG S.A. department*	Deloitte & Associés
Régis Tribout *Partner*	José-Luis Garcia *Partner*"

CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2005 AND FOR THE YEAR ENDED 31 DECEMBER 2004 FOR INFORMATION PURPOSES ONLY

IMPORTANT: set out below is an English translation of the Issuer's consolidated financial statements for the year ended 31 December 2005. This translation was prepared by the Issuer and is set out below for information purposes only. Please refer to Section "Documents Incorporated by Reference" on pages 15 and 16 for the information incorporated by reference including the French language binding version of the consolidated financial statements.

2005 Consolidated Financial Statements

Consolidated profit and loss account:

(In thousands of euros)	Notes	Life segment	Non-Life segment	Total 2005	31/12/2004
• Earned premiums	5-1	4,745,291	62,649	4,807,940	4,164,575
• Other operating income	5-2	22,859		22,859	23,907
• Net financial income	5-3	1,061,299	1,517	1,062,816	903,407
• Unit-linked asset adjustment (ACAV)	5-3	1,318,715		1,318,715	413,671
Operating income		**7,148,164**	**64,166**	**7,212,330**	**5,505,560**
• Insurance benefits and claims	5-4	6,705,794	50,615	6,756,409	5,083,017
• Reinsurance cessions expense (income)	5-5	(15,718)	(3,536)	(19,254)	1,548
• Management expenses	5-6; 5-7	336,694	3,644	340,338	309,249
Operating costs		**7,026,770**	**50,723**	**7,077,493**	**5,393,814**
Total operating income		**121,394**	**13,443**	**134,837**	**111,746**
• Other net income	5-8			(45)	177
• Extraordinary items	5-9			305	28,190
• Income tax	5-10			(45,562)	(22,824)
Consolidated net profit				**89,535**	**117,289**
• Share in associate profit (losses)	5-11				0
• Goodwill amortisation				(2,005)	(997)
TOTAL CONSOLIDATED NET PROFIT				**87,530**	**116,292**
• Minority interests				5,926	4,061
NET PROFIT (Group contribution)				**81,604**	**112,231**

Consolidated balance sheet:

Assets:

(In thousands of euros)	**Notes**	**2005**	**2004**
Goodwill	**3-1**	**20,366**	**7,962**
Intangible assets		**2,415**	**2,520**
Investments (General Fund)	**3-2**	**22,273,381**	**19,756,265**
• Land and buildings		1,599,048	1,408,410
• Investments in associates and participating interests	3-3	6,973	8,919
• Other investments		20,666,733	18,338,232
• Cash deposits with ceding companies		627	704
Unit-linked assets	**3-4**	**9,622,058**	**7,653,119**
Securities accounted for under the equity method	**3-5**	**0**	**0**
TOTAL INVESTMENTS		**31,895,439**	**27,409,384**
Reinsurers' and retrocessionnaires' share of technical reserves	**3-6**	**180,714**	**115,931**
Accounts receivable arising from direct insurance or reinsurance operations	**3-7**	**369,142**	**344,696**
Accounts receivable from banking institutions	**3-8**	**64,337**	**80,215**
Other receivables	**3-9; 3-10**	**50,274**	**51,015**
Other assets	**3-11**	**42,973**	**41,908**
Accruals and deferrals	**3-12**	**1,074,892**	**1,005,982**
• Interests and rents accrued but not due		451,409	414,417
• Deferred acquisition costs		607,446	571,423
• Other accruals and deferrals		16,037	20,142
Foreign exchange differences	**3-23**	**0**	**4,302**
TOTAL ASSETS		**33,700,552**	**29,063,915**

Liabilities:

(In thousands of euros)	Notes	2005	2004
Equity	**3-13**		
• Statutory capital*		62,448	26,434
• Other reserves		762,626	693,540
• Net profit		81,604	112,231
EQUITY (group share)		**906,678**	**832,205**
Minority interests	**3-14**	**178,190**	**170,474**
Subordinated debts	**3-15**	**491,000**	**466,000**
TOTAL INVESTED CAPITAL		**1,575,869**	**1,468,679**
Gross technical reserves	**3-16; 3-17**	**21,869,778**	**19,361,579**
Technical reserves for unit-linked contracts		**9,636,885**	**7,663,699**
Other provisions	**3-18**	**44,675**	**46,067**
Accounts payable arising from direct insurance or reinsurance	**3-19**	**192,530**	**183,651**
Payables to banking institutions	**3-20**	**14,476**	**17,317**
Other debts	**3-21**	**360,942**	**312,702**
Accruals and deferrals (liabilities)	**3-22**	**3,687**	**10,037**
Foreign exchange differences	**3-23**	**1,711**	**184**
TOTAL LIABILITIES		**33,700,552**	**29,063,915**

* The statutory capital corresponds to the "*Fonds d'établissement*".

Explanatory notes to the consolidated financial statements:

1. Scope of consolidation

1.1 Scope of consolidation as of 31 December 2005

	2005			**2004**		
Consolidated company	**% control**	**% interest**	**Method of consolidation**	**% control**	**% interest**	**Method of consolidation**
Insurance activities						
• La Mondiale	100.00	100.00	FC	100.00	100.00	FC
• Arial assurance	50.00	32.50	PC	50.00	32.50	PC
• La Mondiale Accidents	99.99	99.99	FC	99.99	99.99	FC
• La Mondiale Diversification	100.00	100.00	FC	N/A	N/A	N/A
• La Mondiale Europartner - Luxembourg	100.00	65.00	FC	100.00	65.00	FC
• La Mondiale Partenaire	99.99	65.00	FC	99.99	65.00	FC
• Pasiphae	100.00	0.00	FC	100.00	0.00	FC
• Pelayo Mondiale Vida - Spain	50.00	50.00	PC	50.00	50.00	PC
Financial activities						
• GIE La Mondiale Cash	62.00	56.85	FC	64.00	59.55	FC
• La Mondiale Gestion d'Actifs	100.00	99.99	FC	100.00	99.99	FC
Investment property activities						
Commercial companies						
• La Mondiale Foncière	N/A	N/A	N/A	100.00	100.00	FC
• Cours Albert 1er	100.00	100.00	FC	N/A	N/A	N/A
Investment companies						
• La Mondiale Patrimoine	100.00	100.00	FC	N/A	N/A	N/A
• Mondiale Pierre	100.00	100.00	FC	100.00	100.00	FC
Other activities						
• La Mondiale Participations	65.00	65.00	FC	65.00	65.00	FC
• LMD Solutions	100.00	65.00	FC	N/A	N/A	N/A
• GIE La Mondiale Groupe	100.00	100.00	FC	100.00	100.00	FC
• GIE La Mondiale IT	N/A	N/A	N/A	100.00	100.00	FC
Method of consolidation	FC: Full consolidation method					
	PC: Proportionate consolidation method					

1.2 Rules adopted to determine the scope of consolidation

- **The following may be consolidated:**

Investments in which La Mondiale holds, directly or indirectly, at least 20% of the voting rights and for which a representative of the Group sits on the board of directors or supervisory board. In addition, companies must fit into one of Group's following two thresholds as defining a material interest: either 0.10% of total consolidated assets or 0.10% of total Group revenues.

- **The applicable methods are the following:**

Full consolidation, if the subsidiary is held at more than 40% and no other single shareholder holds more than 40%.

Proportional consolidation, if there is a community of interests.

Equity method consolidation, if the interest is equal to at least 20% and the other methods are not applicable.

- **By exemption:**

Pasiphae, a *tontine* (a system of annuities in which the benefits pass to the surviving subscribers until only one is left), is fully consolidated pursuant to Article R. 345-1-1 of the French *Code des assurances*.

1.3 Application to the financial year

Changes in the scope of consolidation are as follows:

- **Included:**

SAS Cours Albert 1er: a real estate company, acquired on 28 April 2005.

SA LM Diversification: this insurance company (formerly REM VIE) was acquired by the Group on 12 May 2005.

SAS LMD Solutions: this structure is included in the scope of consolidation for the first time in 2005; it is an insurance and reinsurance broker held by the holding company La Mondiale Participations.

SCI La Mondiale Patrimoine: this structure was created in the Group in late 2004; it is included in the scope of consolidation because it now includes two of the Group's significant investment properties.

Pro-forma accounts were not created considering the insignificant impact of the inclusion of these companies in the scope of consolidation.

- **Mergers:**

The companies La Mondiale and La Mondiale Foncière merged effective 1 January 2005, through a take-over merger of La Mondiale Foncière by La Mondiale.

Also on 1 January 2005, the GIE La Mondiale Groupe absorbed the GIE La Mondiale IT through a take-over merger.

- **Removed:**

Other than the merged companies, no structure was removed from the scope of consolidation in 2005.

2. Accounting principles and valuation methods

2.1 Principles and methods of consolidation

The consolidated financial statements of La Mondiale Group were drawn up as of 31 December 2005 pursuant to current legal and regulatory provisions and the Accounting Standards Committee's regulation 2000-05 of 7 December 2000 and its implementation decree No. 2001-51 of 17 January 2001.

All companies are consolidated on the basis of their financial statements closed at 31 December.

2.2 Significant events

The significant events are essentially the take-over merger of La Mondiale Foncière by La Mondiale and the aforementioned new inclusions in the scope of consolidation.

These have been carried out, in accordance with regulation 2000-05, according to the fair value method of accounting for assets and liabilities. The effect of this for SAS Cours Albert 1er has been to revalue the investment property and record both a goodwill entry and a deferred tax liability.

Moreover, financial year 2005 was marked by the application of Regulation CRC 2002-10 relating to real estate assets in the financial statements of the Group's subsidiaries. This was the basis for establishing the component approach as well as new depreciation periods for the Group's real estate investments.

A tax audit took place during the course of 2005, pertaining to all of the duties and taxes for financial years 2002 and 2003 for the companies La Mondiale, Arial assurance, and La Mondiale Accidents. The adjustment proposals were sent at year-end, and a provision for the anticipated risk was included in the accounts as of 31 December 2005.

2.3 Accounting principles and valuation methods

- **Summary statements:**

Real estate activities managed by subsidiaries are included under the life segment in the profit and loss account. These subsidiaries are held essentially by the life insurance companies and should be assimilated with the management of assets covering insurance liabilities.

- **Harmonisation of individual financial statements:**

The financial statements of the various consolidated insurance companies were prepared in conformity with the rules of the French *Code des assurances* and local legal and statutory rules for foreign subsidiaries, notably with regard to the valuation of mathematical reserves, premium and claim liabilities, the recognition of regulated reserves, the valuation of investments and the calculation of amortisation and impairment.

The income and expenses of consolidated subsidiaries were reclassified based on their function, according to the activity exercised within the Group.

- **Foreign currency translation:**

All the balance sheets and profit and loss accounts of the subsidiaries were drawn up in euros.

- **Transactions between consolidated companies:**

Inter-company accounts of assets and liabilities, income and expenses and commitments between fully consolidated companies were eliminated, as were dividends.

- **Valuation of investments:**

Assets for which fluctuations in value have the effect of creating or directly influencing the policyholders' rights are marked to their market value. This concerns unit-linked contracts and *tontine* systems.

Other investments are measured at cost.

Investment securities held by French insurance companies or their successors are valued according to the rules of the French *Code des assurances*. Securities held by other companies are valued according to applicable local regulations.

Land, real estate and equity interests in non-listed real estate entities are recorded at their acquisition value and increased for construction work and improvements. Revaluations reported in individual company balance sheets have not been maintained.

Bonds and similar instruments are recorded at their purchase price excluding accrued interest. Differences between acquisition and reimbursement values (i.e. discounts or premiums) are written off over the remaining life of the securities; the balancing item is reported in the corresponding investment account.

Equities and similar instruments are recorded in the balance sheet at their purchase price.

Investments covering technical reserves for unit-linked contracts are valued at their market value at the end of the financial period, as determined under the terms of their respective contracts; resulting variations are posted in the profit and loss account and do not impact the technical result or the net profit for the financial year.

Security lendings and repurchase agreements are posted in the balance sheet by reducing the "Other investments" item.

- **Reserves for impairment of investments:**

Fixed-income securities:

Pursuant to the provisions of Article R. 332-19 of the French *Code des assurances*, inasmuch as the company has the intention and ability to hold fixed-income securities until their maturity date, any capital losses resulting from the comparison of their net book value, decreased or increased by the amortisation of their premium or discount, with their market value do not require a reserve for impairment.

However, a reserve for impairment is established when it is considered that the debtor will not be in a position to respect its commitments, either for interest payments or for the repayment of principal.

Investment properties, shares and other similar securities, except for those covering technical reserves related to unit-linked contracts:

Pursuant to the accounting provisions defined in Articles R. 331-3 and R. 332-20 of the French *Code des assurances*, a reserve for impairment determined line-by-line must be established for these same assets when the recoverable value (value in use or capitalized income value) shows a significant and prolonged discount.

Determination of the recoverable value:

The recoverable value is determined on the basis of a valuation that depends on the nature of the assets and of the holding strategy.

The latter, which concerns investment objectives, holding periods and arbitrage policy, is established by the Group with a view to creating continuity without, however, precluding the option of taking advantage of market opportunities.

Real estate assets are classified into two categories:

Owner-occupied real estate, intended to be held by the Group for the long term and for which the recoverable value used for valuation purposes is the value in use.

Rental property (or investment property), also intended to be held by the Group and for which the recoverable value reflects the capitalized income value based on future cash flows.

In exceptional circumstances, if the real estate is intended to be sold in the short term, the value taken into account instead and in place of the value in use and capitalized income values is the probable market value, i.e. the negotiation value or, failing that, the appraised value appearing in the itemized investment report.

Equities are classified into two categories:

Participating interests, whose recoverable value is the utility value, which depends on the utility that the interest holds for the company.

For those participating interests that are to be disposed of in the near future, it is the market value appearing in the itemized investment report or the last value known during the establishment of the financial statements that is selected as the recoverable value.

Investment securities, which are valued at their probable negotiation value.

Determination of the reserve for prolonged impairment:

A reserve for impairment is established line-by-line if the recoverable values are less than the acquisition values, insofar as the impairment is significant and prolonged.

Since 2002, a reserve has been established for equities that show significant impairment of more than 20% over a period of six consecutive months up to the amount of the unrealized loss recognized. However, when the company holding the securities commits itself to hold them for the long term, the reserve is measured on the basis of the future value of the market prices based on a yield rate specific to each security and a holding horizon of six years.

Provisions are established for the entire unrealized portion of capital losses determined by applying this method.

- **Goodwill:**

Positive and negative goodwill is generally amortized over a 15-year period, and now over 20 years when the goodwill concerns real estate or similar assets.

For goodwill concerning real estate, the depreciation period was rolled back from 40 to 20 years pursuant to regulation 05-10 of 20 October 2005 of the Accounting Standards Committee (CNC).

However, it is fully amortized during the acquisition year when the amount is not significant.

- **Derivatives:**

The Group uses these financial instruments as hedges, essentially to manage the rate of return on the general fund. The following types of operation are used:

Hedges against falling or rising rates:

These hedges are composed of negotiated over-the-counter (OTC) instruments.

The notional amount is booked as an off-balance sheet commitment.

Premiums paid are recorded in an equalisation account and amortized over the duration of the hedging strategy, the option period plus the hedging period of the swap.

Interest rate swaps:

These hedges are composed of negotiated OTC instruments: both long-term and short-term swaps.

For long-term swaps, the net income generated by the swap operation is recorded in a specific account on the profit and loss account beginning with financial year 2005, while it was previously included in the revenues of the underlying bonds; a swap concluded outside of the regulated market gives rise to an adjustment in an equalisation account and is amortized over the duration of the swap.

For short-term swaps, adjustments are recorded in losses or profits, depending on the interest rate variations.

No changes or stops in hedging strategies were experienced by the Group during the financial year.

- **Deferred acquisition costs:**

Costs attributable to the acquisition of contracts are capitalized as assets in the consolidated accounts. These costs basically consist of commissions and policy underwriting and issuance costs.

Acquisition costs are not limited to the Zillmer adjustment but are deferred up to the amount of the future net margins (including the financial margin) of eligible contracts; the financial margin takes into account a conservative forecast of expected rates of return for the assets.

Only acquisition costs covered by future income are deferred and capitalized. Acquisition costs covered by existing income or in excess of future income are not deferred.

The amortisation method is applied at the level of homogeneous contract groups. Costs are amortized over the estimated life of the contracts in line with the realisation of future margins, which are revalued at the end of each financial year.

As a result of the capitalisation of acquisition costs, the mathematical reserves appearing in the balance sheet are not Zillmerized.

- **Technical reserves:**

Life insurance reserves include mathematical reserves, which represent the difference between the present values of commitments made by the insurer and those made by the policyholders.

Pursuant to the preferred methodologies, stipulated by Regulation CRC 2000-05, computations for technical reserves are based on the discount rate at most equal to the forecast rate of return on assets.

In France, calculations are made using regulatory approved tables based on data published by INSEE (French national statistics institute); the effect of these prospective tables on reserves for deferred annuities during the savings phase has been evenly spread out over a 15-year interval since the 1993 fiscal period. During the annuity phase, annuity reserves are provisioned on the basis of prospective tables.

The impact of estimate changes is no longer spread out over time when drawing up the consolidated financial statements.

Provisions for claims include matured endowments and claims incurred but not yet settled as of 31 December.

Reserves for profit-sharing correspond to policyholders' share of the technical and financial profits realized by the companies. They are intended to be paid out to policyholders and to increase their guarantees after incorporation into the mathematical reserves.

The technical reserves for unit-linked contracts include the technical reserves of contracts denominated in units; the technical reserves for contracts covered by the general fund or guaranteed rate contracts are reclassified under the "Life insurance reserves" item.

- **Application of preferential methods:**

La Mondiale Group applies all of the preferential accounting methods recommended by Regulation 2000-05 except the method concerning the recognition through profit and loss of positive and negative foreign exchange translation adjustments. The application of the latter method would have an impact on the 2005 net profit of +€1.1 million.

- **Classification of expenses based on their function:**

The decree of 20 June 1994 concerning the new insurance chart of accounts requires a classification of expenses based on their function.

The objective of this approach is to break down operating expenses, previously recorded based on their nature, between the various main functions of the companies.

The approach adopted by La Mondiale Group for the transition from nature-based initial recognition of expenses to function-based classification is the successive allocation in stages of total costs for each department.

At the end of this allocation process, the costs of departments are allocated between the main functions of the company: acquisition and administration of contracts, payment of benefits, investment management and other technical departments.

- **Capital gains and losses on intra-Group disposals:**

Capital gains and losses generated by the Group's insurance companies on intra-Group disposals are eliminated.

Moreover, the profit (or loss) generated by intra-Group disposals on investments in consolidated companies is restated.

- **Deferred profit-sharing:**

Deferred profit-sharing can be unconditional (i.e. linked to restatements for consolidation) or conditional (i.e. dependent on a management-decision or an event).

Deferred profit-sharing is only recognized on financial items, such as intra-Group capital gains. No deferred profit-sharing has been recognized on restatements of intra-Group transactions related to equity holdings.

- **Deferred tax:**

Deferred taxes are recorded using the variable deferral method and applying a full balance sheet approach.

Deferred taxes have not been recognized on restatements of intra-Group transactions related to equity holdings.

Regarding deferred tax assets and liabilities:

Deferred tax liabilities are systematically recognized (except in the case mentioned above).

Deferred tax assets are only recognized as balance sheet assets when their recovery is probable.

2.4. Restatements for consolidation

- **Harmonisation of individual financial statements:**

The accounts of fully consolidated subsidiaries that do not apply the insurance chart of accounts are transposed. Function-based reporting of income and expenses is implemented on the basis of the activity of the subsidiary in the Group considered as a life insurance group; non-life activity is exercised by non-life companies.

- **Valuation of real estate:**

The revaluation of the SCI Mondiale Pierre real estate portfolio at the end of 1997 was eliminated in the consolidated financial statements.

- **Reserves for prolonged impairment:**

Any reserves established by La Mondiale for its consolidated entities were neutralized.

- ***Provisions pour risques d'exigibilité* ("Reserves for liquidity risk of technical commitments"):**

Any reserves for liquidity risk established by a consolidated company, when the total value of shares, real estate and securities recorded on the balance sheet is greater than the market value of these assets, are maintained. Reserves for liquidity risk established by French insurance companies are therefore brought forward as-is to the consolidated financial statements; for foreign companies, a calculation is performed in the same way for harmonisation purposes.

As of 31 December 2005, no company in La Mondiale Group had established such a reserve.

- **Equalisation reserves:**

Equalisation reserves are eliminated in consolidation, pursuant to current regulations. For information, they are defined in accordance with Articles R. 331-3 and R. 331-6 of the French *Code des assurances* and are intended to protect against fluctuations in claims for Group insurance operations against the mortality and disability risks; they are thus applicable only to Group insurance contracts.

- **Minority interests:**

The total result of the *tontine*, Pasiphae, is reported in this item.

- ***Réserve de capitalisation* ("Capitalisation reserve"):**

Pursuant to regulation CRC 2000-05, the capitalisation reserve as of 31 December 1999 is maintained in equity; entries made during the financial year to this reserve in the individual accounts are cancelled and recognized in profit or loss.

This restatement does not give rise to the recognition of deferred profit-sharing or deferred tax unless there is a high probability that securities will be disposed of in the near future, which would result in a reversal of this reserve.

The capitalisation reserve and the associated restatement only concern the financial statements subject to French regulation.

- **Deferred tax:**

As from year-end 1997, new deferred tax items are no longer recorded in the individual financial statements; they are recorded in the consolidated financial statements in accordance with the principles of consolidation.

Deferred taxes are accounted for at the tax rate applicable when tax will be payable. If such a rate is known in advance, it is used; otherwise, the applicable rate is the rate for the financial year during which the taxes were recorded. Tax rates known to date are 34.93% for 2005 and 34.43% for 2006.

For purposes of simplification, La Mondiale Group does not establish a precise schedule and applies the rate of 34.43% for all deferred taxes (i.e. the common law short-term rate).

- **Retirement benefits liabilities:**

The retirement benefits liabilities of the La Mondiale Group are estimated on the basis of actuarial data: the benefits of employees are calculated on the basis of the collective labour agreement, and the average retirement age is established by category of personnel, a mortality table (TV 88/90), and using a discount rate of 4.19%.

Up until 31 December 2003, retirement benefits liabilities were included in off-balance sheet commitments in the individual financial statements and reserves were recorded in the consolidated financial statements.

Since 1 January 2004, according to Accounting Standards Committee (CNC) recommendation 03-R-01, reserves have been established in the individual accounts, including the obligations related to long-service awards.

- **Intra-Group reinsurance:**

Cash flows arising from intra-Group reinsurance treaties are eliminated; the accounts established by the ceding company are recorded without time gaps in the accepting company's accounts.

2.5. Presentation of financial statements

The balance sheet, profit and loss account, and explanatory notes have been presented in accordance with regulatory provisions currently in effect.

- **Presentation of segment information:**

Profit and loss accounts segmented according to life and non-life activities are presented in Section 4; most tables are presented with such a life/non-life breakdown.

The "Other activities" segment is not significant within the Group; it has consequently been reported under the "Other net income" item.

The elimination of inter-segment operations is included within each item of the profit and loss account.

3. Information on balance sheet items

All of the figures in this section are presented in thousands of euros.

3.1. Goodwill

(In thousands of euros)	**Gross**	**Amortisation at 01/01/2005**	**Amortisation expense or reversal for financial year**	**Net**
Goodwill assets				
• Goodwill at 1 January 2005	14,507	6,545	838	7,124
• Goodwill arising from acquisitions during the year	14,574		1,332	13,242
• Goodwill arising from disposals during the year	0			0
TOTAL GOODWILL AT 31 DECEMBER 2005 (ASSETS)	**29,081**	**6,545**	**2,170**	**20,366**

Breakdown as follows:

(In thousands of euros)	**31/12/2005**	**31/12/2004**
• La Mondiale Partenaire	7,124	7,962
• SAS Cours Albert 1er	13,242	0
	20,366	**7,962**

No negative goodwill reported.

3.2. Investments held by insurance companies

(In thousands of euros)	Value at 31 December 2005		Market value at	Unrealized capital gains (losses) at	
	Gross value	Net value	31/12/2005	31/12/2005	31/12/2004
• Real estate investments	1,827,835	1,599,048	2,187,105	588,057	468,649
• Shares and variable income securities	2,600,077	2,509,753	2,851,123	341,370	(115,977)
• Non-consolidated equity interests	7,063	6,973	13,118	6,145	6,070
• Shares in equity unit trusts	479,501	477,570	553,607	76,037	22,406
• Bonds and other fixed-income securities	17,794,377	17,920,106	19,441,680	1,521,574	1,280,111
• Shares in bond unit trusts	182,532	182,532	188,373	5,841	1,417
• Other investments	209,541	209,508	209,508	0	0
• To be deducted: securities lendings and repurchase agreements; other repositioning of securities	(632,109)	(632,109)	(632,109)	0	0
TOTAL INVESTMENTS	**22,468,817**	**22,273,381**	**24,812,405**	**2,539,024**	**1,662,676**
• Total listed investments	19,156,606	19,201,937	20,970,075		
• Total non-listed investments	3,312,121	3,071,444	3,842,330		
• Investments held by non-life insurance companies	25,071	25,193	27,197		
• Investments held by life insurance companies	22,443,656	22,248,188	24,785,208		

Pursuant to the Law of 31 December 1989, the insurance companies undertook appraisals of their real estate holdings as follows: a five-year appraisal with annual updates by the company Foncier Expertise for La Mondiale, SCI Mondiale Pierre, SCI Mondiale Patrimoine, as well as SAS Cours Albert 1er.

The realisation of unrealized capital gains would give rise to rights in favour of policyholders and minority shareholders, as well as to taxation.

3.3. Non-consolidated equity interests

Name	Equity capital before allocation	% control	Last year profit (loss)	Net book value at 31/12/2005	Market value
(In thousands of euros)					
• Acofi	N/A	10.00	N/A	991	1,613
• Grands Crus Investissements	N/A	12.52	N/A	3,049	4,600
• LM Opportunités	4	99.98	8	398	395
• Tradial	2,201	100.00	(372)	2,287	3,928
• Other equity interests				248	
BOOK VALUE OF NON-CONSOLIDATED EQUITY INTERESTS				**6,973**	

3.4. Investments covering unit-linked contracts

(In thousands of euros)	31/12/2005	31/12/2004
• Real estate investments	53,149	49,585
• Variable income securities and similar instruments	623,445	633,369
• Shares in equity unit trusts	8,202,478	6,210,505
• Redeemable securities and similar instruments	232,403	302,318
• Shares in bond unit trusts	510,583	457,342
TOTAL INVESTMENTS REPRESENTING UNIT-LINKED CONTRACTS	**9,622,058**	**7,653,119**

Investments covering unit-linked contracts do not include the pro-rata share of investments relative to contracts backed by the general fund or guaranteed rate contracts, which are included under their respective investment items (Table 3.2).

3.5. Securities accounted for under the equity method

There are no longer any security accounted for under the equity method.

3.6. Reinsurer's and retrocessionnaires' share of technical reserves

(In thousands of euros)	31/12/2005	31/12/2004
LIFE RESERVES	**113,315**	**108,882**
• Premiums	86,031	89,346
• Claims	26,077	18,242
• Profit-sharing	0	0
• Other technical reserves	1,207	1,294
RESERVES FOR UNIT-LINKED CONTRACTS	**39,706**	**132**
NON-LIFE RESERVES	**27,693**	**6,917**
• Unearned premiums	0	0
• Claims	27,693	6,917
• Other technical reserves	0	0
TOTAL	**180,714**	**115,931**

3.7. Accounts receivable arising from direct insurance or reinsurance operations

(In thousands of euros)	31/12/2005	31/12/2004
• Life premiums earned, not yet issued	99,977	111,274
• Non-life premiums earned, not yet issued	0	0
• Other receivables from direct insurance operations	20,131	19,123
• Receivables from reinsurance operations	37,081	25,704
• Negative deferred profit-sharing recognized as an asset	211,953	188,595
TOTAL	**369,142**	**344,696**

3.8. Accounts receivable from banking institutions

These are short-term cash and cash equivalents. Receivables in foreign currency other than euros are detailed in Note 3-23.

3.9. Other receivables

(In thousands of euros)	31/12/2005	31/12/2004
• Government, social security organisations, official bodies	18,784	13,085
• Employees	2,162	1,777
• Other receivables	31,654	38,984
• Provisions for impairment	(2,325)	(2,831)
TOTAL	**50,275**	**51,015**

These are essentially receivables with maturities of less than one year.

3.10. Deferred tax

Impact on the "Balance sheet" item as follows:

(In thousands of euros)	31/12/2005	31/12/2004
• Deferred tax assets	187,988	219,430
• Deferred tax liabilities	280,561	267,535
NET IMPACT	**(92,573)**	**(48,105)**
• Reported under assets	2,424	1,589
• Reported under liabilities	94,997	49,693

All deferred taxes have been accounted for. They principally relate to the La Mondiale tax-group arrangement; in the balance sheet, tax assets are offset by deferred tax liabilities of the same entity.

Deferred taxes recognized on consolidation adjustments amounted to €144 million for assets and €183 million for liabilities.

3.11. Other assets

(In thousands of euros)	31/12/2005	31/12/2004
• Gross value	123,370	111,181
• Amortisation	(80,399)	(69,273)
NET VALUE	**42,971**	**41,908**

This item includes operating equipment and software.

3.12. Accruals and deferrals (assets)

(In thousands of euros)	31/12/2005	31/12/2004
• Deferred acquisition costs for life products	607,446	571,423
• Other accruals and deferrals:	467,450	434,559
- Interest and rent accrued but not due	451,409	414,417
- Acquisition costs for real estate to be spread over several financial years	(21)	1,631
- Differences on redemption prices collectable	0	0
- Other accruals and deferrals	16,062	18,511
TOTAL ACCRUALS AND DEFERRALS (ASSETS)	**1,074,896**	**1,005,982**

Deferred acquisition costs for life products: in accordance with the principles stated in Paragraph 2-3, these are not limited to the Zillmer adjustment.

The main assumptions have been made in accordance with the general rules of prudence and assume a contractual life limited to 15 years for fees incurred up to 2004, a period of 22 years beginning in 2005, and a discount rate of 2.25%, or about 60% of the TME (*taux mensuel des emprunts d'etat*, or average yield to maturity).

Premium/discount reclassification: differences on redemption prices collectable are realigned to the corresponding investments.

3.13. Change in the Group's equity capital

(In thousands of euros)	Statutory capital	Other reserves	Group share of result	Equity (group share)
At 31 December 2003	**21,526**	**590,903**	**101,484**	**713,913**
• Appropriation of 2003 result		101,484	(101,484)	
• Subscription fees	4,908			
• Change in scope of consolidation and other movements		1,153		
• 2004 result			112,231	
At 31 December 2004	**26,434**	**693,540**	**112,231**	**832,205**
• Appropriation of 2004 result		112,231	(112,231)	
• Subscription fees and repayment on debt for statutory capital*	36,014	(31,000)		
• Change in scope of consolidation and other movements		(12,145)		
• 2005 result			81,604	
At 31 December 2005	**62,448**	**762,626**	**81,604**	**906,678**

* The statutory capital corresponds to the "*Fonds d'établissement*".

Within equity, the capitalisation reserve represents €391.9 million.

The bulk of the €12.1 million loss in equity is explained by the impact of CRC 2002-10 relating to real estate assets and, in particular, by the component approach for a net amount of deferred tax of €13.7 million.

3.14. Minority interests

(In thousands of euros)	**31/12/2005**	**31/12/2004**
• Consolidated reserves	172,264	166,413
• Result	5,926	4,061
TOTAL	**178,190**	**170,474**

3.15. Subordinated debts

(In thousands of euros)	**Maturity**	**31/12/2005**	**31/12/2004**
• La Mondiale perpetual subordinated securities	Of indefinite duration (since 2003)	200,000	200,000
	Of indefinite duration (since 2004)	200,000	200,000
• La Mondiale subordinated debt	Maturities: 2009 and 2019	0	66,000
• Super-subordinated perpetual loan	Of indefinite duration (since 2005)	91,000	0
• La Mondiale Partenaire perpetual subordinated securities		0	0
• Arial assurance perpetual subordinated securities		0	0
• La Mondiale Europartner perpetual subordinated securities		0	0
TOTAL SUBORDINATED DEBTS		**491,000**	**466,000**

La Mondiale Partenaire, Arial assurance, and La Mondiale Europartner perpetual subordinated securities are held by La Mondiale and have been eliminated. The same applies for the investment in Pasiphae, fully held by La Mondiale Partenaire.

3.16. Gross technical reserves

(In thousands of euros)	31/12/2005	31/12/2004
LIFE RESERVES	**21,831,337**	**19,325,844**
• Premiums	21,380,029	18,918,694
• Claims	233,064	217,280
• Profit-sharing	210,670	177,698
• Other technical reserves	7,574	12,172
NON-LIFE RESERVES	**38,441**	**35,735**
• Claims	21,415	18,185
• Other technical reserves	17,026	17,550
TOTAL	**21,869,778**	**19,361,579**

The impact of changes in mortality tables due to longer life expectancy is spread out in the individual financial statements.

This spreading is offset in consolidation in order to account for all of the risks on the basis of prospective tables.

A deferred tax is applicable to the restated figure.

3.17. Provisions for policyholders' profit-sharing

(In thousands of euros)	31/12/2005	31/12/2004
• Provision for amounts due	210,670	177,698
• Conditional deferred provision	0	0
• Unconditional deferred provision	0	0
TOTAL	**210,670**	**177,698**

3.18. Other Provisions

(In thousands of euros)	01/01/2005	Amortisation	Reversal	Other movements	31/12/2005
• Regulated provisions	0				0
• Provisions for risks	28,687	9,369	(8,570)	1,771	31,257
• Provisions for foreign exchange losses	4,302	310	(4,612)		0
• Provisions for pension and provident commitments	13,014	1,922	(1,518)		13,418
• Other provisions for expenses	64			(64)	0
TOTAL PROVISIONS FOR RISKS AND EXPENSES	**46,067**	**11,601**	**(14,700)**	**1,707**	**44,675**

Provisions for retirement benefits liabilities are now recorded in the individual financial statements and take into account obligations related to long-service awards.

The "Other movements" column primarily involves the tax provision established through equity with SAS Cours Albert 1er for €1.8 million. This provision relates to the five-year spread of the financial impact of CRC 2002-10 on real estate assets at 1 January 2005.

A judgment of the *Cour de Cassation* dated 7 March 2006 confirmed the judgment of the Paris Court of Appeal dated 18 January 2005 concerning precontractual information in life insurance. According to the accounting principle of prudence, provisions were made for the financial consequences of known claims and litigation at the close of 2005.

3.19. Accounts payable arising from direct insurance and reinsurance

(In thousands of euros)	31/12/2005	31/12/2004
• Debts from direct life insurance operations	168,131	173,005
• Debts from non-life insurance operations	242	313
• Debts from reinsurance operations	24,157	10,333
TOTAL	**192,530**	**183,651**

These are generally debts of less than one year.

3.20. Payables to banking institutions

These are short-term credit accounts.

Non-euro-denominated borrowings are detailed in Note 3-23.

3.21. Other debts

(In thousands of euros)	31/12/2005	31/12/2004
• Deposits and guarantees received	13,534	12,268
• Debts for cash deposits received from reinsurers	127,917	98,847
• Government, social security organisations, official bodies	142,014	93,512
• Staff	23,994	23,419
• Other debts	53,483	84,656
TOTAL	**360,942**	**312,702**

With the exception of deposits received from tenants, these debts are essentially under one year in duration.

3.22. Accruals and deferrals (liabilities)

(In thousands of euros)	31/12/2005	31/12/2004
• Income to be spread over several financial years	0	1,350
• Amortisation of differences on redemption prices collectable	0	0
• Other accruals and deferrals	3,688	8,687
TOTAL ACCRUALS AND DEFERRALS (LIABILITIES)	**3,688**	**10,037**

Premium/discount reclassification: as was done for assets, the amortisation of differences on redemption prices collectable is realigned to the corresponding investments.

3.23. Assets and liabilities in foreign currencies

	Assets held					Liabilities
Euro exchange value of assets and liabilities in foreign currencies held by consolidated companies	**General fund**		**Unit-linked assets**	**Other**	**Total**	
	Bonds	**Shares**				
(In thousands of euros)						
• Dollars	20,140	470,730	77,928	52	568,850	57,038
• Swiss francs	290	243,601	5,777		249,668	2,591
• Pounds sterling	612	315,217	11,788		327,617	3,541
• Yen		42,834	7,028		49,862	2,632
• Swedish krona		22,874	2,911	36	25,821	2,262
• Others	8,884		1,264		10,148	86
	29,926	**1,095,256**	**106,696**	**88**	**1,231,966**	**68,150**

Translation differences by currency					**Assets**	**Liabilities**
• Dollars						788
• Icelandic krona						923
• Yen						
					0	**1,711**

3.24. Off-balance-sheet commitments

(In thousands of euros)	31/12/2005				31/12/2004
	Total	**Subsidiaries and non-consolidated equity interests**	**Financial instruments**	**Other**	
Commitments received	**2,988,406**		**2,955,974**	**32,432**	**3,069,051**
Commitments given	**814,667**		**780,048**	**34,619**	**518,720**
• Endorsements, sureties and credit guarantees	33,057			33,057	12,901
• Securities and assets with resale commitment					
• Other commitments on securities, assets or income	781,610		780,048	1,562	505,819
• Other commitments given					
Securities received as collateral from reinsurers and retrocessionnaires	**31,352**			**31,352**	**22,272**
Securities deposited by reinsured entities with a joint surety or a substitution agreement	**0**				**0**
Securities owned by provident institutions	**0**				**0**
Other securities held on behalf of third parties	**0**				**0**

The "Commitments received" item breaks down as follows:

• Short-term swaps	740,629	
• Long-term swaps	353,100	
• Interest rate hedging options	1,557,347	
• Caps	304,898	
• Foreign currency hedges		
• Real estate commitments		
• Guarantees received	32,432	
	2,988,406	thousands of euros

Guarantees between fully consolidated companies within the Group are eliminated.

The "Other commitments on securities, assets or income" item breaks down as follows:

• Swaps	780,048	
• Foreign currency for delivery		
• Options		
• Other	1,562	
	781,610	thousands of euros

4. Profit and loss accounts per business segment

Life insurance technical account:

	31 December 2005			**2004**
(In thousands of euros)	**Gross business**	**Cessions and retrocessions**	**Net business**	**Net business**
Premiums	**4,745,291**	**(116,156)**	**4,629,135**	**4,031,712**
Share of the net investment income allocated to technical account	**1,033,730**	**(4,804)**	**1,028,926**	**850,691**
Unit-linked asset adjustment (ACAV) [capital gains]	**1,409,164**	**0**	**1,409,164**	**532,044**
Other technical income	**22,859**	**0**	**22,859**	**23,906**
Claims expenses				
• Benefits and expenses paid	(2,200,706)	52,446	(2,148,260)	(1,783,724)
• Change in the provision for claims outstanding	(15,939)	8,084	(7,855)	576
Expense for life technical reserves and other technical reserves				
• Life insurance provisions	(1,614,137)	187	(1,613,950)	(1,414,561)
• Reserves for unit-linked contracts	(1,973,182)	34,343	(1,938,839)	(1,054,556)
• Other technical reserves	3,715	0	3,715	1,649
Profit-sharing	**(905,545)**	**0**	**(905,545)**	**(729,829)**
Acquisition and administrative costs				
• Acquisition costs	(143,594)	0	(143,594)	(148,813)
• Administrative costs	(135,818)	0	(135,818)	(109,833)
• Commissions received from reinsurers	0	41,618	41,618	18,246
Unit-linked asset adjustment (ACAV) [capital losses]	**(90,449)**	**0**	**(90,449)**	**(118,373)**
Other technical costs	**(57,278)**	**0**	**(57,278)**	**(44,798)**
LIFE TECHNICAL RESULT	**78,110**	**15,718**	**93,828**	**54,337**
• Net investment income excluding share allocated to technical account	27,566	0	27,566	51,393
TOTAL OPERATING INCOME	**105,676**	**15,718**	**121,394**	**105,730**

The elimination of operations between business segments is recorded in each item of the profit and loss account.

Non-life technical account:

(In thousands of euros)	31 December 2005			2004
	Gross business	**Cessions and retrocessions**	**Net business**	**Net business**
Earned premiums				
• Premiums	61,661	(36,910)	24,750	39,065
• Change in unearned premiums	988	0	988	1,673
Share of investment income allocated to technical account	**870**	**0**	**870**	**1,095**
Other technical income	**0**	**0**	**0**	**1**
Claims expenses				
• Benefits and expenses paid	(46,976)	17,070	(29,906)	(31,118)
• Change in the provision for claims outstanding	(3,426)	10,395	6,969	(732)
Expense for other technical reserves	**(213)**	**8,020**	**7,807**	**0**
Profit-sharing	**0**	**0**	**0**	**0**
Acquisition and administrative costs				
• Acquisition costs	(1,508)	0	(1,508)	(1,264)
• Administrative costs	(642)	0	(642)	(309)
• Commissions received from reinsurers	0	4,961	4,961	1,609
Other technical costs	**(1,494)**	**0**	**(1,494)**	**(4,232)**
Change in equalisation reserves	**0**	**0**	**0**	**0**
NON-LIFE TECHNICAL RESULT	**9,260**	**3,536**	**12,796**	**5,788**
• Net investment income excluding share allocated to technical account	647	0	647	228
TOTAL OPERATING INCOME	**9,907**	**3,536**	**13,443**	**6,016**

The elimination of operations between business segments is recorded in each item of the profit and loss account.

5. Information on the profit and loss account

5.1. Gross premiums

(In thousands of euros)	2005			2004
	France	**EU**	**Total**	
LIFE INSURANCE				
• Gross written premiums	4,325,769	419,522	4,745,291	4,114,423
NON-LIFE INSURANCE				
• Written premiums	61,661		61,661	48,479
• Change in the provision for unearned premiums	988		988	1,673
TOTAL GROSS PREMIUMS	**4,388,418**	**419,522**	**4,807,940**	**4,164,575**

5.2. Other operating income

(In thousands of euros)	2005			2004
	Life	**Non-life**	**Total**	
• Grant for legal increase in annuities	17,272		17,272	15,782
• Other income	5,587		5,587	8,125
TOTAL OTHER OPERATING INCOME	**22,859**	**0**	**22,859**	**23,907**

5.3. Net financial income

(In thousands of euros)	2005 Life	2005 Non-life	2005 Total	2004
Net income from real estate investments	**82,321**	**34**	**82,355**	**72,346**
• Revenues from real estate	118,876	40	118,916	109,745
• Net capital gains from disposal of real estate	7,675		7,675	4,423
• Management costs for real estate investments	(21,170)		(21,170)	(17,908)
• Net amortisation and impairment expense	(23,060)	(6)	(23,066)	(23,914)
Net income from investment securities and loans	**1,000,507**	**1,483**	**1,001,990**	**852,704**
• Investment income	887,401	1,470	888,871	791,949
• Interest and other financial income	11,327	(61)	11,266	15,623
• Net capital gains from disposal of investment securities and net impairment expense	110,991	50	111,041	64,849
• Investment management costs	(31,323)	(19)	(31,342)	(35,755)
• Amortisation of redemption premiums	22,111	43	22,154	16,038
Interest on loans	**(21,530)**	**0**	**(21,530)**	**(21,643)**
• Elimination of intra-Group financial result			0	0
Net financial income	**1,061,298**	**1,517**	**1,062,815**	**903,407**
• Unit-linked asset adjustment (ACAV) [capital gains]	1,409,164		1,409,164	532,043
• Unit-linked asset adjustment (ACAV) [capital losses]	(90,449)		(90,449)	(118,372)
Net Financial Income	**2,380,013**	**1,517**	**2,381,530**	**1,317,078**

Breakdown as follows: (In thousands of euros)	2005 Life	2005 Non-life	2005 Total	2004
• Share of investment income allocated to technical account	1,033,730	870	1,034,600	851,786
• Net income excluding share allocated to technical account	27,568	647	28,215	51,621
• Net unit-linked asset adjustment (ACAV)	1,318,715		1,318,715	413,671

Capital gains and losses on intra-Group disposals (including real estate) are restated with an impact on deferred profit-sharing and deferred tax.

5.4. Insurance benefits and claims

(In thousands of euros)	2005			2004
	Life	Non-life	Total	
• Claims	2,216,645	50,615	2,267,260	1,842,298
• Changes in the insurance reserves	3,583,604	0	3,583,604	2,510,890
• Policyholder profit-sharing	905,545	0	905,545	729,829
TOTAL INSURANCE BENEFITS AND CLAIMS	**6,705,794**	**50,615**	**6,756,409**	**5,083,017**

5.5. Reinsurance income (expense)

(In thousands of euros)	2005			2004
	Life	Non-life	Total	
• Premiums ceded	(116,156)	(36,910)	(153,066)	(92,124)
• Claims ceded	60,530	35,485	96,015	27,301
• Technical reserves ceded	34,530	0	34,530	43,422
• Reinsurance commissions received	41,618	4,961	46,580	19,853
• Financial costs	(4,804)		(4,804)	0
REINSURANCE TECHNICAL RESULT	**15,718**	**3,536**	**19,255**	**(1,548)**

5.6. Management expenses

(In thousands of euros)	2005			2004
	Life	Non-life	Total	
• Acquisition costs	143,594	1,508	145,102	150,077
• Administrative costs	135,818	642	136,460	110,212
• Other technical costs	57,279	1,494	58,773	48,960
• Employee profit-sharing	0	0	0	0
TOTAL MANAGEMENT EXPENSES	**336,691**	**3,644**	**340,335**	**309,249**

Employee profit-sharing is included in other technical costs.

5.7. Classification of expense based on their nature

(In thousands of euros)	2005	2004
BREAKDOWN OF EMPLOYEE EXPENSES		
• Wages	107,177	104,737
• Social security contributions and other employee expenses	45,091	44,525
• Profit-sharing	6,593	5,998
TOTAL PERSONNEL EXPENSES	**158,861**	**155,260**
• Commissions related to direct insurance booked during the year	124,553	122,850
• Other management expenses	56,924	31,139

Commissions related to direct insurance are commissions paid to non-employees and to intermediaries.

5.8 Other net income

(In thousands of euros)	2005	2004
Other net income:		
• Other non-technical income	109	238
• Other non-technical expenses	(154)	(61)
TOTAL OTHER NET INCOME	**(45)**	**177**

5.9. Extraordinary items

(In thousands of euros)	2005	2004
• Extraordinary income	354	40,091
• Use and reversal of provisions for extraordinary expense		
• Extraordinary expense	(49)	(11,924)
• Allocation to reserve for extraordinary expense		23
EXTRAORDINARY INCOME (EXPENSE)	**305**	**28,190**

In 2004, extraordinary income reflected the result from the acquisition of an additional equity interest of 15% in the holding company La Mondiale Participations by Aegon. Extraordinary expenses included the 2.5% tax on special reserves for long-term capital gains, in the amount of €4.5 million.

5.10. Income tax

(In thousands of euros)	2005	2004
• Tax expense of La Mondiale and consolidated companies	10,177	5,341
• Deferred tax provision	35,385	17,483
TAX EXPENSE	**45,562**	**22,824**

There is a tax-group arrangement between La Mondiale and its main subsidiaries (held at more than 95%). The tax consolidation agreement enables the parent company to keep the benefit of any tax savings.

5.11. Share in associate profit (loss)

(In thousands of euros)	2005	2004
	0	0
PROFIT (LOSS)	**0**	**0**

There are no longer any associates.

5.12. Employees

The permanent staff of the consolidated companies of La Mondiale Group as of 31 December 2005 included 2,367 members.

The Group's overall obligations for consolidated companies relating to pensions and retirement benefits liabilities are recorded in the Other provisions; they amounted to €13.4 million at year-end 2005.

Data on subsidiaries and affiliates:
(Articles L. 233-1 and L. 233-2 of the French *Code de commerce*)

(In thousands of euros)	Address		Share capital	Reserves and retained income before profit distribution	Percentage of capital held by the Group (%)	Net value of securities held by the Group	Outstanding loans and advances made by the Group and not reimbursed	Guarantees and sureties given	Revenues net of tax	Profit or loss for last closed financial year	Dividends collected by the parent company during the financial year	Remarks
Subsidiaries												
Insurance Activities												
Arial assurance	32, avenue Émile Zola	59370 Mons-en-Baroeul	24,000	65,064	50.00	2,100			894,260	6,498		
La Mondiale Accidents	32, avenue Émile Zola	59370 Mons-en-Baroeul	1,200	12,759	99.99	2,647			35,170	3,450		
La Mondiale Diversification	32, avenue Émile Zola	59370 Mons-en-Baroeul	21,945	(10,683)	100.00	11,743			19	555		
La Mondiale Europartner	22, rue Goethe	1637 Luxembourg (G. Duchy)	14,362	1,210	100.00	13,384			404,381	469		
La Mondiale Partenaire	14, rue Roquépine	75008 Paris	60,064	154,262	99.99	128,983			2,454,595	10,859		
Pasiphae	14, rue Roquépine	75008 Paris	0	161	0.00	0			754	(2)		
Pelayo Mondiale Vida	Calle Rodriguez San Pedro, 10	28015 MADRID (Spain)	13,530	898	50.00	7,908	7		29,896	(408)		
Real Estate Activities												
SAS du 12 Cours Albert 1er	32, avenue Émile Zola	59370 Mons-en-Baroeul	35,917	5,700	100.00	78,063			5,178	2,234		
SCI La Mondiale Investissement	32, avenue Émile Zola	59370 Mons-en-Baroeul	1	0	100.00	1			0	(1)		
SCI La Mondiale Patrimoine	32, avenue Émile Zola	59370 Mons-en-Baroeul	100,001	82,000	100.00	182,001			0	(76)		
SCI Mondiale Pierre	32, avenue Émile Zola	59370 Mons-en-Baroeul	243,329	190,925	100.00	436,616			33,473	11,620	8,106	
SCEA du Château	Larmande	33330 Saint-Émilion	18,900	222	100.00	23,190			742	(317)		

Larmande												
SCEA Domaine du Grand Faurie	Larmande	33330 Saint-Émilion	2,115	0	100.00	8			156	26		
Activities other than Insurance and Real Estate												
GIE La Mondiale Cash	32, avenue Émile Zola	59370 Mons-en-Baroeul	38	0	62.00	26	638,058		17,509	0		
GIE La Mondiale Exécutive	32, avenue Émile Zola	59370 Mons-en-Baroeul			0.00	0						
GIE La Mondiale Groupe	32, avenue Émile Zola	59370 Mons-en-Baroeul			0.00	0						
La Mondiale Entreprendre	32, avenue Émile Zola	59370 Mons-en-Baroeul	37	N/A	100.00	37			N/A	N/A		
La Mondiale Gestion d'Actifs SA	32, avenue Émile Zola	59370 Mons-en-Baroeul	900	793	100.00	900			12,207	5,419	3,834	
La Mondiale Participations	32, avenue Émile Zola	59370 Mons-en-Baroeul	13,388	346,247	65.00	122,225			11,585	8,559	3,916	
LM Opportunités	22, boulevard Malesherbes	75008 Paris	389	4	99.98	398			0	8		
LMD Solutions	32, avenue Émile Zola	59370 Mons-en-Baroeul	2,000	(886)	100.00	1,989			63	(662)		
Malesherbes Synergies	32, avenue Émile Zola	59370 Mons-en-Baroeul	40	93	99.84	38			0	(7)		
Roquepine Courtage	32, avenue Émile Zola	59370 Mons-en-Baroeul	40	(19)	100.00	41			0	(8)		
Tradial	32, avenue Émile Zola	59370 Mons-en-Baroeul	2,100	2,201	100.00	2,287			644	(372)		
Ventadour Stratégie	22, boulevard Malesherbes	75008 Paris	40	1,218	99.84	51			5,014	1,040	798	
Participating Interests												
Acofi	9, rue Vignon	75008 Paris	N/A	N/A	10.00	991			N/A	N/A	78	
Grands Crus Investissements	91-93, boulevard Pasteur	75015 Paris	N/A	N/A	12.52	3,049			N/A	N/A		

IMPORTANT: set out below is an English translation of the Issuer's consolidated financial statements for the year ended 31 December 2004. This translation was prepared by the Issuer and is set out below for information purposes only. Please refer to Section "Documents Incorporated by Reference" on pages 15 and 16 for the information incorporated by reference including the French language binding version of the consolidated financial statements.

2004 Consolidated Financial Statements

Consolidated profit and loss account:

(In thousands of euros)	**Notes**	**Life segment**	**Non-Life segment**	**Total 31.12.2004**	**31.12.2003 (1)**
• Earned premium	5-1	4,114,423	50,152	4,164,575	3,836,257
• Other operating income	5-2	23,906	1	23,907	26,857
• Net financial income	5-3	902,084	1,323	903,407	772,675
• Unit-linked asset adjustment (ACAV)	5-3	413,671		413,671	577,906
Operating incomes		**5,454,084**	**51,476**	**5,505,560**	**5,213,695**
• Insurance benefits and claims	5-4	5,043,533	39,484	5,083,017	4,823,734
• Reinsurance cessions expense (income)	5-5	1,377	171	1,548	5,796
• Management expenses	5-6; 5-7	303,444	5,805	309,249	281,811
Operating costs		**5,348,354**	**45,460**	**5,393,814**	**5,111,341**
Total operating income		**105,730**	**6,016**	**111,746**	**102,354**
• Other net income	5-8			177	235
• Extraordinary items	5-9			28,190	46,532
• Income tax	5-10			(22,824)	(34,103)
Consolidated net profit				**117,289**	**115,018**
• Share in associate profit (losses)	5-11			0	0
• Goodwill amortisation				(997)	(884)
TOTAL CONSOLIDATED NET PROFIT				**116,292**	**114,134**
• Minority interests				4,061	12,650
NET PROFIT (Group contribution)				**112,231**	**101,484**

*See comments in section 2.5 of Notes.

Consolidated balance sheet:

Assets:

(In thousands of euros)	Notes	2004	2003
Goodwill	**3-1**	**7,962**	**8,959**
Intangible assets		**2,520**	**3,260**
Investments (General Fund)	**3-2**	**19,756,265**	**17,217,570**
• Lands and buildings		1,408,410	1,332,934
• Investments in associates and participating interest	3-3	8,919	7,698
• Other investments		18,338,232	15,876,252
• Cash deposits with ceding companies		704	686
Unit-linked assets	**3-4**	**7,653,119**	**6,855,402**
Securities accounted for under the equity method	**3-5**	**0**	**0**
TOTAL INVESTMENTS		**27,409,384**	**24,072,972**
Reinsurers' and retrocessionnaires' share of technical reserves	**3-6**	**115,931**	**63,080**
Accounts receivable arising from direct insurance or reinsurance operations	**3-7**	**344,696**	**242,545**
Accounts receivable from banking institutions	**3-8**	**80,215**	**61,352**
Other receivables	**3-9; 3-10**	**51,015**	**101,694**
Other assets	**3-11**	**41,908**	**42,078**
Accruals and deferrals	**3-12**	**1,005,982**	**931,982**
• Interests and rents accrued but not due		414,417	380,258
• Deferred acquisition costs		571,423	524,705
• Other accruals and deferrals		20,142	27,019
Foreign exchange differences	**3-23**	**4,302**	**4,829**
TOTAL ASSETS		**29,063,915**	**25,532,751**

Liabilities:

(In thousands of euros)	**Notes**	**2004**	**2003**
Equity	**3-13**		
• Statutory capital *		26,434	21,526
• Other reserves		709,965	604,033
• Accounting principles change impact		(16,425)	(13,130)
• Net profit		112,231	101,484
EQUITY (group share)		**832,205**	**713,913**
Minority interests	**3-14**	**170,474**	**67,987**
Subordinated debts	**3-15**	**466,000**	**473,867**
TOTAL INVESTED CAPITAL		**1,468,679**	**1,255,767**
Gross technical reserves	**3-16; 3-17**	**19,361,579**	**16,913,317**
Technical reserves for unit-linked contracts		**7,663,699**	**6,864,541**
Other provisions	**3-18**	**46,067**	**34,018**
Accounts payable arising from direct insurance and reinsurance	**3-19**	**183,651**	**179,915**
Payables to banking institutions	**3-20**	**17,317**	**2,751**
Other debts	**3-21**	**312,702**	**260,744**
Accruals and deferrals (liabilities)	**3-22**	**10,037**	**21,698**
Foreign exchange differences	**3-23**	**184**	**0**
TOTAL LIABILITIES		**29,063,915**	**25,532,751**

*The statutory capital corresponds to the "*Fonds d'établissement*".

Explanatory notes to the consolidated financial statements:

1. Scope of consolidation

1.1 Scope of consolidation as of 31 December 2004

	2004			2003		
Consolidated company	**% control**	**% interest**	**Method of consolidation**	**% control**	**% interest**	**Method of consolidation**
Insurance activities						
La Mondiale	100.00	100.00	FC	100.00	100.00	FC
La Mondiale Accidents	99.99	99.99	FC	99.99	99.99	FC
Arial assurance	50.00	32.50	PC	50.00	40.00	PC
La Mondiale Europartner Luxembourg	100.00	65.00	FC	100.00	80.00	FC
La Mondiale Partenaire	100.00	65.00	FC	100.00	79.99	FC
Pelayo Mondiale Vida Spain	50.00	50.00	PC	50.00	50.00	PC
Pasiphae	100.00	0.00	FC	100.00	0.00	FC
Financial activities						
GIE La Mondiale Cash	64.00	59.55	FC	64.00	60.60	FC
SA La Mondiale Gestion d'Actifs	100.00	99.99	FC	100.00	99.99	FC
Investment property activities						
Commercial companies						
SA La Mondiale Foncière	100.00	100.00	FC	100.00	100.00	FC
Investment companies						
Mondiale Pierre	100.00	100.00	FC	100.00	100.00	FC
Other activities						
La Mondiale Participations	65.00	65.00	FC	80.00	80.00	FC
GIE La Mondiale Groupe	100.00	100.00	FC			
GIE la Mondiale IT	100.00	100.00	FC	100.00	100.00	FC
Solutions Assurances Vie (SAV)				100.00	100.00	FC
				(up to 28.04.2003)		

Method of consolidation FC: Full consolidation method
PC: Proportionate consolidation method

1.2 Rules adopted to determine the scope of consolidation

- **The following may be consolidated:**

Investments in which La Mondiale holds, directly or indirectly, at least 20% of the voting rights and for which a representative of the Group sits on the board of directors or supervisory board. In addition, companies must fit in the following two Group's thresholds as defining a material interest: either 0.10% of total consolidated assets or 0.10% of total Group revenues.

- **The applicable methods are the following:**

Full consolidation, if the subsidiary is held at more than 40%, and no other single shareholder holds more than 40%.

Proportional consolidation, if there is a community of interests.

Equity method consolidation, if the interest is equal to at least 20% and the other methods are not applicable.

- **By exemption:**

Pasiphaé, a *tontine* (a system of annuities in which the benefits pass to the surviving subscribers until only one is left), is fully consolidated pursuant to Article R. 345-1-1 of the French *Code des assurances*.

1.3 Application to the financial year

Changes in the scope of consolidation are as follows:

- **Included:**

GIE La Mondiale Groupe: this GIE ("*Groupement d'Intérêt Economique*" i.e. association for developing economic interests) includes the pooling of Group's main human and material resources.

- **Removed:**

No entity was removed from the scope of consolidation in 2004.

2. Accounting principles and valuation methods

2.1 Principles and methods of consolidation

The consolidated financial statements of La Mondiale Group were drawn up as of 31 December 2004 pursuant to current legal and regulatory provisions, and the Accounting Standards Committee's regulation 2000-05 of 7 December 2000 and its implementation decree No. 2001-51 of 17 January 2001. All companies are consolidated on the basis of their financial statements closed on 31 December.

2.2 Significant events

The major event during the financial year was the increase in Aegon's equity interest in the capital of La Mondiale Participations, a subsidiary of La Mondiale Mutuelle. On 23 December 2004, this interest increased from 20 to 35% as the result of a capital increase. For complete understanding, the holding company, La Mondiale Participations, holds the following companies: La Mondiale Partenaire, Arial Assurance (50%) and La Mondiale Europartner.

2.3 Accounting principles and valuation methods

- **Summary statement:**

Investment property activities managed by subsidiaries are included under the Life segment in the profit and loss account. These subsidiaries are held essentially by the life insurance companies and should be assimilated with the management of assets covering insurance liabilities.

- **Harmonisation of individual financial statements:**

Financial statements of the various consolidated insurance companies were prepared in conformity with the rules of the French *Code des assurances* and local legal and statutory rules for foreign subsidiaries, notably with regard to the valuation of mathematical reserves, premium and claim liabilities, the recognition of regulated reserves, the valuation of investments and the calculation of amortisation and impairment. The income and expenses of consolidated subsidiaries were reclassified based on their function, according to the activity exercised within the Group.

- **Foreign currency translation:**

All balance sheets and profit and loss accounts of subsidiaries were drawn up in euros.

- **Transactions between consolidated companies:**

Inter company accounts of assets and liabilities, income and expenses and commitments between fully consolidated companies were eliminated, as were dividends.

- **Valuation of investments:**

Assets for which fluctuations in value have the effect of creating or directly influencing the policyholders' rights are marked to their market value. This concerns unit-linked contracts and *tontine* systems. Other investments are measured at cost.

Investment securities held by French insurance companies or their successors are valued according to the rules of the French *Code des assurances*. Securities held by other companies are valued according to applicable local regulations. Land, real estate and equity interests in non-listed real estate entities are recorded at their acquisition value, excluding purchase expenses and taxes and increased for construction work and improvements. Revaluations reported in individual company balance sheets have not been maintained.

Bonds and similar instruments are recorded at their purchase price excluding accrued interest. Differences between acquisition and reimbursement values (i.e. discounts or premiums) are written off over the remaining life of the securities; the balancing item is reported in the corresponding investment account. Equities and similar instruments are recorded in the balance sheet at their purchase price.

Investments covering technical reserves for unit-linked contracts are valued at their market value at the end of the financial period, as determined under the terms of their respective contracts; resulting variations are posted in the profit and loss account and do not impact the technical result or the net profit for the financial year.

Security lending and repurchase agreements are posted in the balance sheet by reducing the "Other investments" item.

- **Reserves for impairment of investments:**

***Fixed-income securities*:**

Pursuant to the provisions of Article R. 332-19 of the French *Code des assurances*, inasmuch as the company has the intention and ability to hold fixed-income securities until their maturity date, any capital losses resulting from the comparison of their net book value, decreased or increased by the amortisation of their premium or discount, with their market value do not require a reserve for impairment. However, a reserve for impairment is established when it is considered that the debtor will not be in a position to respect its commitments, either for interest payments or for the repayment of principal.

Investment properties, shares and other similar securities, except for those covering technical reserves related to unit-linked contracts:

Pursuant to the accounting provisions defined in Articles R. 331-3 and R. 332-20 of the French *Code des assurances*, a reserve for impairment determined line-by-line must be established for these same assets when the recoverable value (value in use or capitalized income value) shows a significant and prolonged discount.

Determination of the recoverable value:

The recoverable value is determined on the basis of a valuation that depends on the nature of the assets and of the holding strategy. The latter, which concerns investment objectives, holding periods and arbitrage policy, is established by the Group with a view to creating continuity without, however, precluding the option of taking advantage of market opportunities.

Real estate assets are classified into two categories:

Owner-occupied real estate, intended to be held by the Group for the long-term and for which the recoverable value used for valuation purposes is the value in use.

Rental property (or investment property), also intended to be held by the Group and for which the recoverable value reflects the capitalized income value based on future cash flows.

In exceptional circumstances, if the real estate is intended to be sold in the short-term, the value taken into account instead and in place of the value in use and capitalized income values is the probable market value, i.e. the negotiation value or, failing that, the appraised value appearing in the itemized investment report.

Equities are classified into two categories:

Participating interests, whose recoverable value is the utility value, which depends on the utility that the interest holds for the company. For those participating interests that are to be disposed of in the near future, it is the market value appearing in the itemized investment report or the last value known during the establishment of the financial statements that is selected as the recoverable value.

Investment securities, which are valued at their probable negotiation value.

Determination of the reserve for prolonged impairment:

A reserve for impairment is established line-by-line if the recoverable values are less than the acquisition values, insofar as the impairment is significant and prolonged. Since 2002, equities that show significant impairment and which the Group undertakes to hold for the long term are valued on the basis of the present value of expected dividends. A reserve is established in the amount of the difference existing between this estimated value and the book value when depreciation exceeds 50%. It is limited to two-thirds of the difference when depreciation is between 30% and 50%.

- **Goodwill:**

Positive and negative goodwill is generally amortized over a 15-year period, and over 40 years when the goodwill concerns real estate or similar assets. However, it is fully amortized during the acquisition year when the amount is not significant.

- **Derivatives:**

The Group uses these financial instruments as hedges, essentially to manage the rate of return on general assets. The following types of operation are used:

Hedges against falling or rising rates:

These hedges are composed of negotiated over-the-counter (OTC) instruments. The notional amount is booked as an off-balance-sheet commitment. Premiums paid are recorded in an equalisation account and amortized over the duration of the hedging strategy the option period plus the hedging period of the swap.

Interest rate swaps:

This hedge is composed of negotiated OTC instruments, including both long-term and short-term swaps. For long-term swaps, the net income generated by the swap operation is included in the revenues of the underlying bonds; a swap concluded outside of the regulated market gives rise to an adjustment in an equalisation account and is amortized over the duration of the swap. For short-term swaps, adjustments are recorded in losses or profits, depending on the interest rate variations.

Maintenance of interest rates:

In this regard, La Mondiale Group has sold the Bund futures contracts it held (contracts for the future acquisition of government bonds). The disposal of these contracts during the 2004 financial year generated income of €1.1 million, allocated as value adjustments for the bonds. Amounts pending as of 31 December 2003 in the equalisation account were closed out.

No changes or stops in hedging strategies were experienced by the Group during the financial year.

- **Deferred acquisition costs:**

Costs attributable to the acquisition of contracts are capitalized as assets in the consolidated accounts. These costs basically consist of commissions and policy underwriting and issuance costs.

Acquisition costs are not limited to the Zillmer adjustment but are deferred up to the amount of the future net margins (including the financial margin) of eligible contracts; the financial margin takes into account a conservative forecast of expected rates of return for the assets.

Only acquisition costs covered by future income are deferred and capitalized. Acquisition costs covered by existing income or in excess of future income are not deferred.

The amortisation method is applied at the level of homogeneous contract groups. Costs are amortized over the estimated life of the contracts in line with the realisation of future margins, which are revalued at the end of each financial year.

As a result of the capitalisation of acquisition costs, the mathematical reserves appearing in the balance sheet are not Zillmerized.

- **Underwriting reserves:**

Life insurance reserves include mathematical reserves, which represent the difference between the present values of commitments made by the insurer and those made by the policyholders.

Pursuant to the preferred methodologies, stipulated by Regulation CRC 2000-05, computations for technical reserves are based on the discount rate at most equal to the forecast rate of return on assets. In France, calculations are made using regulatory approved tables based on data published by INSEE (French national statistics institute); the effect of these prospective tables on reserves for deferred annuities during the savings phase has been evenly spread out over a 15-year interval since the 1993 fiscal period. During the annuity phase, annuity reserves are provisioned on the basis of prospective tables. The impact of estimate changes is no longer spread out over time when drawing up the consolidated financial statements.

Provisions for claims include matured endowments and claims incurred but not yet settled as of 31 December.

Reserves for profit-sharing correspond to policyholders' share of the technical and financial profits realized by the companies. They are intended to be paid out to policyholders and to increase their guarantees after incorporation into the mathematical reserves.

The technical reserves for unit-linked contracts include the technical reserves of contracts denominated in units; the technical reserves for contracts covered by general fund or guaranteed rate contracts are reclassified under the "Life insurance reserves" item.

- **Application of accounting preferential methods:**

La Mondiale Group applies all of the accounting preferential methods recommended by Regulation 2000-05 except the method concerning the recognition through profit and loss of positive and negative foreign exchange translation adjustments. The application of the latter method would have an impact on the 2004 net profit of + €0.2 million.

- **Classification of expenses based on their function:**

The decree of 20 June 1994 concerning the new insurance chart of accounts requires a classification of expenses based on their function. The objective of this approach is to break down operating expenses, previously recorded based on their nature, between the various main functions of the companies.

The approach adopted by La Mondiale Group for the transition from nature-based initial recognition of expenses to function-based classification is the successive allocation in stages of total costs for each department. At the end of this allocation process, the costs of departments are allocated between the main functions of the company (i.e. contract acquisition and administration, payment of benefits, investment management and other technical departments).

- **Capital gains and losses on intra-Group disposals:**

Capital gains and losses generated by the Group's insurance companies on intra-Group disposals are eliminated. Moreover, the profit (or loss) generated by intra-Group disposals on investments in consolidated companies is restated.

- **Deferred profit-sharing:**

Deferred profit-sharing can be unconditional, i.e. linked to consolidation adjustments, or conditional, i.e. dependent on a management-decision or an event. Deferred profit-sharing is only recognized on financial items, such as intra-Group capital gains; No deferred profit-sharing has been recognized on restatements of intra-Group transactions related to equity holdings).

- **Deferred tax:**

Deferred taxes are recorded using the variable deferral method and applying a full balance sheet approach.

Deferred taxes have not been recognized on restatements of intra-Group transactions related to equity holdings.

Regarding deferred tax assets and liabilities:

Deferred tax liabilities are systematically recognized (except in the case mentioned above).

Deferred tax assets are only recognized as balance sheet assets when their recovery is probable.

2.4 Restatements for consolidation

- **Harmonisation of individual financial statements:**

The accounts of fully consolidated subsidiaries that do not apply the insurance chart of accounts are transposed. Function-based reporting of income and expenses is implemented on the basis of the activity of the subsidiary in the Group considered as a life insurance group; non-life activity is exercised by non-life companies.

- **Valuation of real estate:**

The revaluation of the SCI Mondiale Pierre real estate portfolio at the end of 1997 was eliminated in the consolidated financial statements.

- **Reserves for prolonged impairment:**

Any reserves established by La Mondiale for its consolidated entities were neutralized.

- ***Provisions pour risques d’exigibilité* ("Reserves for liquidity risk of technical commitments"):**

Any reserves for liquidity risk established by a consolidated company, when the total value of shares, real estate and securities recorded on the balance sheet is greater than the market value of these assets, are maintained. Reserves for liquidity risk established by French insurance companies are therefore brought forward as-is to the consolidated financial statements; for foreign companies, a calculation is performed in the same way for harmonisation purposes. As of 31 December 2004, no company in La Mondiale Group had established such a reserve.

- **Equalisation reserves:**

Equalisation reserves are eliminated in consolidation pursuant to current regulations. For information, they are defined in accordance with Articles R. 331-3 and 331-6 of the French *Code des assurances* and are intended to protect against fluctuations in claims for Group insurance operations against the mortality and disability risks; they are thus applicable only to Group insurance contracts.

- **Minority interests:**

The total result of the *tontine*, Pasiphaé, is reported in this item.

- ***Reserve de capitalisation* ("Capitalisation reserve")**

Pursuant to regulation CRC 2000-05, the capitalisation reserve as of 31 December 1999 is maintained in equity; entries made during the financial year to this reserve in the individual accounts are cancelled and recognized in profit or loss. This restatement does not give rise to the recognition of deferred profit-sharing or deferred tax unless there is a high probability that securities will be disposed of in the near future, which would result in a reversal of this reserve.

Foreign regulatory principles are not grounds for restatement.

- **Deferred tax:**

As from year-end 1997, new deferred tax items are no longer recorded in the individual financial statements; they are recorded in the consolidated financial statements in accordance with the principles of consolidation.

Deferred taxes are accounted for at the tax rate applicable when tax will be payable. If such a rate is known in advance, it is used; otherwise, the applicable rate is the rate for the financial year during which the taxes were recorded. Tax rates known to date are 35.43% for 2004, 34.93% for 2005 and 34.43% for 2006 and beyond.

For purposes of simplification, La Mondiale Group does not establish a precise schedule and applies the rate of 34.93% for all deferred taxes (i.e. the common law short-term rate).

- **Retirement benefit liabilities:**

The retirement benefit liabilities of La Mondiale Group are estimated on the basis of actuarial data: the benefits of employees are calculated on the basis of the collective labour agreement and the average retirement age is established by category of personnel, a mortality table (TV 88/90), and using a discount rate of 4.5%.

Up until 31 December 2003, retirement benefit liabilities were included in off-balance sheet commitments in the individual financial statements and reserves were recorded in the consolidated accounts. Since 1 January 2004, according to Accounting Standards Committee (CNC) recommendation 03-R-01, reserves are established in the individual accounts and are now also established for liabilities related to long-service medals.

- **Intra-Group reinsurance:**

Cash flows arising from intra-Group reinsurance treaties are eliminated; the accounts established by the ceding company are recorded without time gaps in the accepting company's accounts.

2.5 Presentation of financial statements

The balance sheet, profit and loss account, and explanatory notes have been presented in accordance with regulatory provisions currently in effect. The following items concerning the profit and loss account were reclassified in 2003 column of 2004 consolidated financial statements in order to ensure that the 2003 accounts are comparable with the 2004 accounts:

A reclassification of €25.4 million from "Net financial income" to "Unit-linked asset adjustments (ACAV)", relating to revenues from unit-linked products.

A reclassification between "Other operating income", "Management expenses" and "Extraordinary profit (loss)", for Group-wide harmonisation purposes, regarding the classification of net accruals of provisions for risks and expenses and the amortisation of information technology-related expenses. The "Other operating income" item was reduced by €3.5 million while "Management costs" were increased by €3 million and "Extraordinary profit (loss)" was increased by €0.5 million. The profit and loss accounts per business segment and the tables in the explanatory notes have been updated to reflect these reclassifications.

- **Presentation of segment information:**

Profit and loss accounts segmented according to life and non-life activities are presented in Section 4; most tables are presented with such a life/non-life breakdown. The "Other activities" segment is not significant within the Group; it has consequently been reported under the "Other net income" item. The elimination of inter-segment operations is included within each item of the profit and loss account.

3. Information on balance sheet items

All of the figures in this section are presented in thousands of euros.

3.1 Goodwill

(In thousands of euros)	**Gross**	**Amortisation at 01.01.2004**	**Amortisation expense or reversal for financial year**	**Net**
Goodwill assets				
• Goodwill at 1 January 2004	14,507	5,548	997	7,962
• Goodwill arising from acquisitions during the year	0			0
• Goodwill relating to disposals during the year	0	0	0	0
TOTAL GOODWILL AT 31 DECEMBER 2004 (ASSETS)	**14,507**	**5,548**	**997**	**7,962**

No negative goodwill reported.

Breakdown as follows:

(In thousands of euros)			31.12.2004	31.12.2003
• La Mondiale Partenaire			7,962	8,800
• Pelayo Mondiale Vida			0	159
			7,962	**8,959**

3.2 Investments held by insurance companies

(In thousands of euros)	Value at 31 December 2004		Market value at 31.12.2004	Unrealized capital gains (losses) at	
	Gross value	Net value		31.12.2004	31.12.2003
Market-booked value differences on assets					
• Real estate investments	1,616,968	1,408,410	1,877,059	468,649	423,984
• Shares and variable income securities	2,204,537	2,100,013	1,984,036	(115,977)	(109,843)
• Non-consolidated equity interests	9,011	8,920	14,990	6,070	4,506
• Shares in equity unit trusts	470,973	467,660	490,066	22,406	13,263
• Bonds and other fixed-income securities	15,894,726	15,980,407	17,260,518	1,280,111	743,025
• Shares in bond unit trusts	107,597	107,597	109,014	1,417	2,492
• Other investments	211,445	211,355	211,355	0	0
• To be deducted: securities lending and repurchase agreements; other repositioning of securities	(528,097)	(528,097)	(528,097)	0	0
Total Investments	**19,987,160**	**19,756,265**	**21,418,941**	**1,662,676**	**1,077,427**
Total listed investments	**17,041,430**	**17,029,909**	**18,192,900**		
Total non-listed investments	**2,945,730**	**2,726,356**	**3,226,041**		
• Investments held by non-life insurance companies	24,759	24,658	26,515		
• Investments held by life insurance companies	19,962,401	19,731,607	21,392,426		

Pursuant to the Law of 31 December 1989, the insurance companies undertook appraisals of their real estate holdings as follows: a five-year appraisal with annual updates by the company Foncier Expertise for La Mondiale, La Mondiale Foncière and SCI Mondiale Pierre.

The realisation of unrealized capital gains would give rise to rights in favour of policyholders and minority shareholders, as well as to taxation.

3.3 Non-consolidated equity interests

Name	Equity capital before allocation		% control	Last year profit (or loss)	Net book value at 31.12.2004	Market value
(In thousands of euros)						
• Acofi	Paris	N/A	10.00		991	1,402
• Grands Crus Investissements	Paris	N/A	12.52		3,049	4,600
• LMD Solutions	Mons-en-Baroeul	1,998	100.00	(875)	1,989	1,989
• LM Opportunités	Paris	389	99.98	N/A	398	395
• Tradial	Mons-en-Baroeul	4,181	100.00	119	2,287	4,300
• Other equity interests					205	
• Book value of non-consolidated equity interests					8,919	

3.4 Investments covering unit-linked contracts

(In thousands of euros)	31.12.2004	31.12.2003
• Real estate investments	49,585	36,745
• Variable income securities and similar instruments	633,369	678,793
• Shares in equity unit trusts	6,210,505	5,396,091
• Redeemable securities and similar instruments	302,318	326,926
• Shares in bond unit trusts	457,342	416,847
TOTAL INVESTMENTS REPRESENTING UNIT-LINKED CONTRACTS	**7,653,119**	**6,855,402**

Investments covering unit-linked contracts do not include the pro-rata share of investments relative to contracts backed by general assets or guaranteed rate contracts, which are included under their respective investment items (Table 3.2).

3.5 Securities accounted for under the equity method

There is no longer any security accounted for under the equity method.

3.6 Reinsurer's and retrocessionnaires' share of technical reserves

(In thousands of euros)	31.12.2004	31.12.2003
LIFE RESERVES	108,882	54,677
• Premiums	89,346	41,061
• Claims	18,242	12,917
• Profit-sharing	0	0
• Other technical provisions	1,294	699
RESERVES FOR UNIT-LINKED CONTRACTS	**132**	**4,884**
NON-LIFE RESERVES	**6,917**	**3,519**
• Unearned premiums	0	0
• Claims	6,917	3,519
• Other technical provisions	0	0
TOTAL	**115,931**	**63,080**

3.7 Accounts receivable arising from direct insurance or reinsurance operations

(In thousands of euros)	31.12.2004	31.12.2003
• Life premiums earned, not yet issued	111,274	96,520
• Non-life premiums earned, not yet issued		
• Other receivables from direct insurance operations	19,123	14,554
• Receivables from reinsurance operations	25,704	7,161
• Negative deferred profit-sharing recognized as an asset	188,595	124,310
TOTAL	**344,696**	**242,545**

With the exception of deferred profit-sharing, these are basically receivables with maturities of less than one year. Active deferred profit-sharing is the result of the restatement of capital gains on intra-Group transfers of buildings, and is therefore conditional in nature.

3.8 Accounts receivables from banking institutions

These are short-term cash and cash equivalents. Receivables in foreign currency other than euros are detailed in Note 3-23.

3.9 Other receivables

(In thousands of euros)	31.12.2004	31.12.2003
• Government, social security organisations, official bodies	13,085	24,060
• Employees	1,777	3,065
• Other receivables	38,984	78,501
• Provisions for impairment	(2,831)	(3,932)
TOTAL	**51,015**	**101,694**

These are essentially receivables with maturities of less than one year.

3.10 Deferred tax

Impact on the "Balance sheet" item as follows:

(In thousands of euros)	31.12.2004	31.12.2003
• Deferred tax assets	219,430	193,435
• Deferred tax liabilities	267,535	228,752
NET IMPACT	**(48,105)**	**(35,317)**
• Reported under assets	1,589	14,391
• Reported under liabilities	49,693	49,708

All deferred taxes have been accounted for. They principally relate to the La Mondiale tax-group arrangement; in the balance sheet, deferred tax assets are offset by deferred tax liabilities of the same entity. Deferred taxes recognized on consolidation adjustments amounted to €148,762 thousand for assets and €155,653 thousand for liabilities.

3.11 Other assets

(In thousands of euros)	31.12.2004	31.12.2003
• Gross value	111,181	97,727
• Amortisation	69,273	55,649
NET VALUE	**41,908**	**42,078**

This item includes operating equipment and software.

3.12 Accruals and deferrals (assets)

(In thousands of euros)	31.12.2004	31.12.2003
• Deferred acquisition costs for life products	571,423	524,705
• Other accruals and deferrals:	434,559	407,277
- Interest and rent accrued but not due	414,417	380,258
- Acquisition costs for real estate to be spread over several financial years	1,631	2,225
- Differences on redemption prices collectable		0
- Other accruals and deferrals	18,511	24,794
TOTAL ACCRUALS AND DEFERRALS (ASSETS)	**1,005,982**	**931,982**

Deferred acquisition costs for life products: in accordance with the principles stated in Paragraph 2-3, these are not limited to the Zillmer adjustment. The main assumptions have been made in accordance with the general rules of prudence, and assume a duration of contracts limited to 15 years and a discount rate of 2.50% i.e. about 60% of the TME (*taux mensuel des emprunts d'état,* or average yield to maturity).

Premium/discount reclassification: differences on redemption prices collectable are realigned to the corresponding investments.

3.13 Change in the Group's equity

(In thousands of euros)	Statutory capital*	Other reserves	Change in accounting principles impact	Group share of result	Equity (group share)
At 31 December 2002	**16,447**	**513,726**	**(13,930)**	**92,452**	**608,695**
• Appropriation of 2002 result		92,452		(92,452)	
• Subscription fees	5,079				
• Change in scope of consolidation and other movements		(2,145)	800		
• 2003 result				101,484	
At 31 December 2003	**21,526**	**604,033**	**(13,130)**	**101,484**	**713,913**
• Appropriation of 2003 result		101,484		(101,484)	
• Subscription fees	4,908				
• Change in scope of consolidation and other movements		4,448	(3,295)		
• 2004 result				112,231	
At 31 December 2004	**26,434**	**709,965**	**(16,425)**	**112,231**	**832,205**

* The statutory capital corresponds to the "*Fonds d'établissement*".

Within equity, the capitalisation reserve represents €389 million. The change in reserves is essentially due to the tax of 2.50% on special reserves for long-term capital gains. The €3.3 million change in differentials resulting from changes in accounting methods are explained by the additional provisions for retirement benefit liabilities and long-service medals.

3.14 Minority interests

(In thousands of euros)	**31.12.2004**	**31.12.2003**
• Consolidated reserves	166,413	55,337
• Result	4,061	12,650
TOTAL	**170,474**	**67,987**

3.15 Subordinated debts

(In thousands of euros)		**31.12.2004**	**31.12.2003**
• La Mondiale perpetual subordinated securities	Of indefinite duration	200,000	200,000
	Of indefinite duration	200,000	
• La Mondiale redeemable subordinated securities	2007 with 2003 or 2005 option	7,622	
	2,008		15,245
• La Mondiale subordinated debt	Maturities: 2009 and 2019	66,000	66,000
	2,010		69,848
	2,010		15,152
	Swapped 2022		100,000
• La Mondiale Partenaire perpetual subordinated securities			0
• Arial Assurance perpetual subordinated securities		0	
TOTAL SUBORDINATED DEBTS		**466,000**	**473,867**

La Mondiale Partenaire and Arial assurance perpetual subordinated securities are held by La Mondiale and have been eliminated. The same applies for the investment in Pasiphaé, fully held by La Mondiale Partenaire.

3.16 Gross technical reserves

(In thousands of euros)	31.12.2004	31.12.2003
LIFE INSURANCE RESERVES	**19,325,844**	**16,890,823**
• Premiums	18,918,694	16,512,139
• Claims	217,280	223,311
• Profit-sharing	177,698	141,657
• Other technical reserves	12,172	13,716
NON-LIFE RESERVES	**35,735**	**22,494**
• Unearned premiums		0
• Claims	18,185	13,854
• Other technical reserves	17,550	8,640
TOTAL	**19,361,579**	**16,913,317**

The impact of changes in mortality tables due to longer life expectancy, spread out in the individual financial statements is eliminated in consolidated accounts.

A deferred tax is applicable to the restated figure.

3.17 Provisions for policyholders' profit-sharing

(In thousands of euros)	31.12.2004	31.12.2003
• Provision for amounts due	177,698	141,657
• Conditional deferred provision		0
• Unconditional deferred provision		0
TOTAL	**177,698**	**141,657**

3.18 Other provisions

(In thousands of euros)	At 01.01.2004	Amortisation	Reversal	Other movements	At 31.12.2004
• Regulated provisions	0				0
• Provisions for risks	22,599	8,183	2,095		28,687
• Provisions for foreign exchange losses	4,829	1,802	2,329		4,302
• Provisions for pension and provident commitments	6,590	925		5,499	13,014
• Other provisions for expenses	0	64			64
TOTAL PROVISIONS FOR RISKS AND EXPENSES	**34,018**	**10,974**	**4,424**	**5,499**	**46,067**

The provision for deferred tax on intra-Group capital gains recorded in the accounts of La Mondiale in the provision account was reclassified in the consolidated accounts under the "Deferred tax" item. Provisions for retirement benefit obligation are now recorded in the individual financial statements and take into account liabilities related to long-service medals, partly via provisions increase and partly via equity capital.

3.19 Accounts payable arising from direct insurance and reinsurance

(In thousands of euros)	31.12.2004	31.12.2003
• Debts from direct life insurance operations	173,005	139,334
• Debts from non-life insurance operations	313	246
• Debts from reinsurance operations	10,333	40,335
TOTAL	**183,651**	**179,915**

These are generally debts of less than one year.

3.20 Payables to banking institutions

These are short-term credit accounts. Non-euro-denominated borrowings are detailed in Note 3-23.

3.21 Other debts

(In thousands of euros)	31.12.2004	31.12.2003
• Deposits and guarantees received	12,268	8,551
• Debts for cash deposits received from reinsurers	98,847	59,477
• Government, social security organisations, official bodies	93,512	83,450
• Employees	23,419	26,423
• Other debts	84,656	82,843
TOTAL	**312,702**	**260,744**

With the exception of deposits received from tenants, these debts are essentially under one year in duration.

3.22 Accruals and deferrals (liabilities)

(In thousands of euros)	31.12.2004	31.12.2003
• Income to be spread over several financial years	1,350	0
• Amortisation of differences on redemption prices collectable		0
• Other accruals and deferrals	8,687	21,698
TOTAL ACCRUALS AND DEFERRALS (LIABILITIES)	**10,037**	**21,698**

Premium/discount reclassification: as was done for assets, the amortisation of differences on redemption prices is realigned to the corresponding investments.

3.23 Assets and liabilities in foreign currencies

Euro exchange value of assets and liabilities in foreign currencies held by consolidated companies	Assets held					Liabilities
	General fund assets		Unit-linked assets	Other	Total	
	Bonds	Equities				
• Dollars	11,937	463,724	90,847	442	566,950	36,777
• Swiss francs	167	182,225	5,239		187,631	2,450
• Pounds sterling	584	251,451	10,376		262,411	2,298
• Yen		59,176	8,676		67,852	2,248
• Swedish krona		22,874	2,693		25,567	1,331
• Others	7,345		2,792		10,137	
	20,033	**979,450**	**120,623**	**442**	**1,120,548**	**45,104**
• Translation differences by currency					Assets	Liabilities
• Dollars					2,521	
• Icelandic krona						184
• Yen					1,781	
					4,302	184

3.24 Off-balance-sheet commitments

(In thousands of euros)	At 31.12.2004				At 31.12.2003
	Total	Subsidiaries and non-consolidated equity interests	Financial instruments	Other	
Commitments received	**3,069,251**		**3,055,627**	**13,624**	**2,931,187**
Commitments given	**517,187**	**0**	**504,286**	**12,901**	**490,677**
• Endorsements, sureties and credit guarantees	12,901			12,901	19,539
• Securities and assets with resale commitment	0				0
• Other commitments on securities, assets or income	504,286		504,286		471,138
• Other commitments given	0				0
Securities received as collateral from reinsurers and retrocessionaires	**23,805**			**23,805**	**12,539**
Securities deposited by reinsured entities with a joint surety or a substitution agreement	**0**			**0**	**0**
Securities owned by provident institutions	**0**			**0**	**0**
Other securities held on behalf of third parties	**0**			**0**	**0**

The "commitments received" item breaks down as follows:

• Short-term swaps	711,709
• Long-term swaps	353,673
• Interest rate hedging options	1,685,347
• Caps	304,898
• Foreign currency hedges	0
• Real estate commitments	0
• Guarantees received	13,624
	3,069,251 thousands of euros

Guarantees between fully consolidated companies within the Group are eliminated.

The "Other commitments on securities, assets or income" item breaks down as follows:

• Swaps	504,286
• Foreign currency for delivery	
• Options	
	504,286 thousands of euros

4. Profit and loss accounts per business segment

Life insurance technical account:

(In thousands of euros)	31 December 2004			2003
	Gross business	Cessions and retrocessions	Net business	Net business
Premiums	**4,114,423**	**82,711**	**4,031,712**	**3,727,497**
Share of the net investment income allocated to technical account	**850,691**		**850,691**	**723,090**
Unit-linked asset adjustment (ACAV) [capital gains]	**532,044**		**532,044**	**780,052**
Other technical income	**23,906**		**23,906**	**26,857**
Claims expenses				
• Benefits and expenses paid	(1,798,066)	(14,342)	(1,783,724)	(1,512,186)
• Change in the provision for claims outstanding	(4,748)	(5,324)	576	4,398
Expense for life technical reserves and other technical provisions				
• Life insurance provisions	(1,457,379)	(42,818)	(1,414,561)	(1,567,078)
• Reserves for unit-linked contracts	(1,055,160)	(604)	(1,054,556)	(1,079,729)
• Other technical provisions	1,649		1,649	4,968
Profit-sharing	**(729,829)**		**(729,829)**	**(594,884)**
Acquisition and administrative expenses				
• Acquisition expense	(148,813)		(148,813)	(142,901)
• Administrative costs	(109,833)		(109,833)	(102,155)
• Commissions received from reinsurers		(18,246)	18,246	15,708
Unit-linked asset adjustment (ACAV) [capital losses]	**(118,373)**		**(118,373)**	**(202,146)**
Other technical costs	**(44,798)**		**(44,798)**	**(27,123)**
LIFE TECHNICAL RESULT	**55,714**	**1,377**	**54,337**	**54,368**
• Employee profit-sharing			0	(4,355)
• Net investment income excluding share allocated to technical account			51,393	45,839
TOTAL OPERATING INCOME			**105,730**	**95,852**

The elimination of operations between business segments is recorded in each item of the profit and loss account.

Non-life technical account:

(In thousands of euros)	31 December 2004			2003
	Gross business	Cessions and retrocessions	Net business	Net business
Earned premium				
• Premiums	48,479	9,414	39,065	35,128
• Change in unearned premiums	1,673		1,673	2,322
Share of investment income allocated to technical account	**1,095**		**1,095**	**2,506**
Other technical income	**1**		**1**	**0**
Claims expenses				
• Benefits and expenses paid	(35,357)	(4,239)	(31,118)	(28,143)
• Change in the provision for claims outstanding	(4,128)	(3,396)	(732)	(1,837)
Expense for other technical provisions			**0**	**0**
Profit-sharing			**0**	**0**
Acquisition and administrative expenses				
• Acquisition expense	(1,264)		(1,264)	(571)
• Administrative expense	(309)		(309)	(34)
• Commissions received from reinsurers		(1,609)	1,609	564
Other technical expense	**(4,232)**		**(4,232)**	**(4,673)**
Change in equalisation reserve			**0**	
NON-LIFE TECHNICAL RESULT	**5,958**	**170**	**5,788**	**5,262**
• Employee profit-sharing				0
• Net investment income excluding share allocated to technical account			228	1,240
TOTAL OPERATING INCOME			**6,016**	**6,502**

The elimination of operations between business segments is recorded in each item of the profit and loss account.

5. Information on the profit and loss account

5.1 Gross premiums

(In thousands of euros)	2004			2003
	France	EU	Total	
	(ex France)			
LIFE INSURANCE				
• Gross written premiums	3,971,487	142,936	4,114,423	3,796,615
NON-LIFE INSURANCE				
• Written premiums	48,479		48,479	37,320
• Change in the provision for unearned premiums	1,673		1,673	2,322
TOTAL GROSS PREMIUMS	**4,021,639**	**142,936**	**4,164,575**	**3,836,257**

5.2 Other operating income

(In thousands of euros)	2004			2003
	Life	Non-life	Total	
• Grant for legal increase in annuities	15,782		15,782	15,628
• Other income	8,124	1	8,125	11,229
TOTAL OTHER OPERATING INCOME	**23,906**	**1**	**23,907**	**26,857**

5.3 Net financial income

(In thousands of euros)	2004			2003
	Life	Non-life	Total	
Net income from real estate investments	**72,313**	**33**	**72,346**	**75,753**
• Revenues from real estate	109,704	41	109,745	100,778
• Net capital gains from disposal of real estate	4,423		4,423	14,190
• Management expenses for real estate investments	(17,908)		(17,908)	(15,501)
• Net amortisation and impairment expense	(23,906)	(8)	(23,914)	(23,714)
Net income from investment securities and loans	**851,449**	**1,255**	**852,704**	**711,232**
• Investment income	790,640	1,309	791,949	695,293
• Interest and other financial income	15,681	(58)	15,623	14,294
• Net capital gains from disposal of investment securities and net impairment expense	64,820	29	64,849	20,090
• Investment management costs	(35,733)	(22)	(35,755)	(33,443)
• Net reversal of the capitalisation reserve				0
• Amortisation of redemption premiums	16,041	(3)	16,038	14,998
Interest on loans	**(21,643)**	**0**	**(21,643)**	**(14,945)**
• Elimination of intra-Group financial result	(35)	35	0	635
Net financial income	**902,084**	**1,323**	**903,407**	**772,675**
• Unit-linked asset adjustment (ACAV) [capital gain]	532,043		532,043	780,051
• Unit-linked asset adjustment (ACAV) [capital loss]	(118,372)		(118,372)	(202,146)
Net financial income	**1,315,755**	**1,323**	**1,317,078**	**1,350,580**

(In thousands of euros)	2004			2003
Breakdown as follows:	**Life**	**Non-life**	**Total**	
• Share of investment income allocated to technical account	850,691	1,095	851,786	755,875
• Net income excluding share allocated to technical account	51,393	228	51,621	47,079
• Net unit-linked asset adjustment (ACAV)	413,671		413,671	547,626

Capital gains and losses on intra-Group disposals (including real estate) are now restated with an impact on deferred profit-sharing and deferred tax.

5.4 Insurance benefits and claims

(In thousands of euros)	2004			2003
	Life	**Non-life**	**Total**	
• Claims	(1,802,814)	(39,484)	(1,842,298)	1,576,873
• Changes in the insurance reserves	(2,510,890)		(2,510,890)	2,651,977
• Policyholder profit-sharing	(729,829)		(729,829)	594,884
TOTAL INSURANCE BENEFITS AND CLAIMS	**(5,043,533)**	**(39,484)**	**(5,083,017)**	**4,823,734**

5.5 Reinsurance income (expense)

(In thousands of euros)	2004			2003
	Life	**Non-life**	**Total**	
• Premiums ceded	(82,711)	(9,414)	(92,125)	(71,310)
• Claims ceded	19,666	7,634	27,300	39,104
• Technical reserves ceded	43,422		43,422	10,139
• Reinsurance commissions received	18,246	1,609	19,855	16,271
• Reinsurance technical result	(1,377)	(171)	(1,548)	(5,796)

5.6 Management expenses

(In thousands of euros)	2004			2003
	Life	Non-life	Total	
• Acquisition costs	148,813	1,264	150,077	143,472
• Administrative costs	109,903	309	110,212	102,188
• Other technical costs	44,728	4,232	48,960	31,796
• Employee profit-sharing			0	4,355
TOTAL MANAGEMENT COSTS	**303,444**	**5,805**	**309,249**	**281,811**

Employee profit-sharing is now included in other technical costs.

5.7 Classification of expense based on their nature

(In thousands of euros)	2004	2003
BREAKDOWN OF EMPLOYEE EXPENSES		
• Wages	104,737	101,642
• Social security contributions and other employee expenses	44,525	43,449
• Profit-sharing	5,998	4,355
TOTAL EMPLOYEES EXPENSES	**155,260**	**149,446**
• Commissions related to direct insurance booked		
• During the year	122,850	109,545
• Other management costs	31,139	22,820

Commissions related to direct insurance are commissions paid to non-employees and to intermediaries.

5.8 Other net income

(In thousands of euros)	2004	2003
• Revenues from non-insurance activities	0	2,901
• Operating expenses from non-insurance activities	0	(2,947)
• Net income from non-insurance activities	0	(46)
• Other net income:		
- Other non-technical income	238	335
- Other non-technical expense	(61)	(54)
TOTAL OTHER NET INCOME	**177**	**235**

Non-insurance activities in 2003 consisted of the activities of the Solutions Assurance Vie subsidiary. Inasmuch as they are not significant, they are included in "Other net income".

5.9 Extraordinary items

(In thousands of euros)	2004	2003
• Extraordinary income	40,090	56,513
• Use and reversal of provisions for extraordinary expense		1
• Extraordinary expense	(11,924)	(9,982)
• Allocation to reserve for extraordinary expense	24	0
EXTRAORDINARY INCOME (EXPENSE)	**28,190**	**46,532**

Extraordinary income includes the result of €40 million related to the acquisition, completed on 23 December 2004, of an additional equity interest of 15% in the holding company La Mondiale Participations by Aegon.

Extraordinary expense includes the 2.50% tax on special reserves for long-term capital gains, in the amount of €4.5 million.

5.10 Income tax

(In thousands of euros)	2004	2003
• Tax expense of La Mondiale and consolidated companies	5,341	3,395
• Deferred tax provision	17,483	30,708
TAX EXPENSE	**22,824**	**34,103**

There is a tax-group arrangement between La Mondiale and its main subsidiaries (held at more than 95%). The tax consolidation agreement enables the parent company to keep the benefit of any tax savings.

5.11 Group share of result of associated companies (accounted for under the equity method)

(In thousands of euros)	2004	2003
	0	0
PROFIT (LOSS)	**0**	**0**

There are no longer any associates.

5.12 Employees

The permanent staff of the consolidated companies of La Mondiale Group as of 31 December 2004 includes 2,459 members.

The Group's overall obligations for consolidated companies relating to pensions and retirement benefit obligations are recorded in the Other provisions; they amounted to €13,014 thousand at year-end 2004.

Data on subsidiaries and affiliates (Articles L233-1 and L233-2 of the Commercial Code):

	Address		Share capital	Reserves and retained income before profit distribution	Percentage of capital held by the Group (%)	Net value of securities held by the Group	Outstanding loans and advances not reimbursed	Guarantees and sureties given	Revenues net of tax	Profit or loss for last fiscal year	Dividends collected by the company during the financial year	Remarks
(In thousands of euros)												
Shareholding in affiliated companies												
Insurance activities												
Arial assurance	32, avenue Emile Zola	59370 Mons-en-Baroeul	24,000	64,434	50.00	2,100		2,156,567	739,144	5,069		
La Mondiale Accidents	32, avenue Emile Zola	59370 Mons-en-Baroeul	1,200	8,672	99.99	2,647			39,345	3,913		
La Mondiale Europartner	22 rue Goethe	1637 Luxembourg (G. Duchy)	14,362	1,782	100.00	13,384			123,335	(454)		
La Mondiale Partenaire	14, rue Roquépine	75008 Paris	60,064	148,696	99.99	128,983		3,951,125	2,285,444	9,430		
Pasiphaé	14, rue Roquépine	75008 Paris	0	223	0.00	0			1,347	(67)		
Pelayo Mondiale Vida	Calle Rodriguez San Pedro 10	28015 Madrid, Spain	13,530	1,745	50.00	7,908			39,030	(847)		
Shareholding in companies in which												
A participating interest is held (in the meaning of the chart of accounts)												
GIE La Mondiale Cash	32, avenue Emile Zola	59370 Mons-en-Baroeul	38	0	64.00	29	697,054		13,905	0		
La Mondiale Gestion d'Actifs SA	32, avenue Emile Zola	59370 Mons-en-Baroeul	900	839	100.00	900			9,961	3,835	2,857	
La Mondiale Participations	32, avenue Emile Zola	59370 Mons-en-Baroeul	13,388	345,819	65.00	122,225			6,984	6,465		
Other participating interests												
Acofi	9, rue Vignon	75008 Paris		N/A	10.00	991			N/A		104	
Grands Crus Investissements	91-93, Boulevard Pasteur	75015 Paris		N/A	12.52	3,049			N/A		380	

LM Opportunités	22, boulevard Malesherbes	75008 Paris	389	N/A	99.98	398			N/A			
LMD Solutions	32, avenue Emile Zola	59370 Mons-en-Baroeul	2,000	(12)	100.00	1,989			11	(875)		
Malesherbes Synergies	32, avenue Emile Zola	59370 Mons-en-Baroeul	40	N/A	99.84	38			N/A			
Roquepine Courtage	32, avenue Emile Zola	59370 Mons-en-Baroeul	40	N/A	100.00	41			N/A			
Tradial	32, avenue Emile Zola	59370 Mons-en-Baroeul	2,100	2,081	100.00	2,287			713	119		
Ventadour Stratégie	22, boulevard Malesherbes	75008 Paris	40	1,216	99.84	51			4,678	802		
Other subsidiaries and equity interests												
Real estate activities												
SA La Mondiale Foncière	22, boulevard Malesherbes	75008 Paris	248,109	24,040	100.00	309,266			21,984	10,272	9,097	
SA La Mondiale Patrimoine	32, avenue Emile Zola	59370 Mons-en-Baroeul	1	0	100.00	1			0			
SCI Mondiale Pierre	32, avenue Emile Zola	59370 Mons-en-Baroeul	243,329	193,296	100.00	436,616			20,833	8,187	8,594	
SCE du Château Larmande		33330 Saint Emilion	15,900	454	100.00	19,590			407	(233)		
Equity holdings held at less than 10%												
Gie La Mondiale Exécutive	32, avenue Emile Zola	59370 Mons-en-Baroeul			0.00	0						
Gie La Mondiale Groupe	32, avenue Emile Zola	59370 Mons-en-Baroeul			0.00	0						
Gie La Mondiale IT	32, avenue Emile Zola	59370 Mons-en-Baroeul			0.00	0						

STATUTORY AUDITORS' REPORTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2005 AND FOR THE YEAR ENDED 31 DECEMBER 2004

Please refer to Section "Documents Incorporated by Reference"

TAXATION

The statements herein regarding taxation are based on the laws in force in the French Republic and/or, as the case may be, the Grand Duchy of Luxembourg as of the date of this Prospectus and are subject to any change in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of, the Notes. Each prospective holder or beneficial owner of Notes should consult its own tax advisor as to the French or, as the case may be, the Luxembourg tax consequences of any investment in, or ownership and disposition of, the Notes.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within their jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date. This directive has been implemented in French law under Article 242 *ter* of the French *Code général des impôts*.

French taxation

The Notes issued in euros by a French legal entity are deemed to be issued outside the French Republic for the purposes of Article 131 *quater* of the French *Code général des impôts*. Consequently, interest and other revenues with respect to the Notes paid to non-French residents benefit from the exemption of withholding tax set out under Article 125 A III of the French *Code général des impôts*. Accordingly, such payments do not give the right to any tax credit from any French source.

Luxembourg taxation

The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposition of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual Noteholders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual Noteholders, upon repayment of principal in the case of reimbursement, redemption, repurchase or exchange of the Notes.

Luxembourg non-resident individuals

Under the Luxembourg laws dated 21 June 2005 implementing the directive on the taxation of savings income and several agreements concluded between Luxembourg and certain dependent territories of the European Union, a Luxembourg based paying agent (within the meaning of the Directive) is required as from 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals resident in certain EU dependent territories.

The withholding tax rate is initially fifteen (15)%, increasing steadily to twenty (20)% and to thirty-five (35)%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Luxembourg resident individuals

A ten (10)% withholding tax has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Directive) to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of the withholding tax. This withholding tax represents the final tax liability for Luxembourg individual resident taxpayers.

All prospective Noteholders should seek independent advice as to their tax positions.

SUBSCRIPTION AND SALE

BNP Paribas and CALYON (the **Joint Lead Managers**) have, pursuant to a subscription agreement (the **Subscription Agreement**) dated 14 November 2006, jointly and severally agreed with the Issuer, subject to satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at the issue price of 100.00%, of their principal amount, less the commissions agreed between the Issuer and the Joint Lead Managers. The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment being made to the Issuer.

General

No action has been taken or will be taken by the Issuer or the Joint Lead Managers that would or is intended to, permit a public offering of the Notes or the possession or distribution of this Prospectus or any offering material in relation to the issue of the Notes in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager must, to the best of its knowledge, comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes the Prospectus (as supplemented and amended) or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any Joint Lead Manager shall have any responsibility therefor. No Joint Lead Manager will either offer, sell or deliver, directly or indirectly, any Notes or distribute the Prospectus or any offering material in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and which will not impose any obligations on the Issuer and all offers, sales and deliveries of Notes and distributions of any offering materials relating to the Notes by such Joint Lead Manager will be made on the same terms.

United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to the extent permitted by the Subscription Agreement.

Each Joint Lead Manager has agreed that it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until forty (40) days after the later of the commencement of the offering and the closing date of the offering (the **Restricted Period**) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the Restricted Period a confirmation of or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

Each of the Joint Lead Managers and the Issuer has represented and agreed that the Notes are issued outside the French Republic and that it has not offered or sold, and will not offer or sell directly or indirectly any Notes in the French Republic, and has not distributed and will not distribute or cause to be distributed in the French Republic the Prospectus or any other offering material relating to the Notes, except to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined and in accordance with Articles L. 411-1, L. 411-2 and D. 411-1 of the French *Code monétaire et financier*.

GENERAL INFORMATION

1. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the official list and traded on the Regulated Market of the Luxembourg Stock Exchange.

2. The estimate of the total expenses relating to the admission of the Notes to listing and trading is €12,500.

3. The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear with the Common Code number 027520014 and Euroclear France with the International Securities Identification Number (ISIN) FR0010397885. The address of Euroclear France is 155 rue de Réaumur, 75081 Paris Cedex 02, France.

4. There has been no significant change in the financial or trading position of the Issuer since 31 December 2005.

5. There has been no material adverse change in the prospects of the Issuer since 31 December 2005.

6. Except as disclosed in this Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve (12) months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

7. The issue of the Notes was authorised pursuant to a resolution of the *Assemblée Générale* of the policyholders (*sociétaires*) of the Issuer dated 28 April 2006, a decision of the *Autorité de Contrôle des Assurances et des Mutuelles* on 26 October 2006 and a resolution of the *Conseil d'administration* of the Issuer dated 11 October 2006.

8. There are no material contracts entered into in the ordinary course of the Issuer's business, which could result in any member of the Issuer's Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

9. At the date of this Prospectus, there are no conflicts of interest material to the issue or offer of the Notes between the duties of the members of the Board of Directors and their private interests and/or their other duties.

10. Copies of the latest annual report of the Issuer, including its consolidated accounts may be obtained without charge from the specified offices for the time being of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

11. For as long as the Notes are outstanding the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the office of the Issuer, the Fiscal Agent and the Paying Agent:

    (i) this Prospectus;

    (ii) the Agency Agreement;

    (iii) the *statuts* of the Issuer;

(iv) the audited consolidated financial statements of the Issuer for the fiscal years ended 31 December 2005 and 2004;

(v) the then latest audited consolidated annual financial statements of the Issuer; and

(vi) the then latest interim consolidated financial indicators published by the Issuer in the *Bulletin des annonces légales obligatoires* (BALO) in France.

The Issuer does not publish complete consolidated interim accounts but only certain interim consolidated financial indicators. The latest interim consolidated financial indicators published by the Issuer (being those as at 30 June 2006) appear under "Recent Developments" above. The Issuer does not publish non-consolidated interim accounts.

The Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

12. The statutory auditors of the Issuer are KPMG Audit, 1 cours Valmy, 92923 Paris La Défense, France and Deloitte & Associés, 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France (both entities duly authorised as *Commissaires aux Comptes* and are members of the *Compagnie nationale des commissaires aux comptes*) and they have audited and rendered unqualified audit reports on the Issuer's consolidated financial statements for the fiscal years ended 31 December 2005 and 2004.

13. The yield of the Notes is 5.11% which corresponds to the ten (10) year swap rate on the pricing date, 9 November 2006 (namely 3.98%) plus a spread of 113 basis points and is calculated at the issue date on the basis of the issue price. It is not an indication of future yield.

ISSUER

La Mondiale
32, avenue Emile Zola
59370 Mons-en-Baroeul
France

SOLE STRUCTURING ADVISER, SOLE BOOKRUNNER AND JOINT LEAD MANAGER

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

JOINT LEAD MANAGER

CALYON
9, quai du Président Paul Doumer
92920 Paris La Défense
France

FISCAL AGENT, PRINCIPAL PAYING AGENT

BNP Paribas Securities Services
Immeuble Tolbiac
25, quai Panhard Levassor
75450 Paris Cedex 9
France

PAYING AGENT AND CALCULATION AGENT

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
Howald-Hesperange
L–2085 Luxembourg
Luxembourg

AUDITORS OF THE ISSUER

KPMG Audit
1 cours Valmy
92923 Paris La Défense
France

Deloitte & Associés
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
France

LEGAL ADVISERS

To the Issuer as to French law

Mrs. Lise Carré
Directeur Juridique
32, avenue Emile Zola
59370 Mons-en-Baroeul
France

To the Joint Lead Managers as to French law

Allen & Overy LLP
26, boulevard des Capucines
75009 Paris
France