GROUPAMA SA

€1,000,000,000

FIXED TO FLOATING RATE UNDATED DEEPLY SUBORDINATED NOTES

Issue Price: 100.00 per cent.

The €1,000,000,000 fixed to floating rate undated Deeply Subordinated Notes (the **Notes**) of Groupama SA (the **Issuer**) will be issued outside the Republic of France on 22 October 2007.

Each Note will bear interest on its then Principal Amount at a fixed rate of 6.298 per cent. per annum (the **Fixed Rate**) from (and including) 22 October 2007 (the **Issue Date**) to (but excluding) 22 October 2017 (the **Fixed Rate Period**), payable annually in arrear on 22 October (each a **Fixed Rate Payment Date**). From and including 22 October 2017 (the **Floating Rate Period**), each Note will bear interest on its then Principal Amount at a floating rate calculated on the basis of 3-month Euribor plus a margin of 2.60 per cent. per annum payable quarterly in arrear on 22 October, 22 January, 22 April and 22 July in each year, commencing on 22 January 2018.

The Notes are undated obligations in respect of which there is no fixed redemption date. The Issuer shall have the right (subject to the prior approval of the Relevant Supervisory Authority) to redeem the Notes, in whole but not in part, on any Interest Payment Date from (and including) 22 October 2017 as further specified in "Terms and Conditions of the Notes – Redemption, Purchase and Amendment". In addition, the Issuer may, at its option, and in certain circumstances shall, redeem the Notes for certain regulatory, accounting, rating or taxation reasons at the Original Principal Amount plus accrued interest or at the Make Whole Redemption Price, as the case may be and as set out in "Terms and Conditions of the Notes – Redemption, Purchase and Amendment".

The obligations of the Issuer in respect of principal and interest under the Notes will constitute direct, unsecured and undated Deeply Subordinated Obligations of the Issuer and shall at all times rank *pari passu* among themselves and *pari passu* with all other present and future direct, unsecured Deeply Subordinated Obligations of the Issuer, but shall be subordinated to all present and future *titres participatifs* issued by, and *prêts participatifs* granted to, the Issuer, Ordinary Subordinated Obligations of the Issuer and Unsubordinated Obligations of the Issuer as set out in "Terms and Conditions of the Notes – Status, rights of Noteholders in the event of liquidation, Loss Absorption and Reinstatement – Status".

For so long as the mandatory interest payment provisions do not apply, payment of interest on the Notes may, in certain circumstances, be forfeited, as set out in "Terms and Conditions of the Notes – Interest – Compulsory Interest and Optional Interest". Any entitlement to interest not paid on any Optional Interest Payment Dates will be lost and such interest will therefore no longer be due and payable by the Issuer. In addition, the Issuer shall be required not to pay interest on a given interest payment date if a Mandatory Non-Payment of Interest Event occurs and is continuing on such Interest Payment Date, as set out in "Terms and Conditions of the Notes – Interest – Compulsory Interest and Optional Interest".

Application has been made to list the Notes on the Eurolist of Euronext Paris SA.

The Notes have been accepted for clearance through Euroclear France, Clearstream Banking, Société Anonyme and Euroclear Bank SA/N.V. The Notes will, upon issue, be inscribed in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined herein). The Notes will be issued in bearer form in the denomination of €50,000 each and will at all times, in compliance with Article L. 211-4 of the French *Code monétaire et financier*, be represented in book-entry form (*dématérialisé*) in the books of the Account Holders, as set out in "Terms and Conditions of the Notes – Form, Denomination and Title".

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.

Potential investors should read carefully the section entitled "Risk Factors" set out below before making a decision to invest in the Notes.

Joint Lead Managers

ABN AMRO

HSBC

NATIXIS

SOCIETE GENERALE CORPORATE & INVESTMENT BANKING

The date of this Prospectus is 19 October 2007

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information; that the opinions and intentions expressed in it with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; that there are no other facts or matters in relation to the Issuer, the Group or the Notes the omission of which would make any information or statement in this Prospectus misleading in any material respect.

Certain information contained in this Prospectus 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 Groupama SA. References to the* ***Group*** *refer to the Groupama group as described in "Description of Groupama SA and Groupama Group".*

The Joint Lead Managers (as defined in "Subscription and Sale" below) 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 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 in this Prospectus or any other information provided by the Issuer in connection with the issue and sale of the Notes.

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 or not consistent with this Prospectus and if given or made, such information or representation must not be relied upon as having been authorised by 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 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 financial information of the Issuer and the Group 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 (a) the Issuer, its business, its financial condition and affairs and (b) the terms of the offering, 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. Potential investors should, in particular, read carefully the section entitled "Risk Factors" set out below before making a decision to invest in the Notes.

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions, including the United States, the United Kingdom, France and other member states of the European Economic Area, may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Prospectus, see "Subscription and Sale" below.

No person is authorised 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. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the ***Securities Act****) and, subject to certain exceptions, may not be offered, 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 (****Regulation S****)).*

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 the issue of the Notes, Natixis (the Stabilising Manager) (or persons acting on behalf of the Stabilising Manager) may over-allot 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 Stabilising Manager (or persons acting on behalf of the Stabilising 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 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action will be carried out in accordance with applicable laws and regulations.

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RISK FACTORS

The following is a summary of certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including in particular the following risk factors detailed below. This summary is not intended to be exhaustive and prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in the "Terms and Conditions of the Notes" shall have the same meaning where used below.

Risk Factors Relating to the Notes

The Notes are Deeply Subordinated Notes

The obligations of the Issuer under the Notes in respect of principal and interest constitute lowest ranking subordinated Obligations (*titres subordonnés de dernier rang*) of the Issuer and shall at all times rank *pari passu* with any other existing or future Deeply Subordinated Obligations, junior to any *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer, Ordinarily Subordinated Obligations and Unsubordinated Obligations, but in priority to the claims of holders Equity Securities.

The Notes shall become immediately due and payable at their Original Principal Amount if any judgement is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer has been liquidated for any reason except in the case of a liquidation in the context 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 and provided that any credit rating assigned to the Notes at such time by Standard & Poor's (or any successor rating agency) is not reduced by reason of such transfer. 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, rights of Noteholders in the event of liquidation, Loss Absorption and Reinstatement – Status" of this Prospectus.

Undated Securities

The Notes are undated securities with no fixed maturity date. The Issuer is under no obligation to redeem the Notes at any time except notably (a) if any judgement is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or (b) if the Issuer has been liquidated for any reason, except as outlined in Condition 5(f).

The Noteholders have no right to require redemption of the Notes.

Redemption Risk

The Notes are undated securities with no specified maturity date. Nevertheless, the Notes may be redeemed in whole (but not in part), at the option of the Issuer, (i) on 22 October 2017 and on any Interest Payment Date thereafter or (ii) at any time for certain taxation, regulatory, rating or accounting reasons as set out in "Terms and Conditions of the Notes – Redemption, Purchase and Amendment".

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

Restrictions on payments

Interest

– Optional interest payment:

Each Note will bear interest on its then Principal Amount (being the principal amount of each Note at any time, initially being the Original Principal Amount of such Note (€50,000) but taking into account any reduction or increase in accordance with the Loss Absorption or Reinstatement provisions (as described in Condition 2(c) below)). On any Interest Payment Date that is neither a Compulsory Interest Payment Date nor a date on which a Mandatory Non-Payment of Interest Event has occurred, the Issuer may, at its option, (i) pay all (but not some only) of the interest accrued to that date in respect of the Notes (but shall not have any obligation to make such payment) or (ii) elect, by giving notice to the Noteholders, not to pay interest on such Interest Payment Date with, in particular, the view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure and any such failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

Any entitlement to interest not paid on any Optional Interest Payment Dates will be lost and such interest will therefore no longer be due and payable by the Issuer.

– *Mandatory non payment of interest:*

If a Mandatory Non-Payment of Interest Event occurs and is continuing on any Interest Payment Date, the Issuer shall not pay interest on the relevant Interest Payment Date. Any entitlement to interest not paid on any such Interest Payment Date will be lost and such interest will therefore no longer be due and payable by the Issuer.

A **Mandatory Non-Payment of Interest Event** will be deemed to have occurred if:

(i) a Solvency Event has occurred prior to such Interest Payment Date and is continuing, or would occur if the interest payment due on the Notes on such Interest Payment Date were to be made on such date; or

(ii) the Issuer is notified by the Relevant Supervisory Authority prior to such Interest Payment Date, that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that a Solvency Event would occur in the near term.

A **Solvency Event** will be deemed to have occurred if, at any time during which the Combined Regulatory Group and/or the Consolidated Group are subject to Applicable Regulations, any Applicable Solvency Margin Level has fallen below one hundred (100) per cent. of the minimum Applicable Solvency Margin Level required for that Relevant Financial Period. Such event will be deemed to have occurred on the earlier of the date on which the relevant financial statements for the Relevant Financial Period are published or on any other date on which the Issuer determines that the Applicable Solvency Margin Level has fallen below one hundred (100) per cent. of the minimum Applicable Solvency Margin Level required for that Relevant Financial Period (all as defined defined in the Terms and Conditions of the Notes).

Principal

The Notes are being issued for solvency margin and capital adequacy regulatory level (howsoever called) purposes with the intention and purpose of being eligible as Tier 1 capital (or its equivalent for insurance and re-insurance entities when such regulation is put in place and in effect) for (i) the Combined Regulatory Group on a combined basis and (ii) the Consolidated Group on a consolidated basis, all as determined in accordance with Applicable Regulations. Such eligibility depends upon a number of conditions being satisfied and which are reflected in the 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 Solvency Event (as defined in Condition 2(c)(i)), a Loss Absorption may be implemented by a partial or full reduction of the then Principal Amount.

If, following a Loss Absorption, the audited Corresponding Financial Statements for at least two consecutive financial years following the End of Solvency Event record a positive Net Income (a **Return to Financial Health**), the Issuer shall increase the then Principal Amount of the Notes (a **Reinstatement**) to the extent any such Reinstatement (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount) 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 then Principal Amount of the Notes has been reinstated to the Original Principal Amount following the Return to Financial Health (save in the event of occurrence of another Solvency Event).

See "Terms and Conditions of the Notes – Status, rights of Noteholders in the event of liquidation, Loss Absorption and Reinstatement" 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, the Consolidated Group or the Combined Regulatory Group may issue or guarantee. The Issuer and its subsidiaries and affiliates, the Consolidated Group and the Combined regulatory Group may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the obligations under or in connection with the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences including, if the Issuer were liquidated (whether voluntarily or involuntarily), loss by Noteholders of their entire investment.

No voting rights

The Notes do not give the Noteholders the right to vote at meetings of the shareholders of the Issuer.

Interest rate risk during the Floating Rate Period

Interest on the Notes for each Floating Rate Period shall be calculated on the basis of 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.

No prior market for the Notes

There is currently no existing market for the Notes, and there can be no assurance that any market will develop for the Notes or that Noteholders will be able to sell their Notes in the secondary market. There is no obligation to make a market in the Notes. Application has been made to list the Notes on the Eurolist of Euronext Paris.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings 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 rating agency at any time.

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes

Payments of interest on the Notes, or profits realised by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdiction in which it is required to pay taxes. The tax impact on Noteholders generally in France and as a result of the entry into force of the EU Directive 2003/48/EC on the taxation of savings income is described under the section entitled "Taxation" below; however, the tax impact on an individual Noteholder may differ from the situation described for Noteholders generally. The Issuer advises all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

No legal and tax advice

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

Risk Factors Relating to the Issuer

Risks relating to the financial markets

A decline or increased volatility in the financial markets may adversely affect the business and profitability of Groupama.

Fluctuations in the financial markets (in particular stock and bonds markets) may adversely affect sales of Groupama's individual provident, retirement, life insurance products, and asset management services. The ability of Groupama to make a profit on insurance and investment products that it offers depends in part on the returns on investments supporting its obligations under these products and the value of specific investments may fluctuate substantially depending on financial market conditions. For example, a decline in stock prices would have a direct impact on unrealized capital gains relating to shares held in Groupama's securities portfolios.

Interest rate volatility may adversely affect the profitability of Groupama.

During periods of declining interest rates, financial margins may be reduced if the profitability of the new assets is not sufficient to serve the yields guaranteed under life insurance products.

During a low interest rate period net profits may be lower because the interest earnings on the fixed income investments will likely have declined in parallel with market interest rates. Consequently, Groupama may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, the profitability of Groupama may suffer as the result of a decrease in the spread between interest rates credited to policyholders and returns on Groupama's investment portfolio.

Conversely, in periods of increasing interest rates, the value of bonds portfolios decreases, which may have an adverse effect on the solvency margin and may increase the volume of certain contracts to be repurchased. Surrenders of life insurance policies and fixed annuity contracts may increase as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require Groupama to liquidate fixed maturity investments at a time when the market prices for those assets are depressed because interest rates have increased. Regardless of whether Groupama realizes an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease the net income of Groupama.

Risks relating to credit of counterparties

Losses due to defaults by others and impairment of investment assets could negatively affect the value of the investments of Groupama and reduce its profitability.

Third parties that owe Groupama money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities are held in Groupama's investment portfolios, customers, reinsurers, trading counterparties, counterparties under swap and other derivative contracts, clearing agents, exchanges, and financial intermediaries. These parties may default on their obligations to Groupama due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons. Groupama cannot assume that its level of provisions will be adequate (although it has taken and will take the necessary measures to ensure that they are or will be adequate) or that it will not have to make significant additional provisions for possible bad and doubtful debts in the future.

Risks relating to the insurance industry

***Net profit of Groupama could be adversely affected* by insufficient technical reserves for the non-life insurance operations.**

In accordance with industry practice and accounting and regulatory requirements, Groupama establishes "technical reserves" for claims related to its non-life insurance operations. These reserves are not discounted unless final settlement has been agreed and the payments are generally fixed over a period of time. Reserves do not represent an exact calculation of liability, but instead represent estimates, generally using actuarial projection techniques at a given accounting date. These reserve estimates are expectations of what the ultimate settlement and administration of claims will cost based on Groupama's assessment of facts and circumstances then known, review of historical settlement patterns, estimates of trends in claims severity, frequency, legal theories of liability and other factors. Based on current information available, Groupama believes that the technical reserves are sufficient and adequate. However, because the establishment of technical reserves is an inherently uncertain process involving estimates, Groupama cannot assure that ultimate losses will not materially exceed the technical reserves and have a material adverse effect on its net profit.

Similarly, the actual claims experience on the life insurance operations could be inconsistent with the assumptions used to price the products and establish the reserves and this could adversely affect the net profit of Groupama.

The financial results of Groupama may be materially adversely affected by the occurrence of catastrophes.

As with other property insurers and reinsurers, Groupama's operating results and financial condition can be adversely affected by volatile and unpredictable natural and man-made disasters, such as flooding, drought, landslides, windstorms, earthquakes, riots, fires, explosions and terrorist attacks. For example, France experienced a windstorm in December 1999, which resulted in material property losses and a significant increase in claims for indemnification by Groupama's clients. Over the past several years, changing weather patterns and climatic conditions, such as global warming, have added to the unpredictability and frequency of inclement weather conditions and natural disasters in regions where Groupama operates, in particular Europe and created additional uncertainty as to future trends and exposures.

Groupama's reinsurance program may not be adequate to protect Groupama against losses.

In the normal course of business, Groupama seeks to reduce the loss that may arise from catastrophes or other events that cause unfavourable underwriting results through reinsurance. Under the external reinsurance programmes made by Groupama, reinsurers assume a portion of the losses and related expenses. However, Groupama remains liable as the direct insurer on all risks reinsured. Consequently, reinsurance arrangements do not eliminate Groupama's obligation to pay claims and it remains subject to its reinsurers' credit risk with respect to its ability to recover amounts due from them. In addition, the availability, amount and cost of reinsurance depends on general market conditions and may vary significantly.

The insurance business is subject to extensive regulation in the various countries where Groupama operates and changes in existing or new government regulations in these countries may have an adverse effect on the business, financial conditions or results of operations of Groupama.

Groupama is also subject to increasing laws and regulations, such as capital adequacy and solvency margin regulations, which may reduce its financial and operational flexibility.

Groupama may face increased competition in many of its business lines as a result of continuing consolidation.

Groupama faces strong and increasing competition in many of its business lines. Groupama's competitors include other insurance companies, "*bancassureurs*" (i.e. banks providing insurance products), mutual insurance companies, many of which are regulated differently than Groupama and offer alternative products or more competitive pricing than Groupama. These competitive pressures could result in increased pricing pressures on a number of Groupama's products and services, particularly as competitors seek to win market share, and may harm the ability of Groupama to maintain or increase its profitability.

Risks relating to operations

Inadequate or failed processes or systems, human factors or external events may adversely affect the profitability, reputation or operational effectiveness of Groupama.

Operational risk is defined as the risk of loss arising from the inadequacy or failure of procedures, individuals or internal systems, or even external events. It includes risk relating to the security of information systems, litigation risk and reputation risk. As with most other insurance companies, Groupama relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in Groupama's customer relationship management, general ledger, deposit, servicing and/or organisation systems. Groupama cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed.

PERSONNES QUI ASSUMENT LA RESPONSABILITE DU PROSPECTUS

AU NOM DE L'EMETTEUR

J'atteste, après avoir pris toute mesure raisonnable à cet effet, que les informations contenues dans le présent Prospectus sont, à ma connaissance, conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

PERSONS ASSUMING THE RESPONSIBILITY OF THE PROSPECTUS

ON BEHALF OF THE ISSUER

I hereby certify, after having taken all reasonable care to ensure that such is the case, that the information contained in the present Prospectus, to my knowledge, is in accordance with the facts and contains no omission likely to affect its import.

GROUPAMA SA
8-10, rue d'Astorg
75008 Paris
France

Duly represented by:	Jean Azéma Directeur Général

TERMS AND CONDITIONS OF THE NOTES

The issue outside the Republic of France of the €1,000,000,000 fixed to floating rate undated Deeply Subordinated Notes (the **Notes**) of Groupama SA (the **Issuer**) has been authorised pursuant to a resolution of the *Conseil d'Administration* (Board of Directors) of the Issuer, adopted on 21 February 2007 and a decision of Mr. Jean Azéma, the *Directeur Général* of the Issuer made on 15 October 2007. A fiscal and paying agency agreement (the **Agency Agreement**) dated 19 October 2007 has been entered into in relation to the Notes between the Issuer, and Société Générale as fiscal agent (together with any substitute fiscal agent, the **Fiscal Agent**), as agent bank (together with any substitute agent bank, the **Agent Bank**) and 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 Agents**). The Fiscal Agent, the Agent Bank and the Paying Agents 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. References in these Conditions to any provision of the French *Code des assurances* or any other law or decree shall be construed as references to such provision as amended, re-enacted, or supplemented by any order made under, or deriving validity from, such provision.

1. Form, Denomination and Title

The Notes are issued in bearer form (*au porteur*) in the denomination of €50,000 each and will at all times, in compliance with Article L.211-4 of the French *Code monétaire et financier*, be represented in book-entry form (*dématérialisé*) in the books of the Account Holders (as defined below). No physical documents 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.

For the purpose of these Conditions, **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 banks for Clearstream Banking, Société Anonyme (**Clearstream**).

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

2. Status, rights of Noteholders in the event of liquidation, Loss Absorption and Reinstatement

(a) Status

The Notes are undated Deeply Subordinated Notes. The subordination provisions of the Notes are governed by Article L.228-97 of the French Code de commerce (the **Code**).

The obligations of the Issuer in respect of principal and interest under the Notes constitute direct, unsecured and undated Deeply Subordinated Obligations of the Issuer and shall at all times rank *pari passu* among themselves and *pari passu* with all other present and future direct, unsecured Deeply Subordinated Obligations of the Issuer, but shall be subordinated to all present and future *titres participatifs* issued by, and *prêts participatifs* granted to, the Issuer, Ordinary Subordinated Obligations of the Issuer and Unsubordinated Obligations of the Issuer.

The Notes shall rank in priority to any class of share capital, whether represented by ordinary shares or preference shares (*actions de préférence*) issued by the Issuer.

For the purposes of these Conditions:

Accrued Interest means, in relation to any due date for redemption of the Notes, the interest (if any) accrued under the Notes since the immediately preceding Interest Payment Date.

Applicable Regulations means, at any time, the solvency margin or 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 Combined Regulatory Group and/or the Consolidated Group, as the case may be. As of the

Issue Date (as defined in Condition 3(a)) of the Notes, Applicable Regulations exist with respect to the Issuer and the Combined Regulatory Group and are contained in Articles R.334-3 *et seq*. and A. 334-3 *et seq*. of the French *Code des assurances*.

Applicable Solvency Margin Level means, with respect to any Relevant Financial Period, any solvency margin, capital adequacy or any other regulatory capital level (howsoever called) of (i) the Combined Regulatory Group on a combined basis or (ii) the Consolidated Group on a consolidated basis, all as determined in accordance with Applicable Regulations on the basis of the Corresponding Financial Statements for that Relevant Financial Period.

Combined Regulatory Group means (i) each of the Groupama Regional Mutuals, (ii) Groupama Holding and Groupama Holding 2 and (iii) the Consolidated Group.

Consolidated Group means the Issuer and its consolidated subsidiaries taken as a whole.

Deeply Subordinated Notes means, in relation to the Issuer or any Relevant Affiliated Entity, all and any bonds or notes of such person which constitute direct, unsecured and lowest ranking subordinated obligations of such person, including bonds or notes the subordination provisions of which are governed by the provisions of Article L. 228-97 of the Code as amended, and which rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Deeply Subordinated Obligations of such person, but shall be subordinated to all present and future *prêts participatifs* granted to, and *titres participatifs* issued by, such person, Ordinary Subordinated Obligations of such person and Unsubordinated Obligations of such person.

Deeply Subordinated Obligations means, in relation to the Issuer or any Relevant Affiliated Entity, any Deeply Subordinated Notes (including, in relation to the Issuer, the Notes) or other Obligations of such person which rank and will rank, *pari passu* with any Deeply Subordinated Notes of such person (including, in relation to the Issuer, the Notes).

Groupama Regional Mutuals means the *Mutuelles d'assurance et de réassurance agricoles* that are members of the *Fédération Nationale Groupama*.

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

Ordinary Subordinated Obligations means, in relation to the Issuer or any Relevant Affiliated Entity, any Obligations of such person which constitute direct, unsecured and subordinated obligations of such person and which rank and will rank in priority to all present and future (i) *titres participatifs* issued by, *prêts participatifs* granted to, such person and (ii) Deeply Subordinated Obligations of such person.

Original Principal Amount means the nominal value of each Note on the Issue Date (€50,000), without taking into account any Loss Absorption or Reinstatement (as described in Condition 2(c) below).

Principal Amount means the principal amount of each Note at any time, initially being the Original Principal Amount of such Note but taking into account any reduction or increase in accordance with the Loss Absorption or Reinstatement provisions (as described in Condition 2(c) below).

Relevant Affiliated Entity means, at any particular time, any member of the Combined Regulatory Group.

Relevant Financial Period means, with respect to the Combined Regulatory Group and/or the Consolidated Group, (i) any financial year and (ii) any shorter interim financial period in relation to which financial statements are prepared for the Combined Regulatory Group and/or the Consolidated Group for purposes of calculating the Applicable Solvency Margin Level in accordance with Applicable Regulations.

Relevant Supervisory Authority means any relevant regulatory or supervisory authority having jurisdiction over the Issuer, the Combined Regulatory Group and/or, as the case may be, the Consolidated Group for the purpose of any Applicable Regulations. As of the date of issue of the Notes, the Relevant Supervisory Authority is the *Autorité de Contrôle des Assurances et des Mutuelles* (ACAM).

Unsubordinated Obligations means, in relation to the Issuer or any Relevant Affiliated Entity, any Obligations of such person which are unsubordinated and rank in priority to any Ordinary Subordinated Obligations of such person.

(b) Rights of Noteholders in the event of liquidation

Amounts payable to the holders of the Notes (the **Noteholders**) in the event of the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason will be the Original Principal Amount of the Notes, together with Accrued Interest and any other outstanding amounts under the Notes, to the extent that all other creditors of the Issuer (including holders of Unsubordinated Obligations of the Issuer, holders of Ordinary Subordinated Obligations of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer) have been or will be fully reimbursed, as ascertained by the liquidator.

In the event of incomplete payment of creditors ranking senior to Noteholders in such circumstances, the obligations of the Issuer in connection with the Notes will be terminated.

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

(c) Loss Absorption and Reinstatement

(1) Loss Absorption

In the event of the occurrence of a Solvency Event (as defined below), the *Conseil d'Administration* (Board of Directors) of the Issuer shall convene an extraordinary shareholders' meeting (the **Meeting**) during the 3 month period immediately following the occurrence of the Solvency Event to propose to its shareholders a share capital increase or any other measures to remedy such Solvency Event.

If, following the occurrence of a Solvency Event there are Relevant Losses and such Relevant Losses have not been totally set off against any increase of the shareholders' funds (*capitaux propres*) of the Issuer which may have been implemented to remedy such Solvency Event by the last day of the Relevant Financial Period during which the Meeting was held or was due to be held), the *Conseil d'Administration* (the Board of Directors) of the Issuer will implement, within 10 days following the last day of the Relevant Financial Period, a reduction of the then Principal Amount of the Notes (**Loss Absorption**) to off-set the Relevant Losses and thereafter, to enable it to continue operating its business on a going concern basis. A Loss Absorption will be implemented by partially or fully reducing the then Principal Amount.

The amount by which the then Principal Amount of the Notes is reduced (the **Reduction Amount**), will be determined as follows:

(a) the Reduction Amount will be the lower of (i) the Outstanding Relevant Losses (as defined below but prior to any deemed reduction pursuant to the proviso of the definition) and (ii) the then Principal Amount of the Notes immediately prior to such reduction, and

(b) in the event that other Deeply Subordinated Notes (or other debt securities (howsoever called) which rank *pari passu* with the Notes and are eligible for the purpose of calculating the Applicable Solvency Margin Level of the Combined Regulatory Group and/or the Consolidated Group) of the Issuer are outstanding and which (x) allow for solvency events to occur at the level of the Combined Regulatory Group and/or the Consolidated Group and (y) provide for loss absorption and reinstatement (**Other Deeply Subordinated Notes**), such Loss Absorption will be applied on a *pro rata* basis among the Notes and such Other Deeply Subordinated Notes and the Reduction Amount shall be reduced accordingly.

The aggregate Principal Amount of the Notes shall be adjusted accordingly. The Principal Amount of the Notes may, pursuant to the above provisions, be reduced on one or more occasions as required.

Notwithstanding any other provision, the Principal Amount of each Note shall never be reduced to an amount lower than one cent of one euro.

For the purposes of these Conditions:

A **Solvency Event** will be deemed to have occurred if, at any time during which the Combined Regulatory Group and/or the Consolidated Group are subject to Applicable Regulations, any Applicable Solvency Margin Level has fallen below one hundred (100) per cent. of the minimum Applicable Solvency Margin Level required for that Relevant Financial Period. Such event will be deemed to have occurred on the earlier of the date on which the relevant financial statements for the Relevant Financial Period are published or on any other date on which the Issuer determines that the Applicable Solvency Margin Level has fallen below one hundred (100) per cent. of the minimum Applicable Solvency Margin Level required for that Relevant Financial Period.

Outstanding Relevant Losses means the amount of Relevant Losses which have not been set-off against the shareholders' funds (*capitaux propres*) of the Issuer following the implementation of any measures adopted by the Meeting; provided that, if:

(i) the relevant Solvency Event occurred at the level of the Combined Regulatory Group, and

(ii) any Relevant Affiliated Entity has at the relevant time outstanding indebtedness in the form of Deeply Subordinated Notes (or other debt securities (howsoever called) which rank *pari passu* with Deeply Subordinated Notes and are eligible for the purpose of calculating the Applicable Solvency Margin Level of the Combined Regulatory Group) which (a) allow for solvency events to occur at the level of the Combined Regulatory Group and (b) provide for loss absorption and reinstatement (**Equivalent Deeply Subordinated Notes**),

the amount of Outstanding Relevant Losses shall be deemed to be reduced by an amount equal to the product of the following formula:

ORL X A / B

Where:

ORL means Outstanding Relevant Losses,

A means the sum of the then current principal amount of each issue of Equivalent Deeply Subordinated Notes, and

B means the sum of:

(i) A,

(ii) the then Principal Amount of the Notes, and

(iii) the then current principal amount of any other Deeply Subordinated Notes (or other debt securities (howsoever called) which rank *pari passu* with the Notes and are eligible for the purpose of calculating the Applicable Solvency Margin Level of the Combined Regulatory Group) of the Issuer which (a) allow for solvency events to occur at the level of the Combined Regulatory Group and (b) provide for loss absorption and reinstatement.

Relevant Losses means the amount of losses which, following the occurrence of a Solvency Event, would need to be off-set or absorbed for the Solvency Event which has occurred to be remedied.

(2) Reinstatement

If, following a Loss Absorption, the audited Corresponding Financial Statements for at least two consecutive financial years following the End of Solvency Event record a positive Net Income (a **Return to Financial Health**), the Issuer shall increase the then Principal Amount of the Notes (a **Reinstatement**) to the extent any such Reinstatement (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount) 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 then Principal Amount of the Notes has been reinstated to the Original Principal Amount following the Return to Financial Health (save in the event of occurrence of another Solvency Event).

The amount of the Reinstatement will not exceed the Net Income recorded in the audited Corresponding Financial Statements for the second of the two consecutive financial years. If the Solvency Event(s) which gave rise to any previous Loss Absorption occurred at the level of both the Combined Regulatory Group and the Consolidated Group, the amount of the Reinstatement will not exceed the lower of the Net Income recorded for the second of the two consecutive financial years (i) on a combined basis in respect of the Combined Regulatory Group and (ii) on a consolidated basis in respect of the Consolidated Group.

However, if at any time before the Principal Amount has been reinstated to the Original Principal Amount, the amount of Outstanding Relevant Losses had been reduced at the time of a Loss Absorption in the circumstances set out in the definition of "Outstanding Relevant Losses", the amount of the Net Income to be used in the preceding paragraph for the purpose of determining the amount of any Reinstatement shall be deemed to be reduced by an amount equal to the product of the following formula:

NI X A / B

Where:

NI means Net Income,

A means the sum of the then current principal amount of each issue of Equivalent Deeply Subordinated Notes, and

B means the sum of:

(i) A,

(ii) the then Principal Amount of the Notes, and

(iii) the then current principal amount of any other Deeply Subordinated Notes (or other debt securities (howsoever called) which rank *pari passu* with the Notes and are eligible for the purpose of calculating the Applicable Solvency Margin Level of the Combined Regulatory Group) of the Issuer which (a) allow for solvency events to occur at the level of the Combined Regulatory Group and (b) provide for loss absorption and reinstatement.

In the event that Other Deeply Subordinated Notes of the Issuer are outstanding, such Reinstatement will be applied on a *pro rata* basis among the Notes and such Other Deeply Subordinated Notes and the amount of the Reinstatement shall be reduced accordingly.

For the purposes of these Conditions:

Corresponding Financial Statements means the financial statements of the Consolidated Group and/or the Combined Regulatory Group as the case may be, prepared on the same basis as each set of financial statements on the basis of which it was determined that a Solvency Event giving rise to a Loss Absorption had occurred.

End of Solvency Event means that, following the occurrence of a Solvency Event, the Applicable Solvency Margin Level for any Relevant Financial Period amounts to at least one hundred (100) per cent. of the minimum Applicable Solvency Margin Level required for that Relevant Financial Period.

Net Income means the net income (*Résultat Net*) on a combined basis in respect of the Combined Regulatory Group or on a consolidated basis in respect of the Consolidated Group, in each case as determined in accordance with applicable accounting standards.

(3) Notification

The occurrence of a Solvency Event, End of Solvency Event or Return to Financial Health shall be notified by the Issuer to the Noteholders in accordance with Condition 8 not later than seven (7) Business Days following the determination of its occurrence.

Any Loss Absorption or Reinstatement shall be notified to the Noteholders in accordance with Condition 8 not later than seven (7) Business Days following its occurrence.

3. Interest

(a) Interest Payment Dates

(1) Fixed Rate Period

Each Note will bear interest on its then Principal Amount at a fixed rate of 6.298 per cent. per annum (the **Fixed Rate**) from (and including) 22 October 2007 (the **Issue Date**) to (but excluding) 22 October 2017 (the **Fixed Rate Period**), payable annually in arrear on 22 October (each a **Fixed Rate Payment Date**). The amount of interest due in respect of the first interest period from (and including) 22 October 2007 to (but excluding) 22 October 2008 shall be €3,149 per Note.

If interest is required to be calculated for a period within the Fixed Rate Period of less than one 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).

(2) Floating Rate Period

Following the Fixed Rate Period (the **Floating Rate Period**), each Note will bear interest on its then Principal Amount at a Floating Rate (as defined in Condition 3(c)) per annum payable quarterly in arrear on 22 October, 22 January, 22 April and 22 July in each year (subject to adjustment as provided below), commencing on 22 January 2018 (each a **Floating Rate Payment Date** and together with the Fixed Rate Payment Dates, an **Interest Payment Date**). If any Floating Rate Payment Date would otherwise fall on a day which is not a Business Day (as defined below) it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business 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 after the due date of redemption

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, in which case each Note will continue to bear interest in accordance with Condition 3 until the day on which all sums due in respect of such Note up to that day are effectively paid.

(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 (each a **Floating Interest Period**) will be determined on the basis of the following provisions:

(i) On each **Interest Determination Date**, namely the second Business Day before the commencement of the Floating Interest Period for which the rate will apply, the Agent Bank 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 Agent Bank will request each of the Reference Banks (as defined below) to provide the Agent Bank with its offered quotation to prime banks in the Euro-zone (as defined below) interbank market for Euro deposits in a representative amount of €1,000,000,000 for a period of three (3) months commencing on the first day of the relevant Floating Interest Period, as at or about 11.00 a.m. (Brussels time) on the Interest Determination Date in question. The Floating Rate for the relevant Floating Interest Period shall be the Reference Rate plus the Margin (as defined below) or, if the Reference Rate is unavailable, 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 Agent Bank plus the Margin.

(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 Interest 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 Interest Period shall be the rate per annum which the Agent Bank determines to be the sum of the Margin and 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 Agent Bank after prior consultation with the Issuer 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 in a representative amount of €1,000,000,000 for a period of three (3) months commencing on the first day of the relevant Floating Interest Period, except that if the banks so selected by the Agent Bank are not quoting on such Interest Determination Date, the Floating Rate for the relevant Floating Interest Period shall be the Floating Rate in effect for the last preceding Floating Interest Period to which one of paragraphs (i) or (ii) of this Condition 3(c) shall have applied.

(iv) The Margin (the **Margin**) in respect of each Floating Interest Period is 2.60 per cent. per annum.

(v) For the purposes of these Conditions:

Business Day means any day (other than a Saturday or a Sunday) 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 Agent Bank after prior consultation with the Issuer;

Reference Rate means the Euribor 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 Reuters page EURIBOR01 (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; and

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.

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

The Agent Bank 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 Payment Date on each Note for the relevant Floating Interest Period.

The Interest Amounts shall be determined by (i) applying the Floating Rate to such denomination, (ii) multiplying the sum by the actual number of days in the Floating Interest Period concerned divided by 360 and (iii) rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

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

The Agent Bank shall cause the Floating Rate and the Interest Amount for each Floating Interest Period and the relevant Interest Payment Date to be notified (a) to the Issuer, the Fiscal and Paying Agent (if different from the Agent Bank) 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 either through publication in the Issuer's website (which, as of the Issue Date, is "www.groupama.com") or, at the option of the Issuer, in accordance with Condition 8, in either case 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 Agent Bank (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period. If the Notes become due and payable under Condition 6(c) or under Condition 5(e) other than on a Floating Rate Payment Date, the Floating Rate and the Interest Amount shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 3 but no publication of the Floating Rate 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 Agent Bank, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent Bank, the Fiscal and Paying Agent and all Noteholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Noteholders shall attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(g) Agent Bank

The Agency Agreement provides that the Issuer may at any time terminate the appointment of the Agent Bank and appoint a substitute Agent Bank provided that so long as any of the Notes remain outstanding there shall at all times be an Agent Bank 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 Agent Bank or failing duly to determine the Floating Rate and the Interest Amount for any Floating 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 Agent Bank may not resign its duties or be removed without a successor having been appointed. The Agent Bank shall act as an independent expert and not as agent for the Issuer or the Noteholders.

(h) Compulsory Interest and Optional Interest

(1) *Optional Non-Payment of Interest*

On any Interest Payment Date that is neither a Compulsory Interest Payment Date (an **Optional Interest Payment Date**) nor a date on which a Mandatory Non-payment of Interest Event (as defined below) has occurred, the Issuer may, at its option, (i) pay all (but not some only) of the interest accrued to that date in respect of the Notes (but shall not have any obligation to make such payment) or (ii) elect, by giving notice to the Noteholders pursuant to Condition 3(h)(4), not to pay interest on such Interest Payment Date with, in particular, a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure and any such failure to pay shall not constitute a default by the Issuer under the Notes or for any other purpose.

Any entitlement to interest not paid on any Optional Interest Payment Dates will be lost and such interest will therefore no longer be due and payable by the Issuer.

The amount of interest payable on Optional Interest Payment Dates will always be calculated on the basis of the then Principal Amount.

(2) *Compulsory Interest Payment*

On any Compulsory Interest Payment Date, the Issuer shall pay interest on the then Principal Amount of the Notes. **Compulsory Interest Payment Date** means each Interest Payment Date (i) in relation to which no Mandatory Non-Payment of Interest Event (as defined below) has occurred and is continuing, and (ii) prior to which any of the following events has occurred (each, a **Compulsory Interest Payment Event**) at any time during a period of one year prior to such Interest Payment Date:

(i) the Issuer has declared or paid a dividend (whether in cash, shares or any other form), or more generally made a payment of any nature, on any class of shares (including ordinary shares or preference shares) or on any other equity securities; or

(ii) the Issuer has made a payment of any nature on or in respect of any other Deeply Subordinated Obligations unless such payment was a compulsory interest payment under the terms of any such other Deeply Subordinated Obligations issued by the Issuer; or

(iii) the Issuer has redeemed, repurchased or otherwise acquired any class of its share capital (whether such shares are represented by ordinary shares or preference shares) by any means; or

(iv) the Issuer has redeemed, repurchased or otherwise acquired any Deeply Subordinated Obligations in accordance with their terms; or

(v) for so long as there are Applicable Regulations in force with respect to the Combined Regulatory Group, any Relevant Affiliated Entity has made Equivalent Payments in an aggregate amount exceeding the Reference Amount.

Where:

Equivalent Payments means, in relation to any Relevant Affiliated Entity, any of the following payments made during a period of one year ending on the relevant Interest Payment Date:

(i) any payment of interest in respect of any Deeply Subordinated Notes issued by such Relevant Affiliated Entity other than compulsory interest payments under the terms of the relevant Deeply Subordinated Notes, and

(ii) any payment of principal made to holders of Deeply Subordinated Notes issued by such Relevant Affiliated Entity in respect of any optional redemption or repurchase by it of any such Deeply Subordinated Notes

Reference Amount means, in relation to any Relevant Affiliated Entity:

(i) any Equivalent Payments made by it falling within sub-paragraph (i) of the definition of Equivalent Payments, an amount of €10,000,000; and

(ii) any Equivalent Payments made by it falling within sub-paragraph (ii) of the definition of Equivalent Payments, an amount of €100,000,000.

Notwithstanding the above, it is hereby specified that the following shall not fall within the scope of the above definition of "Compulsory Interest Payment Event":

(a) payments made to and distribution of shares in favour of any beneficiaries of stock option plans or their equivalent; or

(b) shares repurchased by the Issuer (a) in the context of its own buy-back programme (*programme de rachat d'actions* in accordance with Article L.225-209 of the Code, the *Règlement Général* of the *Autorité des marchés financiers* and EU Regulation No.2273/2003 dated 22 December 2003), (b) under any equity derivative hedge structure or transaction, (c) under any hedging of stock options programme or (d) any other compensation benefit programme (such as any *plan d'attribution gratuite d'actions* in accordance with Article L.225-208 of the Code); or

(c) any reduction of the share capital of the Issuer made in order to set off losses which may entail a cancellation or redemption of shares.

In addition, a Compulsory Interest Payment Date will not occur if a Mandatory Non-Payment of Interest Event has occurred prior to the relevant Interest Payment Date and is continuing.

Interest payable on a Compulsory Interest Payment Date will always be calculated on the basis of the then Principal Amount.

(3) *Mandatory Non-Payment of Interest*

If a Mandatory Non-Payment of Interest Event occurs and is continuing on any Interest Payment Date, the Issuer shall not pay interest on the relevant Interest Payment Date. Any entitlement to interest not paid on any such Interest Payment Date will be lost and such interest will therefore no longer be due and payable by the Issuer.

A **Mandatory Non-Payment of Interest Event** will be deemed to have occurred if:

(i) a Solvency Event has occurred prior to such Interest Payment Date and is continuing, or would occur if the interest payment due on the Notes on such Interest Payment Date were to be made on such date; or

(ii) the Issuer is notified by the Relevant Supervisory Authority prior to such Interest Payment Date, that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that a Solvency Event would occur in the near term.

(4) *Notice of Non-Payment*

The non-payment of interest in accordance with this Condition 3(h) shall be notified by the Issuer to the Noteholders in accordance with Condition 8 not later than seven (7) Business Days prior to the relevant Interest Payment Date. For the avoidance of doubt, the occurrence of a

Mandatory Non-Payment of Interest Event and any resulting notice will be effective only with respect to the amount of interest due on the immediately following Interest Payment Date. The Issuer will make a new determination and deliver a further notice with respect to any subsequent Interest Payment Date in relation to which a Mandatory Non-Payment of Interest Event is continuing or occurs again.

4. Payments

(a) Method of Payment

Payments of principal and interest in respect of the Notes will be made in Euro by transfer to a Euro denominated account (or any other account to which Euro may be credited or transferred) specified by the payee with a bank, in a country within the TARGET System. Such payments shall be made for the benefit of the Noteholders to the Account Holders.

None of the Issuer, the Fiscal and Paying Agent or the Agent Bank shall be liable to any Noteholder or other person for any commission, costs, losses or expenses in relation to, or resulting from, the credit or transfer of Euro, or any currency conversion or rounding effect in connection with such payment being made in Euro.

Payments in respect of principal and interest on the Notes will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments to the Issuer, the Fiscal and Paying Agent, the relevant Account Holder or, as the case may be, the person shown in the records of Euroclear France, Euroclear or Clearstream as the holder of a particular principal amount of Notes, but without prejudice to the provisions of Condition 6.

(b) Payments on Payment Business Days

If the due date for payment of any amount of principal, interest or other amounts in respect of any Note is not a Payment Business Day, payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Payment Business Day and the Noteholders shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of these Conditions, **Payment Business Day** means any day which is a Business Day (as defined in Condition 3 (c) (v)) and on which Euroclear France, Euroclear and Clearstream are operating.

(c) Fiscal and Paying Agent and Agent Bank

The name of the initial Fiscal and Paying Agent and Agent Bank and its specified office is set forth below:

Fiscal Agent, Paying Agent, and Agent Bank
Société Générale
32, rue du Champ de Tir
43312 Nantes
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal and Paying Agent and/or Agent Bank and/or appoint additional or other Agents or approve any change in the office through which any such Agent acts, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city and (ii) so long as the Notes are listed on the Eurolist of Euronext Paris and the rules applicable to that exchange so require, a Paying Agent having a specified office in France (which may be the Fiscal and Paying Agent). The Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Any termination or appointment shall only take effect (other than in the case of certain insolvency related events set out in the Agency Agreement, when it shall be of immediate effect) after not more than forty five (45) nor less than thirty (30) calendar days' notice thereof shall have been given to the Noteholders by the Issuer in accordance with Condition 8.

5. Redemption, Purchase and Amendment

(a) No Final Maturity

The Notes are undated Deeply Subordinated Notes and have no fixed maturity.

(b) Redemption Conditions

Pursuant to Article A. 334-3(VI) of the French *Code des assurances*, any redemption of the Notes pursuant to Conditions 5 (c), 5 (d), 5 (g), 6 (b), 6 (c) or 6 (d) is subject to the prior approval of the Relevant Supervisory Authority, if then required by the Applicable Regulations.

(c) Redemption at the Option of the Issuer

The Issuer may, having given not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders in accordance with Condition 8 (which notice shall be irrevocable), redeem all the Notes, but not some only, on any Interest Payment Date from and including 22 October 2017 at their Original Principal Amount together with all Accrued Interest up to (but excluding) the date of redemption.

(d) Redemption or amendment following an Accounting Event, a Capital Disqualification Event or a Rating Event

If at any time the Issuer determines that an Accounting Event, a Capital Disqualification Event or a Rating Event has occurred with respect to the Notes, the Notes will (subject to the provisions of the following paragraph) be redeemable in whole but not in part at the option of the Issuer on any Interest Payment Date at their Make Whole Redemption Price. Notice of such redemption (which shall be irrevocable) shall be given by the Issuer in accordance with Condition 8.

As an alternative to the Issuer's option to redeem the Notes, the Issuer may, if at any time it determines that an Accounting Event, a Capital Disqualification Event or a Rating Event has occurred with respect to the Notes, subject to Condition 11 below and to the Issuer having given notice to the Noteholders in accordance with Condition 8 (which notice shall be irrevocable), but without any requirement for the consent or approval of the Noteholders, vary the terms of the Notes so as to remedy the Accounting Event, Capital Disqualification Event or Rating Event on terms which are not prejudicial to the interests of the Noteholders, as certified by a member of the *Conseil d'Administration* (Board of Directors) of the Issuer and by representatives of two independent investment banks of international standing. The Representative shall, in the context of any such variation of the terms of the Notes, accept the certificates of the Issuer and the independent investment banks as conclusive evidence of (i) the occurrence of an Accounting Event, Capital Disqualification Event or Rating Event and (ii) the fact that such amendments to the terms of the Notes are not prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 8 as soon as practicable thereafter.

For the purposes of these Conditions:

An **Accounting Event** will be deemed to occur upon receipt by the Issuer of an opinion of a recognised accountancy firm of international standing (which may be the Issuer's statutory auditors) stating that the funds raised through the issuance of the Notes must not, or must no longer, be recorded as "equity" pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of the annual financial statements of the Consolidated Group or the Combined Regulatory Group, a copy of which opinion will be delivered for information purposes to the Representative.

A **Capital Disqualification Event** will be deemed to occur if:

(i) under Applicable Regulations or an official application or interpretation of those regulations including a decision of a court or tribunal the Notes cease to be eligible for the purposes of calculating the Applicable Solvency Margin Level; or

(ii) the Notes are not, or were but cease to be, eligible for inclusion in the Tier 1 capital or core capital (howsoever called) for the purpose of the determination of the Applicable Solvency Margin Level under Future Tier One Regulations or an official application or interpretation of those regulations including a decision of a court or tribunal.

Debt Service means, in respect of a Note, (i) the Principal Amount of such Note as of the date on which notice of redemption is given to the Noteholders, and (ii) all required interest payments on such Note during the Fixed Rate Period (with such interest payments being calculated on the Principal Amount of such Note as of the date on which notice of redemption is given to the Noteholders and on the assumption that the relevant Interest Payment Dates are Compulsory Interest Payment Dates).

Future Tier One Regulations means the Applicable Solvency Margin Level which may in the future be introduced into France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) and applicable to the Consolidated Group and/or the Combined Regulatory Group, which would lay down the requirements to be fulfilled by financial instruments for inclusion in Tier 1 capital or core capital as opposed to Tier 2 capital or secondary capital (whatever the terminology that may be retained).

Make Whole Premium means the excess, if any, of (i) the present value of the future Debt Service on the Notes discounted at 0.95 per cent. above the then current yield on the Bund 4.25 per cent. (ISIN Code DE0001135333) due July 2017 issued by the Federal Republic of Germany (or, if such security is no longer in issue, such other Bund in issue on or about the Reference Date as the Agent Bank may, with the advice of the Reference Market Makers, determine to be appropriate by way of substitution for the 4.25 per cent. Bund (ISIN Code DE0001135333) due July 2017) *over* (ii) the Principal Amount of such Note as of the date on which notice of redemption is given to the Noteholders, all as determined by the Agent Bank on the Reference Date.

Make Whole Redemption Price means, in respect of each Note, the higher of (a) the Original Principal Amount of such Note together with all Accrued Interest up to (but excluding) the date of redemption, or (b) the sum of (i) the Principal Amount of such Note as of the date on which notice of redemption is given to the Noteholders together with all Accrued Interest up to (but excluding) the date of redemption and (ii) the Make Whole Premium.

A **Rating Event** will be deemed to occur upon a change in the methodology of Standard & Poor's Rating Services (or in its interpretation or application) becoming effective as a result of which the capital treatment and/or the rating of the Notes becomes, in the reasonable opinion of the Issuer, materially less favourable to the Issuer from that attributed to the Notes at the Issue Date.

Reference Date means the third Business Day prior to the date fixed for redemption pursuant to the relevant Condition.

Reference Market Makers means three reputable brokers or market makers of European government bonds selected by the Agent Bank with the approval of the Issuer (such approval not to be unreasonably withheld or delayed) not later than 5 Business Days preceding the Reference Date.

(e) Redemption for Taxation Reasons

The Issuer may (and, in certain cases, shall) redeem all of the Notes as set forth in Condition 6.

(f) Mandatory Redemption

The Notes shall become immediately due and payable at their Original Principal Amount if any judgement is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer, or if the Issuer has been liquidated for any reason except in the case of a liquidation in the context 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 and provided that any credit rating assigned to the Notes at such time by Standard & Poor's (or any successor rating agency) is not reduced by reason of such transfer.

(g) Miscellaneous

The Issuer, any of its subsidiaries and/or any member of the Combined Regulatory Group, may at any time purchase any Notes for cash consideration or otherwise (including, without limitation, by means of exchange) in the open market or otherwise, at any price and on any conditions, in accordance with any applicable laws and regulations and subject to the Issuer having given prior written notice to, and receiving no objections from the Relevant Supervisory Authority (if such notice is required at such time).

All Notes which are (i) redeemed or (ii) purchased by or on behalf of the Issuer will forthwith be cancelled and accordingly may not be reissued or resold.

If any Interest Payment Date during the Fixed Rate Period on which the Notes fall due to be redeemed pursuant to Conditions 5(c), (d) or (e) is not a Business Day, then the due date for redemption of the Notes shall, for the avoidance of doubt, be the next following Business Day in accordance with the provisions of Condition 4(b).

6. Taxation

(a) The Notes, being denominated in Euro, are deemed to be issued outside the Republic of France. Accordingly, interest and other revenues in respect of the Notes benefit under present law from the exemption provided for in Article 131 *quater* of the *Code Général des Impôts* (General Tax Code) from deduction of tax at source.

(b) If French law should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Note, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such withholding; 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 governmental charges in respect of such Note by reason of his having some connection with the Republic of France other than the mere holding of such Note; or

(ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EEC or any other European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) who would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent in a Member State of the European Union; or

(iv) where such person has not made, but in respect of whom such withholding or deduction would not have been required had such person made, a declaration of non-residence or other similar claim for exemption;

provided, however, that the Issuer may, in such event, having given not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders in accordance with Condition 8 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes on any Interest Payment Date, provided that the due date for redemption shall be no earlier than the latest practicable Interest Payment Date on which the Issuer could make payment of principal or interest without such deduction or withholding.

The redemption amount shall be equal to (i) the Original Principal Amount of the Notes together with all Accrued Interest up to (but excluding) the date fixed for redemption where the obligation to pay the additional amounts results from a Tax Law Change and (ii) the Make Whole Redemption Price where the obligation to pay the additional amounts results from an event other than a Tax Law Change.

For the purposes of these Conditions:

Tax Law Change means a change in, or amendment to, the laws or regulations of France or any political subdivision or authority therein or thereof having the power to tax, including any treaty to which France is a party, or any change in the application of official or generally published interpretation of such laws including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Notes, which change or amendment (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change in law or regulation (including any position of the tax authorities) if such change is enacted by French Parliament or government or tax authorities.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition.

(c) In the event that any French law or regulation or any administrative instruction should prohibit the payment of the additional amounts mentioned in paragraph (b) above, the Issuer shall, in lieu of making any such payments, redeem all outstanding Notes on the latest practicable date on which the Issuer could make payment of the full amount of principal or interest payable in respect of the Notes or, if such date is past, as soon as practicable thereafter.

The redemption amount shall be equal to the Original Principal Amount of the Notes together with all Accrued Interest up to (but excluding) the date fixed for redemption.

(d) If on the occasion of the next payment due under the Notes, interest payable thereunder is not tax-deductible by the Issuer in France, the Issuer has the option to redeem all outstanding Notes on the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible in France or, if such date is past, as soon as practicable thereafter.

The redemption amount shall be equal to (i) the Original Principal Amount of the Notes together with all Accrued Interest up to (but excluding) the date fixed for redemption where the absence of tax deductibility results from a Tax Law Change and (ii) the Make Whole Redemption Price where the absence of tax deductibility results from an event other than a Tax Law Change.

7. 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.

8. Notices

Any notice to the Noteholders will be valid if (i) published, so long as the Notes are listed on the Eurolist of Euronext Paris and the rules applicable to that stock exchange so require, in a leading daily economic and financial newspaper having general circulation in France (which is expected to be *Les Echos* or *La Tribune*) or, if such publication is not practicable, in a leading English language daily economic and financial 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 or, at the option of the Issuer (ii) published effectively and in full in accordance with Articles 221-3 and 221-4 of the *Règlement Général* of the *Autorité des marchés financiers*.

In addition, notices required to be given to the Noteholders pursuant to these Conditions may also be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream and/or any other clearing system through which the Notes are for the time being cleared in substitution for the publications as aforesaid if prior approval is obtained from the competent authority of any stock exchange on which the Notes are listed. Any such notice shall be deemed to have been given on the third Business Day following delivery of the notice to the relevant clearing system.

9. Representation of the Noteholders

(a) The Masse

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

The Masse will be governed by those provisions of the Code with the exception of the provisions of Articles L.228-48 and L.228-59 of the Code and by *décret* No. 67-236 of 23 March 1967 (as modified or re-enacted from time to time) (the **Decree**) with the exception of Articles 218, 222, 224 and 226 of the Decree, as summarised and supplemented by the conditions set forth below. In addition, for the purposes only of the amendment of the terms of the Notes without any requirement for the consent or approval of the Noteholders as contemplated in Condition 5(d), Article L.228-65 of the Code shall not apply

(b) Legal Personality

The Masse will be a separate legal entity, by virtue of Article L.228-46 of the Code acting in part through one (1) representative (the **Representative**) and in part through a general assembly of the 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.

(c) 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 and its employees and their ascendants, descendants and spouses;

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

(iii) companies guaranteeing all or part of the obligations of the Issuer; and

(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:

Aziza Breteau
5, rue Jean Dollfus
75018 Paris
France

In the event of death, retirement or revocation of the initial Representative, the replacement Representative shall be:

Maxime Claudel
32, rue Cler
75007 Paris
France

In the event of death, retirement or revocation of the replacement Representative, a replacement will be elected by a meeting of the general assembly of Noteholders.

The Issuer shall pay to the Representative an amount of €305 per year, payable on the Interest Payment Date falling on 22 October of each year during the issue.

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 the Fiscal and Paying Agent.

(d) Powers of the Representative

The Representative shall, in the absence of any decision to the contrary of the general assembly of 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 justifiable, must be brought against the Representative or by it, and any legal proceedings which shall not be brought in accordance with this provision shall not be legally valid.

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

(e) General Assemblies of Noteholders

General assemblies of the 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 outstanding 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 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 8 not less than fifteen (15) calendar days prior to the date of the general assembly on first convocation and six (6) calendar days on second convocation.

Each Noteholder has the right to participate in meetings of the Masse in person, by proxy or, if permitted by the *statuts* of the Issuer at the relevant time, by visioconference or such other means of telecommunication authorized by applicable law. As of the Issue Date, the *statuts* of the Issuer do not permit such participation by Noteholders. Each Note carries the right to one vote.

(f) Powers of General Assemblies

A general assembly is empowered to deliberate on the fixing of the remuneration of the Representative and on its dismissal and replacement, and also may 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 as 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 Principal Amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-thirds majority (2/3) of votes cast by the Noteholders attending such meeting or represented thereat.

(g) Notice of Decisions

Decisions of the meetings must be published in accordance with the provisions set out in Condition 8 not more than ninety (90) days from the date thereof.

(h) Information to the Noteholders

Each Noteholder or representative thereof will have the right, during the fifteen (15) day 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.

(i) 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. Further Issues

The Issuer may from time to time without the consent of the Noteholders issue further notes to be consolidated and form a single series (*assimilées*) 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 except for the first payment of interest thereon) and that the terms of such further notes shall provide for such consolidation. In the event of such consolidation, references in these Conditions to "Notes" shall be construed accordingly and the Noteholders and the holders of any consolidated notes (*obligations assimilées*) will for the defence of their common interests be grouped in a single Masse having legal personality.

11. Amendments to the Conditions

Pursuant to Article A. 334-3(III)(3) of the French *Code des assurances*, any amendment to the Conditions of the Notes is subject to the declaration of non-opposition by the Relevant Supervisory Authority, if then required by the Applicable Regulations.

12. Governing Law and Submission to Jurisdiction

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

Any action against the Issuer 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 to strengthen the Issuer's balance sheet with hybrid capital and increase its financial flexibility in connection with the implementation of the growth strategy of the Group.

DESCRIPTION OF GROUPAMA SA AND GROUPAMA GROUP

GROUPAMA BUSINESS DESCRIPTION

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2. Selected Financial Information
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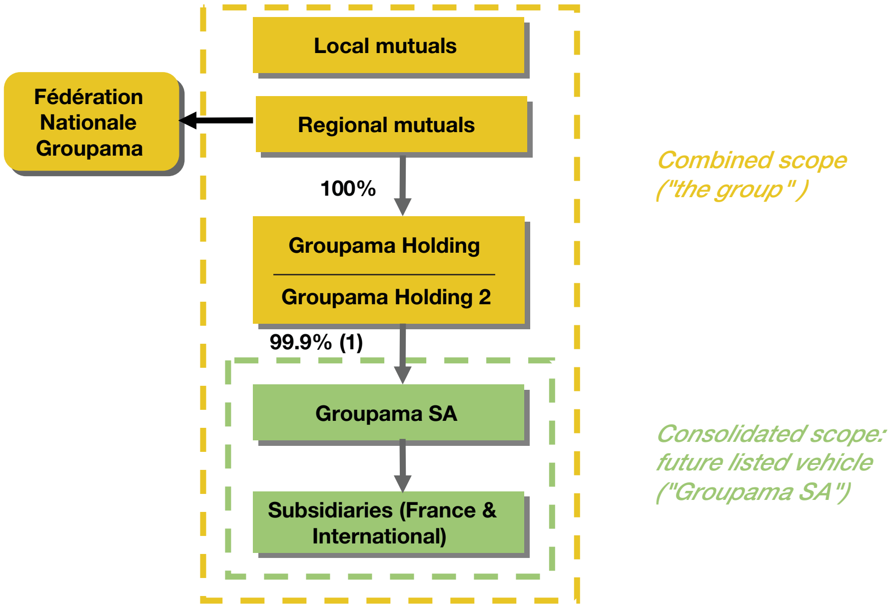
1. GROUP OVERVIEW AND ISSUER INFORMATION

1.1 Group Overview



(1) 0.1% of Groupama SA is held by the employees and agents.

1.1.1 General organization

The group has a method of governance which gives responsibilities to everyone involved within the organization. Members elect their representatives at the local level (75,000 elected), and they in turn elect their representatives at the regional and national levels. The directors, who are all policyholders of the mutual insurance company, control all Boards of directors of the Group's entities. They select the managers who handle operational activities. The elected representatives thus participate in all of the group's decision-making bodies, whether local (6,000 local mutuals), regional (15 regional mutuals) or national through the federations and the boards of directors of Groupama SA and its subsidiaries.

In 2003, Groupama changes its central organisational structures and set up new structures:

- The National Federation, the members of which are the 15 Groupama regional mutuals. Its duties are to define the overall strategies of the mutual group and check their application, act as an agricultural trade organisation at national level, and promote of the mutualistic principles within the group.
- The role of Groupama SA, which directs the operational activities of the group and its subsidiaries, was strengthened with the responsibilities of reinsurer for the regional mutuals, which was previously performed by *Caisse centrale des assurances mutuelles agricoles* (CCAMA).
- Groupama Holding: the function of this intermediate structure is to ensure the financial control of Groupama SA by the regional mutuals, by combining all their equity interests.

To achieve greater consistency, these entities have the same chairman and the same executive management.

Therefore, there are two perimeters within Groupama:

– the combined perimeter, which includes all the entities of the group and 100% of the activities of the regional mutuals;

– the consolidated perimeter in which Groupama SA is the parent holding company. Its activities include, in addition to the activity of the subsidiaries, approximately 40% of the activity of the regional mutuals, which is captured by the internal reinsurance mechanism.

1.1.2 Groupama SA

Groupama SA is a French *Société Anonyme* almost wholly owned, directly or indirectly, by the *Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles* and the *Caisses Spécialisées* ("regional mutuals") which form the mutual division of Groupama. Groupama SA is domiciled in France. Its registered offices are at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of share capital at 31 December 2006 was as follows:

- 90.89% by Groupama Holding;
- 8.99% by Groupama Holding 2;
- 0.12% by the former and current agents and employees of Groupama SA (directly or through collective employee shareholding plans (FCPEs).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes*, are wholly owned by the regional mutuals.

Groupama SA is a non-life insurance and reinsurance company, the sole reinsurer for the regional mutuals and the holding company for the capital investment activities of the Groupama group. Its activities are:

- to define and implement the operational strategy of the Groupama group in collaboration with the regional mutuals and in line with the strategies defined by the *Fédération Nationale Groupama*;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the reinsurance programme for the entire group;
- to manage direct insurance activity;
- to prepare the consolidated and combined financial statements.

In conducting its activities, the Company is governed by the provisions of the French Commercial Code and the Insurance Code and is under the control of the French *Autorité de Contrôle des Assurances et des Mutuelles.*

1.1.3 Ties between the various entities of the group

- within the Groupama SA division, the ties are of a capitalistic nature. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain operational autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the environment of Groupama SA, particularly in terms of control;
- in the mutual division, they are governed:
  - – by an internal reinsurance convention that binds the regional mutuals to Groupama SA.
  - – by a security and joint liability agreement between all the regional mutuals and Groupama SA ("Convention defining the security and joint solidarity mechanisms of the *Caisses de Réassurance Mutuelle Agricole* joining the Fédération Nationale GROUPAMA"), which was signed on 17 December 2003, effective retroactively on 1 January 2003).

1.2 Issuer Information, History and Development

1.2.1 Issuer Information

The name of the Company is Groupama SA. The Company is registered on the Paris Corporate and Trade Register under number B 343 115 135. The APE Code of the Company is 660 E. The Company was created on 11 December 1987, for a duration of 99 years, barring early dissolution or extension, as of the date of its registration with the Corporate and Trade Register.

Groupama SA (the "**Company**" or "**Groupama SA**" or the "**Issuer**") is a French limited liability company (*Société Anonyme*), governed notably by the provisions of Book II of the French Commercial Code and Decree 67-236 of 23 March 1967 regarding commercial companies and by the provisions of the Insurance Code.

The Registered Office of the Company is located at 8-10, rue d'Astorg – 75008 Paris.

It may be relocated to any other place within the same department or to a neighbouring department by decision of the Board of Directors, provided such decision is approved by a subsequent Ordinary General Meeting of the Shareholders.

The telephone number of the registered office is + 33 (0)1 44 56 77 77

Pursuant to article 2 of the Issuer's by-laws (*statuts*), its corporate purpose mainly consists of carrying out insurance and co-insurance transactions, excluding life insurance and capitalization transactions, and the reinsurance of the Regional Mutuals.

1.2.2 History of the Company

The creation of Groupama is the result of a one hundred year old story. The starting point was the Law of 4 July 1900, which gave rise to the real start and to the organisation of the agricultural mutual insurance movement in France.

The *Assurances Mutuelles Agricoles* (Agricultural Mutual Insurance Companies) were created to protect and serve the farmers who at time represented 80% of the national wealth. In the 20th century they became the leading European agricultural insurer.

The Agricultural Mutual Insurance Companies very quickly realized the need to re-invent themselves and to open themselves to other insurance markets and, more recently, to the banking business if they were to continue their vocation of serving the interests of agriculture and passing on the tradition of the mutuals.

In 1963, the Agricultural Mutual Insurance Companies opened their business to the entire non-life insurance segment. The group then quickly became the leading insurer of communes in France.

In 1972, they started a life insurance business.

And in 1986, the name "Groupama" was created to cover all the entities of an insurance group that had adapted to the new economic conditions and the globalisation of the financial markets.

In 1995, the policyholders who were not part of the agricultural world – at the time covered by SAMDA, a subsidiary of Groupama created in 1963 to insure "non-agricultural" customers – became full members of the mutual.

In 1998, at the conclusion of a privatisation procedure in which some major international groups became competitors, Groupama acquired GAN, the 4th largest French insurer and group with business activities complementary to those of Groupama. The new combination resulted in the creation of the third largest French multi-line insurer.

In 2001, in a desire to expand its offer to banking products, the Group joined forces with Société Générale, the leading French retail banking institution, with a view to creating a multi-channel bank for Groupama's clients (Groupama Banque). Groupama plans to become a global player in financial Insurance-Banking.

Also in 2001, the group became the leading international insurer authorised to provide non-life insurance in Vietnam through a wholly-owned subsidiary; the board of directors of the Central Mutual approved a plan for the combination of the regional mutuals and launched the works preparing the public offering for the capital of the group; that offering was authorised in 2006.

Some external growth transactions were initiated in 2002 in France (acquisition of CGU Courtage, merged with and into Gan Eurocourtage) and at the international level (acquisition of Plus Ultra Generales in Spain).

In 2003, the regional mutuals extended a banking offer to the Groupama members. The group also obtained a non-life insurance license for China.

In 2004, the group's national entities evolved to become perfectly adapted to the group's growth strategy. A Fédération Nationale Groupama was created and Groupama SA became the exclusive reinsurer of the Regional Mutuals following the dissolution of the Caisse Centrale des Assurances Mutuelles Agricoles.

In 2005, the Group acquired Clinicare in Great Britain.

In 2006, Groupama acquired the Spanish subsidiaries of a French group, the Turkish insurance group Basak, the sixth largest insurer in Turkey, as well as the British broker Carole Nash.

1.3 Investments

2004:

No significant investments.

2005:

Acquisition of the British insurer Clinicare

On 17 October 2005, Groupama Insurance acquired the British insurer, Clinicare, for 16.7 million pounds. Clinicare specialises in health insurance and is the subsidiary of the French mutual insurance group Azur – GMF. The company has 75 employees and revenue of 50 million euros.

This acquisition was financed internally.

2006:

Stake in Groupama Banque

Increase of Groupama SA's stake in Groupama Banque following an acquisition of 20% of the shares (41 million euros) from Société Générale.

This transaction was financed internally.

Acquisitions in Spain

On January 24, 2006, Groupama Seguros acquired the two subsidiaries of the Azur-GMF group in Spain: Azur Multiramos in non-life (revenue of 34 million euros in 2005) and Azur Vida (revenue of 10 million euros in 2005). The amount of this acquisition was 61 million euros.

These acquisitions were financed internally.

Spain represents a major part of Groupama's international strategy.

Acquisition in Turkey

In Turkey, in early 2006, at the end of a privatisation process, Groupama SA acquired 56.67% of the non-life insurance company Basak Sigorta (€187 million in revenue in 2005) and 41% of the life insurance company Basak Emeklilik (€56 million in revenue in 2005, and 38% owned by Basak Sigorta) for a total of 268 million dollars.

With this acquisition, which was financed internally, Groupama became the sixth largest insurer on the Turkish market (source: DREE), experiencing one of the strongest growth rates in the world.

Also in Turkey, Groupama is keeping its 36% stake in Günes Sigorta.

Acquisition of a broker in Great Britain

On 15 December 2006, Groupama acquired 100% of the broker Carole Nash Insurance Consultants Limited.

This acquisition was financed internally.

With 350 employees in five locations in the northwest of England and Ireland, Carole Nash is among the 30 leading brokers in the United Kingdom, with over 240,000 policyholders.

This broker, who has 90 million euros in policies, is the leading intermediary in the motorcycle insurance market in England and Ireland, and a major player in insuring classic and collector cars.

2007 – Investments achieved by 30 June 2007:

Growth in Turkey

In November 2006, some memoranda of understanding were signed with the agricultural cooperatives, minority shareholders of the non-life insurance company Basak Sigorta, with a view to acquiring their 40.1% stake in the capital of the insurer for 59.9 million euros. In the first half of 2007, Groupama SA did proceed to acquire (and financed internally) shares held by the minority shareholders of Basak Sigorta and Basak Emeklilik for 64.4 million euros and finalised the acquisition of shares from the remaining minority shareholders for 13.2 million euros.

Acquisition in Greece

On 8 March 2007, Groupama SA signed an agreement aimed at acquiring 100% of the Greek insurance company Phoenix Metrolife from Emporiki Bank, a subsidiary of the Crédit Agricole SA group. The closing took place on 29 June 2007, the price of the acquisition being €96 million.

This transaction has been financed internally.

Phoenix is one of the largest Greek insurance companies: in 2005, it was ranked second in terms of non-life insurance with a market share of 7.8% and eighth in terms of life insurance and savings with a market share of 3.8% (source: Hellenic Bank Association, 2005 data). In 2006, premiums received were 206 million euros.

2. SELECTED FINANCIAL INFORMATION

Selected financial information

The table below presents financial data and ratios from the consolidated statements of Groupama SA for the years ended 31 December 2004, 2005 and 2006. Pursuant to regulation (EC) 1606/2002 of 19 July 2002 concerning the application of international accounting standards, the consolidated financial statements of Groupama SA have been established in accordance with the IFRS as adopted by the European Union.

Groupama SA

	2006	2005	2004
		(M€)	
Revenue	**11,480**	**10,762**	**10,149**
France	8,826	8,507	8,012
International	2,372	2,049	1,973
Financial activities	282	206	164
Investment income net of expenses	3,565	3,489	2,970
Combined ratio(1)			
Property & Liability insurance(2)	98.0%	104.2%	ND
Non Life	98.6%	103.8%	104.6%
Accounting operating income	1,004	773	605
Economic operating income(3)	324	125	141
Net income, Group share	600	394	315
France	*532*	*404*	*419*
International	*157*	*118*	*56*
Financial activities	*-1*	*-11*	*-28*
Holding and other	*-88*	*-118*	*-132*
Structure and financial solvency			
Shareholders' equity, Group share	5,094	4,387	3,114
Total Balance Sheet	78,550	74,384	67,799
Debt ratio(4)	19.8%	23.0%	30.1%
Return on equity (ROE)(5)	20.0%	17.6%	14.2%

The table below presents financial data and ratios from the combined statements of the group. It gives a global view over the whole combined perimeter, which includes the consolidated perimeter of Groupama SA as presented above (in the first table).

Combined perimeter

	2006	2005	2004
Revenue	**14 165**	**13 452**	**12 833**
France	11 511	11 197	10 696
International	2 372	2 049	1 973
Financial activities	282	206	164
Investment income net of expenses	3 875	3 767	3 163
Combined ratio(1)			
Property & Liability insurance(2)	98,9%	103,1%	ND
Non Life	98,7%	102,4%	103,2%
Accounting operating income	1 252	1 009	741
Economic operating income(3)	351	157	174
Net income, Group share	753	544	406
France	*693*	*550*	*525*
International	*157*	*118*	*56*
Financial activities	*-1*	*-11*	*-28*
Holding and other	*-96*	*-113*	*-147*
Structure and financial solvency			
Shareholders' equity, Group share	7 447	6 459	4 917
Total Balance Sheet	84 998	80 288	73 311
Debt ratio(4)	14,4%	16,1%	21,6%
Return on equity (ROE)(5)	15,0%	13,5%	10,8%

(1) The combined ratio of Groupama SA is:
– the sum of the claim expenses net of reinsurance and operating costs divided by
– earned premiums net of reinsurance

(2) Like listed insurance groups, in 2005 Groupama SA adopt a new Insurance segmentation of property and liability / personal insurance in lieu and instead of the life/non-life segmentation

(3) The economic operating income is the income from continuing operations restated to exclude realized capital gains and losses for the shareholders' portion, net of corporate tax. Income from continuing operations is the net income excluding the impact of unrealised gains and losses on the financial assets booked at fair value, net of profit-sharing and corporate tax, extraordinary transactions net of corporate tax, and the amortization of goodwill.

(4) Excluding SILIC and excluding cash of the holding companies

(5) Net income group share on average shareholders' equity

3. BUSINESS ACTIVITIES

The market share, ranking and other data contained herein are based either on independent industry publications, reports by market research firms or other published independent sources, or on the management's own estimates and, in each case, are believed by the management to be reasonable estimates. The source of such data is stated each time. Market share data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares.

3.1 Main activities/main markets

A multi-line insurance group member of a large mutual of agricultural origin, Groupama is an independent group, founded at the end of the 19th century by farmers. The expertise developed by the group through its history was extended to benefit all the socio-economic players: individuals, professionals, companies and communities. Today Groupama is a major player in the field of insurance in France (Number 6 French multi-line insurer – estimate Groupama).

Following the acquisition of the French insurance group Gan in 1998, Groupama has dense complementary distribution networks over the entire French territory: 7,200 salaried salespersons of Groupama's regional mutuals, 1,000 multi-line insurance agents and 330 official representatives for Gan Assurances, 2000 brokers regular partners of Gan Eurocourtage, the network of 600 Gan Patrimoine agents and the network of 1,100 Gan Prévoyance employees. Since each Group – Groupama and Gan – has its specific product and service lines, Groupama kept two separate brands on the national market – Groupama and Gan – and the group currently earns income under these two main brands.

Internationally, the group is present in geographic areas with strong potential. It has operations mainly in Southern Europe. The Group also has operations in Central and Eastern Europe, as well as in Asia.

The operating activities of the group are performed under the oversight of Groupama SA which centralises and organises the internal and external reinsurance business activities of the group; Groupama SA is the parent company of all the operating subsidiaries of the Group in France and abroad. Groupama SA is 99.88%-owned by the regional mutuals through Groupama Holding and Groupama Holding 2. The remaining portion of its share capital (0.12%) is held by the agents and former and current employees of Groupama SA.

In France, Groupama SA, through the reinsurance activity of its regional mutuals (on average 40% of the premiums of the regional mutuals) and the activity of its subsidiaries, is a major player on the insurance market, both in the businesses of property and liability insurance and in those of life and health insurance, savings, banking services and financial activities.

The Groupama network hinges on the regional and local mutuals which offer a complete range of property and health insurance to individuals, professionals, companies and local authorities and also distribute the products of some of Groupama SA's subsidiaries, namely life insurance products by Groupama Vie and banking products by Groupama Banque.

The Gan networks are structured around Gan Assurances, Gan Eurocourtage, Gan Prévoyance and Gan Patrimoine, subsidiaries of Groupama SA.

At the end of 2006, the group (combined scope) released its strategic guidelines which hinge on:

– the consolidation and development of positions of the group in France;
– the acceleration of the growth (organic and external) of the group internationally;
– improved profitability of the group through stronger efficiency.

At that time, the group (combined scope) set as its 2009 objectives an increase in revenue for the group of 7% per year, a combined ratio of 100% (+/- 2%) throughout the cycle, and a tripling in group operating profit.

In addition, to enable, as needed, the financing or refinancing of major external growth transactions, the regional mutuals, gathered at a general meeting in February 2006, approved in principle a public offering of the capital of Groupama SA, provided that the latter would preserve at least 50.01% of the capital.

In 2006, Groupama SA reported total consolidated revenues of 11.5 billion euros (i.e., a + 5.9% increase from comparable data) including 11.2 billion euros in insurance premiums and 0.3 billion euros originating from asset management and other financial activities. Approximately 80% of Groupama SA's business is carried out in France.

The table below presents the composition of consolidated revenues:

	31/12/2006	31/12/2005	31/12/2004	2006/2005 change[1]
		M€		
Property and liability insurance France	3,495	3,543	3,339	1.8%
Life and health insurance – France	5,319	4,950	4,658	7.5%
Sub-total France	**8,814**	**8,493**	**7,997**	**5.2%**
Property and liability insurance – International	1,651	1,444	1,382	5.8%
Life and health insurance – International	690	549	474	9.9%
Sub-total – International	**2,341**	**1,993**	**1,856**	**7%**
Discontinued activities (France and International)	43	70	132	-37.7%
Groupama Banque and Groupama Épargne Salariale	41	39	25	5.1%
Other financial activities[2]	241	167	139	44.3%
Total GROUPAMA SA	**11,480**	**10,762**	**10,149**	**5.9%**

(1) on a like-for-like scope, exchange rate and accounting method

(2) see chapter 5.3.1.

3.1.1 Structure of the networks in France

The table below presents the structure of consolidated revenues by distribution network in France.

	31/12/2006	31/12/2005	31/12/2004	2006/2005 change[(2)]
		M€		
BANK AND SERVICE INSURANCE France	**8,867**	**8,546**	**8,037**	**5.1%**
GROUPAMA SA	1,711	1,689	**1,618**	1.3%
GROUPAMA VIE	1,929	1,760	**1,613**	9.6%
GAN ASSURANCES	2,315	2,281	**2,122**	6.6%
GAN EUROCOURTAGE	1,407	1,358	**1,365**	3.6%
GAN PRÉVOYANCE	476	454	**432**	4.8%
GAN PATRIMOINE AND ITS SUBSIDIARIES	575	573	**542**	0.3%
GROUPAMA TRANSPORT	314	300	**257**	4.7%
OTHER SPECIALISED COMPANIES WITHIN THE GROUP	87	78	**48**	13.0%
SUB-TOTAL INSURANCE[(1)]	**8,814**	**8,493**	**7,997**	**5.2%**
DISCONTINUED ACTIVITIES[(3)]	12	14	**15**	-10.6%
BANKING ACTIVITIES France[(4)]	41	39	**25**	5.1%

(1) excluding discontinued activities.
(2) on a like-for-like scope, exchange rate and accounting method
(3) see chapter 5.3.1.
(4) see chapter 5.3.1.

The Groupama network

The Groupama network includes regional and local mutuals.

The local mutuals form the basis for the mutual distribution system of Groupama and enable the network to maintain a close relationship with its policyholders (members). In accordance with the rules governing French mutual insurance bodies, the members of local mutuals are comprised of any individual or entity insured by a local mutual.

The regional mutuals fully reinsure the local mutuals. They are responsible for their own operations, management, price policy, range of products, and, in the context of the global strategy of the group, of their commercial policy. Over the last three years, the eighteen regional mutuals in France (except for French West Indies, Guyana and the Indian Ocean) were gradually combined into eleven regional mutuals today. The purpose of this combination was achieving better efficiency, greater economies of scale and simplifying the decision-making processes.

In the Groupama network, the local mutuals provide insurance services to their respective members; the local mutuals are reinsured exclusively by the regional mutuals, which in turn are reinsured exclusively by Groupama SA for on average 40% of the premiums of the regional mutuals.

Groupama SA's reinsurance inwards from the regional mutuals were approximately €1,684M in 2006. The distribution by the regional mutuals of life, savings-retirement products (Groupama Vie) was €1,831M in 2006.

The Gan networks

Gan Assurances

Backed by more than 1,000 insurance agents, 2,000 employees in insurance agencies, and 330 representatives, Gan Assurances offers a wide range of policies and services adapted to the needs of individuals, professionals and companies: motor, housing, health, provident insurance, savings, retirement, investments and professional coverage. Gan Assurances, with the fifth largest network of insurance agents in France (Groupama estimate 2006), comprises two legal entities:

– Gan Assurances IARD, which is dedicated to property and liability insurance; Gan Assurances IARD reported revenues of €1,049M in 2006, up 2.4% compared to the 2005 revenues on a like-for-like basis,

– Gan Assurances Vie which is dedicated to life and health insurance. Gan Assurances Vie reported revenues of €1,266M as at 31 December 2006, up 10.4% compared to that reported as at 31 December 2005.

Gan Eurocourtage

Gan Eurocourtage is the third largest brokerage company in France (Groupama estimate 2006) and is developing its expertise in all areas of insurance, working in close collaboration with more than 2,000 brokers. Its product offerings address the needs of individuals, professionals, very small, and small and medium enterprises, both in general and group life and health insurance. Gan Eurocourtage comprises two legal entities:

– Gan Eurocourtage IARD, dedicated to property and liability insurance business; Gan Eurocourtage IARD reported revenues of €781M as at 31 December 2006, up 1.8% compared to as at 31 December 2005,
– Gan Eurocourtage Vie, dedicated to group life and health insurance business. Gan Eurocourtage Vie reported revenues of €626M in 2006, up 5.9% compared to 2005.

Gan Prévoyance

Gan Prévoyance offers provident insurance, retirement, health and savings products through a network of 1,050 salaried sales people. Gan Prévoyance reported revenues of €476M as at 31 December 2006, up 4.8% compared to as at 31 December 2005.

Gan Patrimoine

Gan Patrimoine specialises in savings-life and retirement products and to a lesser extent in provident insurance; it offers its products through a network of more than 600 agents. The revenues of Gan Patrimoine and its subsidiaries (Caisse Fraternelle Vie and Caisse Fraternelle Epargne) were up 0.3% to €575M as at 31 December 2006.

3.1.2 Property and liability insurance (France)

- Motor Insurance

The group as the 3rd largest insurer on this market in France (source Federation Française des Sociétés d'Assurances, 2005 data) insures 3,774,000 passenger cars excluding fleets(*). In 2006 – as a result of a competitive repositioning on pricing – Groupama SA reported revenues of about €1.2 billion with an increase of its passenger cars portfolio (company fleets excluded) of 1%, i.e., a net gain of 37,000 vehicles(*).

- Multi-risk home insurance

The group is the 2nd largest insurer on this market in France (source Federation Française des Sociétés d'Assurances, 2005 data) with approximately 3.5 million insured homes(*). In 2006, there was no change in Groupama SA's portfolio in this field. Its revenues remained stable in 2006. The pattern of claims improved in 2006 compared to 2005, considering the absence of major climatic events during the financial year.

- Services

Assistance, remote surveillance, remote assistance

Carried by Mutuaide Assistance, which has operations in all the assistance businesses (automobile breakdown assistance, medical repatriation, travel insurance, home help) this activity (which ranks the group 6th on this market in France – source Federation Française des Sociétés d'Assurances, data 2005) continues to grow: up 26.5% to €31M in 2006. The leading business line continues to be motor insurance, followed by call rerouting, home help, and personal travel insurance.

The remote surveillance services provided by Activeille (property security) and remote assistance provided by Présence Verte (personal security) are gradually gaining strength.

Personal services – Fourmi Verte

They are designed to become a significant line for the diversification of Groupama SA. The Fourmi Verte brand is the result of a partnership with MSA and Familles rurales. By offering to its clients,

(*) Number of policies or vehicles insured directly or indirectly (through a reinsurance agreement).

all the home services included in the Borloo plan, from childcare to ironing, gardening or computer assistance, Fourmi Verte became operational in February 2006.

Legal protection

In 2006, Groupama SA strengthened its leading position in France (source Federation Française des Sociétés d'Assurances, data 2005) in the field of legal protection, a coverage managed by the regional mutuals on the one hand and Groupama Protection Juridique (a subsidiary of Groupama SA) on the other hand. With this coverage, Groupama provides support to policyholders, individuals or professionals, faced with difficult situations, by helping them assert their rights and by assuming the related fees. The revenues of Groupama Protection Juridique have again grown significantly to €31M, i.e., + 19.6%, while this market grew by half that in France.

Credit Insurance

Groupama Assurance Crédit is the group's specialist in credit insurance, business litigation coverage, legal collections, guarantees; it commercialises its products through the Groupama and Gan networks. Groupama Assurance Crédit's products are sold through the regional mutuals, Gan Assurances agents and through brokers. Its revenues were €25M as at 31 December 2006.

- Agricultural insurance (professional agricultural risks)

The group, which is the indisputable leader (source Federation Française des Sociétés d'Assurances, 2005 data) in this market in France, has just experienced a pivotal year. After the growth of the business in 2005, revenues from professional agricultural risks stabilised, despite a falling market for "tractors and agricultural equipment" (TMA)

The group continued to roll out its multi-risk climatic offer (+ 27.5% in terms of revenues in 2006), a unique product on the market presenting a very diversified range.

It should also be noted that a new partnership was finalised with the tractor and agricultural machine manufacturer Claas in relation to an integrated offer including everything from the sale of tractors to their insurance.

- Professional insurance

This category includes craftspeople, traders, professionals, and company executives. Largely dominated by multi-line insurance agents, followed by the mutuals and the brokers, this is a highly-coveted and profitable market. The group once again affirmed its positioning in the fields of food and retail trade and service activities. Under the *Parcours Pro* initiative, the roll out of the multi-risk offer, Accomplir continued with 5,000 new signed contracts. On the construction market, the technical recovery of the branch was confirmed with a positive contribution for the third consecutive year.

- Insurances to local authorities

The leading non-life insurer (Groupama estimate, 2006) in this market governed by the public markets code, the group signed, among other things, a partnership with Dexia, the specialist in the financing of local authorities; this should enable it to help the small local communities solve their risk and investment issues. Focused on communes with fewer than 2,500 inhabitants, this partnership favours a global initiative hinged on a complete offer of insurances, services and financing products. The group's revenue is growing in both non-life and statutory insurance of communal personnel. The regional mutuals grew sensibly due to the quality of a one-of-a-kind specialised network.

- Commercial insurance

Like the rest of the market, the group's non-life revenue declined slightly, the group strengthened its positions in motor fleets as a result to the significant growth in the business with brokers (Gan Eurocourtage IARD). In this context, Gan Assurances grew faster than the market as the multi-line insurance agents had included the small and medium sized companies and industries among their prime targets. Only the regional mutuals reported a slight decrease.

- Marine and transport insurance

A benchmark player on the French marine and transport insurance market (the 3rd largest player on the French market – source FFSA, 2005 data), Groupama Transport offers "made-to-measure" contracts for all aspects of the business (transporters, logistics, ship-owners, fishing, pleasure craft, ports, fluvial and aviation). Its revenue was €314M in 2006. The growth of the marine activity continued in all the segments with a 9.0% growth derived essentially by the ship-owners (+17.9%) and companies (+9.6%) segments. Revenue from aviation, recorded through stakes in the La Réunion

Aérienne and La Réunion Spatiale pools, in turn decreased by 9.6% in 2006 due namely to an unfavourable effect of the foreign exchange rate and a decrease in premium rates.

3.1.3 Life and health insurance (France)

- Individual health insurance

The group strengthened its position in this market in 2006 as the number one insurer in the field of supplementary individual health insurance (source Federation Française des Sociétés d'Assurances, 2005 data) – excluding the mutuals known as "45". Under the reform of the healthcare systems, the mandatory schemes tend to focus on heavy risks, such as hospital or long-term illnesses, transferring to the supplementary insurances all outpatient benefits. The portfolio of policies(*) grew in number by 2.1%, i.e., a net gain of 23,000 policies(*), while the markets grew by 0.5%. As at 31 December 2006, more than 1.1 million policies(*) were active.

- Provident, retirement, individual life insurance

The group recorded an increase in its revenue (on the order of 3 billion euros) in individual retirement savings, i.e., it sharply outperformed the actual growth of the French market, in other words adjusted for extraordinary effects (transfers of home savings plans (PEL) and transfers related to the Fourgous amendment). The emphasis placed on unit-linked policies through advertising campaigns enabled it to double the growth in these media, i.e., it significantly outperformed the market growth of 45%. The networks of the group that advise on and sell individual life insurance – networks of the regional mutuals, Gan Assurances, Gan Patrimoine and Gan Prévoyance – all contributed to this strong growth.

On the individual provident insurance market, the group continues to be the benchmark player in an increasingly competitive market. The growth in its revenue was given a boost mainly by the strong development of the non-occupational accident insurance (GAV) segment. With a net gain of 42,000 businesses(*) and 241,000 policies(*) on the inventory, the portfolio rose 21.4% compared to 2005.

- Group insurance

The group is a major player in the field of group insurance; it offers a broad range of health care, retirement and provident insurance products to companies and namely to very-small sized and small and medium sized companies. In the field of retirement insurance, the group in 2006 significantly outperformed the market. The development strategy of Gan Eurocourtage Vie and Groupama Vie enabled it to strengthen their major account positions. For the very-small sized companies target, Gan Assurances Vie reinforced its right and is positioned as a specialist. In addition, the regional mutuals are building up their strength in the field of group insurance. They are now based on a range of improved products that are part of a global retirement, provident and health insurance offer.

3.1.4 Groupama Banque & Groupama Épargne Salariale (France)

- Groupama Banque:

Groupama Banque is the bank most involved in retail banking of the group, which is 80%-held by Groupama SA and 20%-held by Société Générale. It manages the commercial banking offer through the regional mutuals network. Groupama Banque had 356,000 customers at the end of 2006 (+ 80,000 customers), corresponding to 240,000 accounts (+ 21%, i.e., a gain of 49,000 accounts). With their €775M in-force business increased in turn by 20%. Another major indicator, outstanding credits continued to grow and posted a 28% rise (€160M, the number of loans having risen by 45% to 32,000). This buoyancy was felt in the growth in revenue which was €38M at the end of 2006 and in that of the net banking income (+63.2%).

Numerous new offers marked the year with, first of all, the progressive offer of fixed-rate real estate credit. In June, an interest-bearing account offer, Astréa Essentiel, was launched as part of an account stimulation campaign. 14,000 accounts have been opened since, which proves that the customers understood the numerous benefits of this innovative offer. In the fall, the interest-bearing feature was extended to the Astréa 2 formula, followed by a reform of the consumer revolving credit Compléo (3,200 Compléo accounts at the end of 2006). In November, the savings credit Désirio Epargne (consumer credit linked to life insurance savings) became part of the range of offers. Finally, consistent with the desire to rejuvenate the customer portfolio, Groupama Banque launched a large operation geared to young people. 7,000 accounts were opened, 2,000 of which were opened in the first three months.

(*) Number of policies or vehicles insured directly or indirectly (through a reinsurance agreement).

- Groupama Epargne Salariale

Groupama Epargne Salariale is the subsidiary of the group dedicated to employee savings. It designs the products, manages contracts and coordinates the commercial activity. Its offer is predominantly distributed by the regional mutuals, Gan Assurances and Gan Eurocourtage. Total inflows increased in 2006 by 22% to €89.3M and the amount of managed outstandings rose by 23%. Revenue was €3M at the end of 2006. On the competitive retirement market, Groupama Epargne Salariale recorded some group pension plan success (PERCO). Almost 40% of new plans taken out combined group pension plans with company savings schemes (PEEs). At the end of 2006, Groupama Epargne Salariale had a portfolio of almost 2,000 PERCOs.

3.1.5 Other financial activities (France)

- Groupama Asset Management

Asset management has become a business in its own right within the group. Groupama Asset Management, the subsidiary devoted to this activity, once again showed strong growth in 2006. Assets managed grew 10.7% to €79 billion, €12.2 billion of which represented third party asset management (up 23.2%) Bonds accounted for 60% of assets managed in 2006 compared to 23% for shares and 17% for diversified, monetary and alternative management, representing a clear increase. Groupama Asset Management revenues rose 19.6%.

Groupama Asset Management ranks as the 7th French asset management company in the Watson Wyatt Word 500 list. Bond and diversified management received many awards in 2006. The Groupama Alternative AM subsidiary manages over one billion euros in managed assets. Share management saw its funds among the top ranking positions both on the Europerformance and ATP lists in December 2006, which gave 5 stars to numerous mutual funds (OPCVM).

In 2006, Groupama Asset Management turned to "satellite" management, by rolling out the so-called absolute performance range, i.e., a range without reference to a predetermined market index. The branch also participated in the growth of the group in Europe. In Italy, 21 funds are certified and marketed directly by a branch, which opened in Rome at the end of 2006 or through Groupama Assicurazioni. In Spain and Portugal, pension funds in funds of funds and insurance policies using Groupama Asset Management mutual funds (OPCVM) were implemented.

- Groupama Immobilier

A service company specialising in the management of real estate assets, and in particular in those of group insurance companies, Groupama Immobilier generated €200M in gross revenues in 2006, i.e., up 2% from 2005 (on a like-for-like basis). The contribution to group revenues was €25M at the end of 2006. The valuation of real property rose by almost 15% as a result of the double effect of the market price increase and the works carried out by the subsidiary for the restoration and transformation of property; this represents an additional €450M in unrealized capital gains.

At the end of 2006, Groupama Immobilier was directly managing 3,319 leases including 2,335 for housing. This pool included a total area of 700.000 m2 with a total value close to €4.0bn. 72% of the wealth was comprised of office buildings, 26% of housing units and 2% of forest. The businesses of Groupama Immobilier are focused around the appreciation of wealth under management, the administrative and financial management of the leases, and consulting for the companies within the group and outside customers.Groupama Immobilier controls the real estate business of Groupama by providing all type of risk control and by organising stringent internal controls through its ISO 9001-2000 certification.

- Banque Finama

Banque Finama processes all banking transactions and serves as custodian for the investment portfolios of the group. It also develops its own customer base, namely in relation to wealth management. In its desire to meet the needs of its clients, the subsidiary places the improvement of the quality of its services and of its profitability at the hearth of its strategy. Its product offered is continuously enhanced for that purpose.

In 2006, Finama bank reported a sharp increase in revenues (+85.0%) to €111M and net banking income of €38.2M, up 14.1% compared to 2005. This development can be attributed for the most part to the strong growth in the forward foreign exchange business (+132%) and to the increase in custodial loans (+12%). Created in 2005, the Corporate Finance department, which provides consulting to companies on long-term investment transactions (mergers and acquisitions, disposals or estate planning) generated some very encouraging results in its first full financial year.

- Finama Private Equity

Finama Private Equity, the subsidiary dedicated to the management of unlisted assets on behalf of third parties, continued to grow stronger in 2006 with €1.1 bn in assets under management at year-end. Its revenues rose 50% to €8.2M.

QUARTILIUM, the funds of funds business, represented at the end of 2006 a volume of managed or directed risk close to one billion euros. ACTO, the direct investment business, which is focused around French medium-sized companies, experienced a great year. More than €50M were invested in 6 companies.

3.1.6 International

International growth today represents a major line in the group's strategy, namely for purposes of diversification of its risks and revenues.

	31/12/2006	31/12/2005	31/12/2004	2006/2005 Change(3)
		REVENUE (€M)		
INTERNATIONAL INSURANCE	**2,372**	**2,049**	**1,973**	**5.8%**
Great Britain	605	504	**451**	8.6%
Spain	790	707	**676**	5.2%
Italy	543	544	**525**	3.0%
Turkey(1)	157	—	**—**	33.1%
OTHER COUNTRIES	246	238	**204**	4.7%
SUB-TOTAL INSURANCE(2)	**2,341**	**1,993**	**1,856**	**7.0%**
DISCONTINUED ACTIVITIES(4)	31	56	**117**	- 43.6%

(1) entity consolidated as from 30 June 2006
(2) excluding discontinued activities
(3) on a like-for-like scope, exchange rate and accounting method basis
(4) see chapter 5.3.1.

The international insurance activities, excluding discontinued activities, posted an increase +17.5% in 2006 (+ 7.0% on a like-a-like basis) to 2.3 billion euros. The growth was particularly sustained in the field of life and health insurance to 25.7% (+ 9.9% on a like-for-like basis), excluding discontinued activities. The international segment contributed €157M to group earnings.

Growth has been sustained, namely in Great Britain, Spain and Turkey. 2006 saw the operational integration of several companies: the health insurance company Clinicare in Great Britain (acquired at the end of 2005), the subsidiaries Azur in Spain (acquired at the beginning of 2006), and the Basak companies in Turkey (acquired in May 2006) which made Groupama the 6th largest insurer in Turkey (source: Direction des Relations Economiques Extérieures, data 2005).

- United Kingdom

In 2006, Groupama Insurance reported a 20% increase in revenues to €605M. This strong growth can be explained in part by the integration of the health insurer Clinicare, acquired in November 2005. This is not the only reason, however, as, on a like-for-like basis, the business grew by 8.6%.

The life and health insurance businesses grew by 19.7% due to Clinicare, whose integration was completed in 6 months and to the strategic repositioning on the market of small and medium sized companies. With €83M in revenues, Groupama Healthcare became the 8th largest UK healthcare insurer this past year.

The revenues of the motor branch declined by 2.9% in the context of exacerbated price competition. The housing branch experienced, in turn, a 20.1% increase in premiums subscribed. The company risk revenues, in turn, rose 15.6%. Property insurance grew 5.3% overall.

At the end of last year Groupama Insurance invested in the brokerage segment by acquiring Carole Nash, the number one British insurance broker for motorcycles and collectible vehicles (source Association of British Insurers, data 2006). Faced with the accelerated consolidation movement in the brokerage sector in the UK, Groupama thus broadened its distribution channels. In the meantime, the company disposed of Minster Insurance, its business subsidiary in run-off. This disposal marked the last step in the restructuring of the activities that had started five years earlier.

- Spain

In 2006, in a very competitive environment, Groupama Seguros achieved its growth objectives and surpassed its performance objectives. Its revenues rose by 11.7% to €790M, while the market only rose by 7.9%. Groupama Seguros thus ranks 14th on the non-life insurance market and 40th on the life insurance market (source Investigacion Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones, data 2005). The boom in the health and life insurance businesses further accelerated, with a 22.6% increase (11.9% on a like-for-like basis), carried by individual savings (+25.8%) and the increase in health/accident premiums (+11.9%); the rise in property insurance was 9.6% (3.8% on a like-for-like basis).

Acquired in January 2006, the Azur subsidiaries in Spain were successfully integrated within Groupama Seguros last year. The density of the distribution network was also increased. At the end of the year ended, 114 points of sale were under the Groupama Seguros brand. As many as 13 additional subsidiaries opened their doors last year, bringing the total number to 64. A network of 34 exclusive agencies was also formed. In the field of bancassurance, distribution agreements with mutuals and banks also materialised.

Groupama Seguros further enhanced its product range with new offers such as civil liability for individuals valid all over Europe and telephone consultation services provided absolutely free of charge for legal, computer or medical assistance.

- Italy

On 26 May 2006, on the 125th anniversary of the group's start of operations on the peninsula, Gan Italia changed its name and became Groupama Assicurazioni. In a stagnating, even diminishing market, the subsidiary took the opportunity to strengthen its positions; its revenue rose 3% to €543M on a like-for-like basis. The distribution network broadened to include 390 agencies at the end of 2006 from 378 agencies at the end of 2005. In 2006, Groupama Assicurazioni placed particular emphasis on improving its productivity with the development of the online service, on strengthening its customer-related policy, benefiting from partnerships in bancassurance for life insurance and penetrating the agricultural market.

Another point to be noted is the growth of its financial subsidiary, Groupama SIM, which is notably supported by 21 new funds of Groupama Asset Management which can be distributed in Italy.

- Portugal

Groupama Seguros strengthened its identity and its positions in 2006 in a very competitive Portuguese market. Its revenues rose 6.5% to €132M, as a result of the increase in insurance premiums issued in life and health insurance, which represents over 95% of the portfolio. The significant growth posted in mutual savings largely offset the fall noted in individual savings, a field that is experiencing a decline globally. Revenue of property and liability insurance remained stable. Groupama Seguros ranks 17th on the non-life insurance market and 12th on the life insurance market (source Instituto de Seguros de Portugal, 2005 data).

Last year, the Portuguese subsidiary launched a marketing campaign for two new products: health insurance for small and medium sized companies and individual unit-linked health insurance with funds managed by Groupama Asset Management.

- Turkey

In a market with a strong potential, Groupama acquired the Basak group in May 2006 and currently holds the leading network of agents in Turkey. The acquisition of stakes held by minority holders has started. In addition, the distribution partners were kept.

Due to this acquisition, Groupama became the 6th largest insurer on the Turkish market (source Direction des Relations Extérieures Economiques, data 2006).

The non-life business of the Basak – Basak Sigorta subsidiary (8th on the non-life insurance market – source DREE, 2006 data), Basak Emeklilik for health and life insurance (2nd on the Turkish market for health and life insurance – source Direction des Relations Extérieures Economiques, data 2006) – was up + 33.1% in the second half of 2006 compared to the second half of 2005 (the companies have been consolidated in the group's financial statements as from 1 July 2006) to €157M. Health and life insurance posted a +34.4% increase. The growth in property and liability insurance (+32.6%) is derived essentially from the motor segment (+37.3%).

Also in Turkey, Groupama is keeping its 36% stake in Günes Sigorta.

- Hungary

After two years of efforts, the financial situation significantly improved in 2006, practically with a return to break even.

Groupama Biztosito continued with its policy of lightening its motor portfolio and accelerating its refocusing on other businesses. The contribution of Groupama Biztosito to the revenues of the group in 2006 declined by 11.6% to €38M as a result of the deliberate loss of non-profitable motor policies and strengthening of the competition in this business segment.

- China/Vietnam

The group has operations in Asia through a non-life branch in the province of Sichuan in China and a non-life branch in Vietnam. These operations currently present marginal revenues.

After taking off on the market in 2005, the Chinese branch adjusted its product offer, reorganised its sales networks and strengthened its partnerships with banks in 2006. It now has a portfolio of approximately 10,000 policies.

In order to improve work conditions, a request to transform the branch into a company governed by local law (Groupama Insurance China) has been submitted to the Chinese authorities.

Limited until then to only agricultural risk and to the region of the Mekong Delta, Groupama Vietnam General was authorised in 2005 by the authorities to expand its operations to cover all the non-life insurance segments and to perform them in the entire country. The year 2006 was largely dedicated to adapting to this new situation. The registered office and the management centre of the company were transferred from Cantho to Ho Chi Minh City. The distribution agreements with the Vietnam Agriculture Bank were reactivated and the partnership with HSBC made it possible to register the first encouraging results.

- Overseas

Gan Outre-Mer IARD remains one of the main insurers both in the Indian Ocean (Guadeloupe, Martinique) and in the Pacific (New Caledonia, French Polynesia, Wallis and Futuna). The subsidiary currently deals exclusively with the non-life insurance business, as the life insurance portfolio of Gan Pacifique Vie was transferred to Gan Assurances Vie retroactive to 1 January 2006.

Essentially derived from the property and liability insurance business, revenues grew 7% in 2006 to €76M. The business was particularly steady last year in the Pacific region where it jumped 14.5%. This region now represents over half (56%) of premium inflows for the subsidiary. In the West Indies, the economic situation was more mixed in 2006: the accelerated growth in Guadeloupe was offset by a slower development in Martinique.

3.2 Exceptional events having influenced the information provided under the previous point

No exceptional events.

3.3 Degree of reliance of the insurer on patents or licenses, industrial, commercial or financial contracts or new manufacturing procedures

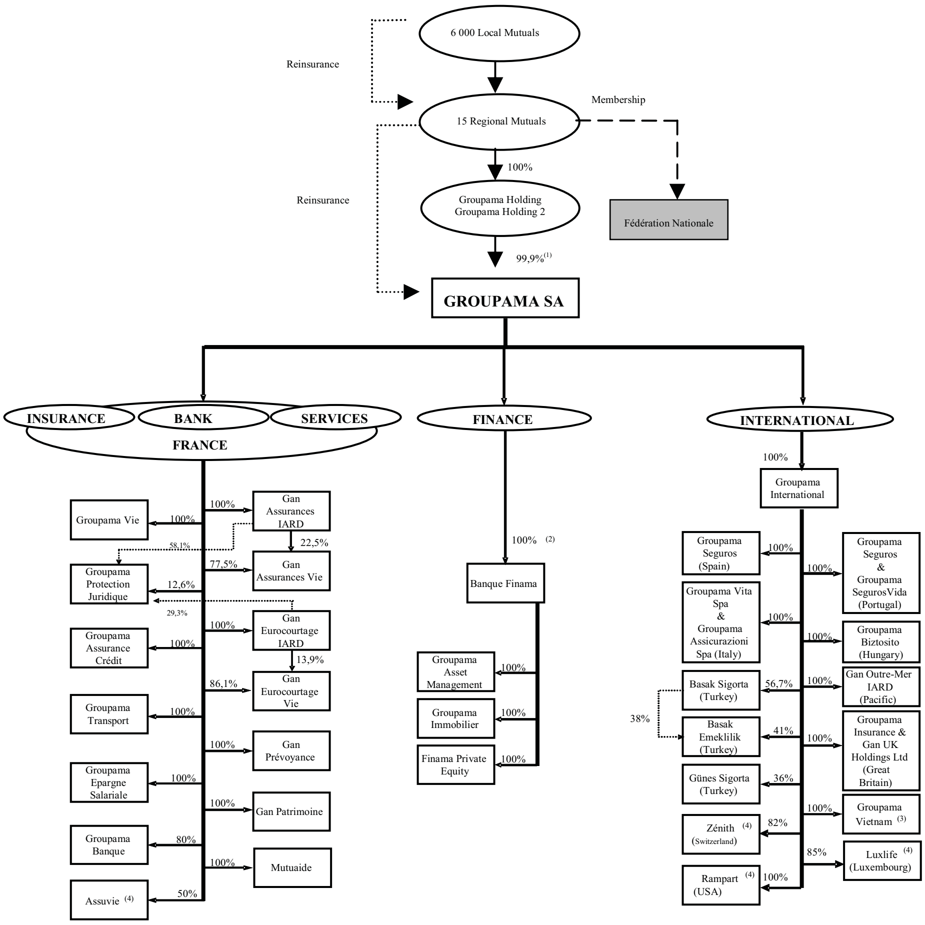
Not applicable.

3.4 Elements on which the issuer's representations of its competitive position are based

These elements are derived from professional statistics (FFSA, DREE, ICEA, ABI, ISP,HBA).

4. ORGANISATIONAL CHART

The following is a simplified organizational chart which shows the current structure of the Group as at 31 December 2006 and the main subsidiaries of Groupama SA:



(1) 0,1% of Groupama SA is held by the employees and agents
(2) Directly and indirectly
(3) Non consolidated subsidiaries given their non-significant impact on the accounts
(4) Activities non continued

5. FINANCIAL DATA AND RESULTS OF GROUPAMA S.A.

Under Regulation (EC) no. 1606/2002 of 19 July 2002 on the application of international accounting standards, the Groupama consolidated financial statements for the years ended 31 December 2006, 2005 and 2004 were prepared in compliance with the IFRS primary basis (International Financial Reporting Standards) as adopted by the European Union.

5.1 Key figures: income statement for the period 2004-2006

	2006	2005	2004
		(M€)	
Income	**11,480**	**10,762**	**10,149**
France	8,826	8,507	8,012
International	2,372	2,049	1,973
Financial and banking activities	282	206	164
Net Profit, group share	600	394	315
France	*532*	*404*	*419*
Financial and banking activities	*-1*	*-11*	*-28*
Holdings and other	*-88*	*-118*	*-132*

5.2 General Presentation

5.2.1 Introduction

Trends for the period 2004 – 2006

The group's average annual growth rate for the period 2004-2006 was 6.4%. This growth is largely explained by the group's desire to continue organic growth in France (+5.0% per year). Internationally, (+12.3% per year), in agreement with the implemented strategy, the group developed its positions through a number of acquisitions:

– Clinicare in the UK in 2005,

– Azur Multiramos and Azur Vida in Spain in 2006,

– Basak Sigorta and Basak Emeklilik in Turkey in 2006.

The success of the advertising campaigns in France implemented during the past three years resulted in higher income (+5.0% per year). In life insurance, the group saw its business grow both in France and internationally with average growth of 7.2% and 14.1%, respectively for the period 2004-2006. Income in non-life insurance rose 3.2% per year in France and 11.9% per year in International. Life insurance policies contributed by regional mutuals, the development of general agents in France and the effect of the external growth of International are behind these developments.

The group also significantly improved its operating performance in non-life insurance. This performance resulted in a 94% increase in operating income primarily due to a 6 point decrease in net combined ratio to 98.6%. The decrease in the combined ratio is due to the drop in the claims ratio by 4.4 points and the 1.8 point downturn in the operating expenses ratio. The latter is the result of major efforts at rationalising management processes implemented during the period. The life business posted lower operating profit, though still high, taking into account the strengthening of technical provisions taken especially in 2006.

Including financing expenses, taxes and minority interest, group net income grew significantly (+90.5% for the period).

5.2.2 Financial structure

Groupama SA debt totalled €2.1 billion at the end of 2006. The group benefited from favourable market conditions in 2005 to issue a perpetual subordinated debt as FRN in the nominal amount of €500 million.

Nonetheless, a portion of this debt aimed at improving the group's financial flexibility for an acquisition is still available. The debt ratio for equity excluding revaluation reserves (including subordinated debt and minority interests) totalled 44.3% at the end of 2006. A significant part of group debt (excluding subordinated debt) relates to the listed real estate subsidiary Silic, which regularly subscribes debt to develop its real estate assets. Without this element, the group's debt ratio totalled 31.3% at the end of 2006.

5.2.3 Segmentation

In the consolidated financial statements prepared according to the IFRS primary basis, Groupama SA defined its primary sector information based on information by geographical sector. The following segments were identified:

– insurance in France and
– insurance in International.

With the goal of providing information by business sector, secondary sector information is broken down into 2 segments. In order to harmonise these practices with those mostly widely used on European stock exchanges, Groupama SA changed the presentation of its sector information by activity, using a new analytical core as of 1 January 2006. This will replace the traditional life insurance / non life insurance core as previously required by the French authorities but in relation to which we consider it important to continue to provide information, given Groupama's important position in the French market.

The following new segments have been used since 1 January 2006:

- **Life and health insurance.** personal insurance comprises the activity traditional life insurance and Personal injury insurance (primarily risks related to health, disability and long-term care);
- **Property damage and liability insurance.** The property damage and liability insurance activity consists of the group's other insurance activities;
- **Banking** The banking activity relates to the activities of distributing banking products but also the activities of portfolio management, employee savings plans and their management;
- **Holding business.** Primarily consists of income and expenses concerning group management and the holding of the securities of the companies comprising Groupama SA.

5.3 Comparison of the years ended 31 December 2005 and 31 December 2006

5.3.1 Revenue (premiums written) of Groupama SA

	31/12/2006	**31/12/2005**	**change[1]**
		M€	
Property and liability insurance France	3,495	3,543	1.8%
Life and health insurance	5,319	4,950	7.5%
Sub-total France	**8,814**	**8,493**	**5.2%**
Property and liability insurance International	1,651	1,444	5.8%
Life and health insurance	690	549	9.9%
Sub-total International	**2,341**	**1,993**	**+ 7%**
Discontinued operations (France and International)	43	70	-37.7%
Groupama Banque and Groupama Épargne Salariale	41	39	5.1%
Other financial activities	241	167	44.3%
Total GROUPAMA SA	**11,480**	**10,762**	**5.9%**

(1) using constant scope, exchange rates and accounting methods

As at 31 December 2006, the consolidated revenue of Groupama's Insurance business totalled €11.2 billion, up 6.1% compared to 31 December 2005 (6.4% excluding discontinued activities). When investment activities are included, the Group's consolidated revenue rose 6.7% to €11.5 billion (up 7% excluding discontinued activities).

On a like-for-like consolidation and exchanges rate basis, consolidated revenue for Insurance was up 5.3% compared to 2005 (up 5.5% excluding discontinued activities). The Group's total revenue at constant consolidation and exchange rates rose 5.9% (up 6.1% excluding discontinued activities).

As at 31 December 2006, revenue for Insurance in France rose 3.8% in actual terms and 5.2% on a like-for-like basis. It represented 76.8% of the Group's total business. International business (20.4% of total revenue) was up 17.5% actual terms and 7.0% on a like-for-like basis, excluding discontinued activities. The Group's other activities represent 2.8% of total revenues.

The Group posted a significant increase in life and health insurance revenue, which was up 9.3% in actual terms and 7.7% on a like-for-like basis. In France, life and health insurance increased 7.5%, greater than the overall market which rose about 6.7%, adjusted for reinvestments in housing savings plans and "Fourgous" transfers. The 16.1% market growth at the end of December includes reinvestments in housing savings plans, which benefited bancassurance companies, and "Fourgous" transfers, which according to strict application of accounting rules would not be included in revenue. Life and health insurance revenue in the International sector posted a 25.7% increase in actual terms and 9.9% on a like-for-like basis.

In the areas of property and liability insurance, revenue rose 3.2% in actual terms and 3.1% on a like-for-like basis. Business activity in France was down 1.4% in actual terms and up 1.8% on a like-for-like basis. The International sector generated revenue up 14.3% in actual terms and 5.8% on a like-for-like basis.

Based on a breakdown of revenue according to regulatory life/non-life sectors, the Group posted the following results:

- Non-life business (58.5% of the Group's revenue) rose 5.0% in actual terms and 3.8% on a like-for-like basis;
- Life business (39.1% of the Group's revenue) rose 7.8% in actual terms and 7.5% on a like-for-like basis.

Insurance in France (76.8% of Groupama SA's revenue)

Revenue from Insurance in France (excluding discontinued activities) increased 5.2% in 2006 to €8,814 million.

In a market that grew 2.2% (source Fédération Françcaise des Sociétés d'Assurances, 2006 data), property and liability insurance (39.6% of income France) rose 1.8%.

Revenue from life and health insurance (60.3% of revenue in France) showed a significantly higher growth rate of 7.5%, with business driven by strong performance in savings and health.

It should be noted that in the life and health insurance segment of the French life and capitalisation market, the market overall posted 6.5% growth in 2006 (adjusted for reinvestments in housing savings plans and "Fourgous" transfers). In this context, in 2006 Groupama SA posted 8.4% growth of life income and capitalisation, higher than the market as a whole. In 2006, business policy promoted unit-linked policies through advertising campaigns. The success of these campaigns allowed the Group to more than double premium income from unit-linked policies, exceeding the 45% growth in the market overall (not adjusted for investments in housing savings plans).

Income in the French health/accident insurance market rose 4.6% at the end of December 2006. The market posted 9% growth due to strong development of loan coverage whereas growth in health contributions slowed somewhat.

Groupama SA

Groupama SA reinsures the regional mutuals through an internal reinsurance agreement. It also centralises and organises external protection for the Group in the area of reinsurance.

Premium income of Groupama SA totalled €1,711 million, up 1.3% compared with 2005. Reinsurance accepted by the regional mutuals increased by 1.1% and accounted for 98.5% of Groupama SA's premium income while the premium income of the regional mutuals rose 0.9%.

Growth in the business from the regional mutuals is always driven by increases in life and health insurance risks, where contributions increased 5.1% due to individual health (up 5.4%), growth in the portfolios of the regional mutuals (up 1.6% in number), and rate increases. Non-occupational accident premiums from the regional mutuals rose 23.5% in value due to the numerical increase in the portfolio. In property and liability insurance, premiums received from the regional mutuals fell 0.2% in 2006. Premiums received for individual risks were down 0.9%, primarily due to the competitive repositioning of the regional mutuals in motor insurance rates. The number of vehicles insured (including fleets) by the regional mutuals actually rose 0.2%. The market overall posted a 1.0% drop in total insured vehicles. Other risks experienced 3.2% growth in premiums, primarily due to the success of the multi-risk climate insurance products "Climats", where contributions were up 27.5% in 2006.

Groupama Vie

Groupama Vie provides management of the life insurance policies marketed by the regional mutual network.

Groupama Vie earned premium income of €1,929 million in 2006, up 9.6% over 2005. The strong growth in business was driven by the performance in the individual insurance sector, where premiums grew 10.1% during the year. With total growth of 11.4% (including a 158.4% increase in unit-linked accounts), the savings sector provided most of this growth. Revenues from the retirement sector fell 8.3%, primarily due to adjustments to prior years' results, while revenues from the provident savings sector rose 1.3%. Premium income from group insurance rose 6.2% in 2006 primarily due to the growth that occurred in savings (up 44.7%).

Gan Assurances

Backed by 1000 insurance agents, 2000 employees in insurance agencies, and 330 representatives, Gan Assurances offers a wide range of policies and services adapted to the needs of individuals, independent professionals and company directors: motor, housing, health, provident insurance, savings, retirement, investments and professional coverage. Gan Assurances, with the fifth largest network of general agents in France, comprises two legal entities:

– Gan Assurances IARD, which is dedicated to property and liability insurance;

– Gan Assurances Vie which is dedicated to life and health insurance.

The network of insurance agents posted 6.6% growth in business. Premium income totalled €2,315 million in 2006:

– Gan Assurances Vie posted premium income of €1,266 million in 2006, up 10.4% over 2005 premium income. Business in the individual insurance sector increased 10.8% in 2006, driven primarily by the strong growth in savings (up 27.9%). The *Esprit de famille* ("Family Spirit") – Phase 1 marketing initiative, which produced 15,000 Chromatys policies, is largely responsible for this performance.

  Like the regional mutuals, Gan Assurances also posted strong growth in health (up 8.3%), driven primarily by an increase in the number of policies in the portfolio (up 3.5%). The other individual insurance sectors experienced contrasting developments: provident insurance (up 0.3%) and retirement (down 3.0%). In group insurance, all sectors contributed to the 9,8% increase in 2006 premium income. The marketing initiative *Esprit de famille* - Phase 2 that addressed health and provident savings, and to a lesser extent, rate indexation (in health) were responsible for the growth of 19.8% and 7.8% in health and provident savings respectively. The retirement sector was not as strong, posting a 1.9% increase in premiums.

– Gan Assurances IARD posted premium income of €1,049 million, up 2.4% compared to 2005, adjusted for the effect of a change in premium issue procedures (secondary terms). This change is primarily attributable to intrinsic growth in the insurance agent portfolio (31,400 additional policies, of which 16,200 were in the motor sector, and 4,900 were policies for property, including vacant property). Thus, premiums on individual risk rose 3.2%. Premiums on the major professional, business and local authority risks posted gains that outstripped the overall market in 2006. Other risks including construction, agriculture, natural disasters, etc. posted a slight decline of 0.6% in premium income.

Gan Eurocourtage

Gan Eurocourtage is the third largest brokerage company in France (Groupama estimate, 2006) and is developing its expertise in all areas of insurance, working in close collaboration with more than 2,000 brokers. Its product offerings address the needs of personal, professional, very small, and small and medium enterprises, both in general and group life insurance. Two entities market these products:

Gan Eurocourtage IARD, dedicated to property and liability insurance business;

Gan Eurocourtage Vie, dedicated to group life and health insurance business.

The broker network posted premium income of €1,407 million in 2006, up 3.6% compared with 2005:

- Gan Eurocourtage Vie earned premium income of €626 million, up 5.9% over 2005. The increase in premium income posted by this profit centre is largely due to the addition of two major pieces of new group life business (representing €35 million in premiums) to the portfolio, whose premiums grew by almost 87%. Business in provident savings and health also increased at growth rates of 3.6% and 2.9% respectively. In contrast, premium income in the coinsurance and reinsurance sectors fell primarily due to adjustments to prior years and was down 73.3% in 2006.
- Gan Eurocourtage IARD earned premium income of €781 million in 2006, up 1.8% over 2005. Growth occurred in the motor (up 13.5%), property (up 12.2%) and building (up 10.3%) sectors, more than offsetting the drop in premium income in the mass market segments, travel and monetary loss sectors (down 2.1%), and was the primary cause for the 4.9% rise in the individual and professional market in 2006. In the face of tighter market conditions, the business sector's premium income rose 0.9%, driven by the strong growth in car fleets and specialities.

Gan Prévoyance

Gan Prévoyance offers provident insurance, retirement, health and savings products through a network of 1,050 salaried sales people.

Gan Prévoyance posted income of €476 million at 31 December 2006, up 4.8% compared to 31 December 2005. Of this total, retirement grew 8.6%, while savings was up 8.5%. The provident savings sector suffered a 0.7% decline in business, while growth continued in health, which showed 31.2% growth in premium income.

Gan Patrimoine and its subsidiaries

With slightly over 600 agents specialising in savings and investments, Gan Patrimoine is active in private wealth management.

Revenues of Gan Patrimoine and its subsidiaries were up 0.3% at €575 million for the year ending 31 December 2006. Excluding capitalisation activities (currently in run-off mode, but still generating periodic premiums), the profit centre's business increased 4.9% in 2006. Strong growth in unit-linked accounts (up 239.0%), tied to the success of the multifaceted Gan Patrimoine Stratégies product, and the increase in single premiums on euro policies (up 2.2%) produced this growth.

Groupama Transport

Groupama Transport, the second largest French marine and transportation insurer (source Fédération Françaincaise des Sociétés d'Assurances, 2005 data), offers "made-to-measure" contracts for all aspects of the business (transporters, logistics, ship-owners, fishing, pleasure craft, ports, rivers, and aviation).

Groupama Transport's premium income grew almost 4.7% to €314 million in 2006. The growth in marine insurance occurred across all sectors, with a 9.0% increase in 2006, driven primarily by ship-owners (up 17.9%) and businesses (up 9.6%). Premium income from aviation fell 9.6% primarily because of adverse changes in exchange rates and a drop in premium rates.

Other specialized companies

Groupama Assurance-Crédit is the Group's specialist in credit insurance, commercial litigation coverage, bad debt recovery, and guarantees. Groupama Assurance Crédit's products are sold through the regional mutuals, Gan Assurances agents and through brokers. Groupama Assurance Crédit posted a 4.4% drop in premium income in 2006, dragged down by a reduction in insurable products in various sectors particularly wine, fruits and vegetables, and lower rates.

Mutuaide Assistance operates in all areas of assistance for the Group (motor repair, health repatriation, travel insurance and home care). Mutuaide Assistance generated a 26.5% increase in premiums in 2006 due to growth in existing policies in its portfolio, as well as new business.

Groupama Protection Juridique is the Group subsidiary dedicated to the legal protection of policyholders. The subsidiary's premium income rose 19.6% in 2006, boosted by activities with partners outside the Group, particularly the banking networks of Société Générale and the Postal Service.

International Insurance (20.4% of Groupama SA's premium income)

The Group's consolidated premium income in International was €2,372 million for the year ended 31 December 2006, a 5.8% increase compared with 31 December 2005, including discontinued activities. Excluding discontinued activities, growth amounted to 7.0%. There was an upward trend in growth in all countries except Hungary.

In Great Britain, Groupama Insurance distributes its products through brokers and intermediaries to the individual and small and medium size business markets. The subsidiary's premium income was €605 million in 2006, up 8.6% compared to 2005. Life and health insurance business was up 19.7% in 2006 due to the inclusion of Clinicare, the strategic repositioning in the small and medium sized business market, and, most importantly, the agreement with First Assist on individual health. In property and liability insurance, the 5.3% growth in premium income was driven by strong performance in property (up 20.1%) and businesses (up 19.0%). Motor insurance business declined 2.9% due to competitive pressures, although the number of policies in the portfolio grew 4.7% for individual motor insurance.

The Spanish subsidiary **Groupama Seguros** diversified its range of products and services for individuals in order to maintain its position in a market undergoing intensified competitive pressures, especially in motor insurance. It drew upon very sophisticated management techniques, and relied on a dense marketing network that is well-positioned to produce growth in the personal insurance market. The subsidiary's business generated €790 million in 2006, up 5.2% over 2005. Life and health insurance posted 11.9% growth, largely due to an increase in new business in individual savings (up 25.8%), driven by the development of the *Inversion Activa* product, as well as a rise in premiums in health/accident insurance (up 11.9%). In property and liability insurance, the primary sectors contributed to a 3.8% increase in premium income in 2006: motor (up 3.2%), property (up 5.9%) and businesses (up 7.9%).

In Italy, the subsidiaries **Groupama Assicurazioni** and **Groupama Vita** are active in the non-life insurance market and are growing in the savings segment of the life sector. 2006 premium income rose 3.0% to €543 million. In life and health insurance, business was up 1.4% in 2006. The life/capitalisation business of the life entity Groupama Vita rose 0.6% in 2006, boosted by 6.4% growth in private savings in a recovering but slow market, offset by a 7.7% drop in group business. The health/provident savings activity of the non-life entity Groupama Assicurazioni rose 4.5%. In property and liability insurance, the 4.2% growth in premiums over the year was attributable to growth in the motor sector (up 2.5%) and other risks (up 9.6%). In motor insurance, new business produced a 3.5% increase in the number of policies in the portfolio.

The Turkish subsidiaries **Basak Groupama** posted premium income growth of 33.1% to €157 million in the second half of 2006 compared to the second half of 2005. Life and health insurance posted a 34.4% increase, generated primarily by the loan insurance business of Basak Emeklilik. The motor damage sector (up 37.3%) is largely responsible for the 32.6% growth rate in property and liability insurance by the non-life entity Basak Sigorta. This growth has picked up since Groupama took control of the entity in the second half of 2006.

The Portuguese subsidiaries **Groupama Seguros** offer a range of general insurance products distributed through traditional networks of agents and intermediaries with particular strength in group health insurance. Premium income rose 6.5% in 2006 to €132 million due to the increase in premiums in life and health insurance. The strong growth in group savings (up 78.4%) offset the decline in individual savings (down 13.6%) in a declining market (down 14%). The premium income of property and liability insurance remained stable.

In Hungary, **Groupama Biztosito** distributes its generalist insurance products through a network of agents and brokers. Groupama Biztosito posted 5.0% lower premium income of €38 million in 2006. The effects of rate increases at the end of 2005 and competition from mutuals explain the 38% drop in volume in the third party motor liability business. The subsidiary's goal in this sector is to balance its underwriting to assure the profitability of its portfolio. Portfolio growth and the completion of several major deals in car fleets generated growth in motor damage (up 41%).

Gan Outre-Mer IARD's 2006 premium income rose 7.0% to €76 million. Growth continued steadily in the Pacific (up 14.5%), while business was stagnant in the Antilles (down 0.1%) largely due to a drop in Martinique's business.

Discontinued activities

Discontinued activities are presented separately in premium income (€43 million in 2006). These activities include the subsidiaries Assuvie in France, Rampart in the United States, Luxlife in Luxembourg and Zenith Vie in Switzerland. 2006 premium income consists solely of periodic premiums related to old policies from Assuvie and the Swiss subsidiary Zenith Vie.

Groupama Banque and Groupama Épargne Salariale

Groupama Banque is the Group's retail banking entity and marketed by the regional mutual network. Groupama Banque's 2006 revenues were up 2.7% to €38 million. 2006 net banking income came in at €19.1 million up 63.2% from €11.7 million in 2005, buoyed by an increase in interest on long term loans and overdrafts, combined with customer fees. Net new deposit accounts opened in 2006 amounted to 48,827 reaching a total of 238,266 accounts at year-end (356,000 customers, up 81,000 in 2006).

The revenues of **Groupama Epargne Salariale** totalled €3 million, up 22.2% in 2006, largely due to the increase in management fees resulting from the increase in assets under management. It should be noted that the revenues stated in the consolidated financial statements differ from the amount shown by the banking entities in their own accounts, which corresponds to banking income before interest expense. net banking income is therefore also cited under this heading.

Financial activities

Banque Finama is the Group's own bank, serving the Groupama and Gan networks. Besides Banque Finama is active in the commercial banking, treasury, estate and asset management sectors. In 2006, Banque Finama generated strong revenue growth (up 85.0%) to €111 million, buoyed largely by a sharp increase in forward foreign exchange business (up 132%). Growth in custody investments (up 12%), an increase in payment transactions (up 8%), and loans and commitments outstanding to the estate agency clients (up 20%) also contributed to the revenue increase. Banque Finama's net banking income came in at €38.2 million in 2006, up 14.1% over 2005.

The revenues of the **asset management subsidiaries** surged 21.5% compared to 2005 to €130 million. This growth was primarily generated by Groupama Asset Management's activity, which was up 15.4% in 2006 due to an increase in deposits and a strong stock market performance. The funds managed by Groupama Asset Management increased to €74.2 billion at 31 December 2006, up 8.2% compared to 31 December 2005. Including the funds managed by its Italian subsidiary and the funds managed indirectly through funds of funds, the total under management amounts to €79.0 billion. Funds managed on behalf of clients outside the group totalled €12.2 billion as at 31 December 2006, up 23.2% compared with 31 December 2005.

5.3.2 Breakdown of earnings

The Group's 2006 operating profit surged 29.9% over 2005 to €1.0 billion, largely attributable to improvement in underwriting fundamentals. The Group's net combined ratio actually showed a marked decline of 5.2 points to 98.6%. This drop is evident at the level of the net pattern of claims (down 4.5 points) and the net level of operating expenses (down 0.7 point). Operating profit from financial and banking activities is driven primarily by growth in asset management activities. Income from activities of the holding company is affected by non-recurring expenses on asset sales and costs incurred in connection with the Group's acquisitions. Operating profit can be broken down by business line as follows:

	2006	2005	%
	(Millions of euros)		
Property and liability insurance	663	429	+54.5%
Life and health insurance	424	427	-0.7%
Investment and banking activities	18	3	>100%
Holding company activities	-101	-86	-17.4%
Group operating profit	**1,004**	**773**	**+29.9%**

Operating profit from property and liability insurance

Operating profit from property and liability insurance activities was up 54.5% to €663 million in 2006 compared to €429 million in 2005. This strong growth is attributable to a very significant improvement in the net combined ratio of 6.2 points to 98.0%. The 5.2 point decline in the net claims ratio to 67.3% (which produced a positive impact of over €220 million in operating profit) is primarily responsible for this improvement. The net operating expense ratio was down 1.0 point to 30.7%. It should however be noted that this rate includes a significant hike in communications expenses.

In France, the net combined ratio stood at 99.4% in 2006 compared to 106.2% in 2005. This significant improvement is attributable to the 5.3 point decline in net claims ratio, which was 68.1% in 2006. The net operating expense ratio was down 1.5 point at 31.3% in 2006. In International, the combined net ratio was 95.2% in 2006 compared to 99.7% in 2005. This significant drop results solely from the 4.5 point decline in the net claims ratio to 65.9% in 2006. The net operating expense ratio was stable at 29.3% in 2006.

Net investment income from property and liability insurance activities was slightly lower in 2006 (down 1.1%). This decline is attributable to a net drop in capital gains (losses) (down 15.0%), demonstrating a conservative policy on recognising capital gains. There was significant growth in the fair value of derivative instruments.

Operating profit from Life and Health Insurance

Operating profit from life and health insurance activities fell 0.7% to €424 million compared to €427 million in 2005. This net change includes the impact of contrasting factors. Income from life/capitalisation fell €28 million while income from the health and other personal injury business rose €25 million. Investment income net of expenses rose 5.1% principally due to fluctuations in the fair value of derivative instruments.

Operating profit from health and other bodily injury activities increased to €214 million in 2006 compared to €190 million in 2005, a 12.6% rise. The growth in operating profit in health and other bodily injury activities resulted in a significant improvement in the sector's combined ratio (down 2.0 points to 100.6%, due to the positive impact of €27 million in operating profit). This decline affected the net claims ratio (down 2.6 points), although the net operating expense ratio deteriorated (up 0.5 point). In France, the combined net ratio was 99.2% in 2006 (versus 101.8% in 2005); in International, this ratio was 107.0% in 2006 (versus 108.7% in 2005). It should be noted that there was also a significant increase in investment income of €14 million, up 5.6% compared to 2005. Other operating expenses rose €16 million.

Operating profit from life/capitalisation activities was €209 million in 2006 compared to €237 million in 2005. This drop is primarily attributable to a non-recurring transaction in the retirement portfolio of Gan Assurances Vie and the application of new mortality tables to the consolidated statements in France in the life annuity category. In International, an increase in the technical provisions for certain savings products in Spain diminished operating profit by €20 million. The consolidation of Basak Groupama Emeklilik partially offset this decline, making a positive contribution of €9 million to the consolidated operating profit of the life/capitalisation sector in 2006.

Operating profit from investment and banking activities

Operating profit from investment and banking activities was €18 million in 2006, compared to €3 million in 2005. Strong performance by the Group's asset management business generated the growth in operating profit in this sector.

Operating loss from holding companies

The holding company's activities consistently include costs relating to its support services to the Group and the provision of internal and external financing to the Group.

Holding company activities generated an operating loss of €101 million in 2006 compared to a loss of €86 million in 2005. This decline is attributable to both the accounting for sales transactions carried out in 2006 and to expenses incurred in connection with the Group's acquisition strategy. Write-downs of goodwill totalling €10.8 million were also recorded in 2006.

5.3.3 Other interim operating balances

5.3.3.1 Financing expenses

As mentioned above, the Group's reported operating profit totalled €1.0 billion in 2006, up 29.9% compared with 2005.

Financial expenses were up significantly by 28.6% compared to 2005, totalling €108 million. The issue of €500 million in perpetual subordinated debt is primarily responsible for this increase due to the full-year effect of the expense in 2006.

5.3.3.2 Corporate income tax

Income tax expense in 2006 was €-265 million compared to a €-260 million charge in 2005. Consolidated income tax expense did not increase as much as consolidated income before taxes, primarily because of the partial utilisation of the English operating subsidiary's tax loss carrryforwards. The effective tax rate was therefore 29.6% compared to 37.6% for 31 December 2005.

5.3.3.3 Other elements

2006 income from equity investments at December 2006, amounted to €0.9 million, which corresponds to the subsidiaries Günes Sigorta and Socomie.

Income attributable to minority interests (minority stake in Silic) was €32 million for 2006, down from €37 million in 2005.

5.3.3.4 Economic operating profit:

To provide a more comprehensive economic overview of the business, the Board believes it is appropriate to display under a heading entitled "economic operating profit" an amount calculated based on net profit, eliminating net capital gains (losses) (Group share), unrealised gains (losses) on investment assets recorded at fair value (Group share), exceptional items, and goodwill impairment. 2006 "economic operating profit" amounted to €324 million, up from €125 million in 2005, and breaks down as follows:

	Group share 2006	**Group share 2005**	**%**
	(Millions of euros)		
Property and liability insurance	296	141	+110.0%
Life and health insurance	110	108	+1.8%
Investment and banking activities	-1	-11	N/A
Holding company activities	-81	-113	N/A
Economic operating profit: Group share	**324**	**125**	**+159.4%**

5.3.4 Net consolidated income

Net income, group share, was €600 million in 2006, up from €394 million in 2005, a sharp increase of 52.3%. Breakdown by business sector is as follows:

	Group share 2006	**Group share 2005**	**%**
	(Millions of euros)		
Property and liability insurance	443	268	+65.3%
Life and health insurance	247	255	-3.1%
Investment and banking activities	-1	-11	N/A
Holding company activities	-89	-118	N/A
Net profit (Group share)	**600**	**394**	**+52.3%**

and breaks down by business line as follows:

	Group share 2006	Group share 2005	%
	(Millions of euros)		
Insurance and services France	532	403	+32.0%
Retail banking (Groupama Banque)	-35	-36	N/A
International insurance	157	118	+33.1%
Financial activities	35	26	+34.6%
Holding companies and other	-89	-118	N/A
Consolidated net profit (Group share)	**600**	**394**	**+52.3%**

5.3.4.1 Insurance, Banking and Services France

Groupama SA

Groupama SA is parent company of the Group. It serves as holding company, owning (directly or indirectly) all the French and international subsidiaries of the Group. As part of its role, Groupama SA provides operational direction for the consolidated group and is the focal point for internal and external financing. It also plays a central role at the underwriting level. As indicated earlier, Groupama SA reinsures the regional mutuals through an internal reinsurance agreement. It also centralises and organises external protection for the Group in the area of reinsurance.

The contribution of **Groupama SA** to the Group's 2006 consolidated net profit totalled €115.5 million up from €23.9 million in 2005.

The combined net reinsurance ratio of Groupama SA stood at 92.9%, a decline of 7.7 points compared to 100.6% as of December 2005. As was the case for the regional mutuals, changes in the interest rate tables applied to annuities was the primary reason for this change. It should be noted that the gross claims ratio for the current year was down by 2.1 points to 63.4% for 2006. Thus, in property and liability insurance, the combined net ratio was 92.5% in 2006, down from 105.0% in 2005, and the same ratio for life and health insurance was 93.2% in 2006, down from 89.4% in 2005.

The Group's investment income came in up 46.9% over 2005 at €190.3 million, boosted largely by favourable fluctuations in the value of derivatives, as well as capital gains realised on buildings.

2006 financial expenses totalled €58.2 million in 2006 up from €42.5 million in 2005, largely attributable to interest expenses following the issue of €500 million in perpetual subordinated debt in June 2005, which had a full-year impact on 2006 earnings.

Finally, Groupama SA's 2006 total income tax expense (including both current and deferred taxes) amounted to €39.1 million up from €29.9 million in the prior year.

Groupama SA's net profit can be broken down into operating income attributable to the Insurance Banking Services France sector (which made a positive contribution of €163.3 million) and €47.8 million in holding company expenses.

Groupama Vie

Groupama Vie contributed €91.3 million to the Group's 2006 consolidated net profit, up 1.3% compared to 2005.

The underwriting result was up 2.6% from 2005. The individual and group provident savings sectors, as well as retirement, contributed to this increase. Administrative expenses also rose by 4%. General expenses and commissions paid to the network were higher, but were covered by management fees that increased primarily due to fees on outstandings. The "Project Rivage" program to rationalise the individual life sector's back office within the Group is largely responsible for the increase in operating expenses.

The consolidated net financial income after allocation of surpluses posted a slight increase of 0.4% in 2006. The increased fluctuation in the fair value of derivative instruments was partially offset by a decline in gains on sales of investments, explaining the growth in net investment income. However, because of the slight increase in profit sharing arrangements, a large portion of the increase in investment income is paid out to policy holders.

Income tax expense was €39.6 million compared with €41.6 million in 2005.

Gan Assurances

Gan Assurances posted consolidated 2006 net profit of €87 million up from €44 million in 2005.

Income contributed by **Gan Assurances Vie** increased to €61.2 million in 2006 versus €52.7 million in 2005. Non-recurring expenses in 2006 put downward pressure on the operating margin for individual life.

This decline is attributable to a €58 million increase in technical provisions for retirement under regulation L.441 of the RIP contract. Excluding this charge, the operating margin level in individual life would be slighter higher than the 2005 level. In group insurance, the 9.9% improvement in the operating margin was driven by the retirement and health sectors. The application of new mortality tables to annuity contracts in life and capitalisation had minimal impact net of deferred profit sharing. Net operating expenses of Gan Assurances Vie fell 7.7% due to strict control of most expense categories (e.g. commissions, personnel costs, software and other direct expenses).

Investment income net of profit sharing increased sharply by 21.1% The slight increase in net investment income is attributable to increased capital gains on real estate, offset by a decline in income in the consolidated mutual funds. The rate of profit sharing paid out to policy holders was down 3.4 points.

The lower tax expense is largely attributable to the impact of permanent differences in 2005.

Gan Assurances IARD posted net consolidated income of €26.2 million versus a loss of €8.6 million in 2005. This structural change is based on underwriting fundamentals combined with concerted efforts to rationalise administrative procedures over the last few years. As of 31 December 2006, the net combined ratio for reinsurance was 109.0%, up from 115.4% as of 31 December 2005, that was primarily caused by the operating expense ratio which improved by 5.4 points largely due to improved IT cost control.

There was also a significant improvement of over 5 points in gross claims due to a lack of any major climatic events together with a drop in very large claims. However, these factors had a negative effect on results in the reinsurance sector. Overall, the net claims ratio was down only 1 point.

Investment income of €131.0 million in 2006, compared to €137.1 in 2005, fell due to lower capital gains on sales.

Tax expense was up sharply due to the impact of permanent differences accounted in 2005.

Gan Eurocourtage

Gan Eurocourtage posted consolidated 2006 net profit of €124 million up from €81 million in 2005.

Gan Eurocourtage Vie posted 2006 net profit of €35.2 million up from €13.4 million in 2005. This strong performance was primarily attributable to a marked improvement in the operating margin (up 24.3% compared with 31 December 2005), which was boosted by strong results from the provident savings and health businesses, including coinsurance, due to the effect of lower claims ratios. Profits from loan insurance, which were down from 2005 levels, nevertheless moderated this change. Net operating expenses rose significantly due to adjustments to commissions for prior years.

Investment income fell 5.1% from 2005 levels. This drop is largely attributable to the effect of consolidated mutual funds, which was partially offset by the increase in the fair value of derivatives. There was a decline in the expense for profit sharing to policy holders due to product mix.

Total income tax expense was €15.3 million in 2006 versus €9.0 million in 2005, in line with the increase in net profit.

Gan Eurocourtage IARD generated an €89.3 million contribution to the Group's consolidated net profit compared to €67.9 million in 2005. This significant increase is largely attributable to the improvement in operating performance.

The combined ratio was down 3.9 points compared to 2005 and was 98.3% in 2006. The drop of over 10 points in the gross claims ratio produced this improvement. The unusual level of the current pattern of claims (lower frequency and absence of major claims) and the increased releases, particularly in the commercial market, are the reasons for this drop. Given these circumstances, the reinsurance result declined markedly in 2006. The net operating expense ratio remained well controlled at 32.9 % in 2006 versus 33.3% in 2005.

The non-recurrence of net capital gains on real estate assets that occurred in 2005 is largely responsible for the decline in investment income, which was €112.1 million in 2006 versus €124.8 million in 2005.

The decline in tax expense results primarily from recognition of permanent differences during the reporting period.

Gan Prévoyance

Gan Prévoyance's contribution to profits totalled €19.5 million, down from its €21.7 million level as at 31 December 2005. The entity's operating margin improved by 8.4%, and all sectors played a role in this positive development. A drop in the pattern of claims is in large part responsible for this change. The increase in net operating expenses (including acquisition expenses carried forward) is in part related to the increase in information technology related costs and the growth in commissions.

Investment income was down 5.5% primarily due to the drop in income from the consolidation of mutual funds. This factor also had an impact on the profit sharing paid out to policy holders.

The decline in tax expense compared with 2005 is proportional to the reduction in 2006 profit before tax.

Gan Patrimoine

Gan Patrimoine and its subsidiaries posted consolidated 2006 net profit of €22.1 million versus €22.8 million in 2005. The profit centre's operating margin declined in 2006 due to the application of new mortality tables to annuities and also due to the drop in average premium rates, which was partially offset by an increase in charges on funds under management. Operating expenses rose 8.1%, reflecting the launch of the individual life back office project and the related plan to initiate new marketing activities.

Net consolidated investment income (excluding ACAV adjustments) was up 2.9%. This increase was attributable to favourable fluctuations in the fair value of derivatives, as well as capital gains on real estate.

The change in tax expense is proportional to the changes in profit before tax.

Groupama Transport

Groupama Transport posted €10.2 million in 2006 consolidated net profit down from €20.9 million in 2005. The net combined ratio increased 2.6 points to 94.4%, largely due to a decline in liquidation surpluses in the marine business. In contrast, underwriting results from aviation pools improved significantly, primarily due to gains on underwriting from the 2004 year. The adverse effect of the euro/dollar exchange rate is the primary explanation for the 22.9% decline in investment income in 2006. The effective tax rate rose sharply due to unused tax losses of foreign businesses.

Other specialist Group companies

As at year-end 2006, the other specialist companies of the Group posted total consolidated net profit of €10.0 million, virtually unchanged from the prior year (€9.8 million). This net profit was broken down as follows:

– **Groupama Assurance Crédit** generated net profit of €2.5 million, down €0.7 million compared to 2005. The combined ratio deteriorated 0.6 point to 91.4%, and investment income fell €0.5 million.
– **Mutuaide Assistance's** consolidated net profit rose to €3.7 million, up €0.9 million compared to 2005. The 0.6 point improvement in the net combined ratio to 94.5% is largely attributable to the increase in net profit.
– The contribution of **Groupama Protection Juridique's** net profit remained stable at €3.8 million in 2006.

Discontinued activities in France

Assuvie posted €3.0 million in consolidated net profit in 2006, compared with €2.2 million in 2005.

Groupama Banque and Groupama Épargne Salariale:

Groupama Banque posted a loss of €34.7 million in 2006, almost the same as the loss in 2005. Net banking income was up 38.4% in 2006, but this activity has not yet matured to the point where revenues cover operating expenses.

Groupama Épargne Salariale's posted a negative loss of €0.9 million.

5.3.4.2 International insurance

Assurance Internationale posted €157 million in consolidated net profit in 2006 up from €118 million in 2005, boosted by the results of the UK and Spanish subsidiaries.

The contribution of **Groupama Insurance** again generated a much higher net profit (up 56.6%) at €76.7 million in 2006. Non-recurring tax income of €26.6 million, related to the partial use of prior year tax losses recognised in 2006, largely explains this growth. The net combined ratio was 99.6% in 2006, a slight deterioration from 2005 (up 0.4 point). This change arose from a 2.4 point increase in the net claims ratio, which was offset by a 2 point decline in the net operating expense ratio. The net level of claims in property and liability insurance was up 1.6 point to 61.5% primarily due to the decline in the operating margins of motor and household insurance in 2006. Net claims in life and health insurance were down 1.3 point at 76.2%. Net investment income was stable, as an increase in recurring income was completely offset by a reduction in net capital gains and losses net of provision write-backs.

The Italian subsidiaries posted 2006 consolidated net profit of €19.4 million, compared with €17.0 million in 2005.

> **Groupama Assicurazioni** contributed €10.9 million in 2006, down 30.0% compared to 2005. This decline is due to a 1.5 point deterioration in the net combined ratio to 102.2%. In the underwriting business, the net claims ratio improved 0.3 point, largely due to the motor sector. Costs incurred from changing the subsidiary's name, as well as PR expenses related to its 125th anniversary, increased operating expenses for the year, following which the net ratio declined by 1.9 point. The 9.9% growth in investment income is largely attributable to growth in interest income from bonds due to higher interest rates.
>
> **Groupama Italia Vita** posted consolidated net profit of €8.5 million in 2006, up from €1.5 million in 2005, buoyed by both an improvement in the operating margin, as well as an increase in investment income after profit sharing. Operating expenses also increased for the same reasons as those mentioned for the non-life entity.

In Spain, **Groupama Seguros** contributed €58.1 million to the Group's consolidated profit in 2006 up nearly 70% from €34.2 million in 2005. The sharp decline of 11.3 points in the net combined ratio explains largely the improved net profit. The net claims ratio for property and liability insurance fell 13.3 points, reflecting strong performance in the motor sector, where the average cost and frequency fell in 2006. The commercial sector also enjoyed significant growth in its operating margin. In life and health insurance, the net claims ratio declined 7.5 points. Operating profit of the savings business was down primarily due to higher actuarial provisions for certain products. The 15.3% increase in investment income in 2006 was attributable to realised capital gains net of write-backs, as well as higher revenues net of expenses. The €15.3 million increase in tax expense is in proportion to the growth in the pre-tax earnings posted by the entity.

The **Group's other foreign subsidiaries** posted the following results in 2006:

> The **Portuguese subsidiaries** posted total net profit of €2.7 million in 2006, versus €3.5 million in 2005. In life insurance, the contribution fell 21.9%, despite growth in the net operating margin. In non-life insurance, it should be noted that the 4.3 point increase in the net combined ratio is entirely attributable to the deterioration in the net claims ratio.
>
> In **Hungary**, recovery continued, and the subsidiary almost reached breakeven (a loss of €0.5 million in 2006, versus a loss of €2.3 million in 2005). The combined ratio fell almost 10 points, explaining this improvement. The operating expense ratio fell 15.4 points, while net claims deteriorated 5.6 points.

Gan Outre-Mer IARD generated €12.3 million in consolidated net profit in 2006, up from €8.4 million in 2005. This improvement is attributable to the more than 10 point improvement in the net combined ratio, which stood at 81.6% at yearend 2006. The current level of claims was affected by the impact of major claims, which were largely ceded to reinsurers; the reinsurance result was up €4.0 million.

The **Turkish subsidiaries** Basak Groupama Sigorta and Basak Groupama Emeklilik (consolidated in the second half of the year) generated a loss of €9.0 million in 2006, largely due to non-life activities. This contribution will soon become positive again. The non-life entity's combined ratio was 131.6%, of which 97.6% represented the net claims ratio and 34.0% represented net operating expense ratio. The life entity's activities came in at breakeven on account of the €12 million impairment charge on Basak Groupama Emeklilik's assets brought forward. It should be noted that the consolidated financial statements also include €0.3 million in the Group's share of earnings of Günes Sigorta.

Discontinued activities – International generated a loss of €2.7 million, broken down as follows:

Zénith Vie posted earnings of €2.0 million in 2006, versus €4.9 million in 2005 due to a sharp fall in investment income (down 19.1%).

The Group's former U.S. activities managed by **Rampart** produced a loss of €5.2 million compared to a loss of €2.1 million in 2005 due to lower investment income, together with increases in provisions.

The earnings of **Luxlife,** which was put into "run-off" status in 2004, were stable.

5.3.4.3 Financial activities

The Group's **financial activities** posted 2006 earnings of €35.0 million, a steep increase over €25.9 million in 2005.

Banque Finama posted a very small net profit compared with a €2.6 million loss in 2005. This improvement is primarily attributable to an increase in net banking income from institutional clients.

The **investment management subsidiaries** (Groupama Asset Management and its subsidiaries) posted a stronger contribution (€30.6 million in 2006 versus €24.5 million in 2005), driven by an upbeat economic environment, which boosted assets under management, as well as growth in the third party asset management business.

Finama Private Equity posted a profit of €0.9 million in 2006.

The contribution of **Groupama Immobilier,** the Group's investment real estate management subsidiary, was €3.3 million in 2006, which was comparable to that of the prior year.

5.3.4.4 Analysis of holding companies

The holding companies posted a €89 million loss in 2006, an improvement over 2005 (a loss of €118 million). This loss is primarily due to the negative impact of Groupama SA's holding company activities (which resulted in a loss of €48 million).

Groupama International generated a loss of €17.9 million in 2006, compared to a loss of €10.0 million in 2005. This change is primarily attributable to operating expenses related to charges in the Group's company acquisitions and sales.

Gan UK generated a €27.0 million loss in 2006, compared to a €12.9 million loss in 2005. The larger loss in 2006 was due to the sale of Minster Insurance, which resulted in a €7.2 million loss.

5.3.4.5 Operating profit from life and non-life insurance activities

Operating profit in the non-life sector rose €244 million to €777 million in 2006, bolstered by the significant 5.2 point drop in the net combined ratio to 98.6% in 2006. However, it should be noted that there was a decline in other net operating income largely attributable to expenses related to the Group's growth and to increases to provisions for risks and charges (commitments to employees and litigation). Net investment income was also 4.2% higher. Fluctuations in the fair value of derivatives and an increase in net investment income are the primary reasons for this growth. Net capital gains and losses fell significantly.

Operating profit in the life sector fell €28 million in 2006, as noted above.

N.B. : The non-life operating profit includes the activities of the holding company

5.3.5 Consolidated balance sheet

As at 31 December 2006, Groupama's total consolidated balance sheet stood at €78.6 billion, versus €74.4 billion as at 31 December 2005, up 5.6%.

Goodwill

Goodwill totalled €1.39 billion as of 31 December 2006, versus €1.15 billion as of 31 December 2005. The acquisitions of the Turkish subsidiaries Basak Groupama Sigorta and Basak Groupama Emeklilik, as well as the broker Carole Nash, largely explain this increase during the year.

Intangible assets

In connection with the acquisition of the Turkish subsidiaries, Groupama also established a value for the portfolio of the life business and a value for the distribution networks and client relationships in the life insurance sector of €50 million and €53 million respectively, before amortisation for the period. These amounts will be amortised on a *pro rata* basis based on the margins generated. In addition, the Basak Groupama brand name was valued at €21 million.

Investments (including unit-linked investments)

Insurance investments totalled €66.7 billion versus €63.9 billion, an increase of €2.8 billion or 4.4%. Growth in the Group's business explains this increase. The Group's unrealised capital gains totalled €9.4 billion at year end 2006, up €388 million or 4.3% compared to 31 December 2005. The share payable to the shareholders totalled €3.5 billion in 2006, compared to €2.9 billion in 2005. This change results from the positive impact of the over 17% increase in the CAC 40 index of share prices, strong performance in real estate markets, and the unfavourable effect of the 0.68 point rise in the interest rate on the 10 year treasury bonds.

These investments are structured as follows:

– Bonds and units of fixed income mutual funds	65%
– Equities and units of variable income mutual funds	24%
– Real estate	5%
– Unit-linked Investments	5%
– Other	1%

Capital and reserves

As at 31 December 2006, the Group's consolidated shareholders' equity totalled €5.1 billion, a strong 16.1% increase compared to 31 December 2005.

This growth can be summarised as follows: (€m)

Shareholders' equity at 1 January 2006	**4,387**
Impact of the revaluation reserve: fair value of AFS assets	- 624
Impact of the revaluation reserve: shadow accounting	469
Impact of the revaluation reserve: deferred taxes	336
Other	- 74
Income (loss)	**600**
Shareholders' equity at 31.12.06	**5,094**

Strong performance in the financial markets, deferred taxes, and the Group's higher net profit, resulted in an increase in the Group's shareholders' equity. The change in the fair value of securities in the assets held for sale category, adjusted for the effect of shadow accounting for the life business and deferred taxes, is the primary cause of the increase in shareholders' equity.

Subordinated debt and borrowing

Total subordinated debt as at 31 December 2006 was €1.25 billion, the same amount as the preceding year.

The Group's external debt totalled €827 million, up €111 million compared to 31 December 2005. This increase is primarily due to financing the growth of the real estate company Silic.

Underwriting reserves

Gross technical provisions (including deferred profit sharing) totalled €62.9 billion as at 31 December 2006 up 4.1% from €60.4 billion as at 31 December 2005.

Provisions for risks and charges

Provisions for risks and charges declined €54 million during the year, and stood at €553 million as at 31 December 2006.

5.4 Comparison of the fiscal years ending 31 December 2004 and 31 December 2005

5.4.1 Group premium income (premiums written)

	31/12/2005	**31/12/2004**	**change(1)**
		millions of euros	
Property and liability insurance France	3,543	3,339	2.6%
Life and health insurance France	4,950	4,658	6.1%
Sub-total France	**8,493**	**7,997**	**4.6%**
Property and liability insurance International	1,444	1,382	4.5%
Life and health insurance International	549	474	15.3%
Sub-total International	**1,993**	**1,856**	**7.3%**
Discontinued activities (France and International)	70	132	-47%
Groupama Banque and Groupama Épargne Salariale	39	25	56%
Other financial activities	167	139	20.1%
Total GROUPAMA SA	**10,762**	**10,149**	**4.7%**

(1) based on constant consolidation scope, exchange rates, and accounting methods

At 31 December 2005, the consolidated insurance premium income for Groupama SA totalled €10.6 billion, an increase of 5.7% from 2004 in current exchange rates. When financial activities are included, the group's 2005 turnover totalled €10.8 billion, an increase of 6.0% over 2004 results.

At constant exchange rates and consolidation scope, the growth in the insurance consolidated premium income was up 4.4% from the 31 December 2004 level. The Group's total turnover based on constant exchange rates and consolidation scope increased 4.7%.

During 2005, premium income from Insurance in France, excluding discontinued activities, grew 6.2% in current exchange rates and 4.6% in constant exchange rates. It represented 78.9% of the Group's total business. International business (18.5% of total premium income) is up 7.4% at current exchange rates and 7.3% at constant exchange rates, excluding discontinued activities. The Group's other activities represent 2.6% of total revenues.

The Group posted a significant increase in life and health insurance premium income, which was up 7.0% at current and 6.9% at constant exchange rates. Life and health insurance in France increased 6.1%, but was nevertheless lower than the very strong French market overall, which was up 14%. International showed consistent growth in life and health insurance activities, which were up 15.8% at current exchange rates and 15.3% at constant exchange rates. Subsidiaries in southern Europe made a strong contribution to this growth.

In the areas of property and liability insurance, premium income rose 5.8% in current terms and 3.1% in constant terms. In France, there was 6.4% growth in this activity on a current consolidation scope and 2.6% on a constant consolidation scope. In International, premium income in this area was up 4.5%.

(a) Insurance in France (78.9% of the group's premium income)

Premium income for Insurance in France grew 4.6% between 31 December 2004 and 31 December 2005. The Group's growth in property and liability insurance (41.8% of premium income in France) was 2.6%, slightly higher than the 2.5% growth in the market overall. Life and health insurance

(58.2% of French premium income) showed a 6.1% increase (excluding discontinued activities) compared to 14% growth in the market overall.

The provident insurance sector was up 7.0% compared with 31 December 2004 (a growth rate identical to the market overall). Activity in the individual savings and retirement sector increased 8.6% from 2004 (compared with 14% for the market as a whole), driven by an increase in payments for unit-linked contracts of 64.3% (versus 47% for the market as a whole).

Groupama SA

Premium income for **Groupama SA, totalled €1,689 million, up 3.6% compared to 31 December 2004**. Reinsurance inwards from the regional mutuals was up 3.8% (restated for credit/surety and assistance contributions) while premium income for the regional mutuals was up 2.2%.

There were contrasting developments in the premium income of the various business lines. The growth in the health risk sector (+7.9%) and other life and health insurance (+6.0%) is largely attributable to premium increases for health coverage and a focus on strong growth in the area of non-occupational accident insurance (+30.9%). In contrast the drop in motor insurance rates due to strong competition and a small decrease in the number of vehicles covered (-0.6%), resulted in a decline in premiums written. There was notable success in the introduction of multi-risk climate insurance where premium income totalled €32 million in 2005; this result allowed Groupama to consolidate its position in this market in France.

Groupama SA's premium income for life and health insurance grew significantly by 6.4%, while income from property and liability was up 2.7%.

Groupama Vie

Groupama Vie earned premium income totalling €1,760 million, a 9.1% increase over 2004. This change is attributable to growth in both individual insurance (+8.7%) and group life insurance (+13.1%) sectors. In individual insurance, premium growth was driven by strong performance in the savings sector. Rate guarantee marketing initiatives (carried out at the end of 2004 and 2005) and strong performance by the financial markets explain the increase in collections (primarily unit account payments). In group insurance, premium income rose 13.1% over the 2004 level. Adjusted for the payment on the EDF retirement contract, premium income shows growth of 24.7%, reflecting the effect of substantial payments on contracts for retirement packages.

Gan Assurances

The network of insurance agents posted a 3.0% growth in their activity.

– Gan Assurances Vie posted premium income of €1,147 million, a 2.8% increase over 31 December 2004. This growth occurred in the market for individual insurance (+3.6%) and to a lesser extent in the group insurance market (+1.1%). In individual insurance, the 3.6% increase in premiums is attributable to savings collections (+19.5%) and health payments (+4.9%), and reflects rates increases. Group insurance premium income grew 1.1% compared to the previous year. This growth was largely due to rates increases in both provident insurance (particularly for work stoppages) as well as health.

– Gan Assurances IARD posted premium income of €1,134 million, up 3.2% compared to 2004 figures, adjusted for the effect of a change in premium issue methods. In direct agent business (which represents over 95% of Gan Assurances IARD's business), the premium income growth is largely attributable to intrinsic portfolio growth (+28,000 new policies, 25,400 of which were motor policies). The motor sector thus showed 3.2% premium growth. In construction insurance, there was a strong 44% premium growth, particularly in the construction sites property risks sector. In home insurance, premiums showed a positive trend (up 4.1%), largely due to portfolio growth, combined with rates increases for the non-occupied property sector.

Gan Eurocourtage

The brokerage network posted premium income of €1,358 million, almost the same as 2004 (-0.5%).

– Gan Eurocourtage Vie posted premium income of €591 million, a 4.6% increase over the prior year. This positive development is attributable to rate increases in the health and provident insurance sectors. In savings, the life group's business grew 8.6%, largely due to new policies.

– Gan Eurocourtage IARD posted premium income of €767 million, a drop of 4.1% from 2004. There were contrasting results in various markets. The growth in group products, particularly motor offerings, had a very positive impact on the personal and professional market, where premium income was up 8.9%. In commercial lines, premium income contracted sharply (-14.1%); this market has become highly competitive, particularly for industrial risks (-19.0%) and fleets (-13.8%).

Gan Prévoyance

Gan Prévoyance posted premium income of €454 million, up 5.1% compared to December 2004. This growth was attributable in part to 12.0% premium increases in retirement and 6.3% increases in savings products with periodic premiums.

Gan Patrimoine

Premium income for Gan Patrimoine and its subsidiaries was €573 million, an increase of 5.7% over the prior year, which had fallen 6.6%. The premium growth for this profit centre is attributable to strong growth in single premium savings/retirement products denominated in euros. In contrast, premium income from periodic premium savings/retirement products fell. Although the contribution of the provident insurance sector is still modest, it posted a significant 19.5% increase in premiums due to the strong growth in the Gan Obsèques product line.

Groupama Transport

In 2005, le Groupama Transport's premium income was €300 million, up 16.7% compared to the prior year. The marine and aviation sectors posted strong growth, of 15.7% and 18.7% respectively. The performance in marine is largely attributable to new business development in the UK market, both in hull and cargo insurance. In aviation, the premium income derives from participations in the Réunion Aérienne and Réunion Spatiale pools, and the growth of premium income is entirely due to positive foreign exchange effects (90% of aviation premiums are paid in dollars).

Other specialist Group companies

Groupama Assurance-Crédit became the Group's only direct insurer for credit/surety business on 1 January 2005. On a constant consolidation scope basis, the premium income of €27 million stagnated because of the sharp slowdown of business growth and the contraction in insurable business due to the overall business climate.

Groupama Assistance posted premium income that was up sharply compared to 2004 (+ 41.6%), primarily due to higher rates and growth in the card business (Europay contracts).

Its contribution to premium income was up 14.4%, due to a strategy of increasing policies distributed through brokers and partners outside the Group (growth of 34.3% compared to 2004).

Discontinued activities

Premium income from Assuvie was down 6.7%. This entity, the product of a partnership of Gan and BNP, is not writing new business.

(b) International Insurance (18.5% of the group's premium income)

The Group's consolidated International premium income totalled €2.0 billion, up +3.7% from the previous year, including discontinued activities. Excluding the latter, growth was 7.3%. In life and health insurance, business grew 15.3%, driven primarily by life insurance. Premium income from property and liability insurance grew by 4.5%. With the exception of our Hungarian subsidiary, all subsidiaries posted very good growth.

After several years of portfolio restructuring and a rigorously controlled subscription policy, Groupama Insurance showed strong recovery in 2005, with premium income of €504 million (+11.5%). All sectors contributed to this growth. In motor insurance, premiums rose 16.7%. The property damage and other risk sector also contributed 13.9% to the growth of the subsidiary's activity.

Gan Italia grew in the areas of capitalisation, pension funds, and unit linked policies. Business in Italy increased 3.6% compared to 2004, driven by activity in the life sector. This sector posted premium income of €191 million, up 6.7%, due to good performance in group insurance and the success of two window campaigns carried out during the year. Growth in the non-life premium income (€353 million) was considerably smaller, however (+2.0%).

In Spain, premium income of Groupama Seguros (€707 million at yearend 2005) was up 4.6% compared to 2004. Life business posted very strong growth (up 22.2%), driven by the introduction of a new savings product Groupama Inversion Activa in the second half of the year. Premium income for non-life activities was up 3.1%, driven by contributions from the individual, business and health sectors. This growth was in part offset by the slow-down in the motor sector (-3.5%), largely due to strong competitive pressure on rates and termination of significant contracts at the end of 2004 and continuing into 2005.

In Portugal, Groupama Seguros posted solid performance in 2005 (+37.8%), particularly in life insurance, whose premium income of €109 million continued its sharp increase (+42.1%), again based on its "bancassurance" agreements. The life insurance subsidiary showed progress in all its major product families, except for individual retirement policies, due to the elimination of tax advantages for this product type. In non-life insurance, premium income of €15 million was up 10.8%, largely due to the health sector, where premium income rose 18.4%.

Groupama Biztosito had premium income of €43 million in 2005, down 21.8% due to a drop in the number of motor contracts following a major portfolio overhaul with very large rate increases in this sector.

In non-life general insurance, Gan Outre-mer experienced substantial growth (+18.3%), in both the West Indies and the Pacific regions, which reported 26.3% and 10.2% gains respectively. Its premium income totalled €71 million in 2005. These developments were mostly attributable to the growth in multirisk household, business and building portfolios. These results give solid evidence of the dynamic growth of this subsidiary's distribution network.

(c) Discontinued activities

Discontinued activities for the International sector are presented separately in premium income (€56 million in 2005). These activities include the subsidiaries Rampart in the United States, Minster Insurance in the United Kingdom, Luxlife in Luxembourg and Zenith Vie in Switzerland. Premium income at 31 December 2005 consists only of premiums coming from the Swiss subsidiary, which has been assigned "run-off" status as at 1 January 2005.

(d) Groupama Banque and Groupama Épargne Salariale

The business of Groupama Banque, which had turnover of €37 million, continued its growth during 2005. The rise in medium term loans and consumer credit, together with an increase in the number of clients in the portfolio, contributed to this growth, which was spurred by successful marketing activities during the year.

Turnover for Groupama Épargne Salariale totalled €2 million, a significant increase, based on the size of the average assets as well as the increase in fees related to account management and account opening expenses.

(e) Financial activities

Banque Finama's income in 2005 was €60 million, an increase of 11.1%. This growth was stimulated by an increase in the average custody amounts (+18%), payment operations (+11%), and credits and accounts managed for the clients of the estate agency (+35% and +62% respectively).

The income of the asset management subsidiaries was up 25.9% from 2004. This increase is attributable both to good performance by the financial markets and to an increase in the amounts under management. Funds managed by Groupama Asset Management totalled €68.6 billion at yearend 2005.

5.4.2 Breakdown of earnings

The Group posted a significant improvement in net profit, which increased by €79 million (reaching €394 million in 2005, compared to €315 million in 2004). This growth was largely attributable to a major improvement in operating profit in non-life business; life related business was stable. The very strong growth in net investment income both in life and non-life (+€362 million excluding adjustment to unit-linked contracts) is largely due to strong financial market performance in 2005. Investment income from consolidated mutual funds was up €64 million net of policy holders' share of the income and the related deferred tax.

Current non-life operating profit

The combined operating profit from current non-life insurance business totalled €539 million in 2005, compared with €400 million in 2004. The substantial growth in net investment income and the improvement in operating ratios are the primary reasons for this strong growth.

Groupama's net combined ratio was 103.8% at 31 December 2005, down 0.8 point from 31 December 2004. In France, the combined ratio net of reinsurance stood at 104.9% in 2005, an improvement of 1.1 point compared to 2004. This drop was caused by a decline in the net operating expense ratio (-1.4 point), as well as a slight increase in the net claims ratio (+0.3 point).

Operating ratios for the Group's business sectors in France changed as follows:

– Groupama SA's combined ratio was 100.6% at 31 December 2005, up 1.6 point compared to 2004. This increase is attributable to a 1.0 point increase in the current claims ratio and adjustments to the bodily injury sector portfolio;

– the net combined ratio of Gan Assurances IARD improved by 2.6 points, although it was already at a very high level (115.4% at 31 December 2005). The net claims ratio worsened (+4 points), largely due to the rise in the claims ratio for the current fiscal year. In contrast, the operating expense ratio fell by 6.6 points;

– the net combined ratio of Gan Eurocourtage IARD improved by 0.2 point (102.2% in 2005 versus 102.4% in 2004) primarily because of the drop in the net claims pattern ratio, which occurred due to the liquidation of previous years in the personal and professional sector.;

– the net combined ratio for the other entities was 89.5%.

In International, the net combined ratio fell 0.2 point and stood at 100.8% at 31 December 2005, compared to 101.0% in 2004. This change reflects a drop in the net pattern of claims (-0.9 point), particularly for our English subsidiary, and an increase in the operating expense ratio.

Net non-life operating expenses (€1.67 billion in 2005) fell by 1.1% compared to 2004. The net operating expense ratio was 29.6% on 31 December 2005 versus 30.4% on 31 December 2004).

– In France, the net operating expense ratio improved by 1.4 point, and stood at 29.7% on 31 December 2005.

– In International, the ratio stood at 29.5%, a 0.7 point deterioration, mostly due to our Spanish and English subsidiaries.

Non-life investment income totalled €851 million in 2005, rising 6.0% above 2004 levels. The realisation of capital gains and losses net of recovery of provisions on securities classified as "available for sale" (AFS) increased substantially, and are largely responsible for the growth in investment income. However, there was a drop in income from real estate due to disposals of real estate carried out in 2004.

Current operating profit for life businesses

Operating profit for the life business stood at €237 million as of 31 December 2005, compared to €233 million in 2004.

Premiums earned net of disposals were up year on year, in line with growth in life insurance premium income for the whole Group. Growth was however stronger in International, with the French entities posting more modest performance due to their different product mix.

Underwriting expenses rose to €4.0 billion at 31 December 2005 versus €3.71 billion in 2004. The ratio of underwriting expenses to net earned premiums was 96.9% in 2005 versus 95.0% in 2004. The decline in the discount rate for the calculation of certain types of actuarial reserves partially explains this change, although this drop had already been partially factored in during 2004.

Operating expenses for the life entities increased. As a percentage of net earned premiums, the rate was up by 0.7 point. The net operating expense ratio compared to technical provisions rose to 1.2% in 2005 versus 1.1% in 2004.

Life investment products totalled €2.28 billion in 2005, compared to €1.97 billion in 2004. As in the case of the non-life sector, the increase is largely attributable to the realisation of capital gains and losses net of recovery of provisions on securities classified as AFS. There was however a decline in the fair value of derivative instruments.

Profit sharings attributable to policyholders were up strongly. This growth is in line with investment products which followed the same trend; they represent 73.0% of investment income net of expenses in 2005, versus 74.7% in 2004.

Operating profit from other activities

The Group's consolidated operating income at 31 December 2005 represents a profit of €773 million versus €605 million in 2004. As mentioned above, this growth was largely driven by performance in the non-life business, due both to the increase in investment income and to efforts to improve underwriting fundamentals.

It should also be noted that the Group's consolidated operating income includes an operating loss in the banking sector of €3 million in 2005 versus a deficit of €28 million in 2004. This improvement is largely due to investment activities and is based on portfolio growth, together with the strong performance of financial markets.

5.4.3 Other management expenses

5.4.3.1 Financing expenses

Financing expenses were down from the prior year. They fell from €86 million at 31 December 2004 to €84 million at 31 December 2005, despite the €500 million perpetual FRN issue in July 2005, which occurred under favourable terms. The favourable interest rates at that time on the variable part of the subordinated bonds and the repayment of loans maturing at the end of 2005 contributed to the reduction in financing expenses.

5.4.3.2 Corporate income tax

Corporate income tax expenses totalled €260 million at 31 December 2005 versus a €178 million expense at 31 December 2004. The increase in the consolidated tax expense is largely attributable to the marked improvement in the period's operating profit. The effective tax rate of 37.6% at 31 December 2005 was relatively stable compared to the prior year.

5.4.3.3 Other factors

2005 income from equity investments totalled €1.8 million, representing the contribution of the Turkish subsidiary, Günes Sigorta.

Income from minority interests was €37 million for 2005, compared to €30 million in 2004. It represents primarily the income attributable to a minority stake in Silic.

5.4.4 Consolidated net profit

Consolidated net profit (Group share) totalled €394 million in 2005 versus €315 million in 2004, and breaks down by business line as follows:

	Group share 2005	**Group share 2004**
	(millions of euros)	
Insurance, Banking and Services France	373	378
International insurance	118	56
Investment activities	26	13
Holding companies and other	-123	-132
Consolidated net profit (Group share)	**394**	**315**

The contribution of non-life insurance in France to the consolidated profit was €207 million, compared to profit of €122 million in 2004. This growth was primarily attributable to the improvement in investment income and a 1.1 point drop in the combined ratio.

The contribution of life insurance in France to consolidated profit was €203 million, down compared to the €297 million contribution as at 31 December 2004. This change is attributable to an increase in operating expenses, a decline in real estate income and a higher overall tax rate.

5.4.4.1 Insurance, banking and services in France

Groupama SA

The contribution of Groupama SA to the consolidated profit of Groupama totalled €23.9 million at 31 December 2005 (versus a loss of €62 million in 2004).

The net combined reinsurance ratio of Groupama SA stood at 100.6%, an increase of 1.6 point compared to December 2004.

The decline in Groupama SA's operating income is attributable to the 3.5 point deterioration in the gross pattern of claims in 2005. The 1.0 point deterioration in the claims ratio in 2005 came primarily from the motor sector. In previous years, Groupama SA had made reserve adjustments in the bodily injury sector. These adjustments were in part made to factor in the decline in interest rates applied to annuity provision tables, as well as to changes in medical costs. External reinsurance generated a loss of €161.7 million. This strongly negative showing resulted from the fact that the year 2005 experienced few claims from storms and natural disasters. Groupama SA's operating margin was therefore €119.1 million in 2005, compared with €148.4 million in 2004. The operating expenses ratio was stable at 30.5% in 2005.

Investment income contributed by Groupama SA totalled €162.5 million in 2005, showing strong growth compared to the prior year, when it was €115.9 million. This growth came from the increase in securities income and the rise in realised capital gains (net of recovery of provisions for AFS securities sold), both under direct management and *via* mutual funds.

Financing expenses totalled €42.5 million in 2005 versus €40.0 million in 2004. The increase is primarily due to interest charges related to the €500 million perpetual FRN issue in July 2005.

Finally, Groupama SA had a total tax expense (including both currently payable and deferred taxes) of €29.9 million at 31 December 2005 versus income of €11.1 million in the prior year.

From an analytic standpoint, Groupama SA's net profit can be broken down into operating profit of the Insurance Banking Services France sector (which made a positive contribution of €117.0 million) and €93.2 million in holding company expenses.

Groupama Vie

Groupama Vie's 2005 contribution to the Group's consolidated profits totalled €90.1 million versus €94.1 million in 2004 after consolidation of the share of the profits from real estate companies received by this entity.

- Its operating result was €40.0 million versus €44.5 million at 31 December 2004. This change is primarily attributable to a drop in income from personal death provident insurance which experienced a pattern of rising claims and a decline in claims releases.
- General expenses and management payments to the network, which increased from 2004 levels, were still covered by management fees. It should be emphasized that project costs and computer maintenance expenses are the reason for the growth in operating costs.
- The consolidated result net of profit-sharing was a surplus of €88.5 million in 2005 versus €82.0 million in 2004.
- The total tax expense of Groupama Vie totalled €41.6 million in 2005 versus €32.8 million in 2004.

Gan Assurances

Gan Assurance's contribution to the Group's consolidated profit totalled €44.1 million in 2005 versus €90.9 million in 2004. This profit was however affected by exceptional capital gains in real estate in 2004 (€63 million net of profit sharing).

Profits contributed by Gan Assurances Vie totalled €52.7 million for 2005 versus €104.6 million at 31 December 2004. Exceptional real estate capital gains mentioned above explain the drop in the contribution, while other elements of the income statement improved, with the exception of operating costs:

- The operating margin in individual insurance grew over 25% compared to 2004. This margin remained favourable for all business lines. The increase in the operating margin in provident insurance and health was significantly impacted by an improvement in the pattern of claims. The operating margin for the retirement sector rose in 2005.

– The group life insurance sector showed a +24.3% improvement in its operating margin. The drop in claims, particularly in the provident insurance and health sectors (for both death and work stoppages) combined with a favourable settlement for prior years, contributed to the improvement in the operating margin;

– Net operating expenses grew 10.9% in 2005, primarily due to an increase in commission rates by almost 0.5 point and higher commercial inspection fees;

– Investment income net of charges (including reallocation of real estate) showed strong improvement. Capital gains realised net of recovery of provisions on AFS classified securities (both under direct management and through mutual funds) and the change in fair value of securities classified as "trading" (negotiable assets) are the reason for this growth. This change results in an automatic increase in the charge for policyholders' profit sharing;

– Tax expense was stable at €24.5 million in 2005 versus €25.1 million in 2004.

Gan Assurances IARD posted a negative contribution to the net combined income (-€8.6 million versus -€13.7 million in 2004). At 31 December 2005, the net combined reinsurance ratio stood at 115.5% versus 118.0% on 31 December 2004.

– A significant deterioration in the gross pattern of claims occurred (74.4% as of 31 December 2005 versus 71.6% in 2004). This decline is primarily attributable to a marked deterioration in the motor sector (up 7.7 points). The professional risk sectors were also affected by major claims in 2005, which had a negative effect on their claims ratio.

– The operating expenses ratio improved 6.6 points compared to 2004, particularly due to information technology expenses incurred during consolidation and the implementation of the SIGMA management tool in 2004.

– Investment income declined (€137.1 million in 2005 versus €152.8 million in 2004). Sales of real estate assets and bond holdings were carried out in 2004, largely explaining the higher investment income in 2004.

Gan Encourtage

Gan Eurocourtage contributed €81.3 million to the Group's consolidated income in 2005, the same amount as in the prior year.

The contribution of Gan Eurocourtage Vie totalled €13.4 million in 2005 versus €34.4 million in 2004, when there were exceptional capital gains in real estate of €18.2 million.

This change was attributable to the following factors:

– The operating margin fell slightly. There were varying performances in different sectors. In both provident insurance and health income grew significantly due to an improvement in the pattern of claims. The entity also benefited from rigorous portfolio management over the last few years. On the other hand, the life group experienced the impact of the lower technical interest rate and therefore posted a decline in its operating margin;

– Net investment income was up €27 million. This increase is largely due to the favourable impact of capital gains realised in the consolidated mutual funds and to the change in the fair value of assets classified as "trading". In contrast, there was a significant drop in real estate revenues and a decline in unrealised capital gains on term foreign exchange sales. On the other hand, there was a €34 million increase to the charge for profit-sharing paid out to policy holders;

– The total tax expense was €9.0 million in 2005 versus €6.6 million in 2004.

Gan Eurocourtage IARD made a contribution of €67.9 million to the Group's combined income in 2005 versus €46.8 million in 2004.

– The net combined reinsurance ratio improved slightly and stood at 102.2% at yearend 2005 versus 102.4% in 2004. This drop is due to a 2.5 point decline in the claims ratio owing to the effect of the improved reinsurance balance, although gross claims deteriorated. The claims ratio for the year increased, in the personal and professional and in the commercial markets. The occurrence of major claims in the business and industrial risks sectors is the reason for this deterioration. In contrast, it should be noted that there were significant improvements in the individual motor, third party liability and construction sectors.

– The contribution to investment income increased strongly when compared to the prior year (€124.8 million versus €98.7 million in 2004). This growth was caused by an increase in capital gains on sales net of recoveries from provisions for depreciation of AFS securities (both under direct and joint management).
– The increase in total tax expense is largely due to the increase in the contributed profit in 2005 compared to that of 2004.

Gan Prévoyance

Gan Prévoyance's contribution to profits totalled €21.7 million, down from its €37.3 million level at 31 December 2004. As with Gan Assurance Vie, the contribution of Gan Prévoyance was affected by exceptional real estate capital gains in 2004 which amounted to €14.9 million.

– The operating margin of Gan Prévoyance posted a €1.9 million increase in 2005. This change resulted from a rise in the operating margin in the life sector, which was partially offset by a decrease in the operating margin of the non-life sector.
– The increase in net operating expenses (including acquisition expense carried forward) is tied to in an increase in various external expenses (particularly relating to information technology).
– Realisation of capital gains in consolidated mutual funds is the primary reason for the €26.7 million growth in net investment income in 2005. However most of this favourable result was for the benefit of policy holders.

Gan Patrimoine

Gan Patrimoine and its subsidiaries contributed €22.8 million to the Group's consolidated profit in 2005, almost identical to their 2004 contribution.

– The profit centre's 2005 operating margin was stable compared to 2004 levels.
– Operating expenses increased slightly compared to those of 2004.
– Consolidated investment income (excluding adjustments to unit-linked contracts) was up about €1 million. The positive effects of the change in fair value of financial instruments and the consolidation of the mutual fund accounts were totally offset by the decline in capital gains on sales net of recovery of provisions.
– The total tax expense was €10.1 million, at the same level as 2004.

Groupama Transport

The contribution of Groupama Transport to the Group's consolidated profit was €20.9 million in 2005, a 40.2% increase over the prior year. Groupama Transport's net combined ratio improved slightly to 91.8%; both components of this ratio changed slightly (+0.3 point for the claims ratio and -0.6 point for the net operating expense ratio). In the marine sector, gross claims were stable with a ratio of 58.2% in 2005, compared with 58.6% in 2004. Aviation remained profitable, although claims resulted in a decline of almost 40 points. This change was attributable to the deterioration of technical results in the aviation pool because of a series of disasters, most of which occurred during the summer of 2005. Other pools (in "run-off") had a negative impact on the aviation sector following upon significant reserves adjustments. The net operating expense ratio improved. Foreign exchange profits were up strongly (due to the favourable level of the dollar) and the realisation of exceptional gains by the aviation pool contributed €9.7 million to 2005 financial income. Tax expense increased sharply (+€7.4 million) in 2005 primarily due to the entity's higher profits.

Other specialist Group companies

At yearend 2005, the other specialist companies of the Group posted a total contribution of €9.8 million to the Group's consolidated income, up from the prior year (€8.3 million). This net profit was broken down as follows:

– Groupama Assurance Crédit contributed €3.2 million, up €1.6 million compared to 2004. Investment income was the primary contributor to this increase (up €2.0 million).
– Mutuaide Assistance's contribution to the Group was €2.8 million, down €0.9 million compared to 2004. Changes in methods for reinsurance of assistance risk within the Group accounted for this drop in 2005.
– Groupama Protection Juridique contributed €0.9 million more in 2005, for a total of €3.8 million, due to the combined effect of improved operating and investment results.

Discontinued activities in France

Assuvie made a €2.2 million contribution to the Group's 2005 consolidated profit versus €4.8 million in 2004.

Groupama Banque and Groupama Épargne Salariale

Groupama Banque posted a €36.2 million loss at 31 December 2005 versus a €39 million loss in 2004. Despite a 39% growth in net banking income in 2005, it was not sufficient to cover the operating expenses of this activity, which is in a period of growth (55,000 new accounts during the year).

Results for Groupama Épargne Salariale improved in 2005, but this sector still posted a loss of €1 million.

5.4.4.2 International insurance

The contribution of International Insurance to the consolidated profit was €117.8 million compared to 2004 results of €56.8 million. This strong growth is largely attributable to the contributions made by the UK and Spanish entities.

In 2005, Groupama Insurance continued to improve its contribution to profits as it has done over recent years, posting €48.6 million versus €28.5 million. This favourable result was due to an improvement in the combined ratio (down 1.7 point) and an increase in net investment income.

Despite an almost 2 point increase in gross operating expenses, the combined ratio declined by comparison with 2004 due to a favourable 4.9 point change in gross claims. It should be noted that the cancellation of the SAGA contract in 2004 had a 2.8 point impact on the pattern of claims. With the exception of the household sector, all areas experienced a drop in the claims ratio.

The improvement in operating performance in 2005 was accompanied by a €7.6 million improvement in investment income, entirely due to an increase in current income.

The Italian subsidiaries posted a €17 million contribution to the combined profit in 2005, compared with €10.4 million in 2004.

– In non-life insurance, the net combined ratio was stable in 2005 compared to yearend 2004 at 100.7%. Investment income was up a strong 26.6% due to the realisation of capital gains net of recoveries from provisions. This subsidiary's contribution totalled €15.4 million.
– Gan Italia Vita posted a €1.5 million contribution in 2005 versus a €1.9 million loss in 2004. This improvement was driven by an improvement in the operating margin, primarily due to additional charges to provisions. Investment income for 2005 was down, but it should be noted that exceptional capital gains on sales were realised in 2004.

In Spain, Groupama Seguros posted a €34.2 million contribution at 31 December 2005 compared with €21.0 million in 2004. The net combined ratio rose 0.7 point. The reason for this increase was that the net claims ratio of the Spanish subsidiary improved by 0.8 point while its net operating expense ratio increased 1.6 point. This change was in attributable to releases from prior years on the one hand, which were significantly larger in 2005 and operating expenses on the other, which were increased by expenses incurred for a marketing campaign aimed at improving brand recognition for Groupama in Spain. In life business, there was an improvement in the operating margin. Realisation of capital gains on sales net of recoveries made the largest contribution to the growth in net investment income for the year.

The Group's other foreign subsidiaries posted the following results in 2005:

– The Portuguese subsidiaries posted a €3.5 million contribution in 2005 versus €3.8 million as of 31 December 2004. Due to lower financial earnings in life business during 2005, the entity's contribution was down slightly, despite an increase in the net operating margin. Concurrently, there was a 3.4 point improvement in the combined non-life ratio;
– Following initiatives taken to restore profitability to the subsidiary in Hungary, its contribution, although still negative, improved considerably a €2.3 million loss in 2005 versus a €9.3 million loss in 2004. The effects are significant at the level of the net combined ratio (down 20.5 points) and are entirely due to the net claims ratio (down 21.7 points).
– Gan Outre-mer IARD made a €8.4 million contribution in 2005 versus €1.9 million in 2004. This increase is in part due to a 1.4 point improvement in the net combined ratio as well as strong growth in net investment income.

- In Turkey, the Group's investment in Günes Sigorta produced a contribution of €1.1 million in 2005 versus €3.8 million in 2004.

Discontinued activities in International made a €7.4 million contribution, broken down as follows:

- Zénith Vie posted a positive contribution of €4.9 million versus a loss of €7.5 million at 31 December 2004.
- The Group's former US activities, managed by Rampart, made a negative €2.1 million contribution in 2005 compared with a €1.8 million profit in 2004.
- The Group's "run-off" activities in the UK, which are housed in Minster Insurance, produced a €5.6 million profit in 2005, up €3.8 million compared to 2004. This increase is due to capital gains on disposals.
- The earnings of Luxlife, which was put into "run-off" status in 2004, were stable.

5.4.4.3 Financial activities

The Group's financial activities posted a €25.9 million contribution to consolidated profit at 31 December 2005, a significant increase over 2004's €13.3 million contribution.

Banque Finama posted a loss of €2.6 million. This figure represented a significant improvement compared to 2004's loss of €6.5 million. This favourable development is largely attributable to the increase in net banking income, especially relating to the bank's asset management activities.

The investment management subsidiaries (Groupama Asset Management and its subsidiaries) posted a much stronger contribution (€24.5 million in 2005 versus €16.1 million in 2004). The growth in the institutional client base, as well as the amount of assets under management, are the reasons for this strong performance during a period of favourable market conditions.

Finama Private Equity posted a profit of €0.6 million in 2005.

The contribution of Groupama Immobilier, the Group's investment real estate management subsidiary, was €3.4 million in 2005, which was comparable to that of the prior year.

5.4.4.4 Analysis of holding companies

The holding companies posted a €116 million loss at 31 December 2005, an improvement over 2004 levels (€138 million loss). This loss is primarily due to the negative impact of Groupama SA's holding company activities (which resulted in a loss of €93 million).

Groupama International generated a loss of €10.0 million in 2005 compared with a €6.2 million loss in 2004.

Gan UK posted a loss of €12.9 million at 31 December 2005 versus a loss of €6.9 million in 2004. It should be recalled that retirement commitments to employees of operating subsidiaries were overhauled during 2004, resulting in a €7 million decrease in employee benefit liabilities. On the other hand, borrowing costs were relatively stable in comparison with 2004 levels.

5.4.5 Consolidated balance sheet

At 31 December 2005, Groupama's total consolidated balance sheet stood at €74.4 billion, versus €67.8 billion as of 31 December 2004, a growth of 9.7%.

Goodwill

The €6 million change in goodwill between 31 December 2004 (€1.15 billion) and 31 December 2005 (€1.16 billion) is due to goodwill recognised by Groupama Insurance following the acquisition of Clinicare.

Investments (including unit-linked investments)

Insurance investments (now mostly shown at market value) totalled €63.9 billion versus €57.0 billion at yearend 2004, a €6.9 billion increase (up 12.1%). This increase is primarily due to strong financial market performance, especially an increase of over 23% in the CAC 40, and a decline in interest rates. The Group's unrealised capital gains totalled €9.5 billion, a strong €3.4 billion increase over 31 December 2004 levels.

These investments are structured as follows:

Bonds and units of fixed income mutual funds: 67%

Equities and units of variable income mutual funds: 21%

Real estate: 5%

Unit-linked Investments: 5%

Other: 2%

Capital and reserves

As of 31 December 2005, the Group's consolidated capital and reserves totalled €4.4 billion, a strong increase compared to 31 December 2004.

This growth can be summarised as follows:

	(€m)
Shareholders' equity at 1 January 2005	**3,114**
Impact of the revaluation reserve: fair value of AFS assets	2,333
Impact of the revaluation reserve: shadow accounting	-1,583
Impact of the revaluation reserve: deferred taxes	145
Other	-16
Income (loss)	**394**
Shareholders' equity at 31.12.05	**4,387**

Strong performance in the financial markets, together with the Group's higher profit, resulted in an increase in the Group's capital and reserves. The change in fair value of securities classified as AFS is effectively taken into shareholders' equity. This effect is however mitigated by the implementation of shadow accounting for life activities as well as the associated deferred tax.

Subordinated liabilities and borrowings

As a result of the perpetual subordinated bond issue in the nominal amount of €500 million, subordinated liabilities increased over the period to €1.25 billion. This loan has a 10 year call feature that allows the issuer to prepay.

The Group's external debt totalled €716 million, up €186 million compared to 31 December 2004. This increase is due to the real estate company, Silic, which made additional borrowings in order to finance its growth.

Technical provisions

Technical provisions (including deferred profit sharing) increased to €60.4 billion in 2005 versus €55.5 billion in December 2004, an 8.8% increase.

Provisions for risks and charges

Provisions for risks and charges were up €40 million euros compared to the prior year, totalling €607 million as of 31 December 2005. This increase was primarily attributable to the present value calculations of retirement commitments to employees.

6. ISSUER'S CAPITAL, CASH AND SOLVENCY REQUIREMENTS

6.1 Issuer capital

At 31 December 2004 and 2005, the share capital of Groupama SA was €1,186,513,186, divided into 57,878,692 shares with a par value of €20.50 each.

At 31 December 2006, the capital of €1,186,513,186 was divided into 231,514,768 shares with a par value of €5.125 each.

The main shareholders are Groupama Holding and Groupama Holding 2 which hold 90.9% and 9% of the Groupama SA capital, respectively.

	2006	**2005**	**2004**
		(M€)	
Capital	1,187	1,187	1,187
Revaluation reserve	2,007	1,816	941
Other reserves	1,275	977	674
Unrealised FX gains/losses	25	13	-3
Consolidated profit	600	394	315
Shareholders' equity (Group share)	**5,094**	**4,387**	**3,114**
Minority interests	343	252	245
Total shareholders' equity	**5,437**	**4,639**	**3,359**

6.2 Cash and capital

6.2.1 Issuer cash flows

STATEMENT OF CASH FLOWS	**31/12/2006**	**31/12/2005**
Operating profit before taxes	1,004	773
Gains (losses) on sale of investments	(689)	(551)
Net depreciation charges	51	1
Change in deferred acquisition costs	(25)	(6)
Changes in impairment	(82)	(353)
Net increases in technical reserves related to insurance policies and financial contracts	3,102	3,254
Net increases (decreases) to other provisions	(47)	22
Change in fair value of investments and financial instruments Trading/HFT	(152)	29
Change in operating receivables and payables	200	(200)
Change in operating receivables and payables for the banking business	(274)	(212)
Change in securities repurchase agreements	32	11
Cash flows from other assets and liabilities	211	423
Net taxes paid	(157)	(98)
Net cash flows from operating activities	3,174	3,093
Acquisitions/Disposals of subsidiaries and joint ventures, net of cash acquired	(362)	(18)
Cash flows from changes in scope of consolidation	(362)	(18)
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(2,510)	(3,480)
Net acquisitions of investment properties	(166)	(106)
Net acquisitions and/or issues of investments and derivatives from other activities	32	65
Other non-cash items	24	35
Cash flow from acquisitions and issuing of investments	(2,620)	(3,486)
Net acquisitions of tangible and intangible assets and non-current operating assets	44	(1)
Cash flows from acquisitions and disposals of tangible and intangible assets	44	(1)
Net cash flows from investing activities	(2,937)	(3,505)
Cash flows from transactions with shareholders and members (dividends)	(120)	(80)
Cash allocated to financing debt	110	681
Interest paid on financing debt	(108)	(84)
Cash flows related to Group financing	2	597
Net cash flows from financing activities	(118)	517
Cash and cash equivalents as at 1 January	313	208
Net cash flows from operating activities	3,174	3,093
Net cash flows from investing activities	(2,937)	(3,505)
Net cash flows from financing activities	(118)	517
Effect of foreign exchange fluctuations on cash	10	
Cash and cash equivalents as at 31 December	442	313

The breakdown of the 2006 cash flow among the various businesses is as follows:

Cash flows from the insurance business	+ €431 million
Cash flows from the banking business	+€40 million
SILIC cash flows	-€29 million
Total	+€442 million

6.2.2 Acquisitions of subsidiaries and joint ventures

The significant investments made during 2006 (in the total amount of 423 M€) were the following:

United Kingdom

- Acquisition of 100 % of the capital of the broker **Carole Nash Insurance Consultants Limited** in Great Britain

Turkey

- Acquisition in Turkey of 56.67% of the non-life insurance company **Basak Sigorta and 41% of the life insurance company Basak Emeklilik**

Spain

- Acquisition of the subsidiaries of the Azur – GMF Group; **Azur Multiramos in non-life and Azur Vida**

France

- Increase in Groupama SA's investment in Groupama Banque following the purchase of 20% of the shares.
- Additional acquisition price for Groupama Transport

Other Events – Sale of Minster in the United Kingdom

At 24 August 2006, Groupama UK signed the sale of all the shares of Minster Insurance Company Limited which had taken over all the "run-off" business of British subsidiaries effective 1 January 2003.

The sale of Minster Insurance resulted in a capital loss of €7.2 million. This transaction resulted in the withdrawal of €483 million from technical reserves for run-offs, with no underwriting liability guarantee being granted by the Group.

6.3 Issuer financing structure

	31.12.06			31.12.05			31.12.04		
	1 to 5 years	**>5 years**	**Total**	**1 to 5 years**	**>5 years**	**Total**	**1 to 5 years**	**>5 years**	**Total**
					(€m)				
Subordinated debt		1,245	1,245		1,245	1,245		750	750
Financing debt with banking-institutions	199	628	827	188	528	716	109	421	530
Total financing debt	**199**	**1,874**	**2,072**	**188**	**1,773**	**1,961**	**109**	**1,171**	**1,280**

Subordinated debt consists of:

- first, a bond issue in July 1999 by Caisse Centrale des Assurances Mutuelles Agricoles in two tranches (one variable rate tranche for €500 million, the other a fixed-rate tranche for €250 million) that was assumed by Groupama SA as part of the asset contributions completed on 1 January 2003 in the form of redeemable subordinated securities (*titres subordonnés remboursables*– "TSR").

  This thirty-year bond offers the issuer the possibility of early redemption beginning in the tenth year. The total amount of these TSRs was €750 million, and they were quoted at 31 December 2006 at 101.8% for the variable portion and 103.4% for the fixed portion;
- and second, a fixed-rate perpetual subordinated bond (*emprunt obligataire subordonné perpetuel*– "TSDI") of €495 million issued by Groupama SA in July 2005. This bond includes a "10-year call" that allows the issuer to redeem the bond early, beginning in the tenth year. At 31 December 2006 these TSDI were quoted at 94.2%.

Except for the SILIC, there is no bank covenant in the Groupama SA financing agreements.

The financing debt to banking institutions is essentially related to financing transactions (€760 million) for the SILIC, of which consolidated Groupama SA holds 41.4% and which is consolidated on a full consolidation basis.

The debt/book equity ratio excluding revaluation reserves (including subordinated debt and minority interests) of Groupama SA is 48.2%. It is worth noting that a significant part of this debt is attributable to the listed real estate SILIC subsidiary, which borrowed to finance growth in its real estate stock.

Adjusting for this borrowing, the Group's Insurance related debt ratio, which was contracted due to its organic growth (including debt related to various real estate leases) stood at 36.0% and results essentially from subordinated bond issues in the amount of €1,245 million.

As at 30 June 2007, the financing debt including subordinated debt, amounts to €2,185 million. This increase is related to financing transactions to the SILIC subsidiaries for financing its real estate stock.

6.4 Management and use of Groupama SA's equity in 2006

In 2006, the changes affecting equity were as follows:

Sources:

- Net profit (Group share) €600 M

Uses:

- organic growth financing: €130 M
- external growth financing: €423 M
- dividends paid in 2006: €88 M

Total uses: €641 M

6.5 Solvency and rating

Pursuant to European directives, Groupama is subject to regulations for covering the solvency margin, both at the corporate level for each of the insurance companies, and at the level of the combined group.

At 31 December 2006, the principal insurance companies had a solvency margin on average four times over the minimum requirement, both in life and non-life.

Solvency is periodically monitored by each of the companies and by the Group's finance department.

The adjusted solvency margin, calculated on the basis of Groupama's combined financial statements, stands at three times over the margin requirement.

On 11 October 2007 Standard & Poor's raised Groupama SA's long term counterparty credit and insurer financial strength ratings from "A" to "A+". The financial strength rating of Groupama SA by A.M. Best is "A".

6.6 Commitments

Growth in Turkey

During the first half of 2007, Groupama SA repurchased the shares held by the minority shareholders Basak Sigorta and Basak Emeklilik for €64.4 million and finalised the repurchase of minority interests in the amount of €13.20 million. These repurchases are financed from Groupama SA's own available cash.

Growth in Italy

During the third quarter of 2007, Groupama SA purchased from Generali all outstanding shares in Nuova Tirrena for €1,250 million. This acquisition is subject to formal regulatory approval.

Growth in Great Britain

During the third quarter of 2007, Groupama UK purchased a majority shareholding in Lark Group Limited for an undisclosed sum. The change of ownership has received formal regulatory approval from the FSA.

7. LITIGATION

With the exception of litigation in connection with the application of insurance benefits, which are covered by technical reserves, Groupama SA and its subsidiaries are occasionally involved in judicial, arbitrary or administrative proceedings arising in the normal course of their business.

Every six months, the audit and accounts committee reviews half-yearly a report covering proceedings relating to significant disputes, if any, in which Groupama SA or its subsidiaries are or could be involved.

To the knowledge of Groupama SA, none of the proceedings involving Groupama SA or its subsidiaries as of 31 December 2006 are expected to have a material impact on the financial situation or results of the Group.

8. RECENT DEVELOPMENTS AND MARKET TRENDS

8.1 Events subsequent to the financial year closing on 31 December 2006

– On 22 January 2007, Groupama SA announced the sale, on 21 January, of a 15.35% stake in the capital of the company SCOR. This transaction, which was executed as part of the strategy to optimise Groupama's financial management and the allocation of its equity, will result in a capital gain of approximately €150 million net of corporate income tax in the 2007 consolidated statements. The sale consisted of a private placement with the banks HSBC and UBS.

– On 8 March 2007, Groupama signed an agreement to acquire 100% of the Greek insurance company Phoenix Metrolife from Emporiki Bank, a subsidiary of the Crédit Agricole SA Group. The closing took place on 29 June 2007, the price of the acquisition being 96 million euros.

Phoenix is one of the largest Greek insurance companies: in 2005, it ranked second in non-life insurance, with a 7.8% market share and eighth in life insurance and savings, with a 3.8% market share (source Hellenic Bank Association). In 2006, the premiums collected amounted to € 206 million.

On 2 July 2007, the group signed the sale of Gan Tower to the Foncières des Régions Group for an amount of €486 million. The building will remain occupied by Groupama until 31 March 2008. The cession will contribute to strengthen the level of profit sharings attributable to policyholders of the three owner entities (Gan Assurances Vie, Gan Prévoyance, Gan Eurocourtage Vie) and generate net consolidated after tax and profit-sharing realised capital gains of around €170 million, which will be booked in the H2 2007 statements.

– On 2 August 2007, Groupama SA signed the purchase agreement for all outstanding shares in Nuova Tirrena. This acquisition is subject to the customary regulatory clearances.

The transaction covers all the current operations of Nuova Tirrena, an Italian non-life insurance company with an estimated aggregate market share of 1.9% (2.6% for automobile insurance). In 2006, Nuova Tirrena generated revenue of €814 million, of which 86.4% in non-life insurance, and net profit of €32 million. It has 577 employees and a network of 423 agents spread across the Italian peninsula.

This acquisition will enhance Groupama's position in a profitable market that has enjoyed average annual growth of 12% over the past 10 years.

Groupama has also developed its asset management business in Italy through Groupama SGR, a subsidiary of Groupama Asset Management, and Groupama Assicurazioni, which markets some twenty registered funds.

The addition of Nuova Tirrena will allow Groupama to capitalise on its experience in automobile insurance-the Group's main business outside France-extend its network of agents and accelerate its international expansion. Following the acquisition, international operations would account for 26% of Groupama's business portfolio compared with 20% in 2006. This transaction reflects Groupama's commitment to developing outside France by becoming a benchmark player, notably in southern Europe.

– On 31 August 2007, Groupama UK purchased a majority shareholding in Lark Group Limited. Lark Group was established in 1948 and is now one of the UK's top 50 insurance brokers and in the top 10 independent brokers.

The business controls in excess of £75 million in premiums. Lark is a significant player in the UK's commercial and personal insurance sectors, and operates in a number of specialist niche markets, including the insurance of high net worth individuals. Lark Group employs 250 people and operates from five locations in London and the South East of England.

8.2 Market trends after the 31 December 2006 financial year closing

– In 2006, insurance companies had the advantage of favourable economic conditions, which continued into the beginning of 2007, due to the combined impact of a drop in unemployment and an increase in household consumption. The GDP growth expected for 2007 in France is comparable to 2006, i.e. around 2%.

- The first months of 2007, however, were also marked by uncertainty concerning the U.S. economy. The abrupt market collapse at the end of February, associated with the fear of a recession, raises a degree of uncertainty about market stability and the level of U.S. interest rates in the months to come.
- The non-life insurance business continued to grow in 2006, but at a lower rate than in 2005, mostly due to the impact of the rate reductions in certain markets, such as the motor sector. Motor rates could go up again in 2007, due to an increase in claims at the end of 2006. Insurers registered deterioration in the pattern of claims in property and agricultural risks due to the impact of climatic events in 2006.
- In 2006, life insurance was positively impacted both by the healthy stock market (the CAC was up 17.5% on a rolling year basis) and savings transfers as a result of a change in taxation of home buyers' savings schemes with a term exceeding 12 years; this triggered a cashing out of these plans in favour of life insurance. The combination of these factors had a particularly positive impact on investments in unit-linked accounts.
- Following a decline that began in December 2006, life insurance and capitalisation contributions were down in January and February 2007: at the end of February, they stood at €25.9 billion (-7%). At the end of February 2007, net deposits (contributions-benefits) were €12.9 billion euros, down by 22% as compared to the same period of the previous year, while the benefits have continued to increase sharply since January.

9. INDEPENDENT AUDITORS

9.1 Statutory Auditors

Members of Compagnie régionale de Versailles

- PRICEWATERHOUSECOOPERS AUDIT
  Represented by Michel Laforce and Bénédicte Vignon
  Crystal Park
  63, rue de Villiers
  92908 Neuilly sur Seine

  Appointed by the General Assembly of 18 December 2003, and renewed by the General Assembly of 25 May 2005 for a term that expires at the end of the General Assembly called to approve the financial statements for the year ended 31 December 2010.

- Mazars & Guérard
  Represented by Nicolas Robert
  Tour Exaltis
  61, rue Henri Regnault
  92400 Courbevoie

  Appointed by the General Assembly of 12 September 2000 and renewed by the General Assembly of 29 June 2006 for a term that expires at the end of the General Assembly called to approved the financial statements for the year ended 31 December 2011.

9.2 Substitute Auditors

Members of Compagnie régionale de Versailles

- Pierre Coll
  Crystal Park
  63, rue de Villiers
  92908 Neuilly sur Seine

  Appointed by the General Assembly of 18 December 2003 and renewed by the General Assembly of 25 May 2005 for a term that expires at the end of the General Assembly called to approve the financial statements for the year ended 31 December 2010.

- Michel Barbet-Massin
  Tour Exaltis
  61, rue Henri Regnault
  92400 Courbevoie

  Appointed by the General Assembly of 12 September 2000 and renewed by the General Assembly of 29 June 2006 for a term that expires at the end of the General Assembly called to approve the financial statements for the year ended 31 December 2011.

10. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

10.1 Structure of the Company's Board of Directors

10.1.1 Structure of the Board of Directors

The Company is managed by a board of directors consisting of 16 members, of which:

– 14 directors are appointed by the Annual General Meeting:

  - 11 directors who hold the position of Chairman of Groupama's regional mutuals in France, representing the majority shareholder:

    Jean-Luc Baucherel (Chairman), Jean-Luc Wibratte (Vice Chairman), Francis Aussat, Jean Baligand, Claude Bartholomeis, Michel Baylet, Amaury Cornut-Chauvinc, Robert Drouet, Michel Habig, Solange Longuet, Jean-Luc Viet.

  - 3 independent directors as defined by the Afep/Medef working group:

    Frédéric Lemoine, chosen for his expertise in economics and finance. During the past few years, he has held the following positions:

    - since October 2004, Senior advisor with McKinsey in France;
    - from May 2002 to June 2004, Deputy Secretary General to the President of the Republic, in charge of economic and financial affairs;
    - from May 2000 to May 2002, Deputy Chief Executive Officer in charge of finance with Cap Gemini Ernst and Young;
    - from January 2000 to May 2000, Chief Financial Officer with Cap Gemini.

    Jean Salmon, chosen for his expertise in agricultural economy. During the past few years, he has held the following positions:

    - since 2001, Vice Chairman of the permanent general assembly of the Chambers of Agriculture and Chairman of the Chamber of Agriculture of Côtes d'Armor;
    - from 1995 to 2001, Deputy Corporate Secretarty of the permanent general assembly of the Chambers of Agriculture.

    Philippe Vassor, chosen for his expertise in economics and finance. He has held the following positions during the past few years:

    - since 2005, Chairman of Baignas SAS;
    - from 2000 to 2005, Chairman and Chief Executive Officer of Deloitte & Touche France and member of the Executive International Group in charge of human resources with Deloitte & Touche;
    - from 1997 to 2000, manager of the audit activity with Deloitte & Touche France.

– 2 directors elected by the company's employees:

  Henri Durand, Christian Garin

In accordance with its corporate governance practices, which are based on principles of mutualism, the board of directors has chosen to separate the Chairman and Chief Executive Officer positions. Consequently, executive functions are entrusted to a Chief Executive Officer who is not a director of the company (Jean Azéma).

Prior to 18 December 2003, it was managed by a Management Board appointed by the Supervisory Board.

First name, last name, age, business address, office and main position held with the Company	Term of office	Main positions held outside the company/ Management experience
Jean-Luc Baucherel • 55 years old • Groupama Loire Bretagne 23, boulevard Solférino – CS 51209 35012 Rennes cedex • Chairman of the Board of Directors	Since: August 2004 Expiration date: 2009	• Farmer • Chairman of Groupama National Federation • Chairman of Groupama Loire Bretagne
Jean-Luc Wibratte • 54 years old • Groupama Grand Est 30, boulevard de Champagne – BP 97830 21078 Dijon cedex • Vice Chairman of the Board of Directors	Since: December 2003 Expiration date: 2009	• Farmer • Vice Chairman of Groupama National Federation • Chairman of Groupama Grand Est • Chairman of SCI Domaine de Nalys
Francis Aussat • 56 years old • Groupama d'Oc 20, boulevard Carnot 31071 Toulouse cedex • Director	Since : December 2003 Expiration date: 2009	• Farmer • Deputy-Chairman of Groupama National Federation • Chairman of Groupama d'Oc
Jean Baligand • 56 years old • GROUPAMA Rhône-Alpes-Auvergne 50, rue de Saint-Cyr 69251 Lyon cedex 09 • Director	Since : December 2003 Expiration date: 2009	• Farmer • Vice Chairman of the Groupama National Federation • Chairman of Groupama Rhone-Alpes Auvergne
Claude Bartholomeis(*) • 63 years old • Groupama Alpes-Méditerranée 24, Parc du Golf – BP 10359 13799 Aix-en-Provence cedex 3 • Director	Since : January 2007 Expiration date: 2009	• Farmer • Director Member of the Board Committee of Groupama National Federation • Chairman of Groupama Alpes-Méditerranée
Michel Baylet • 52 years old • Groupama Centre Atlantique 2, avenue de Limoges BP 8527 79044 Niort cedex 9 • Director	Since : June 2006 Expiration date: 2009	• Farmer • Vice Chairman of Groupama National Federation • Chairman of Groupama Centre-Atlantique
Amaury Cornut-Chauvinc • 53 years old • Groupama Sud • Maison de l'Agriculture Bât2 – Place Chaptal 34261 Montpellier cedex 2 • Director •	Since : May 2007 Expiration date: 2009	• Farmer • Director Member of the Board Committee of Groupama National Federation • Chairman of Groupama Sud
Robert Drouet • 62 years old • Groupama Centre-Manche 35, Quai de juillet – BP 169 14010 Caen cedex 1 Director	Since: December 2003 Expiration due : 2009	• Farmer • Deputy Vice Chairman of Groupama National Federation • Chairman of Groupama Centre-Manche

(*) Director of the company since 15 January 2007

First name, last name, age, business address, office and main position held with the Company	Term of office	Main positions held outside the company/ Management experience
Michel Habig • 60 years old • Groupama Alsace 101, route de Hausbergen BP 30014 – Schiltigheim 67012 Strasbourg cedex • Director	Since : December 2003 Expiration date: 2009	• Farmer • Director Member of the Board Committee of Groupama National Federation • Chairman of Groupama Alsace
Frédéric Lemoine • 41 years old • AREVA 33, rue Lafayette 75009 Paris • Director	Since : February 2005 Expiration date: 2011	• Chairman of the Supervisory Board of AREVA • Senior Advisor with Mac Kinsey
Solange Longuet • 58 years old • Groupama Paris Val de Loire 161, avenue Paul Vaillant Couturier 94250 Gentilly • Director	Since : December 2003 Expiration date: 2009	• Farmer • Vice Chairman and Treasurer of Groupama National Federation • Chairman of Groupama Paris Val de Loire
Jean Salmon • 59 years old • La Ville Besnard 22550 Henanbihen • Director	Since : February 2005 Expiration date: 2011	• Chairman of the Chamber of Agriculture of Côtes d'Armor • Vice Chairman of the Permanent Assembly of the Chambers of Agriculture of Côtes d'Armor
Philippe Vassor • 53 years old • 157, avenue Charles de Gaulle 92200 Neuilly-sur-Seine • Director	Since : February 2005 Expiration date: 2011	• Chairman of Baignas SAS
Jean-Luc Viet • 59 years old • Groupama Nord-Est 2, rue Léon Patoux – BP 1028 51686 Reims cedex 2 • Director	Since : December 2003 Expiration date: 2009	• Farmer • Vice Chairman Secretary of Groupama National Federation • Chairman of Groupama Nord-Est
Henri Durand • 51 years old • Gan Assurances Tour Gan 16, Place de l'Iris 92082 Paris La Défense • Employee representative director	Since: February 2004 Expiration date: 2008	• Employee of Groupama SA
Christian Garin • 59 years old • Groupama 5/7, rue du Centre 93199 Noisy le Grand • Employee representative director	Since: February 2004 Expiration date : 2008	• Employee of Groupama SA

10.1.2 Chief Executive Officer

Jean Azéma has been the Chief Executive Officer of Groupama since June 2000. He was appointed Chairman of the Management Board of Groupama SA in June 2000 then Chief Executive Officer of Groupama SA in December 2003.

He is has an engineering degree from École Supérieure d'Agriculture de Purpan (ESAP) and a post-graduate degree from the Centre National d'Études Supérieures de Sécurité Sociale (CESSS).

In 1979 he became a Chief Financial Officer of the regional mutual of Mutualité Sociale Agricole in Allier.

In 1987, he became Director of the accounting management and consolidation of the Caisse Centrale des Assurances Mutuelles Agricoles (CCAMA), then Insurance Director of CCAMA in 1993.

In 1996, he was appointed Chief Executive Officer of Groupama Sud-Ouest, then in 1998, Chief Executive Officer of Groupama Sud.

First name, last name, age, business address, office and main position held with the Company	Term of office	Main positions held outside the company/ Management experience
Jean Azéma • 54 years old • Groupama SA 8-10, rue d'Astorg 75008 Paris • Chief Executive Officer	Since: December 2003 Expiration date: 2009	• Chief Executive Officer of Groupama National Federation • Chairman of the *Fédération Française des Sociétés d'Assurance Mutuelle* (FFSAM)[French Federation of Mutual Insurance Companies] • Vice Chairman *of Fédération Française des Sociétés d'Assurance* (FFSA)[French Federation of Insurance Companies]

10.1.3 Relations within the governing bodies

To the Company's knowledge, there is no family relationship between the members of the Company's Board of Directors.

To the Company's knowledge, during the past five years: (i) no member of the Company's Board of Directors was sentenced for fraud, (ii) no member of the Board of Directors was associated with a bankruptcy, sequestration or liquidation, and (iii) none of these persons was subject to an official public indictment and/or sanction by the statutory or regulatory authorities (including designated professional organisations).

Moreover, to the Company's knowledge, no director was forbidden by a court to act as member of a corporate, management or supervisory body of an issuer or to be involved in the administration or management of an issuer's business during the past five years.

There is no arrangement or agreement signed with the principal shareholders, customers or suppliers, based on which a member of the Board of Directors would have been chosen as director or member of the executive management of the Company.

There are no restrictions accepted by members of the Board of Directors concerning the sale of their equity investments, if any, in the Company's share capital.

To the Company's knowledge, the other offices held by the Directors and the Chief Executive Officer during the past five years are as follows:

	Other current offices			Other offices held during the past 5 years, and which have expired	
First name Last name	**Company**	**Position**	**Appointment date**	**Company**	**Position**
Jean-Luc Baucherel	Groupama Holding	Director	December 2003	Gan Assurances Vie	Member of the Supervisory Board
		Chairman of the Board	September 2004	Gan Patrimoine	Director
	Groupama Holding 2	Director	December 2003	Gan Prévoyance	Chairman of the Supervisory Board
		Chairman of the Board	September 2004	Groupama Banque :	Member of the Supervisory Board
				Groupama International	Member of the Supervisory Board, then Director
				Groupama SA	Member of the Supervisory Board, then Vice Chairman of the Supervisory Board, then Vice Chairman of the Board
				Groupama Vie	Chairman of the Supervisory Board
				Présence Verte S.A	Vice Chairman of the Supervisory Board
				Minster Insurance Company Limited	Director

First name Last name	Other current offices: Company	Position	Appointment date	Other offices held during the past 5 years, and which have expired: Company	Position
Amaury Cornut-Chauvinc	Mutuaide Assistance	Chairman of the board	July 2007		
	Groupama Transport	Director	May 2005		
	SCI du Domaine de Nalys	Director Member of the Supervisory Board of Director	June 1999		
	SCI du Chateau Cap de Fouste	Director	June 2007		
	Groupama Insurance Company limited	Director	May 2005		
	Groupama Assurance Crédit	Permanent representative of Groupama Sud	May 2005		
Jean-Luc Wibratte	Banque Finama	Chairman of the Supervisory Board	September 2001	Gan Assurances IARD	Director
	Groupama Asset Management	Vice Chairman of the Board	June 2005	Gan Assurances Vie	Member of the Supervisory Board, then Director
	Groupama Banque:	Chairman of the Supervisory Board	December 2001	Groupama Asset Management	Vice Chairman of the Supervisory Board
	Groupama Holding	Vice Chairman of the Board	December 2003	Groupama Holding 2	Chairman of the Board
	Groupama Holding 2	Vice Chairman of the Board	December 2003	Groupama Immobilier	Member of the Supervisory Board, then Vice Chairman of the Supervisory Board
	Groupama Immobilier	Vice Chairman of the Board	June 2005	Groupama International	Member of the Supervisory Board, then Director
	Groupama Vie	Director	November 2003	Groupama SA	Vice Chairman of the Supervisory Board, then Member of the Supervisory Board
	SCI du Domaine de Nalys	Chairman		Groupama Vie	Member of the Supervisory Board
Francis Aussat	Gan Assurances IARD	Director	November 2003	Gan Assurances Vie	Chairman of the Supervisory Board
	Gan Assurances Vie	Chairman of the Board	November 2003	• Groupama International	Member of the Supervisory Board, then Director
	• Groupama Holding	Director	December 2003	Groupama SA	Member of the Supervisory Board
	• Groupama Holding 2	Director	December 2003		
	SCI du Domaine de Nalys	Director			
Jean Baligand	• Groupama Holding	Director	December 2003	Caisse Centrale de Réassurance	Director
	• Groupama Holding 2	Director	December 2003	Gan Patrimoine	Director
	Groupama Vie	Chairman of the Board	October 2004	• Groupama Holding	Chairman of the Board
				• Groupama Holding 2	Chairman of the Board
				• Groupama International	Chairman of the Supervisory Board, then Chairman of the Board, then Director
				Groupama S.A	Chairman of the Supervisory Board, then Chairman of the Board
				Société Commerciale de Réassurance (SCOR)	Vice Chairman of the Board

	Other current offices			Other offices held during the past 5 years, and which have expired	
First name Last name	**Company**	**Position**	**Appointment date**	**Company**	**Position**
Claude Bartholomeis(*)	Groupama Vie	Director	March 2007		
	Groupama Assicurazioni Spa	Director	March 2007		
	Groupama Vita Spa	Director	March 2007		
	SCI du domaine de Nalys	Director	February 2007		
	SCI du château Cap de Fouste	Director			
Michel Baylet	Gan Patrimoine	Director	March 2005		
	Gan Prévoyance	Chairman of the Board	July 2006		
	Groupama Holding	Director	June 2006		
	Groupama Holding 2	Director	June 2006		
	Centaure Aquitaine	Permanent representative of Groupama Centre-Atlantique	June 2006		
	SCA du Château d'Agassac	Chairman of the Supervisory Board	September 2006		
Robert Drouet	Gan Patrimoine	Chairman of the Board	November 2003	Centaure Paris Normandie	Chairman
	Gan Prévoyance	Director	July 2006	Gan Patrimoine	Chairman of the Supervisory Board
	Groupama Assurance-Crédit	Director	January 2000	Gan Prévoyance	Chairman of the Board of Directors
	Groupama Holding	Director	December 2003	• Groupama International	Member of the Supervisory Board, then Director
	Groupama Holding 2	Director	December 2003	Groupama SA	Member of the Supervisory Board
	Groupama Transport	Director	November 2003	Groupama Transport	Vice Chairman of the Supervisory Board
	SCA du Château d'Agassac	Member of the Supervisory Board		Mutuaide Assistance	Member of the Supervisory Board
			SAFER Haute Normandie		Chairman and Chief Executive Officer
Michel Habig	Gan Patrimoine	Director	November 2003	Gan Assurances Vie	Member of the Supervisory Board
	Gan Prévoyance	Director	November 2003	Groupama International	Director
	Groupama Insurance Company Limited	Director		Groupama Vie	Member of the Supervisory Board

(*) Company Director since 15 January 2007

First name Last name	Other current offices — Company	Position	Appointment date	Other offices held during the past 5 years, and which have expired — Company	Position
Frédéric Lemoine	Areva	Chairman of the Supervisory Board	March 2005	Cap Gemini France	Director
	Générale de Santé	Member of the Supervisory Board	May 2006	Cap Gemini Holland	Member of the Supervisory Board
	Flamel Technologies	Director	October 2005	Cap Gemini Korea	Director
	Lemoine Conseil et Entreprises (LCE)	Administrator	October 2004	Cap Gemini UK	Director
				Cap Gemini Telecom	Director
				Cap Gemini Poland	Director
Solange Longuet	Gan Assurances IARD	Chairman of the Board	November 2003	Gan Assurances IARD	Chairman of the Supervisory Board
	Gan Assurances Vie	Director	November 2003	Gan Eurocourtage IARD	Member of the Supervisory Board
	Groupama Holding	Director	December 2003	Gan Eurocourtage Vie	Member of the Supervisory Board
	Groupama Holding 2	Director	December 2003	Groupama International	Member of the Supervisory Board, then Director
	Mutuaide Assistance	Director	December 2003	Groupama SA	Member of the Supervisory Board
	Présence Verte SA	Vice Chairman of the Supervisory Board	December 2003	Mutuaide Assistance	Member of the Supervisory Board
				Banque Finama	Permanent representative of Groupama Vie, Member of the Supervisory Board
Marius Mul(*)	Groupama Asset Management	Director	June 2005	Groupama Asset Management	Member of the Supervisory Board
	Groupama Vie	Director	November 2003	• Groupama International	Director
	Groupama Assicurazioni Spa	Director		Groupama Vie	Member of the Supervisory Board
	Groupama Vita Spa	Director			
	Banque Finama	Permanent representative of Groupama Alpes Méditerranée, Member of the Supervisory Board			
	Jean Gazignaire SA	Director			
	SNC Les Jasmins	Administrator			
	SCS M ET J Mul & Cie	Administrator			
	SARL Mul	Administrator			
	SARL Sotraflor	Administrator			
	SCI Mul	Administrator			

(*) Company Director until 11 December 2006

	Other current offices			Other offices held during the past 5 years, and which have expired	
First name Last name	Company	Position	Appointment date	Company	Position
Roger Pailles[*]	Gan Patrimoine	Director	November 2003	Gan Patrimoine	Member of the Supervisory Board
	Groupama Holding	Director	September 2004	Groupama Immobilier	Member of the Supervisory Board
	Groupama Holding 2	Director	December 2003	Groupama International	Director
	Groupama Immobilier	Director	June 2005		
	Mutuaide Assistance	Chairman of the Board	December 2005		
	SARL Château de Cap de Fouste	Administrator			
	SCI du Domaine de Nalys	Director			
	Groupama Seguros Y Reaseguros SA	Director	June 2002		
	SCI du Château de Cap de Fouste	Representative of Groupama Sud, Administrator			
	L'Indépendant du Midi	Permanent representative of Groupama Sud, Director			
	Paysan du Midi	Director	May 2005		
	Société du journal Midi Libre	Permanent representative of Groupama Sud, Member of the Supervisory Board			
Jean Salmon	None	None			
Philippe Vassor	Arkéma	Director	May 2006	Deloitte & Touche France	Chairman and Chief Executive Officer
	Baignas	Chairman	June 2005		
	Infovista SA	Director	September 2005		
Jean-Luc Viet	Gan Eurocourtage IARD	Chairman of the Board	June 2006	Gan Eurocourtage IARD	Director
	Gan Eurocourtage Vie	Chairman of the Board	June 2006	Gan Eurocourtage Vie	Director
	Groupama Holding	Director	December 2003	Groupama International	Member of the Supervisory Board, then Director, then Chairman of the Board
	Groupama Holding 2	Director	December 2003	Groupama SA	Member of the Supervisory Board
	Groupama Assicurazioni Spa	Director	Groupama Vie	Member of the Supervisory Board	
	Groupama Vita Spa	Director	Mutuaide Assistance	Chairman of the Supervisory Board, then Chairman of the Board	
	Groupama Seguros Y Reaseguros SA	Director	December 2003	Groupama Protection Juridique	Permanent representative of Caisse Fraternelle d'Epargne, Director
	Groupama Insurance Company Limited	Director			
Henri Durand	None	None			
Christian Garin	None	None			
Jean Azéma	Groupama Holding	Chief Executive Officer	December 2003	Amacam	Director
	Groupama Holding 2	Chief Executive Officer	December 2003	Groupama International	Chairman of the Management Board

(*) Company Director until 30 May 2007

First name Last name	Other current offices: Company	Position	Appointment date	Other offices held during the past 5 years, and which have expired: Company	Position
	Groupama International	Chairman of the Board	July 2006	Groupama SA	Chairman of the Management Board
	Mediobanca	Director	July 2003	Groupama Assurance-Crédit	Chairman of the Management Board
	Société Générale	Director	September 2003	Groupama Finance	Chairman of the Management Board
	Veolia Environment	Director	April 2003	Groupama Réassurance	Chairman of the Management Board
	Bolloré Investissement	Permanent representative of Groupama SA, Director	March 2004	Soréma NA Reinsurance Company	Director
				Groupama Risques Divers	Director
				Gimar Finance SCA	Permanent representative of CCAMA, then permanent representative of Groupama Investissement
				SCI Groupama les Massues	Permanent representative of CCAMA
				Bolloré Investissement	Permanent representative of Groupama Assurance et Services, Director

10.1.4 Ratification of new director appointments

The Annual and Special General Meeting of Groupama SA of 30 May 2007 ratified:

– the appointment of Michel Baylet as interim director, decided on a provisional basis during the Board of Directors' meeting of 29 June 2006, to replace Jean-Pierre Rousseau ;

– and the appointment of Claude Bartholomeis, as interim director, decided on a provisional basis during the Board of Directors' meeting of 15 January 2007, to replace Marius Mul.

10.2 Conflicts of interest within the governing bodies

An Agreements Committee was created to examine any conflicts of interest that might arise between the duties of the persons listed under 13.1 and their private and/or professional interests. The role and operation of this committee are described under 16.3.3.

To date, the committee has not uncovered any conflict of interest.

11. OPERATION OF THE GOVERNING BODIES AND MANAGEMENT

11.1 Role and authority of the Board of Directors and management

11.1.1 Board of Directors

11.1.1.1 Structure of the Board of Directors

Pursuant to the future Article 13 of the articles of incorporation, the Company is managed by a Board of Directors consisting of two types of director

– Directors appointed by the Annual General Meeting

There are at least nine (9) and at most eighteen (18) such directors.

The term of the directors' offices appointed by the Ordinary General Assembly is six (6) years.

When a director is appointed to replace another, he performs his functions only for the remaining duration of his predecessor's mandate.

– Directors elected by the company's employees

The status and the election methods for these directors are established by Articles L 225-27 to L 225-34 of the Commercial Code, and by the articles of incorporation.

There are two (2) such directors, one of whom is an executive management representative.

In any case, their number cannot exceed one third of the directors appointed by the General Assembly.

The term of their office is four (4) years.

Irrespective of the appointment method, a director's functions end after the Ordinary General Assembly that approves the financial statements for the financial year most recently closed, held during the year when his mandate expires.

Any exiting member can be re-elected. The age limit for holding a director position is a person's seventieth (70th) birthday, with the clarification that a Board of Directors' member will be deemed to have automatically resigned after the Ordinary General Assembly held during the year of his seventieth birthday.

Each director has to own at least one (1) share during the entire term of his office.

11.1.1.2 Methods for electing employee directors

For each director's seat, the voting method is the one provided by law.

In all the cases where, for any reason whatsoever, the actual number of elected directors' seats occupied is less than two before the regular end of said directors' mandates, the seats that are not occupied will remain vacant until the end of such term, and the Board of Directors will continue to meet and decide validly until such time.

Elections are organised every four (4) years, so that a second ballot can take place no later than fifteen days before the regular expiration of the exiting directors' mandates.

Both for the first and for the second ballot, the terms to be observed for each election operation are the following:

– posting the election date at least eight weeks before the ballot date,
– posting the electorate list at least six weeks before the ballot date,
– filing the nominations at least five weeks before the ballot date,
– posting the candidate lists at least four weeks before the ballot date,
– sending the necessary documents for absentee ballots at least three weeks before the ballot date.

The candidates or candidate lists can be presented either by one or several representative union organizations, or by 1/20th of the electorate, or, if their number exceeds 2,000 persons, by 100 of them.

The ballot takes place the same day at the workplace and during working hours. However, the following persons can use an absentee ballots:

– employees who are absent on the day of the ballot,
– employees of a department or office, or who are transferred to a subsidiary in France, who do not have a voting office or cannot vote in another office.

Each voting office consists of three elector members, with the oldest of them acting as chairman. He is responsible for the proper operation of the voting process.

The ballot counting takes place at each voting office, immediately after the closing of the polls; the report is prepared at the end of the ballot-counting process.

The reports are immediately sent to the company's head office, where an office is set up to centralise the results, prepare the summary report and announce the results.

The directors elected by the company's employee shareholders take up office during the Board of Directors' meeting held after the results are announced.

The ballot procedures not described in Articles L 225-27 to L 225-34 of the commercial code, or in these articles of incorporation, are decided by the General Management, after consulting the representative union organisations.

11.1.1.3 Chairman of the Board

The Board of Directors elects a Chairman from among its individual members, establishes his remuneration and sets the term of his office, which cannot exceed that of his term as director.

If the acting Chairman reaches the age limit of 70 established for the performance of his director functions, his term ends after the Ordinary General Shareholders' Meeting held during the year of his seventieth anniversary.

The Chairman organises and chairs the Board of Directors' meetings and reports about them to the General Assembly. He supervises the proper operation of the company's bodies and makes sure, in particular, that the directors are able to perform their duties.

11.1.1.4 Vice Chairman

The Board of Directors can appoint a Vice Chairman from among his members. In case the Chairman is incapacitated, the Vice Chairman's responsibilities consist of convoking and chairing the Board meetings, and chairing the General Shareholders' Meeting.

A Vice Chairman was appointed during the Board meeting of 18 December 2003.

11.1.1.5 Board Meetings

The Board of Directors meets as often as the Company's interests require, at the Chairman's convocation, at the head office, or in any other place indicated in the convocation notice.

If the Chairman is incapacitated, the Board of Directors can be convoked either by the Vice Chairman, or by at least one third of its members, or by the Chief Executive Officer, if he is a director.

The directors are convoked by letter or by any other means. In any case, the Board can always validly meet if all its members are present or represented

11.1.1.6 Board of Directors' Meetings

The Board of Directors' meetings are chaired by the Chairman of the Board or by the Vice Chairman or, in his absence, by a director appointed to this effect at the beginning of the meeting.

Each director can appoint one of his colleagues to represent him, but each director can represent only one of his colleagues, and each proxy can only be given for one board meeting as determined by the Board. The presence of at least one half of the Board members is, in any case, necessary for valid quorum.

The Chief Executive Officer takes part in the Board meetings.

A representative of the works committee attends the Board meetings under the terms provided by current legislation.

At the Chairman of the Board's initiative, members of Management or other persons outside the company who have special expertise in the topics listed on the agenda can attend all or part of a board meeting.

The decisions are made with a majority of the votes of members present or represented. In case of a tied vote, the vote of the Chairman of the meeting is decisive.

The Board's secretary will be a Management member appointed by the Chairman.

Under the terms provided by the law, internal regulations provide that the meetings can be held by videoconference or any telecommunications means. According to the legal and regulatory provisions, and within the limits provided by them, the directors who attend the Board Meetings by means of videoconference or telecommunications are deemed present for the purposes of quorum and majority calculations.

The Chairman of the Board, or in his absence, the person who issues the convocation, informs the persons convoked of the procedures to be used for the meeting.

The minutes are prepared and copies or extracts are issued and certified according to the law.

11.1.1.7 Board of Directors' internal regulations

The company's Board of Directors has unanimously adopted, during its meeting of 10 January 2005, internal regulations designed to state its operating procedures, supplementing the company's legal, regulatory and by-law provisions, and to define the directors' rights and obligations.

These internal regulations, which were signed by all members of the Board, became effective on 24 February 2005.

These internal regulations provide that, before taking office, the director has to make sure that he has become familiar with the law and regulations related to the performance of his functions. The regulations provide that the director (i) even though a shareholder himself, having to own at least 1 share, represents all the shareholders and has to act, in all circumstances, in the best corporate interest of the company, (ii) has the obligation to bring to the Board of Directors' attention any conflict of interest situation, even it is potential, and has to abstain from taking part in the vote corresponding to the decision in question, (iii) has to dedicate the time and attention necessary to his duties, (iv) has to be diligent and attend all the Board of Directors' meetings, or, if applicable, the meetings of the committees on which he sits, (v) he is bound by a duty of confidentiality concerning the progress and the content of the meetings, and he must, in particular, preserve the confidentiality of information that meets the definition of financial information or information likely to be of interest to third parties, particularly the company's competitors, or confidential information presented as such and, (vi) he is bound by an obligation of loyalty.

Under the terms of the Board of Directors' internal regulations, the Chairman of the Board or the company's Chief Executive Officer must provide to each director the documents and information necessary to accomplish the Board's mission, that is to make decisions that are under its responsibility and to assess management's performance, 3 days, at the latest, before any meeting, unless there is an emergency or a special circumstance.

For confidentiality reasons, the Chairman or the Chief Executive Officer might deem it preferable to provide the documents in question to the directors at the company's head office.

If he deems that the request for information exceeds the director's duties or is likely to raise a conflict of interest issue, the Chairman or the Chief Executive Officer, after having informed the director in question, can consult the Chairman of the Audit and Accounts Committee to get his opinion, prior to giving any response.

Under the terms of the internal regulations and according to the recommendations of the Afep/Medef work group, a director is qualified as independent when he has no relation of any kind with the Company, its Group or its Management, which could compromise its free judgment.

The involvement of three outside directors is particularly important because the Board wants at least one independent director be a member of each committee and/or a Chairman of such committee.

According to its internal regulations, the Board of Directors dedicates a point on the agenda, once a year, to a discussion on its activities in order to (i) assess the quality and efficacy of the board discussions (check that important questions are adequately prepared and discussed, check the directors' access to information and the meeting preparation conditions), (ii) assess the actual role of the Board of Directors in performing its duties (define or approve the strategy, control, authorisation), (iii) analyse the reasons for any problems perceived by the Chairman, the directors or the shareholders.

The Chairman presents in a report attached to the management report the conditions under which the board meetings are prepared and organised, internal control procedures and the limitations to its powers, if any.

11.1.1.8 Board responsibilities

The Board of Directors sets the strategic orientations of the company's activity, supervises their implementation, and monitors management's performance, Subject to the powers expressly allocated to the shareholders' meetings and within the limit of the corporate purpose, the Board handles any issue that affects the company's proper operation and resolves, through its decisions, the issues that concern the company. In addition, the Board undertakes the verifications and audits that it deems appropriate.

The following decisions are subject to the prior approval of the Board of Directors:

- annual amendment and implementation of the reinsurance agreement with the regional mutuals and the agreement concerning the security and solidarity principles,
- securities issues, irrespective of their type, likely to trigger a change in the share capital,
- significant transactions likely to impact the group's strategy and its scope of activity.

In addition, the following decisions have to be made with a majority of 2/3 of the members present or represented:

- cancellation of the reinsurance agreement, at the initiative of Groupama SA,
- by a secret ballot vote, sanctions in case of a disagreement on the recovery measures to be taken by a regional mutual following an audit, pursuant to the agreement concerning security and solidarity principles,
- by a secret ballot vote, the decision to use the solidarity fund pursuant to the agreement concerning safety and solidarity principles,
- cancellation of the agreement concerning security and solidarity principles at the initiative of Groupama SA.

The following transactions are also subject to the Board of Directors' approval, to the extent to which they exceed, for each of the categories hereafter, a per unit amount established by the Board of Directors:

- make or sell any equity investment in any company created or to be created, underwrite any stock, unit or bond issue, excluding the insurance investment activity and cash transactions,
- purchase or sell any real estate property, excluding the insurance investment activity
- grant security interests in corporate assets,
- contract any loans, excluding cash transactions performed with companies that have a direct or indirect capital connection with the company.

The Board of Directors established the per unit amount of such transactions above which the Chief Executive Officer has to get a prior authorisation, namely:

- Above €30 million:
  - contract any loans, excluding cash transactions performed with companies that have a direct or indirect capital connection with Groupama SA;
- Above €100 million:
  - make or sell any equity investment in any company created or to be created, underwrite any stock, unit or bond issue, excluding the insurance investment activity and cash transactions;
- Above €15 million:
  - purchase or sell any real estate property, excluding the insurance investment activity;
- Above €7.6 million:
  - grant security interests in corporate assets.

The Board has initiated an analysis regarding the potential increase of some of these thresholds.

The Board can decide to create committees in charge of studying issues that the Board or its Chairman can submit to their examination, soliciting their opinion.

The Board of Directors can establish internal regulations designed to set the operating rules for corporate bodies, which are not established in the articles of incorporation.

According to usual practices, directors are convoked at least 15 days before the meeting, and a preparatory file is sent to them, to the extent possible, a week before the board meeting is held.

The directors receive appropriate information and necessary documents to perform their duties, even outside the board meetings, and the directors are bound by a confidentiality duty.

During the meetings of the Board that are not dedicated to examining the financial statements, the highlights since the previous meetings are reviewed, and a report on the business and financial management policy and significant figures are presented.

More particularly in 2006, the Board discussed the consolidated and combined half-yearly and annual statements, the reinsurance policy, the group's strategy and the action plans of the Groupama SA divisions, based on the work of the 3 Board of Directors' committees.

In the last fiscal year, the Board of Director members attendance rate exceeded 87%.

Pursuant to its internal regulations, the Board periodically dedicates a point on its agenda to a discussion about its own operations. The Board therefore undertook a formal evaluation of its operations in 2006, with the help of a questionnaire given to each director and returned to the Secretary General of Groupama SA. This questionnaire revolved around five topics: the structure and information of the Board and of its committees, the Board's operations, the responsibilities and powers of the Chief Executive Officer, information on the directors' rights and duties, and the organisation and operations of the Board committees. The results were discussed during the Remuneration and Appointments Committee meeting of 14 March 2007 and presented to the Board of Directors' meeting the same day.

Through their answers, the Board of Directors' members generally indicated their general satisfaction with the way the Board and the committees operate.

11.1.2 General Management

The company's management is provided by a Chief Executive Officer, pursuant to the decision made by the company's Board on 18 December 2003 to separate the positions of Chairman and Chief Executive Officer, pursuant to the provisions of the law on the New Economic Regulations.

The Chief Executive Officer has the broadest powers to act, in any circumstance, in the name of the company. He exercises his powers within the limits of the corporate purpose and subject to the powers that the law expressly allocates to the general shareholders' meetings and the board of directors, as well as the limits established by the articles of incorporation and by the Board (see paragraph 16.1.1.8).

11.1.3 The Group's Steering Committee

The Steering Committee assists the Chief Executive Officer of Groupama SA in its company management missions. The Committee defines the strategy of Groupama SA as part of the group's general orientations and steers the French and international subsidiaries.

As the entity that prepares and approves the operating decisions made by Groupama SA, it sets the major priorities for the work of the various divisions of Groupama SA and monitors the implementation of these decisions.

Consisting of 13 members, it organises a meeting of the representatives of the major divisions of Groupama SA with the Chief Executive Officer, each quarter for one day.

A summary steering committee, consisting of 8 members, assists the Chief Executive Officer of Groupama SA in his management missions, meeting every 15 days.

11.1.4 The Group Executive Committee

The Group Executive Committee takes part in the preparation and operational monitoring of the group's strategy, assisted by the group's strategy division. It implements strategies within the group and ensures operational coordination of all the group activities.

The Group Executive Committee consists of the Chief Executive Officers of the regional mutuals and the management team of Groupama SA. Its Chairman is the company's Chief Executive Officer. It meets once a month for one and a half days.

Specialised operating committees (*comités opérationnels specialises* COMOP) on business lines, development, information technology, finance, human resources – gather together the managers of the group entities concerned. They contribute to the preparation of project files for the Group Executive

Committee and propose steps to be taken on the operational level in accordance with the strategic orientations.

11.2 Absence of service contracts

On the date when the reference document was recorded, there was no service contract linking the members of the company's corporate and management bodies to any of its subsidiaries.

11.3 Operation of the corporate governing bodies

Groupama SA observes the corporate governance system in effect in France and applies to a large extent the recommendations of the Bouton report.

According to the provisions of Article 14 of the by-laws, the Board can decide to create committees in charge of studying the questions submitted by the Board or by its Chairman to their examination, to solicit their opinion. Within this framework, the Groupama SA Board of Directors' internal regulations provide that the Board will be assisted by technical committees in fulfilling its missions.

The Board of Directors' committees do not have independent powers, and their responsibilities neither reduce nor limit the Board's powers. Their mission consists of advising the Board in certain areas. It is these committees' responsibility to report the conclusions of their work to the Board, in the form of reports, proposals, information and recommendations.

According to Article 90, Paragraph 2 of the Decree of 23 March 1967 concerning commercial companies, during its meeting of 24 February 2005, the Board decided to create an Audit and Accounts Committee, a Remuneration and Appointments Committee and an Agreements Committee. The Board of Directors ensures the proper operation of these committees.

11.3.1 The Audit and Accounts Committee:

The mission of the Audit and Accounts Committee is (i) to analyse the half-yearly and annual financial statements distributed by the Company at their closing date and to study in-depth certain aspects before they are presented to the Board, (ii) make sure that the accounting principles and methods applied are consistent and appropriate, (iii) study the changes and adaptations of accounting principles and rules, (iv) check the accounting treatment of any significant transaction performed by the Company, (v) examine the scope of consolidated companies and, if applicable, the reasons for which certain companies are not included, (vi) examine significant off-balance sheet commitments, (vii) examine the risk control policy, (viii) steer the statutory auditor selection process, examine their mission program and their recommendations, express an opinion concerning the amount of fees requested for performing legal control missions, ensure the monitoring of such missions, in compliance with the rules that provide the statutory auditors' independence; as such, the Committee can request that the fees paid by the Company and its group to the statutory auditors and to their respective networks be disclosed, (ix) to interview, at its request, the financial and accounting officer of the group concerning all the topics that come under its responsibility, (x) to examine the consistency of internal audit, risk control and ethics compliance; to examine the work of such internal audit and the annual report concerning the internal audit, (xi) to hear the statutory auditors, (xii) to make sure that the internal procedures for data collection and control allow it to guarantee the quality and reliability of the Company statements, and (xiii) to check all the accounting and financial information documents issued by the Company, before they are made public.

Moreover, the Audit and Accounts Committee examines significant investment projects which are subject to the prior approval of the Board of Directors.

The Audit and Accounts Committee consists of 4 members appointed by the board, including:

- 2 directors representing the majority shareholders: Michel Baylet and Jean-Luc Wibratte
- 2 outside independent directors: Frédéric Lemoine and Philippe Vassor

Frédéric Lemoine, an outside independent director, was appointed Chairman of the Audit and Accounts Committee.

The Chief Executive Officer of Groupama SA does not attend the meetings of the Audit and Accounts Committee. He is represented by the Chief Financial Officer assisted by the Accounting Director, the Secretary General, who is also the committee secretary and the Director of the Audit and Actuary Department. In addition, the statutory auditors also attend these meetings, and they are heard by the committee members, during every meeting, outside the presence of the company management.

The organisation of the Audit and Accounts Committee is fully compliant with the recommendations concerning corporate governance.

Five Audit and Accounts Committee meetings are scheduled for 2007. Practically speaking, there are as many Audit and Accounts Committee meetings scheduled as Board of Directors' meetings, excluding extraordinary meetings.

These meetings are held, in principle, three to seven days before the board meetings.

The Audit and Accounts Committee reports to the Board about the performance of its mission and presents the comments it deems useful.

In 2006, the Audit and Accounts Committee met six times, on 21 February, 20 March, 18 May, 21 September, 20 November and 6 December. On each occasion, it presented a report on its activities to the Board of Directors. The attendance rate was 100 %.

The major topics addressed by the Audit and Accounts Committee during 2006 were as follows:

– annual IFRS consolidated and company statements and half-year IFRS consolidated statements for 2005,
– the Group's internal controls,
– interim audit program for 2007,
– examination of the accounting principles, rules and options used in drawing up the 2006 statements.
– statutory auditors' missions,
– examination of major acquisition projects,
– significant legal disputes.

11.3.2 The Remuneration and Appointments Committee:

The Remuneration and Appointments committee has the mission (i) to submit to the Board's approval all the proposals related to the personal status of corporate officers, namely remuneration, retirement and potential allocation of stock options for new or existing Company shares, as well as separation provisions for the members of the Company's management, (ii) submit all the proposals related to the remuneration of corporate officers, the allocation and distribution of attendance fees, (iii) examine the conditions, amount and allocation of stock options for new or existing shares, if any, (iv) define the rules for establishing the variable portion of the corporate officers' remuneration and make sure that these rules are consistent with annual evaluation of the corporate officers' performance and with the group's medium term strategy, (v) assess all the remuneration and benefits received by management, if applicable, of other group companies, including retirement benefits and benefits of any kind, (vi) organise a procedure for selecting future independent directors and conduct independent examinations of potential candidates before the latter are approached, (vii) annually check the individual situation of each director with respect to his qualification as independent director and report the conclusions of its examination to the Board, (viii) conduct an annual evaluation of the Board of Directors' operating procedures and present the results of its work to the Board.

The Remuneration and Appointments Committee consists of 5 members, including:

- 4 directors representing the majority shareholder: Francis Aussat (Chairman of the Committee), Robert Drouet and Jean-Luc Wibratte, Solange Longuet
- 1 outside independent director: Frédéric Lemoine.

The Chairman of Groupama SA is not a member of this Committee.

The term of the committee members' mandate is the same as the director or auditor term.

The Remuneration and Appointments Committee meets as many times as it deems necessary and at least once a year, prior to the approval of the agenda for the Annual Shareholders' Meeting, to examine the draft resolutions submitted to it and which concern the Board of Directors positions, and, if applicable, auditor positions, prior to the Board's examination of the remuneration of the Chairman and the Chief Executive Officer. The members are convoked by the Chairman of the Committee or by two of its members. The Chairman of the Board or the Chief Executive Officer can, in addition, request the Committee Chairman to convoke the Remunerations and Appointments Committee on a specific topic.

The Committee meetings are validly held when at least half of its members are present. A Committee member cannot be represented.

Minutes of the Committee meetings are prepared, listing the agenda and the discussions that took place among Committee members. The Committee Chairman or a member of the Committee appointed to this effect reports to the Board the Committee's opinions and recommendation, for the Board's decision.

The Committee has to prepare an activity report on the fiscal year closed, which it submits to the Board within three (3) months of the closing of such fiscal year.

In 2006, the Remuneration and Appointments Committee met three times, on 16 March, 18 September and 7 December. On each occasion, it presented a report on its activities to the Board of Directors. The attendance rate was 93%.

The major topics addressed by the Remuneration and Appointments Committee during 2006 were as follows:

– status of corporate officers' remuneration,

– ongoing work to determine the variable portion of the Chief Executive Officer's remuneration,

– plan to evaluate the Board of Directors operating procedures.

11.3.3 The Agreements Committee:

The mission of the Agreements Committee is (i) to analyse any agreement that is entered into directly or through an intermediary between the Company and the following persons: its Chairman, Chief Executive Officer, one of its managing directors, one of its directors, one of its shareholders that has over 10% of the votes, the company that controls one of its shareholders (that has over 10% of the votes) pursuant to article L.233-3 of the Commercial Code, one of its auditors, including the agreements in which one of the abovementioned persons has a direct interest, (ii) analyse any agreement entered into by the Company and another company, if the Chairman, Chief Executive Officer, one of the directors, or one of the auditors of the company is the owner, partner with unlimited liability, manager, director, member of the Supervisory Board or, more generally, an executive of this company, (iii) present a report to the Board about each protected agreement as to its parties, purpose, amount and main methods and, in particular, to present its conclusion on the applicable procedures, (prior authorisation or communication with the Board of Directors' members and the statutory auditors by the Chairman, in case of agreements involving current operations concluded in the regular course of business, pursuant to article L.225-39 of the Commercial Code), (iv) to also report to the Board about the changes in these agreements.

One of the main objectives established with the creation of the Agreements Committee was to prevent any conflict of interest between the regional mutuals and Groupama SA and its subsidiaries that could result from their business relations. In this context, the committee constantly monitors the legal appropriateness of the agreements, according to pre-defined thresholds, and the observance of corporate interests of each of the entities concerned.

The Agreements Committee consists of 3 members, including:

- 2 directors representing the majority shareholder: Jean-Luc Viet and Jean-Luc Wibratte
- 1 outside independent director : Philippe Vassor.

The Chairman of the Agreements Committee is an outside independent director (Philippe Vassor).

The Secretary General and the Chief Financial Officer also attend the meetings of this committee.

The Agreements Committee reports to the Board about the performance of its mission and presents to the Board the comments it deems useful.

The term of the mandate of the Committee members is the same as that of their director or auditor mandate. The Committee appoints its Chairman from among the independent directors. The Secretary General of Groupama SA acts as Secretary of the Committee.

The Agreements Committee meets as many times as it deems necessary and at least once a year to examine the reinsurance agreement. The members are convoked by the Committee Chairman or by two of its members. The Chairman of the Board, or the Chief Executive Officer, can also request the Chairman to convoke the Agreements Committee on a precise point.

The Committee meetings are validly held when at least half of its members are present. A Committee member cannot be represented.

Minutes of the committee meetings are prepared, listing the agenda and the discussions that take place among the committee members. The Committee Chairman or a member of the committee designated to this effect presents to the Board the committee's opinions and recommendations, for the Board's decision.

The Committee must prepare an activity report on the fiscal year closed, which it presents to the Board within three (3) months of the closing of the fiscal year.

In 2006, the Agreements Committee met three times, on 16 March, 21 September and 8 December. On each occasion, it presented a report on its activities to the Board of Directors. The attendance rate was 100%.

The primary issues addressed by the Agreements Committee during 2006 were as follows:

– regulated agreements,
– descriptive chart of internal reinsurance between Groupama SA and the regional mutuals,
– business relations between the regional mutuals and the company and its subsidiaries.

11.4 Internal controls

The company has internal control procedures, both on an operating and a financial level. These procedures are described in the specific report of the company's Chairman of the Board regarding internal controls.

The Chairman of the Board's report, prepared pursuant to the provisions of Article L 225-37, Paragraph 6 of the Commercial Code for the fiscal year closed on 31 December 2006, and the statutory auditors' report presenting their comments, are submitted to the Ordinary Shareholders' Meeting of 30 May 2007.

12. EMPLOYEES

12.1 Social Policy

Groupama SA employees nearly 14,000 salaried employees (10,574 in France and 3,362 internationally).

The organisation of Groupama SA is decentralised, and each company closely manages its human resources and social policy on site, in keeping with the lines of action and guiding principles defined for the Group.

Consolidated companies in France recruited staff in 2006 to reinforce their sales networks and customer relations centres and strengthen their management and loss adjustor teams (marketing, management control, actuarial methods, IT, etc.): 16% of the new employees were under the age of 26, 7% were transfers from other Group companies, and 12% were the result of the stabilisation of the level of contract workers to permanent employees.

Alongside these recruitments, there were approximately 970 departures (8% retirements, 27% resignations, 21% dismissals).

Depending on the company, internal mobility affected 5 to 8% of employees in France in 2006: 80 employees changed companies within the Group.

Training investments in the consolidated Group totalled 5.5% of the payroll.

These efforts were directed towards all professional categories and were a major part of efforts to develop the job and managerial skills that are essential for the success of projects undertaken within the Group.

Most consolidated companies in France are governed by the Collective Agreement for Insurance Companies (covering 86% of employees) and the others function under collective agreements specific to their activities (banking, assistance, etc.). In addition to these agreements, inter-company or company agreements have been signed, particularly for the retirement and provident systems, as well as for organisation and work days. The Group Committee and European Works Council are the social bodies at the Group level.

As part of the collective wage policy, profit-sharing measures have been implemented in all Group companies. Under such measures in 2006, €25.6 million was distributed to employees in consolidated companies.

To be able to anticipate the issue of employee retirement, negotiations were held that led to implementation of a PERE (company retirement savings plan) and a PERCO (collective retirement savings plan) to be extended by membership to all companies in France in 2007.

With the strong guiding principles of responsibility, solidarity and local presence that form the basis for its identity, the Group is a committed insurer, professional agricultural organisation, and employer.

In this spirit, the Group is preparing to fully respect the commitments dictated by its upcoming membership in the Diversity Charter (within France), based on its signature of the United Nations Global Compact on 7 February 2007.

12.2 Group Employees

Changes in the Salaried Workforce of Groupama SA

(employees listed at the end of the year)

The consolidated Group includes all companies of which it is composed. This scope of consolidation includes 41 companies and a total workforce of 13,936 employees that can be broken down as follows:

	2006			2005	2004
Number of employees	**Insurance**	**Finance**	**Total**	**Total**	**Total**
France	9,631	943	10,574	10,460	10,473
United Kingdom	1,207		1,207	767	809
Spain	875		875	764	749
Italy	396		396	397	394
Hungary	240		240	253	274
Other EU countries	114		114	108	105
Turkey	501		501		
Non-EU countries	29		29	30	39
Total	**12,993**	**943**	**13,936**	**12,779**	**12,843**

Number of employees	**2006**	**2005**	**2004**
Groupama SA	1,531	1,510	1,518
Headquarters and customer service of subsidiaries with global customer relations/networks(1)	3,951	3,881	3,793
Sales forces of subsidiaries with global customer relations/ networks(1)	2,045	2,120	2,303
Insurance / bank and services subsidiaries France	861	802	733
including Groupama Banque	*318*	*286*	*259*
Financial and real estate subsidiaries	629	619	615
Support companies (IT, logistics)	1,557	1,528	1,573
Subtotal France	***10,574***	***10,460***	***10,473***
International	3,362	2,319	2,370
TOTAL	**13,936**	**12,779**	**12,843**

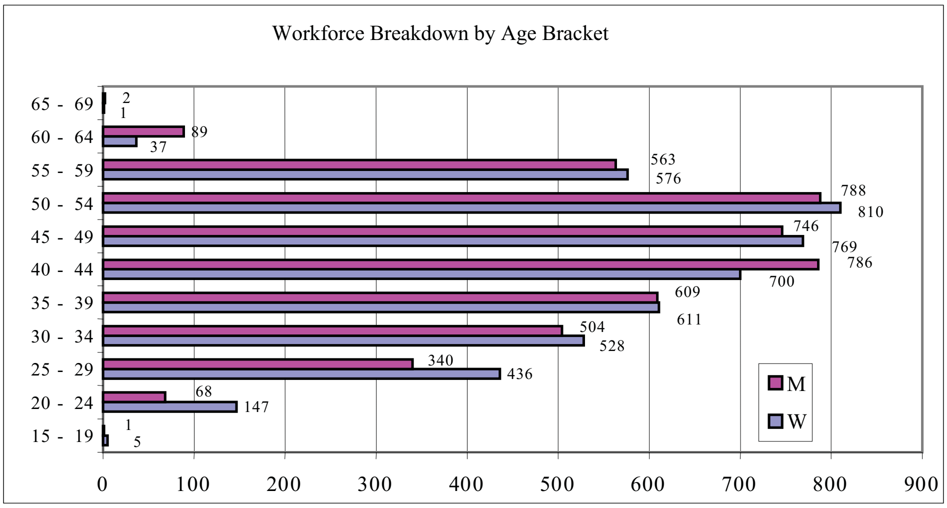
(1) Gan Assurances IARD, Gan Assurances Vie, Gan Eurocourtage IARD, Gan Eurocourtage Vie, Gan Patrimoine, Gan Prévoyance, Groupama Transport, Gan Outre-Mer

The total workforce in the consolidated entities in France totaled 10,574 employees listed as at 31 December 2006. It can be divided up as follows:

By gender		By type of contract		By status	
Men	Women	Permanent Employees	Contract Workers*	NA.	A
49%	51%	97%	3%	55%	45%

*of which, 0.6% alternating contracts

The age pyramid can be represented as follows:



12.3 Shareholding and Stock Options

Groupama SA did not grant any stock options or call options to an agent or employee during the 2006 fiscal year. At the time of registration of this reference document, there were no stock or call options which could be exercised.

Each company director owns at least one company share, in accordance with Article 12 of the constitution.

12.4 Personnel Profit-Sharing

12.4.1 Retirement Scheme

The companies of the Group have different pension schemes. The schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations.

Most often, the consolidated companies turn to insurance companies within the Group: Groupama Vie and Gan Eurocourtage Vie. Provisions are therefore recorded in the financial statements of the consolidated companies to cover this commitment. The sums received are placed in appropriate investments.

12.4.2 Other long term benefits

The Group also sets aside sums in its statements in provision for other long-term benefits for Group employees:

– long term service awards and

– anniversary dates.

13. PRINCIPAL SHAREHOLDERS

The table below presents the number of shares, the percent of capital and the corresponding percent of voting rights held by the principal Company shareholders as at 31 December 2006.

Shareholder (on 31 December 2006)	Number of shares	Percent of capital	Number of voting rights	Percent of voting rights
Groupama Holding*	210,423,879	90.89	420,768,331	90.89
Groupama Holding 2*	20,814,364	8.99	41,628,728	8.99
Other **	276,525	0.12	552,950	0.12
Total	231,514,768	100	462,950,009	100

* Groupama Holding and Groupama Holding 2 are the holding companies of Groupama SA, whose shareholders are the regional mutuals.

** At 31 December 2006, employees, former employees and exclusive agents held 276,461 shares or 0.12% of the Company. On that same date, all directors together held 64 shares (4 company shares each) following the four for one stock split of Groupama SA shares decided by the General Shareholders' Meeting on 29 June 2006.

Through Groupama Holding and Groupama Holding 2, of which they are 100% owners, the regional mutuals have a majority holding in Groupama SA.

The Issuer is not aware of any arrangement, which would result in a change of control of the Issuer.

14. TRANSACTIONS WITH AFFILIATED COMPANIES

14.1 General Presentation

Groupama SA and its subsidiaries that comprise the equity management division of the Groupama group, together with their controlling shareholders, the regional Groupama mutuals that represent the Group's mutualist sector, maintain significant and lasting economic relations; these are focused primarily on reinsurance of the regional mutuals by Groupama SA and business relations with Groupama SA subsidiaries and the regional mutuals in the areas of insurance, banking and services.

The revenue of Groupama SA and its consolidated subsidiaries through the network of regional mutuals is mainly concentrated on Groupama SA and Groupama Vie. Based on these two entities, the contribution of the network of regional mutuals represented over 30% of the total consolidated revenue in 2006.

The resulting economic interdependence led the two Group divisions to implement contractual measures to protect the security of the Group as a whole.

14.1.1 Reinsurance

The regional mutuals are obliged to reinsure themselves exclusively with Groupama SA.

This obligation is based on regulatory principles and is written into the regional mutual bylaws. This reinsurance exclusivity creates long-term economic solidarity that leads to transfer of a significant proportion of the non-life insurance activities from the regional mutuals to Groupama SA.

The reinsurance relationship is based on the principle of "sharing the outcome" between the assigning mutuals and their reinsurer, Groupama SA. The goal of this principle is to ensure that, over the long term, there is no winner or loser between the ceding companies and their reinsurer.

This is based on significant use of quota share reinsurance and participation of the reinsurer in the direct insurance management decisions that affect the profitability of the whole.

Therefore, Groupama SA participates in defining the underwriting conditions, particularly concerning pricing, that are applicable for direct insurance, or drafts these conditions itself depending on the nature of the risks reinsured.

Moreover, Groupama SA can participate in the management of any claim file and co-manages any claim for which the presumed cost exceeds certain thresholds.

The reinsurance agreement also provides various mechanisms that can rapidly correct potential imbalances.

The sharing of outcome instituted between the regional mutuals and Groupama SA also means that Groupama SA can participate in certain specific insurance portfolio development costs (financing of projects, experimentation, partnerships, etc.) as long as these projects are in keeping with the Group's strategy and have the potential of being applicable to all regional mutuals. Indeed, quota share reinsurance can allow Groupama SA to participate in the future profits generated by the resulting portfolios.

This reinsurance relationship has been built over the long term, and the reinsurance agreement between Groupama SA and the regional mutuals is expected to last for the corporate existence of Groupama SA which, will end in 2086, unless extended. Any modifications to the agreement are made through a decision process based on dialogue, and Groupama SA's Board of Directors has the power of final approval.

This reinsurance relationship results in a strong body of common interests between the regional mutuals and Groupama SA. On one hand, the regional mutuals have a vital interest in maintaining the economic and financial health of their exclusive reinsurer. On the other hand, Groupama SA has a major interest not only in the economic and financial strength of the Mutuals but also in their growth, in which it participates in proportion to the non-life insurance activities transferred.

The reinsurance agreement is described in greater detail below in 14.2.1.

14.1.2 Business relationships between Groupama SA subsidiaries and regional mutuals in the areas of insurance, banking and services

Groupama SA and the regional mutuals carry out business dealings through the various Groupama SA subsidiaries. The activities of these subsidiaries are either focused on offering products or services for members and customers in the areas of insurance, banking or services, or on providing financial support to Group entities.

These business relationships are governed by a principle of Group preference that can extend as far as exclusivity, based on the interest of regional mutuals to meet their product or service needs and to secure returns on investments made in subsidiaries through Groupama SA.

The preferential nature of these relationships is laid out in an agreement approved by Groupama SA's Board of Directors on 14 December 2005.

According to the terms of this agreement, the respective commitments of Groupama SA and the regional mutuals are as follows:

- Groupama SA shall ensure that the subsidiaries offer products or services that meet the needs of the market (for products or services for members or customers) or the needs of Group entities (for financial services for Group entities) that are competitive in terms of price and service quality with those offered by competing companies.
- The regional mutuals commit to the following:
  - In the case of subsidiaries offering products or services for members and customers:
    - to never distribute competing products or services offered by third parties;
    - to distribute the products and services of life insurance, personal banking and employee savings subsidiaries;
    - to distribute the services of non-life insurance subsidiaries or of insurance-related service subsidiaries if they do not offer these services themselves and decide to use external service sources;
    - to act only in a secondary capacity and to coordinate with Groupama Transport in the area of marine and transport insurance, under the aegis of Groupama SA.
  - In the case of subsidiaries offering financial services for Group entities:
    - to give preference to these subsidiaries at equal prices and service quality.

The duration of this agreement shall be 10 years starting on 1 January 2006.

The creation and development of subsidiaries offering insurance or related services and banking services to Group members and customers meets the needs of regional mutuals, whose principal activities are limited by applicable regulation to non-life insurance; by giving them access to a complete range of financial services while they share among themselves the investment represented by the creation and the profitable development of a subsidiary, through Groupama SA.

This is the case of the life insurance services of Groupama Vie, the retail banking services of Groupama Banque, Groupama Epargne Salariale and various other service subsidiaries (Mutuaide, Capsauto, FMB, etc.).

The interest of Groupama SA in making these investments is threefold:

- Due to their intrinsic future profitability.
- Due to the common interests between it and the regional mutuals resulting from reinsurance; Groupama SA benefits from or is subject to the impact of any increase or decrease in the position of regional mutuals in the non-life insurance market; it actually has a direct interest in assuring that the regional mutuals offer a complete product range in other market sectors (life insurance, financial services, etc.) to compete on equal terms with other multi-line insurers present on the market or with bank insurers.
- Investments made in these subsidiaries allow the Groupama SA subsidiaries distributing the Gan brand to also provide service offerings; this is the case with services including retail banking, employee savings and insurance-related services.

14.1.3 Security Measures

14.1.3.1 Groupama Brand

The Groupama brand is the exclusive property of Groupama SA which grants the operating licence to the regional mutuals and subsidiaries. Groupama SA is therefore the guarantor for brand control and protection of an essential Group asset.

14.1.3.2 Agreement on Security and Solidarity Measures

On 17 December 2003, Groupama SA and the regional mutuals signed an agreement creating security and solidarity measures that guarantee the management security and financial stability of all regional mutuals and Groupama SA and formalise their solidarity.

This agreement is composed of three parts:

– Audit

  Once every three years, Groupama SA performs an audit of all regional mutual operations to verify the current and future economic and financial stability of each regional mutual and their observance of regulatory obligations and the reinsurance agreement.

  An audit is also performed in the event of losses reported by a regional mutual which, by nature and when repeated over three fiscal years, would put it in a situation of having insufficient equity and corresponding assets required for its activities.

  The amount of equity and assets necessary are defined through a decision process based on dialogue, where the Groupama SA Board of Directors has the power of final approval.

  This amount defined is significantly above regulatory solvency requirements.

  In the event of a disagreement with the regional mutual in question on recovery measures recommended by an audit, an arbitration procedure is initiated and, at its conclusion, the Groupama SA Board of Directors can decide by a 2/3 majority to request the resignation of the board of directors of the regional mutual and/or the dismissal of its managing director.

  In the event of refusal, Groupama SA's Board of Directors can decide by a 2/3 majority to recommend that the Groupama National Federation exclude the regional mutual from the Groupama National Federation, which would result in its exclusion from the group.

– Solidarity Fund

  The regional mutuals and Groupama SA participate in a Solidarity Fund to intervene on behalf of the regional mutuals if their equity and results no longer ensure that they will be able to respect their commitments and obligations over the long term.

  For the regional mutuals, money is put into this Fund on a *pro rata* basis calculated on their retained insurance premiums, by an annual appropriation to reserves until the sum of the regional mutual's appropriations reaches 3% of the retained premiums.

  Groupama SA does not contribute to such a reserve but has committed to intervene through the solidarity fund, based on calculations using the same method as used for the mutual appropriations.

  The Fund can intervene if two conditions are met:

  - The regional mutual reported losses which, by nature and when repeated over three fiscal years, would put it in a situation of insufficient equity and assets required for its activities determined as described above.
  - The regional mutual agrees to implement a recovery plan, the content of which is approved by Groupama SA.

  The decision to have the fund intervene is made by the Groupama SA Board of Directors by a 2/3 majority.

– Nomination of the regional mutual managing directors

  The managing directors of the regional mutuals are appointed by their boards of directors after consultation with a committee of top group directors composed of Groupama SA and regional mutual managing directors and regional mutuals chairmen.

14.1.3.3 The Agreements Committee:

An independent director presides over the Agreements Committee, a study committee of Groupama SA's Board of Directors.

This committee is particularly responsible for examining the terms of annual application of the reinsurance agreement and of the agreements concluded between Groupama SA, its subsidiaries, and the regional mutuals by monitoring the legal safety of these agreements and their respect of the company interests of each of the entities concerned.

14.2 Agreements between Groupama SA and its Subsidiaries and the Regional Mutuals

14.2.1 The Reinsurance Agreement

The need for reinsurance has created strong bonds between the Groupama mutuals since they were established over a century ago. As they grew, the mutuals' geographic coverage, which was once limited to one or two departments, led them to search for an offset to their risks at the national level, so that they could have the same benefits as large competing insurance companies. Thus, an internal reinsurance system was created over time between regional insurance mutuals and a central mutual, whose reinsurance function is now carried out by Groupama SA.

The reinsurance of the regional mutuals with Groupama SA through internal pooling of risks is intended to give each mutual, within its catchment area, subscription capacities equivalent to those of a single company covering the entire country. It also limits the use of outside reinsurance to the needs that such a company would have.

In order to achieve this objective, the reinsurance of the regional mutuals is conducted within a uniform framework set by general agreement and not by individual reinsurance treaties. This agreement dates back many years and is based on a number of founding principles that endure despite the adaptations made to it over time.

14.2.1.1 Permanent principles and adaptations of the reinsurance contract

The permanent principles are as follows:

– exclusive reinsurance obligation with Groupama S.A;,
– the reinsurance conditions defined by the contract have been formulated in the context of the cooperative relationship between Groupama SA and all the mutuals, and they are valid for all regional mutuals;
– general risk sharing among the mutuals and their internal reinsurer: all risks without exception are subject to reinsurance cessions, particularly quota share reinsurance cessions; this allows Groupama SA to participate in the development of all the business of the mutuals, including branches in which reinsurance is not technically essential (health insurance, for example); in return, Groupama SA systematically assists the mutuals with reinsurance when they launch new and less familiar risk products (e.g., multi-risk, crop, or long term care insurance), by determining the insurance terms.
– retrocession to the regional mutuals by Groupama SA of a portion of the total results of its reinsurance inwards, which reduces the group's external reinsurance needs and involves all the mutuals in balancing the reinsurance cessions to Groupama SA.

Any change in the structural parameters of the reinsurance contract and its appendices must be stipulated in a written amendment approved by the regional mutuals and Groupama SA in accordance with the following procedure:

– proposals for changes are developed within a reinsurance working group composed of representatives from Groupama SA and the regional mutuals;
– they are then submitted for the approval of the regional mutuals at a meeting of the managing directors of the regional mutuals and the Chief Executive Officer of Groupama SA;
– finally, they are presented by the Chief Executive Officer of Groupama SA for the approval of Groupama SA's Board of Directors, which approves proposed changes by a simple majority, after receiving an opinion from the Agreements Committee.

The adaptations made to the reinsurance contract during the last two decades were motivated by two factors:

– changes in the organisation of the mutuals (successive combinations, opening of the memberships, and assumption of the non-agricultural risk portfolio previously carried by the Samda subsidiary), which changed their size and, therefore, their retention capacities; or
– experience from the results of certain risk categories (major climatic events, imbalances in industrial risks, etc.) which led to the mutuals having greater responsibility for controlling underwriting and claims costs by increasing retentions in those business lines.

As previously indicated, the reinsurance contract covers all risks underwritten by the regional mutuals. It is formulated taking into consideration both the overall balance and specific characteristics of the mutuals in terms of protection needs. For this purpose, all the risks are classified in order to differentiate the solutions while ensuring group-wide consistency.

14.2.1.2 Classification of reinsured risks

Most of the risks are classified in three main families, based on the nature of the coverage required, which is a function of the degree of their volatility:

- primary risks: these risks include risks for individuals and professionals, such as motor, general third party liability, personal insurance, individual health and fire, excluding natural risks or very specific risks such as construction and long term care; these risks are characterised by a fairly low volatility, which essentially requires coverage for losses exceeding a certain threshold;
- atmospheric risks: these include storm, hail and snow on buildings, and traditional crop insurance risks (hail, storms, frosts); they are a source of very high volatility (particularly in the case of storms) because of the total cumulative effect of small and medium losses as a result of the same natural event over a broad geographic area, or because of successive events;
- heavy commercial risks: these risks include third party liability, fire, equipment damage and downtime losses for businesses; they are potentially the source of large, even catastrophic, individual losses, which generate high volatility in results; underwriting these risks requires strong technical and partially centralised expertise.

All the risks classified in the same family are subject to the same level of reinsurance cessions, which are adapted to their shared underwriting characteristics.

The risks that do not fall within these three groups, because they are new or because of their specific features, are handled appropriately, based if possible on the principles applicable to the risk family which they most closely resemble. These primarily include natural disasters (legal regime with State reinsurance), construction insurance (ten-year risk), long term care insurance (recent and very long-term risk), the risk of attacks (market pool), climate multi-risk (new risk). These risks are classified as "other risks".

14.2.1.3 Primary risks

All primary risks are reinsured with a 30% share (40% for the overseas mutuals), which represented revenue of €1,203.1 million for Groupama SA in 2006.

Thus, the regional mutuals have a high retention rate, which is the best guarantee of balance in their reinsurance cessions to Groupama SA, since these risks represent over 80% of their revenue; however, specific regulations are established for the unlikely case in which a regional mutual would assign a loss to Groupama SA over two consecutive years for its share of reinsurance.

This mandatory reinsurance share gives Groupama SA the resources, profitability and scale to be a financially sound reinsurer that can provide the mutuals with protection adapted to the high volatility risks in the other risk families, for which the premium basis is, in contrast, limited.

Through this share, Groupama SA participates directly in the growth and profitability of the core business of the regional mutuals.

The retention rate of the mutuals is protected through a stop-loss, the threshold of which (identical for all French metropolitan regional mutuals and indexed annually) is set at a high level, which limits the scope of this coverage to a portion calculated so that the net retention of Groupama SA does not exceed an average of 3% of the total of the primary risk losses recorded for all the regional mutuals. The mutuals retain a percentage of the surplus, which is therefore not 100% subject to reinsurance cession, so that they share in the total cost of these claims.

14.2.1.4 Atmospheric risks:

All atmospheric risks are reinsured with a 50% share (65% for the overseas mutuals), which represented revenue of €156.7 million for Groupama SA in 2006.

This retention rate is very significant, but this element, which is important in making the mutuals responsible in underwriting, is complemented by a mechanism that adjusts the basis of the premiums assigned based on the history of claims reports compared to premiums, observed over a long period.

This allows Groupama SA to automatically correct the rate level (set by the mutuals) which determines this basis when this level does not correspond to the risk balance over time, particularly taking into account external reinsurance costs, which are high in these business lines.

The retention of each mutual is protected by an annual stop-loss, separately for the storm and hail business lines; the annual total of claims in the business lines is then cut off when it exceeds a high threshold (greater than revenue).

For the same reasons as the quota share, the basis for triggering this protection (trigger threshold, premium rate) is the mutual's revenue corrected for its claims history.

The surplus is no longer 100% ceded, and the mutuals retain a share, without limit on the amount, in the annual total of claims.

The portion of the claims assumed by the annual stop-loss represents, on average over an extended period, 45% of the claims retained after the reinsurance share for the storm business line and 10% for the hail business line. These averages are not indicative of the very significant differences in the claims experience for individual years (there is usually no storm expense, with the exception of major events).

On its reinsurance inwards, Groupama SA of course benefits from the coverage underwritten in external reinsurance, and it includes this cost in the contributions requested from the regional mutuals (this is also valid in the other risk families).

14.2.1.5 Heavy commercial risks:

All heavy commercial risks are reinsured with a 50% share (65% for the overseas mutuals), which represented revenue of €71.2 million for Groupama SA in 2006.

Therefore, the retention of the mutuals is also very significant; it was recently increased, which gave incentives to the completion of the portfolio stabilisation programme.

It is protected by a stop-loss at a high threshold, beyond which, as in the other two risk families, the mutuals still retain a portion of the total cost of the claim.

The expense of the claims assumed by this protection represents an average of 15% of the total cost of the claims retained by the mutuals after the reinsurance quota share.

In this business line, which has a small premium basis, adjustment mechanisms similar to those in effect in atmospheric risks would not be significant; in contrast, the reinsurance contract allows Groupama S.A, which has a central team of specialised underwriters, to intervene directly in setting insurance and rate conditions, in the underwriting of major risks, and in the payment of claims.

14.2.1.6 Principal other risks (''other risks'')

In natural disasters, the mutuals reinsure a 70% share (the minimum cession to the C.C.R. is 50%), and their retention is protected by an annual stop-loss.

Construction reinsurance is similar to primary risks, with a 30% share and a stop-loss on retention; the principles of ten-year balance and accounting do not, however, allow it to be classified in this family.

Long term care is reinsured only with a 50% share.

The business attack risks are 100% reinsured, then 100% retroceded to the Gareat market pool.

Since this is a new business line and still experimental, the climate multi-risk policies are reinsured for each regional mutual at a rate of 100% by Groupama SA, but the insurance and rate conditions are set by Groupama SA and 50% of the national results are then retroceded to the mutuals.

Overall, these assignments represented revenue of €252.9 euros for Groupama SA in 2006.

14.2.1.7 Retrocession

Insurance ceded by the mutuals to a central reinsurer do not deplete the capacities for pooling and retention within the group. Given their level of equity, the mutuals have the capacity to bear a portion of the risk offset nationally, and protected by outside reinsurance. They become in turn the reinsurer of Groupama SA.

This allows the total results of the most volatile risks accepted to be shared between Groupama SA and the mutuals, and lowers the thresholds for ceding risks to third party reinsurers.

It is for this reason that Groupama SA retrocedes to the mutual a portion of the result of the total of its reinsurance inwards, net of third-party protections, only in the risks or forms of reinsurance with a volatility that justifies this additional mutual participation.

The quota share of reinsurance inwards of Groupama SA in primary risks is not, therefore, affected by retrocession.

However, a significant percentage (15% to 40% depending on the risks) of the other main reinsurance inwards is retroceded, including the following:

– excess of loss for primary risks
– quota share and stop loss for atmospheric risks and natural disasters

– quota share and stop-loss for heavy industrial risks.

The transactions that are retroceded are distributed among the regional mutuals and prorated on the basis of the gross premiums which each mutual retains after the reinsurance quota share cession to Groupama SA in proportion to the total of the primary, atmospheric and heavy industrial risks.

In addition to the internal pooling effect, retrocession empowers and directly involves the community of mutuals in the balances of the various reinsurance cessions they make to Groupama SA and, as a result, acts as an additional regulating factor.

In summary

This description reveals that:

– the reinsurance contract is a coherent and balanced whole that must be assessed on the basis of its overall purpose and effects, and not by isolating any one of its components from this context; this perspective is also not opposed to a segmented and technical approach to risks and the related reinsurance conditions (see above);
– the currently applicable reinsurance conditions are the result of adaptations over time to make this mechanism fully effective in terms of the economic goal of offsets and risk control;
– the permanent implementation of this goal has the effect of associating Groupama SA in the insurance activity of the Groupama regional mutuals in a balanced and controlled manner.

The reinsurance revenue generated by Groupama SA with the regional mutuals totalled €1,697 million in 2006.

14.2.2 Groupama Vie

The relations between Groupama Vie and the regional mutuals are governed by identical bilateral agreements. One agreement covers individual life, and another group insurance.

14.2.2.1 Individual life agreement

The purpose of this agreement is the distribution and management by the regional mutuals of the individual life insurance products (which include the products subscribed by participation in a voluntary group policy) from Groupama Vie.

With regard to distribution, Groupama Vie sets the marketing, underwriting and pricing rules for the products as well as the contract documents and promotional media. The regional mutual is responsible for the business relationship with the customer.

At the management level, the regional mutual receives a delegation of authority covering all management actions, including medical management, within certain limits (particularly regarding amounts), and in accordance with the conditions defined by Groupama Vie.

The regional mutual is required to comply with a number of ethical rules, particularly governing the treatment of health cases and the prevention of money laundering.

Groupama Vie is authorised to conduct on-site audits of documents and the conditions under which the delegation of the marketing and management authority is exercised.

The distribution and management services of the regional mutual are remunerated on the basis of three elements: for all products, a mark-up on premiums and, for certain products, a remuneration on the outstanding amount (savings and pension products), and a consideration based on the regional underwriting performance (provident products) designed to ensure that the regional mutual have a financial interest in the quality of their management.

Groupama Vie posted revenue under this agreement of €1,771.8 million in 2006. Fees earned by the regional mutuals amounted to €94.9 million.

14.2.2.2 Group insurance agreement

The purpose of this agreement is the distribution and management by the regional mutuals of group insurance policies from Groupama Vie.

Groupama SA, which provides technical support to Groupama Vie, is also a party to this agreement.

At the distribution level, Groupama SA, through a delegation from Groupama Vie, sets the rules for marketing, underwriting, and product rates, as well as the contract documents and communications media. The regional mutual is responsible for the business relationship with its customers.

With regard to management, the regional mutual receives a delegation of authority covering all management of the life policies, including medical management, with the exception of certain actions which, because of the type or amount, are performed directly by Groupama SA.

The administration of pension policies and life insurance benefits on these policies is delegated to Groupama SA.

Groupama SA, is authorised by Groupama Vie to conduct on-site audits of documents and the conditions under which the marketing and management functions are performed by the regional mutual.

The regional mutual's distribution and management are remunerated on the basis of several elements: mark-up on premiums, remuneration on outstanding amounts for certain products, remuneration based on regional net profit on all death risks, which is designed to ensure that the regional mutual monitors the quality of its management. As an incentive for the development of group insurance, the regional mutual benefits from a share of the profits from policies managed nationally because of their type.

Groupama Vie posted revenue under this agreement of €59.4 million in 2006. The fees earned by the Regional Mutuals amounted to €6.1 million.

14.2.3 Groupama Banque :

The relations between Groupama Banque and the regional mutuals have been governed since the launch of the bank in late 2002/early 2003 by identical bilateral agreements, which consist of two elements:

14.2.3.1 A general marketing and management agreement

The general agreement defines the respective roles of the bank and the regional mutual. The regional mutual receives authority from Groupama Banque to distribute its products under an intermediary mandate for banking transactions that defines and limits the delegated transactions which the mutual is authorised to perform. The delegated transactions are transactions to prepare for and assist banking transactions, as Groupama Banque is the only party to have the capacity to conduct actual banking transactions.

The regional mutual makes a number of commitments intended to conduct the development of plans for banking activities in a controlled manner: to mobilise the staff required and provide training, to apply the quality charter, and to implement an internal control mechanism and a mechanism to fight money laundering, etc.

This agreement, with an initial term of five years, may be renewed for periods of one year.

14.2.3.2 An annual marketing and management agreement

This agreement supplements the general agreement for topics that require a periodic update: annual production objectives for the regional mutual, remuneration, quality objectives, etc.

The regional mutual is remunerated on the net banking income generated by the products used by the customers minus the costs of processing payments and a share of the distribution costs related to the bank's local sales centre.

The net banking income recorded by Groupama Banque under these agreements amounts to €19.1 million in 2006. Fees earned by the regional mutuals totalled €3.4 million.

14.2.4 Other agreements

The other agreements signed by the Groupama SA subsidiaries and the regional mutuals in the areas of assistance, legal protection, employee savings and asset management generate revenues that are not significant for Groupama SA.

14.3 Financing of major programmes

Groupama SA participates in the financing of Groupama national "major programmes" (including IT convergence and implementation of retail banking activities) by paying subsidies to the regional mutuals; these payments have traditionally been an instrument available to the central organisation to encourage the regional mutuals to implement general policies in the collective interest.

This mechanism is typical of so-called decentralised organisations. In such organisations, the role of the central structure (regional level) is to represent the group goals and to direct the resulting policies, but it has no legal power to impose those policies on the regional mutuals.

In addition, those policies generally result in expenses or constraints without immediate benefit for the regional mutuals, and they have no clear reason to implement them other than a concern for their collective long-term interest.

Thus, the central organisation pays them financial compensation in order to encourage them to implement the group's policies.

As a result, when the group management function passed from CCAMA to Groupama SA early in 2004, Groupama SA continued to provide financial assistance for three national projects:

- the community IT system;
- the implementation of banking activities;
- the development of the medical insurance product known as "Active Health".

Periodic financial assistance has also been paid to encourage the combination of the regional mutuals.

In the context of the implementation of Groupama's banking activity, which was initially launched in 2003, Groupama SA offered to assist the regional mutuals financially through support for continuing the initial marketing initiative. In 2006, this financial assistance was calculated on the basis of a budget determined from three developmental objectives, set at the beginning of the year and divided into three parts-two based on production criteria and one on achieving objectives. For 2006, the amount of the financial assistance for the implementation of banking activities amounted to €2.2 million, net of corporate tax.

With respect to financing the community IT expenditures, including the 100% assumption of exceptional projects, financial statements closing procedures, and health convergence, and the payment of 50% of the merger costs for regional mutuals and the expenses to streamline and develop community management tools (including IAS-IFRS and archives), Groupama SA's assistance in 2006 amounted to €11.7 million, net of corporate tax.

Finally, Groupama SA will participate, beginning in 2007, in the financial effort to support and promote the Groupama trademark used by the regional mutuals by sponsoring high-profile sports teams, in soccer, rugby or basketball.

The financing of major national programmes is reviewed by the Agreements Committee prior to authorisation by the Groupama SA Board of Directors.

15. DIVIDEND DISTRIBUTION, PROPERTIES AND OTHER INFORMATION

15.1 Dividend distribution policy

15.1.1 Dividends paid during the last three years

	Dividend	Theoretical dividend tax credit	Portion not eligible for reduction	Portion eligible for reduction
Fiscal year 2003	*€26,045,411,60*	*50%(1) or 10%(2)*	*Not applicable*	*Not applicable*
Fiscal year 2004	*€46,302,953,60*	*Not applicable*	*€46,236,147.20*	*€66,806.40*
Fiscal year 2005	*€87,975,611.84*	*Not applicable*	*€87,866,863.44*	*€108,748.40*

(1) individuals and parent company regime
(2) any other legal entity

15.1.2 Distribution policy

In 2003 to 2005, Groupama SA implemented a policy to regularly increase the dividend payout rate.

For fiscal 2006, a dividend of €0.58 per share is proposed, representing a total distribution of €134.3 m, or 22% of the consolidated net income.

	2004	2005	2006
Dividend	*€46.3M*	*€88M*	*€134.3M*
Consolidated net income	*€315M*	*€394M*	*€600M*
Payout rate	*15%*	*22%*	*22%*

15.1.3 Legal time limit

Pursuant to the provisions of Article 2277 of the Civil Code, dividends not claimed within a period of five years are time barred. They are then transferred to the Treasury pursuant to the provisions of Article L.27 of the French State Property Code.

15.2 Real estate, factories and equipment

Groupama SA is the owner of its corporate headquarters located at 8-10, rue d'Astorg – 75008 Paris.

In addition to being an insurance group, Groupama SA holds significant real estate, largely managed by Groupama Immobilier, with a total area of about 700,000 m2 worth approximately €4 billion at the end of 2006. These assets, primarily located in Paris and Île de France, consist of 72% offices, 26% flats and 2% woodland.

The cession of Gan Tower is detailed in chapter 8.1.

15.3 Other

The date of the Issuer's latest financial information is 31 December 2006. Groupama SA does not publish quarterly financial statements.

No significant change in the Company's financial or commercial position has occurred since the end of fiscal 2006.

16. MATERIAL CONTRACTS

In the last two years, the Issuer and its subsidiaries have not entered into any material contracts with third parties otherwise than in the ordinary course of their business, which create a material obligation or commitment for the entire group comprised of the Issuer and its subsidiaries.

However, material agreements were entered into among the Issuer, its subsidiaries and the Regional Mutuals in the context of their business relations. These agreements are described in section 14 (Transactions with Affiliated Companies) above.

17. 2007 HALF-YEAR FINANCIAL REPORT

The figures below present key financial data from the 2007 half year financial report:

- Groupama S.A[1] (The consolidated financial statements of Groupama S.A)
  - Premium income: 6,878 million euros, + 5.8% (+ 3.2% with constant scope of consolidation and exchange rate)
  - Net profit: 506 million euros, + 53.8%
  - Profit from operations[2]: 217 million euros, +6.9%
  - Annualised ROE: 29.2% (+ 6.4 points)
  - Property and liability insurance combined ratio: 97.9% (-1.1 point)
- Group (The combined financial statements includes all the business lines of the Regional Mutuals)
  - Premium income: 9,367 million euros, + 4.3% (+ 2.4% with constant scope of consolidation and exchange rate)
  - Net profit: 558 million euros, + 42.0%

HIGHLIGHTS

- **Solid Earnings are recorded:**

Sustained growth: + 4.5%* in life and health insurance[3], + 6.3%* in property and liability insurance and a 32.8% increase in banking and financial business. (* *in current data)*

Solid financial earnings, profit from operations increased by 6.9%, current income by 57.0% and net profit by 53.8%.

There was an improvement in the property and liability insurance combined ratio, which reached 97.9%

- **In France the vigorous activity is due to Innovation and Partnerships:**

Groupama and Neuf Cegetel entered into a partnership combining a range of adapted services and state-of-the-art technology. Accordingly, Groupama makes its service and insurance offerings available to Neuf Cegetel clients while Neuf Cegetel offers Groupama members its Easy Neuf product, which combines in one terminal the functionalities of a computer, high-speed Internet access and unlimited telephone service. This partnership also provides for the joint development of innovative services.

Groupama has entered into partnership with Accor Services to develop Ticket Tesorus®, an employee savings solution (PEE [*Plan d'épargne entreprise* – company savings plan] and PERCO [*plan d'épargne pour la retraite collectif* – collective retirement savings plan]) intended for small and medium-sized companies that can be used as easily as a Restaurant Voucher.

As top-ranked individual health insurer, the group now offers a new service to its customers: Groupama Nutrition Santé. Through the website www.nutrialis.fr, policy holders have access to a nutrition data base, with the possibility of an assessment, personalised consultation and diet support. The deployment will take place in several stages, after a pilot phase in 2007.

Thanks to the launch of attractive offerings, Groupama Banque now has nearly 400,000 customers, revenues have increased by 16.7% and its net banking income has doubled.

- **International business shows Significant Growth**:

Turkey: Acquired in 2006, the Turkish subsidiaries Basak Groupama Sigorta and Basak Groupama Emeklilik posted strong growth in their business and a positive contribution to the group's earnings.

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1 The consolidated financial statements of Groupama S.A. include the business lines of all subsidiaries as well as internal reinsurance (i.e. approximately 40% of the premium income of the Regional Mutuals ceded to Groupama S.A.). The Group's financial statements include all of the Group's business lines (the Regional Mutuals and those of subsidiaries consolidated within Groupama S.A.).

2 To give a more economic view of the business, the group communicates on an indicator entitled Profit from operations. Which represents the current income restated for realised capital gains and losses for the part reverting to the shareholder net of corporate tax. The current income is the net profit minus impact of unrealised gains and losses on the financial assets recognised at the fair value reverting to the shareholder net of corporate tax, exceptional transactions and depreciation of goodwill.

3 According to the life/non-life segmentation, which was used until the 1st half of 2006, life insurance business had increased by 3.5% and non-life insurance by 6.2% as of 30 June 2007

Great-Britain: The contribution by the British brokerage firm Carole Nash -acquired in 2006- to the group's earnings is now positive. The strategy of strengthening the distribution networks following the acquisition, in early June 2007, of the British brokerage firm Bollington Group, which is specialised in automobile insurance and health and life insurance.

Southern Europe continues to be a high-priority growth area. The group confirmed that fact by acquiring, on 29 June 2007, 100% of the Greek insurance company Phoenix Metrolife for a price of 96 million euros. In 2005, Phoenix was ranked second in non-life insurance with a market share of 7.8% and ranked eighth in life insurance and savings with a market share of 3.8%.

- Post Closing Events:

Still in Southern Europe: on 2 August 2007, Groupama's bid to acquire the Italian insurer Nuova Tirrena was accepted by the board of directors of the parent company. The deal, at a price of 1.25 billion euros, covers all business lines of that company, which had premium income of 814 million euros in 2006, 86.4% of which was from non-life insurance. The acquisition is subject to the customary regulatory clearances.

This new transaction brings the international business share, in the annual premium income of Groupama S.A., to 26% from less than 20%.

- **The Assets Management records a Strong Growth based on Recognised Expertise:**

The assets managed by Groupama Asset Management on behalf of non-group clients are growing fast: +21.3% compared to 31 December 2006.

- **Active Management of the Balance Sheet:**

On 21 January 2007, Groupama S.A. sold off a 15.35% block of capital of the SCOR company. That transaction is part of the optimisation of Groupama's financial management and allocation of its equity. The capital gain net of tax and profit-sharing reverting to policy holders is 144.5 million euros.

Standard & Poor's upgraded Groupama's A rating outlook from "stable" to "positive" on 6 April 2007.

- Post Closing Events:

The Gan Tower was sold on 3 July 2007 to the Foncière des Régions group for a price of 486 million euros.

In the financial statements for the 2nd half of the year, the sale of the Gan Tower will translate into policy holders increasing their share in the profits of the three owning entities (Gan Assurances Vie, Gan Prévoyance, Gan Eurocourtage Vie) and a consolidated net capital gain after profit-sharing and taxes in the region of 170 million euros.

- **Groupama S.A records a Solid Growth in Premium Income of : + 5.8% to 6,878 million euros:**

As of 30 June 2007, the consolidated premium income of Groupama S.A. was 6,878 million euros, up by 5.8% (+5.9% excluding discontinued activities).

With a constant consolidation and exchange rate, total premium income grew by 3.2% (+3.3% excluding discontinued activities).

As of 30 June 2007, insurance premium income in France, which accounts for 78.1% of the total activity of Groupama S.A. for the half year, grew by 2.5% to 5,372 million euros.

International insurance premium income (19.2% of total premium income), which was 1,318 million euros, increased by 19.3% in current variation and 3.5% in constant variation, excluding discontinued business.

The other activities represent 2.6% of total premium income.

Groupama S.A. posted an increase in premium income for life and health insurance of 4.5% in current variation and 2.6% in constant variation.

In France, life and health insurance posted a gain of 2.8% in a slumping market.

Premium income from life insurance and capitalisation posted an increase of 2.2% for the 1st half of 2007. Those figures should be viewed in the context of the French market for life insurance and capitalisation, which posted an overall decline of 3.0% at the end of June 2007.

In individual retirement/savings, the income of Groupama S.A. increased by 0.3% as of 30 June 2007: +0.7% for euro vehicles and -0.9% for unit-linked vehicles.

In the bodily injury and health insurance market in France, premium income increased by 4.3% as of the end of June 2007.

Life and health insurance premium income from the international business line posted an increase of 19.9% on a reported basis and 0.8% in constant scope of consolidation and constant exchange rate.

In property and liability insurance, premium income rose by 6.3% in current figures and 2.7% in constant figures. Activity in France increased by 2.0% while international business showed an increase in premium income of 19.0% on a reported basis and 4.6% in constant scope of consolidation and constant exchange rate.

In financial and banking business, premium income from asset management subsidiaries rose considerably to 78 million euros as of 30 June 2007 (+27.9%). This growth was mainly generated by the Groupama Asset Management business line, which had increased by 26.3% as of the end of June 2007.

The assets managed by Groupama Asset Management were valued at 86.8 billion euros as of 30 June 2007, an increase of 9.8% compared to 31 December 2006. The portion managed on behalf of non-group clients was 14.8 billion euros as of 30 June 2007, an increase of 21.3% compared to 31 December 2006.

Non-group revenues from Banque Finama were 69 million euros, (+ 47%), while its net banking income, excluding dividends from its subsidiaries, grew by 15% due to the increase in securities in custody and means of payment handled.

The revenues of Groupama Banque, which increased by 16.7%, were 21.1 million euros as of 30 June 2007. The net banking income was 11.2 million euros in the 1st half of 2007 versus 5.5 million euros in the 1st half of 2006. The bank had 392,000 customers as of the end of June 2007, (i.e). 36,000 more than at 31 December 2006.

- **Groupama S.A Profit From Operations[4] rose by 6.9% to 217 million Euros:**

Profit from operations of Groupama S.A. was 217 million euros in the 1st half of 2007, versus 203 million euros in the 1st half of 2006.

Property and liability insurance: a marked improvement in the combined ratio

Profit from operations derived from property and liability insurance was 175 million euros, versus 149 million as of 30 June 2006.

The 1.1 point improvement in the net combined ratio, to 97.9% as of 30 June 2007, explains this increase. The figure for net claims filed at Groupama S.A. was stable at 69.1% while the ratio of net operating expenses declined by 1.2 points.

In France, the net combined ratio was 100.6% in the 1st half of 2007, nearly stable compared to 30 June 2006. Net claims were 70.7% and the ratio of net operating expenses was 29.9%, a decline of 0.2 point.

Internationally, the net combined ratio was 92.4% as of 30 June 2007, a decline of 2.9 points compared to 30 June 2006. This significant improvement results from the 3.4 point reduction in the ratio of net operating expenses, to 26.6% as of 30 June 2007. It should be noted that the overhead expenses for the 1st half of 2006 incorporated non-recurrent communication expenses in Italy (change of brand).

Life and health insurance: relative stability

Profit from operations was 102 million euros. The slight drop (-6%) was primarily due to increased profit-sharing funds.

Groupama S.A. Net profit, Group Share: + 53.8% to 506 million euros

The consolidated net profit, group share, was 506 million euros in the 1st half of 2007, versus 329 million euros in the 1st half of 2006, i.e. an annualised ROE of 29.2%.

4 in order to give a more economic view of the activity, the group communicates on an indicator entitled Profit from operations. Which represents the current income restated for realised capital gains and losses for the part reverting to the shareholder net of corporate tax. The current income is the net profit minus impact of unrealised gains and losses on the financial assets recognised at the fair value reverting to the shareholder net of corporate tax, exceptional transactions and depreciation of goodwill.

This growth can be explained by the increase in profit from operations and the increase in realised capital gains reverting to the shareholder, in particular from the 144.5 million euro capital gain on the sale of SCOR shares.

- **All activities increase their contributions:**

Insurance and Services in France:

The total contribution from insurance and service activities in France, 302 million euros, an increase of 3.4% compared to the first half of 2006, stayed at a good level.

The contribution from insurance activity of Groupama S.A. was 74 million euros as of 30 June 2007.

The contribution of Groupama Vie increased sharply (+41%, to 65 million euros), driven by the improvement in the net profit-sharing financial margin.

The contribution of Gan Assurances to the consolidated earnings of the group as of 30 June 2007 was 44.0 million euros versus 28.1 million euros as of 30 June 2006, due especially to the strong earnings of Gan Assurances Vie, whose technical margin on health and bodily injury grew.

The contribution of Gan Eurocourtage stayed at a high level, 65 million euros, in the 1st half of 2007 with earnings of 23 million euros for Gan Eurocourtage Vie and earnings of 42 million euros for Gan Eurocourtage IARD.

The other subsidiaries of the group posted stable or higher earnings, in particular from Groupama Transport.

International Insurance:

International insurance contributed 108 million euros to consolidated earnings as of 30 June 2007, versus 105 million euros as of 30 June 2006. However, that slight increase bears witness to the contrasting experience of individual entities.

In Spain, Groupama Seguros contributed 60.0 million euros to the consolidated earnings of the group for the 1st half of 2007 versus 34.3 million euros in the 1st half of 2006, i.e. an increase of nearly 75%. The 3.8 point decline in the net combined ratio, to 86,3%, for the most part explains that improvement.

Groupama Insurances in the United Kingdom contributed 22.3 million euros to group earnings as of 30 June 2007 versus 50.7 million euros in the 1st half of 2006. The partial activation of former tax deficits had improved profits as of 30 June 2006 by EUR 23.2 million although this was offset by the current tax charge as of 30 June 2007.

In Italy, the subsidiaries Groupama Assicurazioni and Groupama Italia Vita posted a contribution of 9 million euros, versus 10.7 million euros as of 30 June 2006 due to a claims deterioration in the automobile branch, while the ratio of net operating expenses improved by 2.6 points.

The Turkish subsidiaries Basak Groupama Sigorta and Basak Groupama Emeklilik (consolidated since the second half of 2006), posted a contribution of 9.6 million euros as of 30 June 2007.

The Portuguese subsidiaries Groupama Seguros and Groupama Vida posted a total contribution of 1.8 million euros versus 0.3 million euros as of 30 June 2006.

The contribution of Groupama Biztosito, in Hungary, was stable and close to breaking even, after a period of recovery.

Asset Management and Other Financial Activities:

The contribution to consolidated earnings from financial and banking business was 2 million euros in the first half of 2007, a significant increase compared to the figure as of 30 June 2006 (loss of 5 million euros).

Groupama Asset Management made an increased contribution (15.5 million euros as of 30 June 2007 versus 12.8 million euros in the 1st half of 2006). The favourable French economic climate in the 1st half of the year, and the growth in asset management on behalf of third parties were the source of that performance.

The contribution of Groupama Banque, although negative, increased, i.e. -16.5 million euros as of 30 June 2007 versus a loss of 19.9 million euros in the 1st half of 2006. Net banking income doubled in the 1st half of 2007 and was 11.2 million euros. However, the increase in operating expenses limited that growth.

Holding companies (Group management and financing activity) made a positive contribution of 94 million euros in the 1st half of 2007, thanks specifically to the capital gain on the sale of Scor shares mentioned above and posted to the holding company activity of the entity Groupama S.A.

- **Groupama S.A. Balance Sheet presents a Strong Financial Structure:**

The balance sheet total increased by 7.6% to 84.6 billion euros versus 78.6 billion euros as of 31 December 2006.

Shareholders' capital and reserves (group share) were 5.2 billion euros, an increase (+2.0%) compared to 31 December 2006.

Gross technical provisions (including deferred profit sharing) were 65.2 billion euros as of 30 June 2007, versus 62.9 billion euros as of 31 December 2006, (i.e). an increase of 3.7%.

Insurance investments were 71.2 billion euros as of 30 June 2007, versus 66.7 billion euros at the end of 2006, (i.e). an increase of 4.5 billion euros (+6.7%). Unrealised capital gains of the group were 8.1 billion euros as of 30 June 2007, a decrease of 1.3 billion euros (-13.3%) compared to 31 December 2006 due primarily to the rise in bond rates.

The net debt ratio, excluding Silic, remained low at 18.6% as of 30 June 2007.

- **Outlook:**

In the second half of the year, a number of legislative changes in France may have an impact on the business environment, and therefore on the group's business, whether in the long-term care insurance or health insurance markets.

Bolstered by its good income figures and bearing in mind that there has been up to now no significant impact from developments in financial markets on income and consolidated equity, the Group is confident that its annual income figures for 2007 will be good.

Groupama S.A. key figures – consolidated financial statements

Consolidated Premium Income

CONSOLIDATED PREMIUM INCOME AS OF 30 JUNE 2007 IN MILLIONS OF EUROS

	1st HY 2006 Actual premium income	1st HY 2006 Proforma premium income*	1st HY 2007 Actual premium income	2007/2006 % variance on current structure and exchange rate basis	2007/2006 % variance on constant consolidation and exchange rate basis
> **FRANCE**	5,249	5,249	5,377	+2.4	+2.4
Property insurance	2,388	2,388	2,436	+2.0	+2.0
Life and health insurance	2,855	2,855	2,936	+2.8	+2.8
Total excluding discontinued business	5,243	5,243	5,372	+2.5	+2.5
Discontinued business	6	6	5	-16.7	-16.7
> **INTERNATIONAL & overseas depts.**	1,125	1,290	1,331	+18.3	+3.2
Property damage	798	908	950	+19.0	+4.6
Life and health insurance	307	365	368	+19.9	+0.8
Total excluding discontinued business	1,105	1,273	1,318	+19.3	+3.5
Discontinued business	20	17	13	-35.0	-23.5
TOTAL INSURANCE	6,374	6,539	6,708	+5.2	+2.6
Asset management and other financial services**	128	128	170	+32.8	+32.8
TOTAL	6,502	6,667	6,878	+5.8	+3.2

* on a like-for-like basis (on constant consolidation and exchange rate basis)

** including Groupama Banque

MAIN CONSOLIDATED FIGURES (IN MILLIONS OF EUROS)

	1st HY 2006	1st HY 2007	Variation
Profit from operations*	203	217	+6.9%
Net realised capital gains	111	275	>100%
Current income*	314	493	+57.0%
Gains and losses on financial assets and derivatives recognised at their fair value	12	12	—
Other charges and expenses	3	1	ns
Net profit	329	506	+53.8%

	31.12.2006	30.06.2007	
Shareholders' equity, group share	5,094	5,154	+1.2%
Gross unrealised capital gains	9,375	8,125	-13.3%
Subordinated debt	1,245	1,245	—
Bottom line of balance sheet	78,550	84,598	+7.7%

* Profit from operations: corresponds to the current income restated for realised capital gains and losses for the part reverting to the shareholder net of corporate tax. The current income is the net profit minus impact of unrealised gains and losses on the financial assets recognised at fair value reverting to the shareholder net of corporate tax, exceptional transactions and depreciation of goodwill.

MAIN CONSOLIDATED DATA BY BUSINESS LINE (IN MILLIONS OF EUROS)

	Life and health insurance		Property and liability insurance		Financial and banking		Holding Company		Total	
	1st HY 06	1st HY 07	1st HY 06	1st HY 07	1st HY 06	1st HY 07	1st HY 06	1st HY 07	1st HY 06	1st HY 07
					(In millions of euros)					
Profit from operations	109	102	149	175	-5	2	-50	-62	203	217
Realised capital gains(1)	34	56	64	77	—	—	13	142	111	275
Depreciation of goodwill and intangible assets	—	-5	—	-5	—	—	-10	-1	-10	-12
Exceptional items	—	—	23	—	—	—	-10	13	13	13
Fair value effect(1)	11	27	-1	-16	—	—	2	1	12	12
Profit or loss, group share	154	180	235	231	-5	2	-55	93	329	506

(1) part reverting to the shareholder (net of profit-sharing and corporate tax)

MAIN RATIOS AS %

	1st HY 2006	1st HY 2007
Net profit or loss excluding fair value effect/shareholders' equity and excluding revaluation reserves	annualised: 22.8	annualised: 29.2
Net combined ratio (property & liability insurance)	99.0	97.9
Net debt ratio*	26.2	18.6

*excluding the property company Silic

Contribution of Groupama S.A. Activities – consolidated financial statements

	1st HY 2006 Actual	1st HY 2007 Actual
	In millions of euros	
INSURANCE/SERVICES – FRANCE	292	302
Groupama S.A. operating activities	100	74
Groupama Vie	46	65
Gan Assurances	28	44
Gan Eurocourtage	66	65
Gan Patrimoine	16	21
Gan Prévoyance	21	19
Groupama Transport	5	7
Other specialised companies of the Group*	6	5
Discontinued business	4	2
INTERNATIONAL and OVERSEAS DEPARTMENTS	105	108
Great Britain	51	24
Spain	34	60
Italy	11	9
Turkey	1	10
Other subsidiaries (including Portugal and Gan Overseas)	3	5
Discontinued business	5	0
Financial Activities (including Groupama Banque)	-5	2
Holding companies	-60	95
TOTAL	**332**	**507**
Other	-3	-1
TOTAL CONSOLIDATED NET PROFIT OR LOSS	**329**	**506**

*other life and non-life insurance companies of the Group

Group Key Figures – combined financial statements
MAIN DATA (IN MILLIONS OF EUROS)

	1st HY 2006	1st HY 2007	Variation
Combined premium income (current data)	8,980	9,367	**+4.3%**
Profit from operations*	**218**	**210**	**-3.7%**
Net capital gains	156	323	**>100%**
current income*	**374**	**533**	**+42.5%**
Gains and losses on financial assets and derivatives recorded at fair value	16	24	**+50.0%**
Other income and expenses	3	1	ns
Net profit	**393**	**558**	**+42.0%**

	31.12.2006	30.06.2007	
Shareholders' equity, group share	**7,447**	**7,741**	+3.9%
Unrealised capital gains	**10,291**	**9,111**	-11.5%
Subordinated debt	**1,245**	**1,245**	—
Balance sheet total	**84,998**	**92,459**	+8.8%

*profit from operations: corresponds to the current income restated for realised capital gains and losses for the part reverting to the shareholder net of corporate tax. The current income is the net profit minus impact of unrealised gains and losses on the financial assets recognised at fair value reverting to the shareholder net of coporate tax, exceptional transactions and depreciation of goodwill.

MAIN COMBINED DATA, BY BUSINESS LINE (IN MILLIONS OF EUROS)

	Life and health insurance		Property and liability insurance		Banking and financial		Holding company		Total	
	1st HY 06	1st HY 07	1st HY 06	1st HY 07	1st HY 06	1st HY 07	1st HY 06	1st HY 07	1st HY 06	1st HY 07
					(In millions of euros)					
Profit from operations	135	125	143	146	-5	1	-55	-62	**218**	**210**
Realised capital gains(1)	50	70	102	111	—	—	4	141	**156**	**323**
Depreciation of goodwill and intangible assets	—	-5	—	-5	—	—	-10	-1	**-10**	**-12**
Exceptional items	—	—	23	—	—	—	-10	13	**13**	**13**
Fair value effect(1)	11	31	-1	-10	—	—	6	3	**16**	**24**
Net profit or loss, group share	**196**	**221**	**267**	**242**	**-5**	**1**	**-65**	**94**	**393**	**558**

(1) part reverting to the shareholder (net of profit-sharing and corporate tax)

MAIN RATIOS AS %

	1st HY 2006	1st HY 2007
Net profit excluding the effect of fair value /average shareholders' capital and excluding revaluation reserves	**Annualised: 16.3**	**Annualised: 19.4**
Net combined ratio, property & liability	**100.5**	**100.7**
Net debt ratio*	**18.2**	**13.0**

*excluding the property company Silic

18. PUBLICATION OF THE 2006 EMBEDDED VALUE OF GROUPAMA

Groupama published on 10 October 2007 its 2006 Market Consistent Embedded Value according to the CFO Forum principles.

- **The key highlights are:**

The 2006 Embedded Value of Groupama life business amounts to Euros Million 4 751 and the New Business Value to Euros Million 57.5.

The France Market Consistent Embedded Value (MCEV) amounts to Euros Million 4 462 in 2006, up 30.7% compared to 2005.

The France New Business Value (NBV) amounts to Euros Million 42.8 in 2006 with a 10.3% NBV/APE margin and a 1.2% NBV/PVP margin.

- **We have used the following methodology:**

Valuations for French subsidiaries have been calculated on a market consistent basis and are fully compliant with the CFO Forum guidelines.

France represents 94% of the total life business. Modelization scope is 92%.

Values for international subsidiaries have been calculated on a traditional basis.

The 2006 embedded value of Groupama life business is Euros Million 4 751:

	VIF	ANAV	EV
		M€	
France	1 933	2 528	4 462
International	96	194	290
Total	2 029	2 722	4 751

The New Business Value is Euros Million 57.5, with the following breakdown:

	NBV
	M€
France	42,8
International	14,7
Total	57,5

Values for French subsidiaries have been calculated on a market consistent basis, and are fully compliant with the CFO Forum guidelines. Values for international subsidiaries have been calculated on a traditional basis. All these values have been reviewed by the independent firm BW-Deloitte.

- **In France the results 2006 are presented as follows:**

The In force business :

The 2006 Value In Force (VIF) in France improved by 30.7% compared to 2005. The values are as follows:

	2005	2006
Adjusted Net Asset Value	2,308	2,528
Certainty Equivalent	1 828	2 791
Financial Option and Guarantees	-307	-416
Cost of Capital, operational risks and non financial risks	-414	-442
Prevent Value of in Force business	1 107	1 933
Market Consistent Embedded Value	3 414	4 462

The main reasons for that improvement are the rise of equities and property markets from 2005 to 2006 and the rise of French government yield curve from 3.30% to 3.98%.

Following CFO Forum guidelines, the following sensitivities have been calculated:

MCEV Sensitivities – Inforce Value 2006	(1) Change in ANAV	(2) Change in VIF	3=(1)+(2) Change in MCEV	Change in MCEV as a % of the central MCEV
			(M€)	
Risk free rate -100 basis points	59	-725	-666	-14%
Risk free rate +100 basis points	-59	426	368	8%
Equity and property values -10%	-90	-297	-387	-8%
Equity and property values +10%	90	283	373	8%
expenses +10%	0	-155	-155	-3%
lapse rates -10%	0	42	42	1%
Mortality (annuities) -5%	0	-33	-33	-1%
Mortality (other products) -5%	0	37	37	1%
Other claim ratios -5%	0	129	129	3%

New business

The calculation is carried out on a stand alone approach. There is no mutualisation between in force value and new business value.

2006 France new business value is 43 Euros Million, hence a ratio of 10,3% compared to APE, and 1,2% compared to PVP.

The sensitivities analyses are:

MCEV sensitivities – New business value 2006	MCEV	MCEV's changes compared to the central value	Change in MCEV as a % of the central MCEV
		(M€)	
central	42.8	0,0	
Risk free rate -100 basis points	20.0	-22,8	-53%
Risk free rate +100 basis points	47.3	4,5	11%
Expenses +10%	17.7	-25,1	-59%
Lapse rates -10%	51.8	9,0	21%
Mortality (annuities) -5%	40.5	-2,3	-5%
Mortality (other products) -5%	42,2	-0.6	-1%
Other claim ratios -5%	51.5	8,7	20%

- **The International results 2006 are presented as follows:**

The traditional embedded values (EVT) for international subsidiaries are :

	VIF	ANAV	EV
		M€	
Spain	34.8	48.6	83.4
Portugal	23.0	24.1	47.1
Italy	29.6	85.9	115.5
Turkey	8.6	35.0	43.6
Total	96.0	193.6	289.6

The new business values are:

	NBV	APE	Ape ratio	PVP	PVP ratio
			M€		
Spain	3.6	15.1	24%	94.4	3.8%
Portugal	3.5	11.1	32%	101.7	3.4%
Italy	1.1	9.2	12%	105.7	1.0%
Turkey	6.5	33.6	19%	111.1	5.9%
Total	14.7	69.0	21%	412.9	3.6%

B&W Deloitte, consulting actuaries, have reviewed the methodology adopted, the assumptions used and the results of calculations made by Groupama to determine the European Embedded Values of the entities in France and the Traditional Embedded Value of the life international subsidiairies. The scope of their review and their opinion is shown in the EEV disclosure of Groupama.

FINANCIAL INFORMATION

INDEX TO FINANCIAL STATEMENTS

COMBINED FINANCIAL STATEMENTS OF GROUPAMA GROUP

REPORT OF INDEPENDENT AUDITORS
ON THE COMBINED FINANCIAL STATEMENTS

Fiscal Year ended 31 December 2005

PriceWaterhouseCoopers Audit
32, rue Guersant
75017 Paris

Mazars & Guérard
Le Vinci – 4 allée de l'Arche
92075 La Défense Cedex

"This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the combined financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the combined financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the combined financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France."

To the Shareholders,
GROUPAMA SA
8-10, rue d'Astorg
75008 Paris

Dear Shareholders:

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying combined financial statements of Groupama SA for the year ended December 31, 2005.

The combined financial statements have been approved by the Board of Directors . Our role is to express an opinion on these financial statements based on our audit. These statements have been prepared for the first time using the IFRSs as adopted by the EU. For the sake of comparison, 2004 financial information has been restated using the same rules.

1 OPINION ON THE COMBINED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2005 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

2 JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter(s):

- We have reviewed the accounting treatment used by the Group in combining the accounts of the entities that are not subject to specific provisions in the IFRS as adopted in the EU, and we have assessed that note 2.2 to the combined financial statements provides appropriate information in that respect.

- Certain combined balance sheet items that are specific to insurance and reinsurance business are estimated on the basis of statistical and actuarial data, such as technical reserves, deferred acquisition costs and their amortisation. The methods and assumptions used to calculate the carrying value of these items are described in notes 3.1.2, 3.1.3 and 3.1.4 to the combined financial statements.

  We have assessed the reasonableness of the assumptions used to calculate these values, particularly with respect to the Group's experience and its regulatory and economic environments. We also assessed the overall consistency of these assumptions.

  The financial assets are classified in different categories on the basis of the criteria described in Notes 3.2.1 to the combined financial statements and in note 6 to the combined balance sheet, and are valued under the rules applicable to each category described in Note 3.2.1. to the combined financial statements.

  We have assessed the appropriateness of the impairment tests performed on the basis of the position of the investments and the volatility of the financial markets, and we have assessed the reasonableness of the depreciations made.

- The carrying values of purchase goodwill are tested at each closing for recoverability using the methods described in note 2.4 to the combined financial statements.

  We have reviewed the procedures for performing this impairment test and the projections of cash flows and we have assessed the consistency of assumptions used.

- Deferred tax assets are accounted for in accordance with the methods described in note 3.12 to the combined financial statements.

  We have assessed the consistency of the assumptions used with the tax projections that emerge from the forecasts drawn up by the Group.

  These assessments were made in the context of our audit of the combined financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the combined financial statements.

Neuilly-sur-Seine and La Défense, 23 March 2006

The Auditors

PricewaterhouseCoopers Audit **Mazars & Guérard**

Mazars

Michel Laforce Bénédicte Vignon Nicolas Robert

PricewaterhouseCoopers Audit 32, rue Guersant 75017 Paris	Mazars & Guérard Le Vinci – 4 allée de l'Arche 92075 La Défense Cedex

RAPPPORT DES COMMISSAIRES AUX COMPTES SUR LES COMPTES COMBINES

Exercice clos le 31 décembre 2005

Aux Actionnaires,
GROUPAMA SA
8-10, rue d'Astorg
75008 Paris

Mesdames, Messieurs les actionnaires,

En exécution de la mission qui nous a été confiée par votre assemblée générale, nous avons procédé au contrôle des comptes combinés de Groupama relatifs à l'exercice clos le 31 décembre 2005 tels qu'ils sont joints au présent rapport.

Les comptes combinés ont été arrêtés par le Conseil d'Administration de Groupama SA. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes. Ces comptes ont été préparés pour la première fois conformément au référentiel IFRS tel qu'adopté dans l'Union européenne. Ils comprennent à titre de comparatif les données relatives à l'exercice 2004 retraitées selon les mêmes règles.

1 OPINION SUR LES COMPTES COMBINES

Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en oeuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes combinés ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous certifions que les comptes combinés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la combinaison.

2 JUSTIFICATION DE NOS APPRECIATIONS

En application des dispositions de l'article L. 823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

- Nous avons examiné le traitement comptable retenu par le groupe pour la combinaison des comptes des entités qui ne fait pas l'objet de dispositions spécifiques dans le référentiel IFRS tel qu'adopté dans l'Union européenne et nous sommes assurés que la note 2.2 aux comptes combinés donne une information appropriée à cet égard.

- Certains postes techniques propres à l'assurance et à la réassurance, à l'actif et au passif des comptes combinés de votre société, sont estimés sur des bases statistiques et actuarielles, notamment les provisions techniques, les frais d'acquisition reportés et leurs modalités d'amortissement. Les modalités de détermination de ces éléments sont relatées dans les notes 3.1.2, 3.1.3 et 3.1.4 aux comptes combinés.

  Nous nous sommes assurés du caractère raisonnable des hypothèses retenues dans les modèles de calculs utilisés, au regard notamment de l'expérience du Groupe, de son environnement réglementaire et économique, ainsi que de la cohérence d'ensemble de ces hypothèses.

- Les actifs financiers sont classés dans différentes catégories selon les critères énumérés en notes 3.2.1 et 6 de l'annexe, et sont évalués selon les règles applicables à chaque catégorie décrites en note 3.2.1.

Nous nous sommes assurés du caractère approprié des tests de dépréciation mis en uvre en fonction de la situation des placements et de la volatilité des marchés financiers, et nous avons apprécié le caractère raisonnable des provisions ainsi estimées.

- Le Groupe procède systématiquement, à chaque clôture, à un test de dépréciation des écarts d'acquisition, selon les modalités décrites en note 2.4.

  Nous avons examiné les modalités de mise en uvre de ce test de dépréciation ainsi que les prévisions de flux de trésorerie et nous avons vérifié la cohérence d'ensemble des hypothèses utilisées.

- Les actifs d'impôts différés sont comptabilisés selon les modalités décrites dans la note 3.12 aux comptes combinés.

  Nous nous sommes assurés que les hypothèses retenues étaient cohérentes avec les projections fiscales issues des prévisions établies par le Groupe.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes combinés, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

3 VERIFICATION SPECIFIQUE

Nous avons également procédé à la vérification des informations données dans le rapport sur la gestion du groupe. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes combinés.

Fait à Neuilly-sur-Seine et à la Défense, le 23 mars 2006

Les commissaires aux comptes

PricewaterhouseCoopers Audit **Mazars & Guérard**
Mazars

Michel Laforce Bénédicte Vignon Nicolas Robert

COMBINED BALANCE SHEET OF GROUPAMA GROUP

Fiscal year ended on 31 December 2005

ASSETS

		31/12/2005	31/12/2004
Goodwill	Note 3	1,158	1,152
Other intangible assets	Note 4	202	212
Intangible assets		1,360	1,364
Real estate investments	Note 5	3,411	3,341
Operating property	Note 14	705	704
Financial investments, excluding in Units of Account	Note 6	61,252	54,145
Financial investments in Unit linked investments	Note 8	3,376	3,241
Derivatives		140	246
Insurance sector Investments		68,884	61,677
Uses from banking sector investment and investments in other sectors	Note 9	2,193	1,897
Investments in associates	Note 10	31	27
Share of cessionaries and retrocessionnaries in liabilities from insurance policies and financial contracts	Note 11	1,679	1,718
Receivables from accepted reinsurance or insurance operations	Note 12	2,272	2,157
Receivables from reinsurance assignment operations	Note 12	195	743
Tax receivables	Note 12	152	184
Other receivables	Note 12	676	725
Trade receivables	Note 12	3,295	3,809
Deferred tax receivables	Note 13	181	394
Other receivables	Note 14	1,968	1,841
Assets to be sold and discontinued activities			
Cash and cash equivalents		697	584
TOTAL		80,288	73,311

LIABILITIES

		31/12/2005	31/12/2004
Initial capital	Note 15	32	32
Revaluation reserve	Note 15	2,156	1,131
Other consolidated reserves	Note 15	3,714	3,351
Unrealised foreign exchange gains or losses	Note 15	13	(3)
Consolidated profit or loss	Note 15	544	406
Groupama shareholders equity (group share)	Note 15	6,459	4,917
Minority interests		212	209
Total shareholders equity		6,671	5,126
Provisions for risks and charges	Note 16	693	636
Financing debt	Note 18	1,978	1,377
Operating liabilities related to insurance policies	Note 19	38,200	35,774
Operating liabilities related to financial contracts	Note 22	20,868	20,188
Passive deferred profit-sharing	Note 23	4,385	2,505
Resources from banking sector operations	Note 24	1,824	1,685
Liabilities from insurance or assumed reinsurance operations	Note 25	765	740
Liabilities from assigned reinsurance operations	Note 25	315	857
Tax liabilities due	Note 25	248	216
Operating liabilities to banking sector companies	Note 25	472	467
Other liabilities	Note 25	2,645	2,719
Operating liabilities		4,445	4,999
Deferred tax liabilities	Note 26	385	520
Other liabilities	Note 28	839	501
Liabilities from activities to be transferred or discontinued			
TOTAL		80,288	73,311

COMBINED OPERATING INCOME STATEMENT OF GROUPAMA GROUP

Fiscal year ended on 31 December 2005

STATEMENT OF INCOME

		31/12/2005	31/12/2004
Premiums written	Note 2	13,247	12,669
Change in unearned premiums		(176)	124
Earned Premiums	Note 2	13,071	12,793
Net banking income, net of cost of risk	Note 2	137	105
Investment income, net of management expenses	Note 31	2,322	2,352
Gains (losses) from sale of investments, net of recoveries of depreciation and amortisation	Note 31	1,096	550
Change in fair value of financial instruments recognised at fair value by result	Note 31	365	337
Change in depreciation on financial instruments	Note 31	(15)	(76)
Investment income net of expenses, excluding financing expense	Note 31	3,768	3,163
Total income from ordinary business		16,976	16,061
Insurance policies service expenses	Note 32	(12,568)	(11,843)
Net income (loss) on reinsurance assignments	Note 32	(274)	(350)
Bank operating expenses	Note 30	(140)	(133)
Policies acquisition costs	Note 33	(1,801)	(1,775)
Administrative costs	Note 34	(653)	(666)
Other current operating income (expenses)	Note 35	(496)	(478)
Total other current income (expenses)		(15,932)	(15,245)
CURRENT OPERATING PROFIT	Notes 29-30	1,044	816
Other operating income (expenses)	Note 36	(35)	(75)
OPERATING PROFIT	Notes 29-30	1,009	741
Financing expenses		(93)	(97)
Share in results of associates	Note 10	2	4
Corporate tax	Note 27	(339)	(213)
NET PROFIT FOR THE CONSOLIDATED ENTITY		579	435
Minority interests		35	29
NET PROFIT (GROUP SHARE)		544	406

GROUPAMA
STATEMENT OF CHANGE IN SHAREHOLDERS EQUITY (millions of euros)

	Capital	Income (loss)	Consolidated reserves	Revaluation reserves	Unrealised foreign exchange adjustment	Capital & reserves, Group share	Minority interests	Total capital and reserves
				(millions of euros)				
Capital and reserves 31/12/2003	32	155	3,924		(74)	4,037	231	4,268
Impact of change in AFA method			(373)			(373)		(373)
Impact of adoption of IFRS			(404)	651	74	321	(11)	310
Corrected opening position	32	155	3,147	651		3,985	220	4,205
Allocation of profit (loss) 2003		(155)	155					
Member dividends/discounts			(2)			(2)	(31)	(33)
Company combinations			8			8	(6)	2
Unrealised foreign exch. losses					(3)	(3)		(3)
Assets available for sale (AFS)				1,705		1,705	12	1,717
Shadow accounting				(1,070)		(1,070)	(7)	(1,077)
Deferred taxes				(150)		(150)	(1)	(151)
Other			43	(5)		38	(7)	31
Net income		406				406	29	435
Total changes for period		251	204	480	(3)	932	(11)	921
Capital & reserves at 31/12/2004	32	406	3,351	1,131	(3)	4,917	209	5,126
Allocation of 2004 profit/		(406)	406					
Member dividends/discounts			(2)			(2)	(34)	(36)
Capital increase							3	3
Company combinations								
Unrealised foreign exch. gains					18	18		18
Assets available for sale (AFS)				2,496		2,496	14	2,510
Shadow accounting				(1,582)		(1,582)	(14)	(1,596)
Deferred taxes			6	89		95	1	96
Actuarial profits (losses) on post-employment benefits			(20)			(20)		(20)
Other			(27)	22	(2)	(7)	(2)	(9)
Net income		544				544	35	579
Total changes for period		138	363	1,025	16	1,542	3	1,545
Capital & reserves at 31/12/2005	32	544	3,714	2,156	13	6,459	212	6,671

The notes on pages 7 to 102 are an integral part of the combined financial statements.

In summary, the income and expenses recognised (group share) in the period as income and directly as capital and reserves totalled 1,533 million euros and can be broken down as follows:

Gains (losses) on financial instruments classified as "assets available for sale"	**2,496 million euros**
Shadow accounting	**(1,582) million euros**
Deferred taxes	**95 million euros**
Actuarial gains (losses) on post-employment benefits	**(20) million euros**
Net income	**544 million euros**

GROUPAMA

STATEMENT OF CASH FLOWS (millions of euros)

	31/12/2005	31/12/2004
	(millions of euros)	
Operating profit before taxes	1,009	741
Gains (losses) on sale of investments	(638)	(277)
Net depreciation allowances	16	26
Change in acquisition costs carried forward	(7)	(2)
Change in impairment	(362)	(372)
Net appropriation for technical insurance reserves and operating liabilities related to financial contracts	3,388	2,379
Net appropriations to other provisions	39	26
Change in the fair value of financial instruments recognised at fair value as income (ex. cash and cash equivalents and ex. Unit-linked contracts)	(6)	(136)
Other items without cash disbursement included in operating profit		
Corrections of items included in operating profit other than monetary flows and reclassification of flows from financing and investment		
Change in trade receivables and payables	(220)	273
Change in banking operating receivables and payables	(213)	(368)
Change in securities repurchase agreements	11	(15)
Cash flows from other assets and liabilities	419	133
Net taxes paid	(147)	(119)
Net cash flows from operating activities	3,289	2,289
Acquisitions/Disposals of subsidiaries and joint ventures, net of cash acquired	(18)	
Acquisitions/disposals of interests in associated companies		
Cash flows from changes in consolidation	(18)	
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(3,457)	(2,219)
Net acquisitions of real estate investments	(147)	(96)
Net acquisitions and/or issues of investments and derivatives from other activities	34	101
Other items not corresponding to monetary cash flows	(65)	94
Cash flows from acquisitions and issues of financial assets	(3,635)	(2,120)
Net acquisitions of tangible and intangible assets and operating non-current assets	(29)	2
Cash flows from acquisitions and disposals of tangible and intangible assets	(29)	2
Net cash flows from investing activities	(3,682)	(2,118)
Dues		
Issue of capital instruments	26	15
Redemption of capital instruments		
Operation on treasury stock	(3)	
Dividends paid	(34)	(32)
Cash flows from transactions with shareholders and members	(11)	(17)
Cash assigned to financing debt	601	(36)
Interest paid on financing debt	(92)	(97)
Cash flows related to group financing	509	(133)
Net cash flows from financing activities	498	(150)
Cash and cash equivalents at 1 January	143	122
Net cash flows from operating activities	3,289	2,289
Net cash flows from investing activities	(3,682)	(2,118)
Net cash flows from financing activities	498	(150)
Cash and cash equivalents at 31 December	248	143

STATEMENT OF CASH FLOWS (millions of euros)

	31/12/2005 (millions of euros)
Cash and cash equivalents	584
Bank uses- cash, central bank, postal accounts	26
Operating debt to bank sector companies	(467)
Cash and cash equivalents at 1 January 2005	143
Cash and cash equivalents	697
Bank uses- cash, central bank, postal accounts	23
Operating debt to bank sector companies	(472)
Cash and cash equivalents at 31 December 2005	248

The notes on pages 7 to 102 are an integral part of the combined financial statements.

NOTES TO THE 2005 COMBINED FINANCIAL STATEMENTS OF GROUPAMA GROUP

Fiscal year ended on 31 December 2005

1. KEY EVENTS AND POST-BALANCE SHEET EVENTS

1.1 KEY EVENTS

1.1.1 ORGANISATION OF THE GROUP

Election of outside directors

The Shareholders' Meeting of Groupama S.A. on 24 February 2005 elected three outside members to the Board of Directors of Groupama S.A. for a term of six years. These elections increased the number of Board members from 13 to 16, i.e. 11 representatives of the shareholder regional mutuals of Groupama S.A., 2 directors elected by the employees of Groupama S.A., and 3 outside directors.

1.1.2 DEVELOPMENT OF THE GROUP

Placement of an undated bond

At the end of June 2005, Groupama placed 500 million euros (nominal value) in an undated subordinated bond, with a coupon of 4.375%. This issue also includes a "10-year call" which allows the issuer, if it wishes, to redeem early as of 6 July 2015. The operation was very successful with investors, as the order book, constructed in less than two days, was largely oversubscribed by nearly 70 quality investors.

Crop insurance

In March 2005, Groupama launched "Climats", the multi-risk climate insurance designed from agricultural operators. The "climats" business line is targeted at all operators, whatever the size or economic strategy. It is in line with the three-level system planned by the public authorities:

- for small risks, an incentive to save with the "deduction for risks" tax deduction;
- for larger risks, private insurance. The policy covers the equivalent of incompressible production expenses estimated at 65% of operating revenue;
- for exceptional risks, governmental assistance is maintained.

Extension of activities to Vietnam

In January 2005, the Vietnamese government authorised Groupama to expand its activities to all sectors of non-life insurance in Vietnam over the entire territory. At the group's request, the government authorities granted an extension of the license originally granted in 2001 only for agricultural insurance in southern Vietnam.

Acquisition of the British insurer Clinicare

Groupama Insurances acquired at year-end 2005 the British insurer Clinicare, which specialises in health insurance and is a subsidiary of the French mutual insurance group Azur – GMF. This company has 70 employees and earned revenue of €48 million in 2004. It should be noted that Clinicare was recognised as "Health Insurance Company of the year 2005" during the health insurance awards. This is the most important award in the insurance sector in Great Britain.

1.2 POST-BALANCE SHEET EVENTS

1.2.1 INTERNATIONAL

Acquisitions in Spain

On January 24, 2006, Groupama Seguros acquired the two subsidiaries of the Azur – GMF group in Spain: Azur Multiramos in non-life (revenue of €30 million in 2004) and Azur Vida (revenue of €15 million in 2004).

Spain is a major component of Groupama's international strategy.

Acquisition in Turkey

At the end of a privatisation process in Turkey, Groupama acquired early in 2006, subject to the formal approval from Turkish authorities, 56.67% of the non-life insurance company Basak Sigorta (€222 million in revenue in 2004) and 41% of the life insurance company Basak Emeklilik (€46 million in revenue in 2004), 38% held by Basak Sigorta.

With this acquisition, Groupama becomes the sixth largest insurer in the Turkish market, which is recording one of the fastest growth rates in the world.

Also in Turkey, Groupama is keeping its 36% stake in Günes Sigorta.

1.2.2 ORGANISATION

Authorisation for a public offering of Groupama SA

The shareholders' meeting of Fédération Nationale Groupama on February 24, 2006 approved a public offering of Groupama SA to satisfy a need for total or partial financing or refinancing of Groupama SA on the market, generated by one or more major growth acquisitions or to implement a strategic partnership in France and/or abroad.

2. PRINCIPLES, METHODS AND SCOPE OF CONSOLIDATION

2.1 PRELIMINARY NOTE

Groupama SA is a French *Société Anonyme* nearly 100% held, directly or indirectly, by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the Caisses Spécialisées ("regional mutuals") which form the mutual division of Groupama. Groupama SA is domiciled in France, with registered offices at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of capital at 31 December 2005 was as follows:

- 90.88% by Groupama Holding;
- 8.99% by Groupama Holding 2;
- 0.13 % by the former and current agents and employees of Groupama SA (directly or through FCPEs).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes*, are wholly owned by the regional mutuals.

Groupama SA is a non-life insurance and reinsurance company, the sole reinsurer for the regional mutuals and the holding company for the capital division of the Groupama group. Its activities are:

- to define and implement the operational strategy of the Groupama group in collaboration with the regional mutuals and in line with the strategies defined by Fédération Nationale Groupama;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the reinsurance programme for the entire group;
- to manage a direct insurance activity;
- to establish the consolidated and combined financial statements.

The consolidated financial statements of Groupama S.A. include the reinsurance ceded by the regional mutuals and the business of the subsidiaries.

The combined financial statements relate to the Groupama group, which is composed of all the local mutuals, the regional mutuals, Groupama S.A. and its subsidiaries.

In conducting its activities, the company is governed by the provisions of the Commercial Code and the Insurance Code and is subject to the supervision of the French *Autorité de Contrôle des Assurances et des Mutuelles*.

Links between the various entities of the group are governed by the following:

- within the Groupama SA division by – capital ties. The subsidiaries included in this division are consolidated in the accounts. Moreover, in exchange for a certain operating autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the Groupama SA environment, particularly in terms of control;
- in the mutual division:
  - by an internal reinsurance treaty that binds the regional mutuals to Groupama SA. This treaty, signed in December 2003 for the businesses acquired by Groupama SA at the time of the contribution of the regional mutual reinsurance business granted by the C.C.A.M.A. retroactively to 1 January 2003, replaced the general reinsurance regulations that had previously governed the internal reinsurance ties between the regional mutuals and the C.C.A.M.A.

- by a security and solidarity agreement between all the regional mutuals and Groupama SA ("Convention defining the security and solidarity mechanisms of the Caisses de Réassurance Mutuelle Agricole joining the Fédération Nationale GROUPAMA", which was signed 17 December 2003, effective retroactively to 1 January 2003).

2.2 GENERAL PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS

For the purposes of establishing the combined financial statements, the accounts of each entity within the scope of combination are prepared homogeneously in accordance with the provisions of the International Financial Reporting Standards and the interpretations applicable as of 31 December 2005 as approved by the European Union (European Regulation 1606/2002 of 19 July 2002), the principal applications of which by GROUPAMA are described below.

The subsidiaries, joint ventures and associated entities within the scope of combination are consolidated in accordance with the provisions of IAS 27, IAS 31 and IAS 28.

On the other hand, no IFRS standard specifically deals with the conditions for aggregating the accounts of the entities that form the mutual division (local and regional mutuals). Therefore the group has adopted the combination rules defined in Section VI of Regulation 2000-05 of the Accounting Regulatory Committee concerning the rules for the consolidation and combination of enterprises governed by the Insurance Code and the insurance (*prévoyance)* institutions governed by the Social Security Code or the Rural Code.

This choice was made based on the judgement criteria defined in Article 10 of IAS 8 (on the selection and application of accounting methods in the absence of a standard or interpretation that specifically applies) because of the characteristics of the mutual division of Groupama described above.

The group has also chosen to apply the following standards early: IAS 32/39 (including the fair value option amendment); revised IAS 19 "termination option", and IFRS 4 as of 1 January 2004. On the other hand, the group has not anticipated the adoption of IFRS 7 concerning the information to be provided on financial instruments.

The format of the financial statements has been established in accordance with the recommendation of the National Accounting Board (*Conseil National de la Comptabilité* -CNC) 2005-R-01 of 24 March 2005 governing the format of financial statements of insurance organisations under international accounting standards.

The decisions made by the group are based primarily on the synthesis of the work of the CNC working groups on the specific requirements for implementation of the IFRS by insurance organisations.

The group has adopted the IFRS for the first time for the 2005 financial statements and, for purposes of comparison, has restated the statements for financial year 2004 under IFRS. The options selected by the group for the retrospective restatement of assets and liability under IFRS 1 are described in paragraph 4 of Note 1.

The IFRS that have a significant impact in the Groupama accounts are primarily the following:

- IFRS 1: First application of the International Financial Reporting Standards
- IFRS 3: Business combinations
- IFRS 4: Insurance policies
- IAS 1: Presentation of financial statements
- IAS 12: Income taxes
- IAS 16: Property, plant and equipment
- IAS 19: Employee benefits
- IAS 27: Consolidated and separate financial statements
- IAS 32: Financial instruments- Disclosure and presentation
- IAS 34: Interim financial reporting
- IAS 36: Impairment of assets
- IAS 37: Provisions, contingent liabilities and contingent assets
- IAS 38: Intangible assets
- IAS 39: Financial instruments- Recognition and measurement
- IAS 40: Real estate investments

The preparation of the group's financial statements in accordance with the IFRS requires that management choose assumptions and make estimates which have an impact on the amount of the assets, liabilities, income and expenses as well as on the related notes.

These estimates and assumptions are reviewed on a regular basis. They are based on past experience and other factors, including future events, the occurrence of which seems reasonable under the circumstances.

The definitive future results of the transactions for which estimates were necessary may prove to be different from those estimates and result in an adjustment to the financial statements.

The judgements made by management pursuant to the application of IFRS primarily concern:

– The impairment tests performed on intangible assets, particularly goodwill (Notes 2.4 and 3.4);

– The recognition of deferred taxes as assets (Note 3.12);

– The evaluation of technical reserves (Note 3.1.2),

– The determination of the provisions for risks and contingencies, particularly the valuation of employee benefits (Note 3.10);

– The estimate of certain fair values on untraded assets or property assets (Notes 3.2.1 and 3.2.2).

2.3 PRINCIPLES OF CONSOLIDATION

2.3.1 Scope and methods of consolidation

An enterprise is included in the scope of consolidation once its consolidation, or the consolidation of the sub-group which it heads, becomes, alone or with other enterprises in a position to be consolidated, significant in terms of the combined accounts of all the companies included in the scope of consolidation. It is assumed that insurance and banking operational entity must be consolidated once the shareholders equityshareholders equity, balance sheet, or earned premiums of this entity represent €30 million of the combined shareholders equityshareholders equity, or €50 million out of the combined balance sheet total, or €10 million of the group's earned premiums.

The mutual funds and property companies are consolidated. The minority interests for the mutual funds are classified in a specific financial debt line on the liabilities side of the IFRS balance sheet. In effect, under IAS 32, a financial instrument that gives the holder the right to return it to the issuer in exchange for cash is a financial liability. The change in this debt is recognised as a contra entry on the income statement.

- **Consolidating company**

The consolidating company is the company that exclusively or jointly controls other companies, whatever their form, or which exerts a significant influence on them.

- **Exclusively controlled entities**

Companies exclusively controlled by the group, whatever their structure, are consolidated. These entities are consolidated once they are controlled. Control is the power to direct the financial and operational policies of the entity in order to obtain the benefits of its activities.

An entity is no longer fully consolidated once the group no longer exerts effective control over the entity.

Full consolidation consists of:

- integrating in the consolidating company's accounts the items in the accounts of the consolidated companies, after any restatements;
- distributing the shareholders equityshareholders equity and the income between the interests of the consolidating company and the interests of the other shareholders or associates known as "minority interests";
- offsetting transactions and accounts between the fully consolidated company and the other consolidated companies.

- **Joint ventures**

When an entity is controlled jointly, it is consolidated using the proportionate consolidation method. Its assets, liabilities, income and expenses are grouped, line by line, with the similar items in the consolidated financial statements of the consolidating entity. Joint control is the sharing of an economic activity under a contractual agreement.

- **Associates**

Companies over which the group exerts a significant influence are accounted for using the equity method.

When the consolidating entity holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it is otherwise demonstrated. Conversely, when the consolidating entity holds directly or indirectly less than 20% of the voting rights of the company held, it is assumed not to exert a significant influence, unless it can be demonstrated that such influence exists.

The equity method consists of:

- substituting the share of shareholders equity, including the earnings for the year determined using the consolidation rules, for the book value of the securities held;
- offsetting the transactions and accounts between the equity associate and the other consolidated companies.

2.3.2 Change in the scope of consolidation

In comparison with 31 December 2004 and taking into account the operations presented above, the main changes in the scope of consolidation are as follows:

Newly consolidated entities:

Clinicare, acquired at the end of 2005, is now consolidated.

Mergers, reorganisations and deconsolidated entities

Merger-absorption of Groupama Gestion by Groupama Asset Management on 30 June 2005, effective retroactively to 1 January 2005.

2.3.3 Homogeneous accounting principles

The Groupama combined financial statements are presented homogeneously for the entity formed by the companies included within the scope of consolidation, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated financial statements (predominance of substance over form, attachment of expenses to income, offsetting of items recognised under local tax provisions). The combined financial statements are established using the consolidation methods defined by the group and comply with:

- the International Financial Reporting Standards and the interpretations applicable at 31 December 2005;
- the valuation methods specified hereinafter.

Restatements under the principles of homogeneity are made when they are significant.

2.3.4 Conversion of the accounts of foreign companies

Balance sheet items are converted to euros at the official exchange rate on the closing date, with the exception of shareholders equity, excluding income, which are converted at historic rates. The portion of the resulting unrealised foreign exchange gains or losses reverting to the group is recorded in the "unrealised foreign exchange gains or losses" item and the balance is included in "Minority interests".

Transactions on the income statements are converted at the average rate. The difference between the result converted at the average rate and the result converted at the closing rate is recorded as "unrealised foreign exchange gains or losses" for the portion belonging to the group and as "Minority interests" for the balance.

2.3.5 Internal transactions between companies consolidated by GROUPAMA

- **Transactions offset**

All intra-group transactions are offset.

When such transactions affect the combined results, 100% of the profits and losses and the gains and losses is offset, and then allocated between the interests of the consolidating company and the minority interests in the company that recorded the results. In the case of offsetting losses, the group ensures that the value of the asset transferred is not permanently modified. The offsetting of the impacts of internal transactions on assets has the effect of reducing them to their entry value in the combined balance sheet (consolidated historic cost).

Thus, internal transactions on the following must be offset:

- reciprocal receivables and payables as well as reciprocal income and expenses;
- notes receivable and notes payable are reciprocally offset but, when the note receivable is discounted, the bank loan made to the group is substituted for the note payable;
- transactions affecting commitments received and given;
- reinsurance acceptances, cessions and retrocessions;
- co-insurance and co-reinsurance operations and pooled management;
- broker and intermediation transactions;
- contractual sharing of the results of group contracts;
- appropriations to provisions for the depreciation of equity interests funded by the company holding the securities and, if applicable, appropriations to provisions for risks and contingencies recognised because of losses suffered by exclusively controlled companies;
- transactions on forward financial instruments;
- gains and losses from the internal transfer of insurance investments;
- intra-group dividends.

Sale transactions of traded securities followed by the buyback of these same securities are considered to be external transactions.

2.4 GOODWILL

Discrepancies on first consolidation correspond to the difference between the acquisition cost of the shares of consolidated companies and the group's share of the shareholders equity restated on the acquisition date. When it is not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a specific asset item as an intangible asset.

Goodwill is assigned to cash generating units (CGU) of the buyer from which it is expected that they will draw more from the combination. A CGU is defined as an identifiable group of assets producing cash flows independently of other assets or groups of assets. In practice, Groupama has used the approach by entity.

This goodwill is not amortised, but is subject to an impairment test at least once a year. The group revises the book value of the goodwill if an unfavourable event occurs between two annual tests. An additional impairment is recognised when the recoverable value of the CGU to which the goodwill is assigned is less than its net book value. The recoverable value is determined using an approach based on discounted future cash flows.

An impairment of goodwill recognised during a previous year may not be subsequently reversed.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost of the company's shares, the identification and valuation of the assets, liabilities and contingent liabilities and the valuation of the cost of the combination is reestimated. If, after this revaluation, the share acquired remains greater than the acquisition cost, this excess is immediately recognised as income.

3. ACCOUNTING PRINCIPLES AND VALUATION METHODS USED

3.1 TECHNICAL OPERATIONS

3.1.1 Classification

There are two categories of insurance contracts:

- insurance contracts and financial contracts with discretionary profit-sharing, which are governed by IFRS 4;
- financial contracts without discretionary profit-sharing, which are governed by IAS 39.

  - **Insurance contracts**

An insurance contract is a contract under which one party, the insurer, accepts a significant insurance risk from another party, the policyholder, agreeing to indemnify the policyholder if a specified uncertain future event, the insured event, negatively affects the policyholder. An insurance risk is a risk, apart from the financial risk, transferred from the policyholder to the issuer. This risk is significant when an insured event may require an insurer to pay significant additional benefits whatever the scenario, with the exception of scenarios that lack commercial substance.

The existing accounting practices for insurance contracts are maintained, with the exception of the equalisation reserves (see Notes 3.1.2.a and 3.1.2.b), provided that the reserves established meet the liability adequacy test stipulated by international standards (see Note 3.1.2.c).

- **Financial contracts**

Contracts that do not meet the definition of an insurance contract as described above are classified as financial contracts. There are two categories of financial contracts: financial contracts with and without discretionary profit-sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or date of which is wholly or partially at the insurer's discretion, and the valuation of which is based either on the performance of a set of contracts or a specific contract, or on the profit or loss of the insurer, of a fund or any other entity that issued the contract, or on the realised and/or unrealised return on investments from a portfolio of specified assets held by the issuer.

The accounting methods for financial contracts with discretionary profit-sharing are identical to the methods for insurance contracts described above. Financial contracts without discretionary profit-sharing are treated using the valuation procedures described in Note 3.1.3.

If a single contract contains a financial component and an insurance component, the financial component is recognised as a financial instrument if all obligations related to the financial component are not recognised under existing accounting standards. The entire contract is treated as an insurance contract for accounting purposes.

3.1.2 Insurance contracts and financial contracts governed by IFRS 4

a. Non-life insurance contracts

- **Premiums**

Written premiums represent the gross income premiums, excluding reinsurance issues tax, net of cancellations, reductions and dividends, of the change in premiums still to be written and of the change in premiums to be cancelled.

Premiums written and adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

- **Expenses for contract claims**

Non-life insurance contract claims expenses essentially include the claims and related expenses paid and the change in reserves for claims and other technical reserves.

The claims and related expenses represent the claims settled net of claims collected for the year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment of benefits.

- **Liabilities related to non-life insurance contracts**

  - **Reserves for unearned premiums**

The technical reserves for unearned premiums represent the portion of premiums for the period between the balance sheet date and the next contract settlement date. They are calculated on a *pro rata* basis.

  - **Reserves for unexpired risks**

The reserves for unexpired risks are intended to cover the portion of the cost of claims and the related management fees that exceeds the fraction of deferred premiums net of deferred acquisition costs.

  - **Reserves for outstanding claims**

The reserves for outstanding claims represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the year, both declared and undeclared. They include a charge for management fees that is determined on the basis of the actual fee rates observed.

For construction risks, in addition to the reserves for outstanding claims (declared or not yet declared), separate reserves for claims that have not yet appeared are also funded for the ten-year civil liability guarantees and the ten-year guarantees against structural damage.

Reserves are assessed on the basis of the type of specific risks covered, particularly agricultural and climate risks, and the risks that are highly seasonal in nature.

- **Other technical reserves**

Actuarial provisions for annuities

The acturial provisions for annuities represent the present value of the company's commitments for annuities and annuity expenses which it must pay.

Reserve for increasing risks

This reserve is provisioned for regular premium health and disability insurance policies, for which the risk grows with the aged of the insured.

Equalisation reserve

No provision is recorded for future risks characterised by low frequency and high unit cost on policies not yet subscribed on the closing date.

- **Deferred acquisition costs**

In non-life insurance, the acquisition costs for unearned premiums are deferred and recorded on the asset side of the balance sheet.

b. Life insurance contracts and financial contracts with discretionary profit-sharing

- **Premiums**

Premiums written represent the gross income premiums, excluding reinsurance premiums written tax, net of cancellations, reductions, dividends, the change in premiums to be written and the changed in premiums to be cancelled.

- **Contract claim expenses**

The claim expenses on life insurance contracts and financial contracts with discretionary profit-sharing include:

- all claims once they have been paid to the beneficiary;
- technical interest and profit-sharing that may be included in those claims;
- all costs incurred by the insurance company for the management and payment of claims.

They also include the profit-sharing and the change in life insurance reserves and other technical reserves.

- **Liabilities related to life insurance contracts and financial contracts with discretionary profit-sharing**

  - **Actuarial provision**

Acturarial provisions represent the difference between the present values of the commitments made by the insurer and the insured respectively, taking into account the probability that these commitments will be realised. Actuarial provisions are recognised as liabilities on the balance sheet at their gross technical value before zillmerisation effect.

  - **Profit-sharing reserve**

The profit-sharing reserve consists of a reserve for profit-share owed and possibly a reserve for deferred profit-sharing. This reserve covers both life insurance contracts and financial contracts, as well as discretionary and non-discretionary profit-sharing.

The reserve for profit-sharing owed includes the identifiable amounts resulting from regulatory obligations intended for the insurer or the beneficiaries of contracts with profit-sharing and dividends, to the extent that these amounts have not been credited to the insured's account or included in the life technical reserves item.

The reserve for deferred profit-sharing includes:

- the reserve for unconditional profit-sharing, which is recognised when a difference is recorded between the bases for calculating future rights in the separate accounts and the consolidated accounts;
- the reserve for conditional profit-sharing, which related to the difference in rights recorded between the separate accounts and the consolidated accounts, the payment of which depends on a management decision or the occurrence of an event.

In the specific case of the restatement of the capitalisation reserve in the consolidated accounts, a reserve for deferred profit-sharing is determined when the asset/liabilities management assumptions show a probable and sustained recovery in the capitalisation reserve stock. The group has not recognised profit-sharing on the restatement of the capitalisation reserve.

- **Application of shadow accounting**

For participatory contracts, the group has decided to apply shadow accounting, which is intended to pass on to the value of insurance liabilities, deferred acquisition costs and the intangible assets related to insurance contracts, the effects of taking into account the unrealised gains and losses on financial assets valued at fair value. The resulting deferred profit-sharing is recorded as a contra entry to the revaluation reserve or the profit or loss, depending on whether these gains and losses have been recognised in this reserve or in the income statement.

The shadow accounting is applied on the basis of a profit-sharing rate that is estimated and applied to the unrealised gains and losses. This rate is obtained by applying the regulatory and contractual conditions for calculating the profit-sharing observed in recent years.

- **Other technical reserves**

Reserve for financial contingencies

No reserve for financial contingencies is recorded when the actuarial provisions have been funded on the basis of discount rates at most equal to the forecast yield rates, prudently estimated, of the assets assigned to represent them.

Overall management reserve

The management reserve is constituted when the future margins determined for the purpose of calculating deferred acquisition costs for a homogeneous family of products are negative.

Equalisation reserve

No equalisation reserve is recognised. So-called equalisation reserves intended to cover claims fluctuations are maintained when they are the result of contractual obligations and revert to the insured.

- **Deferred acquisition costs**

The variable costs that can be directly allocated to the acquisition of life insurance contracts are recorded on the asset side of the consolidated financial statements. These amounts may not under any circumstances be greater than the present value of future profits from the contracts.

These costs are amortised over the average life of the contracts based on the rate of emergence of future margins for each generation of contracts; future margins are determined using economic assumptions (profit-sharing rate, future rate of return on assets and drop rate). As acquisition costs are activated, the actuarial provisions appearing on the balance sheet are presented as non-zillmerised.

Every year the probable present value of future margins by homogeneous product family is compared to the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, an extraordinary amortisation is expensed.

The group has applied the standard governing shadow accounting for deferred acquisition costs.

c. Liabilities sufficiency test

An adequacy test is performed at each accounting closure for liabilities intended to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance contracts. Future cash flows resulting from contracts take into account their attached cover and options. If necessary, and for the purposes of this test, the insurance liabilities are reduced by the deferred acquisition costs and the portfolio values recorded at the time of business combinations or transfers of the related contracts.

If there is an insufficiency, the potential losses are recognised in full as a contra entry under income.

d. Contracts denominated in units linked policies

The technical reserves for unit-linked contracts are valued at the market value of the unit-linked contract in the inventory.

3.1.3 Insurance contracts governed by IAS 39

Liabilities relating to significant financial contracts without discretionary profit-sharing must be recognised on the basis of the principle of deposit accounting. Thus the premiums collected and the benefits are recorded on the balance sheet. Management charges and expenses for the contracts are recorded as profit or loss. Unearned revenue are deferred over the estimated life of the contract.

The additional costs directly related to management of the investments of a contract governed by IAS 39 are recorded as assets if they can be identified separately and reliably valued, and if it is probable that they will be recovered. This asset, which corresponds to the contractual right acquired by the group to the profits resulting from the management of the investments is amortised over the period of management and is symmetrical with recognition of the corresponding profit.

3.1.4 Reinsurance operations

Reinsurance treaties that include no significant insurance risk are recorded directly on the balance sheet and are included in financial assets and liabilities.

- **Assumed**

Reinsurance acceptances are recorded treaty by treaty without difference on the basis of an assessment of the business accepted. These transactions are classified using the same rules as described for insurance contracts or financial contracts in Note 3.1.1. Classification. In the absence of sufficient information from the cedant estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the cedants and retrocedants.

Securities given as a hedge are recorded in the statement of commitments given and received.

- **Cessions**

Reinsurance cessions are recognised in accordance with the terms of the different treaties. A liabilities deposit is recorded for the amount of the counterparty received from accepting parties and retrocessionnaires.

Securities from reinsurers (accepting parties or retrocessionnaires) remitted as a hedge are recorded in the statement of commitments given and received.

3.1.5 Embedded derivatives

Embedded derivatives are components of compound financial instruments that meet the definition of a derivative product.

They are separate from the host contract and recorded as derivatives when the following three conditions are met:

- the economic features and the risks of the embedded derivative are not closely linked to the economic features and risks of the host contract;
- a separate instrument containing the same conditions as the embedded derivative meets the definition of a derivative;
- the hybrid instrument is not valued at fair value with recognition of the changes in the fair value through the income statement.

When one of these conditions is not met, there is no separation.

3.2 INSURANCE SECTOR INVESTMENTS

The valuation of the investments, and any depreciation, is established in accordance with IFRS based on the classification of the investments.

3.2.1 Financial assets

Stocks, bonds, loans and receivables, derivatives and bank accounts are considered financial assets.

- **Classification**

Financial assets are classified in one of the following four categories:

- Assets held for transaction purposes are investments which are held to earn short-term profits. The existence of a history of short-term sale also allows classification in this category. Subject to meeting certain criteria, this category also includes financial assets designated as options.
- Assets held to maturity include fixed-term investments that the company expressly intends, and is able, to retain until maturity. The group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above.
- The category of loans and receivables allows the recording of assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market.
- Assets available for sale include by default all other fixed-term financial investments, stocks, loans and receivables that are not included in the other categories.

- **Initial recognition**

The Group books its financial assets when it becomes a party to the contractual provisions of these assets.

Purchases and sales of financial investments are recorded on the transaction date.

Financial assets are initially recorded at their fair value plus, in the case of an asset that is not at fair value in the income statement, the transaction costs directly chargeable to the acquisition. However, the transaction costs are not included in the acquisition cost of the financial assets when they are not significant.

Repurchase transactions are maintained as assets on the balance sheet.

- **Determination of fair value**

The fair value of the financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.

For assets available for sale and assets held for transactions, the fair value is the listed value on the last listing date of the period or the value estimated using reliable valuation techniques. If the fair value cannot be reliably valued, the investment is recorded at the historic cost minus permanent reserves, if any.

For loans and receivables, the fair value is the amortised cost.

- **Valuation rules**

The valuation rules and any impairment must be understood as depending on the classification of the financial instrument in one of the four categories given above.

Assets held for transactions are recorded at their fair value at the closing price in the income statement.

Financial assets held to maturity, unlisted stock for which the fair value cannot be measured reliably, and loans and receivables are recorded at the amortised cost or the historic cost. The amortised cost is the amount at which the asset was valued at the time of initial recognition, minus repayments of principal, plus or minus the cumulative amortisation of the differences between the initial amount and the amount at maturity (based on the effective interest rate) and corrected for any provisions for impairment.

The differences between the redemption value and the acquisition price are distributed actuarially as expenses (adjustment) or as income (discount) over the residual life of the securities. When several redemption dates are provided, the residual life is determined on the basis of the final redemption date.

For inflation-indexed bonds, the indexing to the general level of prices recorded during the period since the acquisition date or since the end of the previous period is recorded as income or expense for the period, with the balance sheet contra entry in a sub-account attached to the principal account of the bond.

Assets available for sale are valued at their fair value and the unrealised gains or losses are recorded in a separate item under shareholders equity.

Investments representing unit-linked contracts are valued at fair value.

- **Provisions for impairment**

At each closing date, the group looks for the existence of objective presumptions of depreciation in its investments. Depreciation is assumed in the following cases:

- if there was a provision for depreciation for an investment line in the previous published statement;
- the financial investment has shown a significant loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of sustained depreciation;
- if a strong discount is observed on the closing date.

The criteria for impairment are based on the volatility of the financial markets on the closing date. In addition, there may also be a specific increase in the provisionable nature of certain securities.

For investments valued at the amortised cost, the amount of the loss is equal to the difference between the net book value of the assets and the discounted value of the future cash flows expected, determined on the basis of the original effective interest rate of the financial instrument, and corrected for any provisions. The amount of the loss is included in the net income or loss for the year. The provision may be reversed by income.

For investments classified as assets available for sale, the amount of the loss is equal to the difference between the acquisition cost and the fair value for the year, minus any loss of value on this asset previously recognised in net income or loss. When impairment occurs, the loss of value recorded under shareholders equity is transferred to income or loss.

In the case of a debt instrument, only the counterparty risk may be provisioned. Moreover, when the fair value of an asset subsequently improves, a reversal is made in income in the amount of the provisions recognised. In the case of shareholders equity instruments, there is no reversal of provisions through income. The depreciation recorded on a shareholders equity instrument will be reversed as income only at the time of the transfer of the asset in question.

- **Capitalisation reserve**

The capitalisation reserve is eliminated in the combined financial statements. It is taxed as described in Note 3.12.

- **Derecognition**

Financial assets are derecognised when the contract rights expire or the group transfers the financial assets. The gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of the securities carried by the mutual funds. The method used for mutual funds is the weighted average cost method.

The gains and losses from disposal are recorded on the income statement on the date of realisation and represent the difference between the sale price and the net book value of the asset.

3.2.2 Real estate investments

The group has chosen to record real estate investments using the amortised cost method. They are valued using the component approach.

- **Initial recognition**

Lands and buildings appear on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly tied to the transaction.

When a real estate asset includes a portion held to draw rent and another part used for production or administrative purposes, the asset is a real estate investment only if the latter part is not significant.

At the time of the initial accounting, the real estate is sub-divided by components and recorded separately.

The components used by the group are the following:

- framework or hull,
- enclosure-covered,
- heavy equipment,
- secondary equipment, coverings.

- **Valuation**

The amortised cost of the real estate is the amount at which the real estate has been recorded at the time of initial recognition, minus cumulative amortisation and corrected for any provisions for depreciation. Each component is identified by its duration and amortisation rate: the amortisation period for all the components is between 15 and 120 years.

The residual value of the framework component cannot be measured with sufficient reliability, particularly given the uncertainties about the holding horizon; thus this component is amortised on the basis of the acquisition cost.

Rent payments are recorded using the straight line method over the term of the lease agreement.

The liquidation value of real estate investments is determined on the basis of the five-year expert appraisal conducted by an expert approved by the *Autorité de Contrôle des Assurances et des Mutuelles*. During each five-year period, the real estate is subject to an annual estimated certified by the expert.

As the maintenance component is not considered significant, provisions for major repairs (PMR) are eliminated.

- **Subsequent expenses**

Subsequent expenses must be added to the book value of the real estate:

- if it is probable that these expenses will allow the asset to generate economic advantages;
- and these expenses can be reliability valued.

- **Provisions for impairment**

On each account closing date, the group determines whether there are indications of a potential loss of value on the properties recognised at the amortised cost. If this is the case, the recoverable value of the real estate is calculated as being the higher of two values: the sale price net of sale costs and the useful value. If the recoverable value is less than the net book value, the group recognises a loss of value as income or loss in the amount of the difference between the two values, and the net book value is adjusted to reflect only the recoverable value.

When the value of the real estate increases at a later time, the provision for impairment is reversed in income.

- **De-recognition**

Gains or losses from the disposal of real estate investments are recorded in the income statement on the date of realisation and represent the difference between the net sale price and the net book value of the asset.

3.3 DERIVATIVES

3.3.1 General information

A derivative is a financial instrument with the following three features:

- its value fluctuates on the basis of the change in a specific variable known as the "underlying asset";
- it require a net zero or low initial investment compared with other instruments that react in the same way to market changes;
- it is unwound at a future date.

All derivatives are recorded on the balance sheet at original cost and are subsequently valued at fair value. The changes in fair value are recorded as income or loss.

3.3.2 Hedging derivatives

The use of hedging accounting is subject to obligations for documentation and periodic demonstration of the efficacy of the hedge.

Hedging derivatives are recorded at fair value with changes on the income statement, except for hedges of cash flows considered as effective, for which the changes in fair value are deferred as shareholders equity until the cash flows hedged are recognised in the income statement.

For a value hedge of a security available for sale, the changes in fair value of the hedged item are recorded as income or loss so that they exactly offset the changes in the hedging derivative.

The ineffective portion of hedges is recorded in the income statement.

3.3.3 Embedded derivatives

The three conditions that require separate accounting between the host contract and the derivative instrument are listed in Note 3.1.5.

3.4 INTANGIBLE ASSETS

An intangible asset is an identifiable asset, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

Intangible assets include primarily the software acquired and created, portfolio securities, and businesses. The entry value of an intangible fixed asset consists of its acquisition price and the costs directly linked to its use.

With the exception of portfolio securities, intangible assets are valued using the amortised cost, which equals the acquisition cost minus amortisation and any cumulative loss of value. They are amortised using the straight line method over a period of between one and five years, with the exception of businesses which are amortised over a maximum period of 20 years and may also be depreciated when there is an indication of a loss of value.

Amortisation of portfolio securities is spread out over the residual life of the portfolio contracts.

Initial costs are not capitalised, but expensed.

3.5 TANGIBLE FIXED ASSETS

The group has chosen to value business premises using the amortised cost method. These properties are presented on a line separate from real estate investment on the asset side. The accounting and valuation method is identical to the method described for real estate investment.

Tangible fixed assets other than business premises are initially recognised at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for implementation and payment discounts.

The amortisation methods reflect the method of economic consumption.

An impairment test is conducted once there is an indication of a loss of value. The loss of value is reversible and corresponds to the surplus between the book value over the recoverable value, which is the higher of net fair value of withdrawal costs and the useful value.

3.6 INVESTMENTS IN AFFILIATES

Investments in affiliates are consolidated using the equity method. At the time of acquisition, the investment is recorded at the acquisition cost and its net book value is subsequently raised or reduced to take into account the profits or losses *pro rata* to the investor's holding.

3.7 TRADE RECEIVABLES AND PAYABLES, OTHER ASSETS AND OTHER LIABILITIES

Trade receivables and other assets are recorded at their nominal value, taking into account any transaction costs.

Trade payables and other liabilities are recorded at the fair value of the consideration received in exchange at the origin of the contract, net of transaction costs.

Pending clarification from the IFRIC, commitments to purchase minority interests are recorded as other liabilities as a contra entry to minority interests. Moreover, the minority interests on the consolidation of mutual funds are included in other liabilities.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents primarily represent the balances in the bank accounts of group entities.

3.9 SHAREHOLDERS EQUITY

- **Revaluation reserve**

The revaluation reserve includes the differences resulting from the revaluation at fair value of balance sheet items, particularly:

- the effects of the revaluation of derivative instruments assigned to hedge cash flows and net investments in currencies pursuant to the provisions of IAS 39; these are unrealised gains and losses;

- the effects of the revaluation of financial assets available for sale in accordance with the provisions of IAS 39; these are unrealised gains and losses;
- The cumulative impact of the deferred tax gain or loss generated by the transactions described above;
- The cumulative impact of the gain or loss from the shadow accounting.

  - **Other reserves**

Other reserves consist of the following elements:

- Carried forward
- Group consolidation reserves
- Other regulated reserves
- The impact of changes in accounting methods.

  - **Unrealised foreign exchange gains or losses**

Unrealised exchange gains or losses result from the consolidation mechanism because of the conversion of the individual financial statements of foreign subsidiaries established in a currency other than the euro.

  - **Minority interests**

Minority interests include the share in the net assets and net earnings of a fully consolidated group company. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries (concerning the purchase of minority interests and minority interests on consolidated mutual funds, refer to Note 3.7).

3.10 PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and contingencies are liabilities for which the due date or the amount is uncertain. A provision must be recognised if the following three conditions are met:

- the company has a current, legal, or implicit obligation that is the result of a past event;
- it is probable that a disbursement of resources representing economic benefits will be necessary to discharge the obligation;
- it is possible to obtain a reliable estimate of the amount of the provision.

When the impact of the time value of the money is substantial, the amount of the provisions must be equal to the present value of the expected expenditures which the company believes necessary to discharge the obligation.

    - **Employee benefits**

  - Pension commitments

The companies of the group have different pension schemes. The schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations. The group has defined benefit schemes and defined contribution schemes. A defined contribution scheme is a pension plan under which the group pays fixed contributions to an independent entity. In this case, the group is not bound by any legal or implied obligation forcing it to contribute additional amounts to the scheme in the event the assets are not sufficient to pay all employees the benefits owed for the services rendered during the current and previous years. Pension schemes that are not defined contribution schemes are defined benefit schemes. This is the case, for example, for a scheme that defines the amount of the pension benefit that will be collected by an employee at retirement, which is generally a function of one or more factors, such as age, seniority and salary.

The liabilities recorded on the balance sheet for defined benefit pension and similar schemes correspond to the discounted value of the obligation linked to the defined benefit schemes at closing, after deducting scheme assets and the adjustment for past service costs not recognised.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recorded directly in shareholders equity.

The costs of past services are immediately recognised in income, unless the changes in the pension scheme are subject to employees working over a defined period (the vesting period for the rights). In this case, the costs of past services are amortised using the straight line method over this vesting period.

For defined contribution schemes, the group pays contributions to pension insurance schemes and is not liable for any other payment commitment. The contributions are recorded as expenses related to employee benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 FINANCING DEBT

Financing debt includes subordinated liabilities, financing debt represented by securities, and financing debt to banking institutions.

- **Initial recognition**

Financing debts are recognised when the group becomes a party to the contract for these debts. The amount of the financing debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of these debts.

- **Valuation rules**

Financing debts are subsequently valued at the amortised cost using the effective interest rate method.

- **De-recognition**

Financing debts are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

3.12 INCOME TAXES

Income taxes include all taxes, both due and deferred. When income taxes are payable or receivable and payment is not subject to the execution of future transactions, the tax is classified as due, even if the payment is spread over several years. It appears as an asset or liability on the balance sheet as applicable.

The transactions performed by the group may have positive or negative tax consequences other than those used to calculate the tax due. The result is tax assets or liabilities classified as deferred.

This is particularly the case when, because of transactions already completed, whether they are recorded in the individual accounts or only in the consolidated accounts as restatements and eliminations of intra-group results, differences will appear in the future between the fiscal result and the accounting result of the company, or between the fiscal value and the book value of an asset or liability, for example when transactions performed during a year are taxable only in the following year. These differences are classified as temporary. In addition, the capitalisation reserve is integrated in the base for calculating deferred taxes.

All deferred tax liabilities must be recognised; on the other hand, deferred tax assets are recognised on the asset side of the balance sheet only if it is likely that a taxable profit (against which these deductible timing differences can be charged) will be available.

3.13 SECTOR INFORMATION

A sector is a distinct component of a company that is engaged either in supplying a product or service (a life/non-life sector) or in supplying products or services in a specific economic environment (a France/foreign geographic sector), and is exposed to risks and profitability that are different from the risks and profitability of the other sectors.

A sector is defined as such once most of the income results from sales to external clients and once the income, results or assets represent at least 10% of all sectors. Sector information is presented at two levels. The first level is organised by geographic sector. The second level is based on the business.

3.14 COSTS BY INTENDED USE

Management fees and commissions related to insurance business are classified on the basis of their intended use by applying distribution keys defined as a function of the structure and organisation of each of the insurance entities.

Expenses are classified in the following six categories:

- acquisition costs
- administrative costs

- claims settlement costs
- investment expenses
- other technical expenses
- non-technical expenses.

4. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – INITIAL APPLICATION OF THE STANDARDS

The group has published its financial statements for the year ended 31 December 2005 under International Financial Reporting Standards (IFRS) for the first time. For purposes of comparison, the year 2004 has been restated and is presented under IFRS. The date of the transition to IFRS is 1 January 2004.

The details of the transition from the statements published in accordance with French standards to IFRS were submitted to the Audit Committee on 17 October 2005 and to the Board of Directors on 20 October 2005.

A Options selected under IFRS 1

For this first year under IFRS 1, Groupama chose the following options for the retrospective restatements of assets and liabilities.

Business combinations

As allowed under IFRS 3, Groupama chose not to restate business combinations prior to 1 January 2004. As allowed under IFRS 1, Groupama will not apply IAS 21 "Effects of changes in foreign exchange rates" retrospectively to the goodwill coming from business combinations before the date of transition to IFRS. As a result, this goodwill is maintained in the functional currency of the acquiring entity.

Unrealised foreign exchange gains or losses

Groupama transferred to consolidated reserves the unrealised foreign exchange gains or losses at 1 January 2004 on the conversion into euros of the accounts of the subsidiaries with a foreign currency as the functional currency. The new IFRS value for unrealised foreign exchange gains and losses is, therefore, reset to zero at 1 January 2004. In the event of a subsequent sale of these subsidiaries, the sale gain or loss will not include a reversal of unrealised gains or losses prior to 1 January, but will include the unrealised foreign exchange gains or losses recognised after 1 January 2004.

Valuation of certain intangible/tangible assets at fair value

Groupama has chosen not to use the option offered by IFRS 1 to value certain intangible/tangible assets at their fair value on 1 January 2004.

Application of IFRS 4 concerning insurance contracts

Groupama has opted to value insurance contracts in accordance with French standards (preferred methods of CRC Regulation 2000-05).

B Impacts of the main restatements on the opening consolidated balance sheet at 1 January 2004

- **Unrealised foreign exchange gains or losses (IFRS 1)**

IFRS 1 (First-time adoption of the standards) allows a company not to reconstitute retrospectively the cumulative deferred unrealised exchange gains or losses as of 1 January 2004. As a result, in the event of a future sale of a business or subsidiary with an operating currency different from the consolidation currency, the sale gain or loss will not include the unrealised exchange gains or losses generated before 1 January 2004.

- *Impact on the 2004 opening balance sheet*

The adoption of this optional treatment results in a reclassification of – €74 million euros from the unrealised foreign exchange gains and losses item to consolidated reserves, without any impact on shareholders equity at 1 January 2004.

- **Business combinations (IFRS 1 & 3)**

Groupama has decided to use the option offered by IFRS1 not to restate business combinations prior to 1 January 2004. The first application of the IFRS does not call into question the accounting methods used in the past.

Goodwill constitutes intangible assets with an indefinite useful life. Goodwill is allocated and is subject to an impairment test per Cash Generating Unit (CGU). The CGUs used correspond to the main areas of activities. An impairment of goodwill is recorded when the recoverable value of the asset is less than its book value. The recoverable value is estimated using the discounted future cash flows of the CGU.

- *Impact on the 2004 opening balance sheet*

By integrating into revalued net assets income previously deemed to be in the future (particularly the unrealised results reverting to the shareholder and the activation of deficit carry forwards), the balances of previously excess tests have been modified under the new standards.

This break results in the recognition on 1 January 2004 of a negative impact of €446 million on shareholders equity. On the asset side of the balance sheet, the amount of the goodwill was reduced by the same amount.

- **Scope of consolidation (IAS 27 & 28)**

Under IAS 27, all controlled companies must be included in the scope of consolidation. For this reason, the real estate companies are consolidated in IFRS. The effects of the consolidation of the mutual funds have been classified in IAS 32 & 39.

- *Impact on the 2004 opening balance sheet*

As of 1 January 2004, the negative impact on shareholders equity was €247 million. This impact is primarily the result of the absence of any question on the internal sale price of the real estate companies before the purchase of GAN. On the other hand, the following items were affected:

● Real estate investment, excluding unit-linked investments	+ €731 million
● Financial investments, excluding unit-linked investments	+ €53 million
● business premises	+ €154 million
● Investments in associates	– €1,152 million
● Other net assets and liabilities	– €33 million

- **Insurance-sector investments (IAS 32 & 39)**

Pursuant to IAS 39, financial assets are recorded on the balance sheet at their market value. This revaluation, net of income tax and deferred participation for the life entities, is recorded based on the type of financial instrument as shareholders equity or as income/loss. Derivative instruments are recognised on the balance sheet at fair value (The gains and losses related to the change in market value of derivatives not eligible for hedging accounting are recorded as income/loss). Financial assets and liabilities related to the consolidation of the mutual funds are treated in accordance with IAS 32 & 39. The impact of the restatements is described below.

- *Impact on the 2004 opening balance sheet*

At 1 January 2004, the impact on shareholders equity (gross of profit-sharing and deferred taxes) totalled €1,937 million.

The contra entry for the increase in shareholders equity concerned the following items:

● Financial investments AFS excluding unit-linked investments	+ €1,754 million
● Financial investments HFT & trading excluding unit-linked investments	+ €223 million
● Derivative instruments	+ €221 million
● Debt on minority interests in consolidated mutual funds	– €191 million
● Other debt- purchase of minority interests	– €28 million
● Other receivables and other net liabilities	– €42 million

- **Equalisation reserve (IFRS 4)**

As IFRS do not allow the possibility of funding an equalisation reserve on future risks on future contracts, Groupama has eliminated these reserves in its combined financial statements.

- *Impact on the 2004 opening balance sheet*

The positive impact on the 2004 opening shareholders equity is €276 million. In return, the item "contract liabilities" is increased to the level of this restatement.

- **"Shadow" accounting (IFRS 4)**

Groupama has opted for shadow accounting to record the effects on liabilities and deferred acquisition costs of the booking of financial instruments at fair value. This adjustment is made by recording a deferred profit-sharing as a contra entry to shareholders equity or income/loss based on the methods for recording the item to which it is linked.

- *Impact on the 2004 opening balance sheet*

As of 1 January 2004, the impacts were negative for shareholders equity in the amount of €1,339 million. The contra items affected were the following:

● Liabilities related to insurance contracts	+ €598 million
● Operating liabilities related to financial contracts with discretionary profit-sharing	+ 702 million
● Deferred acquisition costs	+ €39 million

- **Classification of contracts (IFRS 4)**

In accordance with the principles of IFRS 4, which require a distinction between "insurance" contracts and "financial" contracts, presentation reclassifications were made to reflect this new classification.

- *Impact on the 2004 opening balance sheet*

At 1 January 2004, the breakdown between insurance contract liabilities and financial contract liabilities was as follows:

- Liabilities related to insurance contracts: 65%,
- Operating liabilities related to financial contracts with discretionary profit-sharing: 35%.

- **Deferred taxes (IAS 12)**

Based on the tax change in the group and the effects of the implementation of IFRS, Groupama has drawn the appropriate conclusions for deferred taxes. The approach used was to take deferred tax assets into account more systematically when their recovery was more probable than improbable.

- *Impact on the 2004 opening balance sheet*

At 1 January 2004, the impacts were as follows:

● increase in shareholders equity	+ €194 million
● increased in deferred tax assets	+ €550 million
● increase in deferred tax liabilities	+ €356 million

- **Real estate (IAS 16 & 40)**

The restatements made are related to the valuation of business premises and real estate investments using the method of amortised cost by components.

- *Impact on the 2004 opening balance sheet*

The positive impact on shareholders equity was €16 million. The contra effect on the other balance sheet items was as follows:

● reduction in real estate investments	– €4 million
● reduction in provisions for risks and contingencies	+ €14 million
● increase in other assets net of liabilities	+ €6 million

- **Employee benefits (IAS 19)**

- *Impact on the 2004 opening balance sheet*

The procedures for valuing and recognising pension and retirement commitments under IAS 19 resulted in a reduction of €87 million in shareholders equity. In return, the liability item "provisions for risks and contingencies" on the balance sheet increased by an equivalent amount.

- **Other standards**

- *Impact on the 2004 opening balance sheet*

The other standards had a positive impact of €17 million on opening shareholders equity. The following contra items on the balance sheet were affected as follows:

- reduction in intangible assets – €4 million
- reduction in provisions for risks and contingencies + €18 million
- reduction in tax liabilities + €3 million

- **Summary of the impacts on shareholders equity at 1 January 2004, by standard**

Net group share of shareholders equity at 1 January 2004 totalled €3,985 million under IFRS compared with €3,664 million under French standards. This change breaks down as follows:

	millions of euros
Group share of capital and reserves at 1 January 2004 under French stand	3,664
IAS 32/39 – Financial Instruments	1,937
IFRS 4 – "Shadow" accounting	(1,339)
IFRS 4 – Equalisation reserve	276
IAS 27/28 – Scope of consolidation	(247)
IFRS 1/3 – Business combinations	(446)
IAS 12 – Deferred taxes	194
IAS 19 – Employee benefits	(87)
IAS 16/40 – Real estate	16
Other impacts	17
Group share of capital and reserves at 1 January 2004 restated under IFRS	3,985

NOTE 2 – SECTOR INFORMATION BY GEOGRAPHIC REGION

	31 December 2005			31 December 2004		
	France	Foreign	Consolidated	France	Foreign	Consolidated
			€ million			
Premiums earned	11,171	1,900	13,071	10,712	2,081	12,793
Net banking income, net of cost of risk	137		137	105		105
Investment income, net of expenses, excluding financing expense	3,521	247	3,768	2,942	221	3,163
Income from ordinary activities	14,829	2,147	16,976	13,759	2,302	16,061
Income from current operations	914	130	1,044	724	92	816
Other operating income and expenses	(34)	(1)	(35)	(62)	(13)	(75)
Operating income	880	129	1,009	662	79	741
Financing expenses	(93)		(93)	(96)	(1)	(97)
Share in net income of associates	1	1	2	1	3	4
Income taxes	(306)	(33)	(339)	(179)	(34)	(213)
Net income of consolidated entity	482	97	579	388	47	435
Minority interests	(34)	(1)	(35)	(30)	1	(29)
Net income (Group share)	448	96	544	358	48	406
Insurance-sector investments	63,261	5,623	68,884	56,374	5,303	61,677
Tax receivables	124	28	152	149	35	184
Investments in associates	1	30	31	5	22	27
Other sector assets	10,640	581	11,221	10,845	578	11,423
Total consolidated assets	74,026	6,262	80,288	67,373	5,938	73,311
Sector liabilities	74,026	6,262	80,288	67,373	5,938	73,311
Total consolidated liabilities	74,026	6,262	80,288	67,373	5,938	73,311
Gains or losses from disposal of investments, net of reversals of depreciation and amortisation	1,033	63	1,096	492	58	550
Change in fair value of financial instruments recognised at fair value by result	340	25	365	322	15	337
Change in depreciation on financial instruments	(5)	(10)	(15)	(65)	(11)	(76)
Acquisitions of tangible fixed assets	303	14	317	286	15	301
Acquisitions of intangible assets	150	3	153	108	6	114
Amortisation and depreciation	(275)	(12)	(287)	(142)	(11)	(153)

ANALYSIS OF REVENUE – BREAKDOWN BY GEOGRAPHIC REGION

	31 December 2005					31 December 2004				
	Life	Non-life	Financial activities	Total	Share as %	Life	Non-life	Financial activities	Total	Share as %
					€ million					
France	3,727	7,542	205	11,474	85%	3,517	7,239	164	10,920	85%
EEC (ex- France)	366	1,513		1,879	14%	310	1,432		1,742	14%
United Kingdom		504		504	4%		451		451	4%
Italy	191	353		544	4%	179	346		525	4%
Spain	66	641		707	5%	54	622		676	5%
Portugal	109	15		124	1%	77	13		90	1%
Other countries	60	39		99	1%	121	50		171	1%
Total	4,153	9,094	205	13,452	100%	3,948	8,721	164	12,833	100%

Total revenue amounted to € 13,247 million at 31 December 2005, compared with € 12,669 million at 31 December 2004.

ANALYSIS OF REVENUE- BREAKDOWN BY MAIN BRANCHES

	31 December 2005			31 December 2004		
	France	Foreign	Total	France	Foreign	Total
			€ million			
Life insurance: single-premium contracts						
Capitalisation	62	142	204	74	101	175
Individual insurance	2,018	54	2,072	1,909	60	1,969
Group contracts	3	14	17	3	63	66
Contracts in units of account	321	21	342	193	12	205
Other	52		52	54		54
Total single-premium contracts	2,456	231	2,687	2,233	236	2,469
Life insurance: periodic premium policies						
Capitalisation	51	37	88	57	37	94
Individual insurance	640	86	726	633	92	725
Group contracts	451	53	504	432	46	478
Contracts in units of account	6	19	25	6	20	26
Other	10		10	3		3
Total periodic premium policies	1,158	195	1,353	1,131	195	1,326
Acceptances	113		113	153		153
Total life	3,727	426	4,153	3,517	431	3,948
Non-life insurance						
Motor	2,072	845	2,917	2,033	822	2,855
Injuries	1,989	71	2,060	1,844	69	1,913
Property damage	2,177	399	2,576	2,163	364	2,527
General civil liability	150	61	211	151	61	212
Marine, aviation, transport	256	27	283	215	25	240
Other	641	147	788	586	137	723
Acceptances	257	2	259	247	4	251
Total non-life	7,542	1,552	9,094	7,239	1,482	8,721
Total Life and non-Life	11,269	1,978	13,247	10,756	1,913	12,669
Banking						
Bank	97		97	77		77
Asset management	106		106	85		85
Other	2		2	2		2
Total Banking	205		205	164		164
Total	11,474	1,978	13,452	10,920	1,913	12,833

NOTE 3 – GOODWILL

	31 December 2005	31 December 2004
	€ million	
Net values at opening	1,152	1,142
Change in scope of consolidation	6	10
Groupama Sa		1
Groupama Asset Management		2
Silic		6
Groupama Insurances (Clinicare)	6	
Compagnie Foncière Parisienne		1
Deconsolidated		
Net values at closing	1,158	1,152

DETAIL OF GOODWILL BY COMPANY

	31 Dec. 2005	31 Dec. 2004
	Net values	Net values
	€ million	
Gan Italie	75	75
Groupama Seguros	178	178
Groupama Insurances (Clinicare)	6	
Total international	259	253
Gan French subsidiaries	720	720
Gan banking subsidiaries	18	18
Groupama SA	1	1
Groupama Transport	19	19
Silic	10	10
Gan Eurocourtage IARD	128	128
Groupama Asset Management	2	2
Compagnie Foncière Parisienne	1	1
Total France	899	899
Total	1,158	1,152

NOTE 4 – OTHER INTANGIBLE ASSETS

	31 December 2005			31 December 2004		
	Business	**Other intangible assets**	**Total**	**Business**	**Other intangible assets**	**Total**
			€ million			
Gross values at opening	28	653	681	28	559	587
Acquisitions and creations	2	151	153	0	113	113
Disposals or withdrawals	(5)	(53)	(58)	(19)	(19)	
Gross values at closing	25	751	776	28	653	681
Cumulative amortisation at opening	(19)	(445)	(464)	(19)	(344)	(363)
Increase		(112)	(112)		(105)	(105)
Decrease	5	6	11		4	4
Cumulative amortisation at closing	(14)	(551)	(565)	(19)	(445)	(464)
Cumulative lasting impairment at opening	(2)	(3)	(5)	(2)	(4)	(6)
Lasting impairment recognised	(1)	(5)	(6)			
Lasting impairment reversed		2	2		1	1
Cumulative lasting impairment at closing	(3)	(6)	(9)	(2)	(3)	(5)
Net values at opening	7	205	212	7	211	218
Net values at closing	8	194	202	7	205	212

Other intangible assets primarily include expenses for IT software acquired or created within the group's various insurance companies.

NOTE 5 – REAL ESTATE INVESTMENTS

	31 December 2005			31 December 2004		
	Property	**SCI Shares**	**Total**	**Property**	**SCI Shares**	**Total**
			€ million			
Gross values at opening	3,502	622	4,124	3,450	646	4,096
Acquisitions	225	36	261	200	2	202
Subsequent expenses	1	(89)	(88)	(1)		(1)
Transfer from/to business premises	(60)		(60)	(37)		(37)
Disposals	(57)	(57)	(110)	(26)	(136)	
Gross values at closing	3,611	569	4,180	3,502	622	4,124
Cumulative amortisation at opening	(687)	(11)	(698)	(648)	(7)	(655)
Increase	(108)	(5)	(113)	(62)	(5)	(67)
Decrease	76	7	83	23	1	24
Cumulative amortisation at closing	(719)	(9)	(728)	(687)	(11)	(698)
Cumulative lasting depreciation at opening	(82)	(3)	(85)	(90)	(5)	(95)
Lasting depreciation recognised	(17)	(3)	(20)	(6)		(6)
Lasting depreciation reversed	61	3	64	14	2	16
Cumulative lasting depreciation at closing	(38)	(3)	(41)	(82)	(3)	(85)
Net values at opening	2,733	608	3,341	2,712	634	3,346
Net values at closing	2,854	557	3,411	2,733	608	3,341
Fair value of real estate investments at closing	5,301	840	6,141	4,783	773	5,556
Unrealised gains	2,447	283	2,730	2,050	165	2,215

The realisation of unrealised gains would result in rights for the beneficiaries of contracts and minority shareholders as well as tax liabilities.

NOTE 6 – FINANCING INVESTMENTS (EXCLUDING UNIT-LINKED INVESTMENTS)

	31 December 2005	31 December 2004
	Net values	Net values
	€ million	
Assets valued at fair value	60,518	53,261
Assets valued at amortised cost	734	884
Total non-unit-linked financial investments	61,252	54,145

INVESTMENTS VALUED AT FAIR VALUE (BY CATEGORY)

	31 December 2005									31 Nov. 2004
	Net amortised cost			Fair value			Unrealised gains or losses			
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total	Fair value
	€ million									
Assets available for sale										
Stocks	3,409	6,772	10,181	4,042	8,773	12,815	633	2,001	2,634	8,093
Bonds	8,229	28,335	36,564	8,691	31,581	40,272	462	3,246	3,708	38,900
Other	39	22	61	43	22	65	4		4	67
Total assets available for sale	11,677	35,129	46,806	12,776	40,376	53,152	1,099	5,247	6,346	47,060
Transaction assets										
Stocks	948	1,455	2,403	970	1,587	2,557	22	132	154	2,398
Bonds	1,039	3,162	4,201	1,080	3,513	4,593	41	351	392	3,621
Other	174	42	216	174	42	216				182
Total transaction assets	2,161	4,659	6,820	2,224	5,142	7,366	63	483	546	6,201
Total investments valued at fair value	13,838	39,788	53,626	15,000	45,518	60,518	1,162	5,730	6,892	53,261

THE GROUP HAS CHOSEN TO APPLY THE FAIR VALUE OPTION EARLY. THIS AMENDMENT REDUCES THE POSSIBILITIES FOR EXERCISING THE OPTION BY LIMITING APPLICATION TO THE FOLLOWING CASES:

- hybrid instruments including one or more embedded derivative products;
- group of financial assets and/or liabilities that are managed and the performance of which is valued at fair value.

INVESTMENTS VALUED AT FAIR VALUE (BY TYPE)

	31 December 2005									31 Dec. 2004
	Net amortised cost			**Fair value**			**Unrealised gains or losses**			
	Non-life	**Life**	**Total**	**Non-life**	**Life**	**Total**	**Non-life**	**Life**	**Total**	**Fair value**
	€ million									
Stocks										
Assets available for sale	3,409	6,772	10,181	4,042	8,773	12,815	633	2,001	2,634	8,093
Transaction assets	948	1,455	2,403	970	1,587	2,557	22	132	154	2,398
Total stocks	4,357	8,227	12,584	5,012	10,360	15,372	655	2,133	2,788	10,491
Bonds										
Assets available for sale	8,229	28,335	36,564	8,691	31,581	40,272	462	3,246	3,708	38,900
Transaction assets	1,039	3,162	4,201	1,080	3,513	4,593	41	351	392	3,621
Total bonds	9,268	31,497	40,765	9,771	35,094	44,865	503	3,597	4,100	42,521
Other										
Assets available for sale	39	22	61	43	22	65	4		4	67
Transaction assets	174	42	216	174	42	216	182			
Total other	213	64	277	217	64	281	4		4	249
Total investments valued at fair value	13,838	39,788	53,626	15,000	45,518	60,518	1,162	5,730	6,892	53,261

The amount of the provisions for lasting depreciation recognised on the investments valued at fair value was -€902 million at 31 December 2005, compared with -€1,353 million at 31 December 2004.

INVESTMENTS VALUE AT AMORTISED COST IN NET VALUE

	31 December 2005			31 December 2004		
	Non-life	**Life**	**Total**	**Non-life**	**Life**	**Total**
	€ million					
Loans	99	194	293	241	75	316
Deposits	158	66	224	148	132	280
Other	98	119	217	190	98	288
Loans and receivables	355	379	734	579	305	884
Total assets valued at amortised cost	355	379	734	579	305	884

The amount of the provisions for lasting depreciation recognised on investments valued at amortised cost was -€2 million at 31 December 2005 versus -€3 million at 31 December 2004.

ESTIMATE OF LISTED INVESTMENTS

	31 December 2005	31 December 2004
	Net values	Net values
	€ million	
Stocks	9,657	6,979
Shares of fixed-income mutual funds	2,585	1,887
Shares of other mutual funds	5,347	4,478
Bonds and other fixed-income securities	42,074	39,126
Total listed investments	59,663	52,470

The amount of the provisions for lasting depreciation recognised on listed investments at fair value was -€795 million euros at 31 December 2005 compared with -€1,212 million at 31 December 2004.

ESTIMATE OF UNLISTED INVESTMENTS

	31 December 2005	31 December 2004
	Net values amortised cost or fair value	Net values amortised cost or fair value
	€ million	
Stocks at fair value	122	199
Bonds and other fixed-income securities at fair value	206	148
Loans at amortised cost	293	316
Other investments at fair value	527	444
Other investments at amortised cost	441	568
Total unlisted investments	1,589	1,675

The amount of the provisions for lasting depreciation recognised on unlisted investments was -€109 million at 31 December 2005 compared with -€144 million at 31 December 2004.

NOTE 7 – SIGNIFICANT INVESTMENTS IN UNCONSOLIDATED COMPANIES

	31 December 2005			31 December 2004	
	% of interest	Acquisition cost net of provision	Fair value	Acquisition cost net of provision	Fair value
			€ million		
Scor	16.03%	175	283	175	216
Bolloré Investissement	4.62%	59	116	59	63
Société Générale	3.04%	774	1,369	773	981
Lagardère	1.75%	94	162	94	132
Veolia Environnement	5.74%	564	895	564	623
Locindus	6.38%	13	19		
French companies		1,679	2,844	1,665	2,015
Mediobanca	4.86%	471	624	471	461
Foreign companies		471	624	471	461
Total significant investments in consolidated companies		2,150	3,468	2,136	2,476

Fair value represents:

- the market price at 31 December for listed companies;
- the value determined by applying a multi-criteria method for the securities of unlisted companies.

NOTE 8 – INVESTMENTS REPRESENTING UNIT-LINKED COMMITMENTS

	31 December 2005	31 December 2004
	€ million	
Variable-income and similar securities		
Bonds	498	762
Shares of stock mutual funds	2,204	1,935
Shares or bond mutual funds and other	674	544
Total investments representing unit-linked commitments	3,376	3,241

NOTE 9 – BANKING USES

	31 December 2005			31 December 2004		
	Gross values	Provisions	Net values	Gross values	Provisions	Net values
	€ million					
Cash, central banks, postal accounts	23		23	26		26
Financial assets at fair value by income	50		50	34		34
Hedging derivatives						
Financial assets available for sale	13		13	13		13
Loans and receivables from credit institutions	772		772	573		573
Trade loans and receivables	686	(21)	665	641	(22)	619
Revaluation variance on rate-hedged portfolios						
Financial assets held to maturity	670		670	632		632
Real estate investment						
Total Bank uses	2,214	(21)	2,193	1,919	(22)	1,897

NOTE 10 – INVESTMENTS IN ASSOCIATES

	31 December 2005		31 December 2004	
	Equity value	Share in income	Equity value	Share in income
	€ million			
Günes Sigorta	30	1	26	3
Socomie	1	1	1	1
Total investments in associates	31	2	27	4

SIGNIFICANT DATA AT 31 DECEMBER

	31 December 2005				31 December 2004			
	Revenue	Net income	Total assets	Shareholders equity	Revenue	Net income	Total assets	Shareholders equity
	€ million							
Günes Sigorta	281	4	233	58	211	4	153	49
Socomie	15	1	7	1	12	1	8	1

NOTE 11 – SHARE OF OUTWARDS REINSURERS AND RETROCESSIONNAIRES IN LIABILITIES RELATED TO INSURANCE CONTRACTS AND FINANCIAL CONTRACTS

	31 December 2005	31 December 2004
	€ million	
Share of reinsurers in non-life insurance reserves		
Reserves for unearned premiums	80	69
Reserves for claims to be paid	1,424	1,472
Other technical reserves	118	119
Total	1,622	1,660
Share of reinsurers in life insurance reserves		
Life insurance reserves	28	29
Reserves for claims to be paid	9	15
Profit-sharing reserves	17	4
Other technical reserves	3	9
Total	57	57
Share of reinsurers in reserves for financial contracts with discretionary profit-sharing		
Life technical reserves		
Reserves for claims to be paid		
Profit-sharing reserves		
Other technical reserves		
Total		
Share of reinsurers in reserves for financial contracts without discretionary profit-sharing		
Life technical reserves		1
Reserves for claims to be paid		
Profit-sharing reserves		
Other technical reserves		
Total		1
Total share of outwards reinsurers and retrocessionnaires in Liabilities related to insurance contracts and financial contracts	1,679	1,718

NOTE 12 – TRADE RECEIVABLES

	31 December 2005			31 Dec. 2004
	Gross values	Provisions	Net values	Net values
	€ million			
Receivables generated by insurance or accepted reinsurance transactions				
Earned premiums not written	676		676	679
Insured, intermediaries and other third parties	1,151	(79)	1,072	849
Co-insurer and other third party current accounts	222	(2)	220	274
Ceding and retroceding company current accounts	306	(2)	304	355
Total	2,355	(83)	2,272	2,157
Receivables from reinsurance assignment transactions				
Assignee and retrocessionaire current accounts[1]	176	(27)	149	689
Other receivables on reinsurance transactions	46		46	54
Total	222	(27)	195	743
Tax receivables payable	152		152	184
Other trade receivables				
Employee debts	26		26	14
Social security agencies	11		11	2
Other debtors	665	(26)	639	709
Total	702	(26)	676	725
Total Trade receivables	3,431	(136)	3,295	3,809

(1) The change between the two periods, which is offset in operating expenses (see Note 25), in the item for assignee and retrocessionnaire current accounts is due primarily to a change in the method for recording flows generated by the installation of a new reinsurance management software application.

TRADE RECEIVABLES BY MATURITY

	31 December 2005				31 December 2004			
	<1 yr	1 to 5 yrs	>5 yrs	Total	<1 yr	1 to 5 yrs	>5 yrs	Total
				€ million				
Receivables resulting from insurance or accepted reinsurance transactions								
Earned premiums not written	679	(3)		676	678	1		679
Insured, intermediaries and other third parties	1,062	10		1,072	836	13		849
Co-insurer and other third party currency accounts	177	43		220	223	51		274
Ceding and retroceding company current accounts	264	40		304	324	31		355
Total	2,182	90		2,272	2,061	96		2,157
Receivables from reinsurance assignment transactions								
Assignee and retrocessionaire current accounts	138	11		149	684	5		689
Other receivables on reinsurance transactions	44		2	46	25	27	2	54
Total	182	11	2	195	709	32	2	743
Tax receivables payable	141	11		152	158	24	2	184
Other trade receivables								
Employee debts	26			26	12	2		14
Social security agencies	11			11	2			2
Other debtors	597	23	19	639	685	16	8	709
Total	634	23	19	676	699	18	8	725
Total Trade receivables	3,139	135	21	3,295	3,627	170	12	3,809

TAX RECEIVABLES DUE AND OTHER RECEIVABLES BY BUSINESS SECTOR

	31 December 2005					31 Dec. 2004
	Gross values	Provisions	Net values	Insurance sector	Banking sector	Net
	€ million					
Tax receivables due	152		152	151	1	184
Personnel	26		26	26		14
Social security agencies	11		11	11		2
Other debtors	665	(26)	639	619	20	709
Other receivables	702	(26)	676	656	20	725
Total Tax receivables due and other receivables	854	(26)	828	807	21	909

NOTE 13 – DEFERRED TAX ASSETS

	31 December 2005			31 Dec. 2004
	Gross value	**Amort., Deprec. Provisions**	**Net values**	**Net values**
		€ million		
Non-life	153		153	345
Life	12		12	35
Banking	16		16	14
Total Deferred tax assets	181		181	394

NOTE 14 – OTHER ASSETS AND BUSINESS PREMISES

	31 December 2005	31 December 2004
	€ million	
Business premises	705	704
Total business premises	705	704
Interest accrued not due	815	818
Other tangible fixed assets	280	191
Other long-term operating assets	53	54
Deferred acquisition costs	542	532
Active deferred profit-sharing		
Other receivables	278	246
Total other assets	1,968	1,841
Total other assets and business premises	2,673	2,545

BUSINESS PREMISES BY SECTORS

	31 December 2005			31 December 2004
	Gross value	Amort., deprec. provisions	Net values	Net values
	€ million			
Non-life	892	(232)	660	644
Life	66	(21)	45	60
Banking				
Total business premises	958	(253)	705	704

OTHER ASSETS BY SECTOR

	31 December 2005			31 Dec. 2004
	Gross values	Amort., deprec., provisions	Net values	Net values
	€ million			
Non-Life	1,111	(336)	775	638
Life	1,224	(136)	1,088	1,126
Banking	119	(14)	105	77
Total other assets	2,454	(486)	1,968	1,841

DETAILS OF BUSINESS PREMISES AND OTHER TANGIBLE FIXED ASSETS

	31 December 2005			31 December 2004		
	Bus. premises and SCI. shares	Other tang. fixed assets	Total	Bus. premises. and SCI shares	Other tang. fixed assets	Total
			€ million			
Gross values at opening	929	553	1,482	817	618	1,435
Acquisitions	80	237	317	217	84	301
Disposals	(53)	(74)	(127)	(136)	(149)	(285)
Transfer from/to real estate investment	1		1	31		31
Gross values at closing	957	716	1,673	929	553	1,482
Cumulative amortisation at opening	(225)	(362)	(587)	(262)	(376)	(638)
Increase	(77)	(98)	(175)	(17)	(31)	(48)
Decrease	61	29	90	54	45	99
Cumulative amortisation at closing	(241)	(431)	(672)	(225)	(362)	(587)
Cumulative sustained depreciation at opening						
Sustained depreciation recognised	(12)	(5)	(17)			
Sustained depreciation reversed	1		1			
Cumulative sustained depreciation at closing	(11)	(5)	(16)			
Net values at opening	704	191	895	555	242	797
Net values at closing	705	280	985	704	191	895
Fair value of tangible fixed assets at closing	1,264	280	1,544	1,245	191	1,436
Unrealised gains	559		559	541		541

The total net book value of business premises at 31 December 2005 amounted to €705 million and the realisation value was €1,264 million, versus €704 million and €1,245 million respectively at 31 December 2004.

DETAILS OF DEFERRED ACQUISITION COSTS

	31 December 2005			31 December 2004		
	Gross values	Amortisation	Net values	Gross values	Amortisation	Net values
	€ million					
Non-life insurance contracts	298	(10)	288	270	(9)	261
Life insurance contracts and financial contracts with discretionary profit-sharing	291	(37)	254	303	(32)	271
Total deferred acquisition costs	589	(47)	542	573	(41)	532

NOTE 15 – ANALYSIS OF THE CHANGE IN SHAREHOLDERS EQUITY (GROUP SHARE)

	Capital	Income (loss)	Consolidated reserves	Revaluation reserves	Unrealised ex. gains & losses	Capital & reserves Group share
			€ million			
Shareholders equity at 31/12/2004	32	406	3,351	1,131	(3)	4,917
Appropriation of 2004 earnings (losses)		(406)	406			
Dividends/Policyholder returns			(2)			(2)
Capital increase						
Business combinations						
Unrealised foreign exch. gains and losses					18	18
Assets available for sale				2,496		2,496
Shadow accounting				(1,582)		(1,582)
Deferred taxes			6	89		95
Actuarial gains and losses on post-employment benefits			(20)			(20)
Other			(27)	22	(2)	(7)
Income (loss) for the year		544				544
Total changes for the period		138	363	1,025	16	1,542
Shareholders equity at 31/12/2005	32	544	3,714	2,156	13	6,459

The transfers recorded on the ''other'' line represent the adjustments charged against the 2005 opening net position for the corrections made to the 2004 proforma consolidated statements under IFRS, the impact of which on the various items of the financial statements in question was considered to be non-significant.

The deferred tax amount restated in the ''revaluation reserves'' column corresponds to the application of 1) a short-term and long-term tax rate on the unrealised values of the financial instruments classified as ''assets available for sale''; and 2) a short-term tax rate on the deferred profit-sharing (''shadow accounting''). Under the new rules for long-term gains or losses applicable as of 1 January 2006, the unrealised gains on ''strategic'' equity interests were exempt for the calculation of the deferred tax up to a maximum of a percentage of costs and expenses (i.e. an effective rate of 1.72%).

NOTE 16 – PROVISIONS FOR RISKS AND CONTINGENCIES

	31 December 2005					31 Dec. 2004
	opening amount	Increases	Reversals	Other transfers	Closing amount	Closing amount
			€ million			
Provision for pensions and similar obligations	287	47	(16)	4	322	287
Other risks and contingencies(1)	349	74	(55)	3	371	349
Total provisions for risks and contingencies	636	121	(71)	7	693	636

(1) The details of this item are not provided because this information could cause a serious loss for the group because of current litigation.

NOTE 17 – INFORMATION ON EMPLOYEE BENEFITS- DEFINED BENEFIT PLANS

I – AMOUNT RECOGNISED ON THE BALANCE SHEET

	31 December 2005	31 December 2004
	€ million	
Discounted value of the "non-group" financed bond	291	267
Fair value of plan assets	(219)	(186)
Net sub-total of "non-group coverage" pension commitments	***72***	***81***
Discounted value of the bond financed within the group	197	150
Net provision on the balance sheet	269	231

The amount of the provisions stated in this note concern only retirement indemnities.

II – CHANGE IN NET LIABILITIES RECORDED ON THE BALANCE SHEET

	31 December 2005	31 December 2004
	€ million	
Net provision at opening	231	232
Actuarial differences recorded as shareholders equity	20	
Expense (income) for the year	22	14
Contributions paid to outside organisations	(8)	(7)
Benefits paid by the employer at time of retirement	(7)	(5)
Transfers of actuarial provisions and other transfers	11	(3)
Net provision at closing	269	231

III – TOTAL EXPENSE RECOGNISED IN THE INCOME STATEMENT

	31 December 2005	31 December 2004
	€ million	
Cost of services rendered during the year	9	11
Financial cost	19	16
Yield expected from plan assets	(12)	(11)
Net actuarial loss (profit) recorded during the year		
Cost of past services	6	
Impact of entries/reversals due to transfers and other movements		(2)
Total	22	14

IV – MAIN ACTUARIAL ASSUMPTIONS

	31 December 2005	31 December 2004
Discount rate	3.80% – 4.00%	4.50% – 5.00%
Yield expected from plan assets	3.00% – 3.50%	2.50% – 3.00%
Expected salary increases	2.70% – 3.20%	2.50% – 3.00%

V – INFORMATION ON EMPLOYEE BENEFITS – PERSONNEL EXPENSES AND EMPLOYEE INFORMATION

	31 December 2005	31 December 2004
	€ million	
Salaries	986	968
Social security expenses	451	413
Post-employment benefits		
Defined contribution plans		
Defined benefit plans	*22*	*14*
Anniversary days and work awards	14	14
Other benefits	12	12

NOTE 18 – FINANCING DEBT

	31 December 2005				31 December 2004			
	<1 yr	1 to 5 yrs	< 5 yrs	Total	<1 yr	1 to 5 yrs	> 5 yrs	Total
				€ million				
Subordinated debt			1,245	1,245			750	750
subordinated debt of insurance companies			*1,245*	***1,245***			*750*	***750***
subordinated debt of banking companies								
Financing debt represented by securities								
Financing debt with banking-sector companies	4	198	531	733	88	115	424	627
Total financing debt	4	198	1,776	1,978	88	115	1,174	1,377

BREAKDOWN BY CURRENCY AND RATE

	31 December 2005			
	Currency		Rate	
	Euro zone	Non-euro zone	Fixed-rate	Variable rate
	€ million			
Subordinated debt	1,245		745	500
Financing debt represented by securities				
Financing debt with banking-sector companies	733		578	155

The "subordinated debt" item represents:

– first, a bond issued in July 1999 by Caisse Centrale des Assurances Mutuelles Agricoles in two tranches, one variable rate tranche for €500 million, the other a fixed-rate tranche for €250 million, and assumed by Groupama SA during the contribution operations completed on 1 January 2003 in the form of redeemable subordinated securities (*titres subordonnés remboursables*-TSR). This thirty-year bond offers the issuer the possibility of early redemption as of the tenth year. The total amount of these TSRs was €750 million and their listings at 31 December 2005 were 101.49% for the variable portion and 107.47% for the fixed portion;

– and second, a fixed-rate perpetual subordinated bond issued by Groupama SA in July 2005 for the amount of €495 million. This bond includes a "10-year call" that allows the issuer to redeem the bond early as of the tenth year. As of 31 December, the listing was 99.54%.

NOTE 19 – LIABILITIES RELATED TO LIFE INSURANCE CONTRACTS

	31 December 2005	31 December 2004
	€ million	
Non-life insurance reserves		
Reserves for unearned premiums	1,703	1,481
Reserves for claims to be paid	11,732	11,417
Other technical reserves	3,235	3,163
Total	16,670	16,061
Life insurance reserves		
Life insurance reserves	17,442	16,598
Reserves for claims to be paid	418	346
Profit-sharing reserves	733	520
Other technical reserves	125	113
Total	18,718	17,577
Life insurance reserves on unit-linked contracts	2,812	2,136
Total Liabilities related to life insurance contracts	38,200	35,774

	31.12.2005			31.12.2004		
	France	Foreign	Total	France	Foreign	Total
	€ million					
Reinsurance gross technical reserves						
Life insurance reserves	15,844	1,598	17,442	14,615	1,983	16,598
Reserves for claims to be paid	395	23	418	317	29	346
Profit-sharing reserves	707	26	733	490	30	520
Other technical reserves	120	5	125	108	5	113
Total Life insurance	17,066	1,652	18,718	15,530	2,047	17,577
Reserves for unearned premiums	999	704	1,703	860	621	1,481
Reserves for claims to be paid	9,318	2,414	11,732	9,062	2,355	11,417
Other technical reserves	3,183	52	3,235	3,109	54	3,163
Total Non-life insurance	13,500	3,170	16,670	13,031	3,030	16,061
Life insurance reserves for unit-linked contracts	2,620	192	2,812	1,978	158	2,136
Total Gross Technical Reserves	33,186	5,014	38,200	30,539	5,235	35,774
Reinsurers' share of technical reserves						
Life insurance reserves	13	15	28	12	16	28
Reserves for claims to be paid	6	3	9	12	3	15
Profit-sharing reserves	17		17	4		4
Other technical reserves	3		3	10		10
Total Life Insurance	39	18	57	38	19	57
Reserves for unearned premiums	62	17	79	50	19	69
Reserves for claims to be paid	960	464	1,424	964	509	1,473
Other technical reserves	118	1	119	118	1	119
Total Non-life insurance	1,140	482	1,622	1,132	529	1,661
Total reinsurers' share of technical reserves	1,179	500	1,679	1,170	548	1,718
Net general total	32,007	4,514	36,521	29,369	4,687	34,056

BREAKDOWN OF TECHNICAL RESERVES ON INSURANCE CONTRACTS BY MAIN CATEGORIES

	31 December 2005			31 December 2004		
	Gross life insurance reserves	Gross reserves for claims to be paid	Total	Gross life insurance reserves	Gross reserves for claims to be paid	Total
			€ million			
Life insurance: single-premium contracts						
Capitalisation	608	36	644	505	10	515
Individual insurance	2,834	76	2,910	3,726	43	3,769
Group contracts	129	2	131	159	2	161
Other	1,678	13	1,691	223		223
Total reserves for single-premium contracts	5,249	127	5,376	4,613	55	4,668
Life insurance: periodic premium contracts						
Capitalisation	116	5	121	255	2	257
Individual insurance	5,866	87	5,953	5,664	84	5,748
Group contracts	5,556	147	5,703	5,121	137	5,258
Other	598	6	604	894	24	918
Total reserves for per. premium contracts	12,136	245	12,381	11,934	247	12,181
Acceptances	57	46	103	51	44	95
Total Life Reserves	17,442	418	17,860	16,598	346	16,944

	31 December 2005			31 December 2004		
	Gross reserves for unearned premiums	**Gross reserves for claims to be paid**	**Total**	**Gross reserves for unearned premiums**	**Gross reserves for claims to be paid**	**Total**
			€ million			
Non-life insurance						
Motor	742	3,877	4,619	631	3,796	4,427
Injuries	108	896	1,004	105	880	985
Property damage	552	2,471	3,023	507	2,384	2,891
General civil liability	51	1,213	1,264	48	1,200	1,248
Marine, aviation, transport	45	757	802	36	714	750
Other	163	1,865	2,028	128	1,771	1,899
Acceptances	42	653	695	26	672	698
Total Non-life reserves	1,703	11,732	13,435	1,481	11,417	12,898

NOTE 20 – CHANGE IN RESERVES FOR CLAIMS OVER THE YEAR

GROSS VALUES

	31 December 2005
	€ million
Reserves for claims at opening	10,999
Claims expense for the current year	6,149
Claims expense for prior years	(456)
Total claims expense	5,693
Claims payments for the current year	(2,933)
Claims payments for prior years	(2,526)
Total payments	(5,459)
Exchange rate variation	80
Total Reserves for claims at closing	11,313

The reserves for claims stated in this table do not include the reserves of the semi-public entities, which totalled €417 million at opening and €422 million at closing.

NOTE 21 – IMPACT OF THE DISCOUNT IN THE ACTUARIAL PROVISIONS FOR ANNUITIES OF NON-LIFE ENTITIES AND CHANGE IN ACTUARIAL PROVISIONS FOR LIFE INSURANCE CONTRACTS

NOTE 21A – IMPACT OF THE DISCOUNT IN THE ACTUARIAL PROVISIONS FOR ANNUITIES OF NON-LIFE ENTITIES

GROSS VALUES

	31 December 2005	31 December 2004
	€ million	
Reserves for claims to be paid at closing (net of claims)	1,290	1,196
Reserves for claims to be paid at closing (net of claims) before change in discount rate	*1,219*	*1,169*
Reserves for claims to be paid at closing (net of appeals) excluding technical interest	1,841	1,819
Technical interest	(621)	(650)
Impact of change in discount rate	70	27

CEDED PORTION

	31 December 2005	31 December 2004
	€ million	
Share of reinsurers in reserves for claims to be paid at closing (net of appeals)	45	39
Share of reinsurers in reserves for claims to be paid at closing (net of claims) before change in discount rate	*42*	*38*
Share of reinsurers in reserves for claims to be paid at closing (net of claims) ex. technical interest	62	58
Technical interest	(20)	(20)
Impact of change in discount rate	3	1

NOTE 21B – CHANGE IN ACTUARIAL PROVISIONS FOR LIFE INSURANCE CONTRACTS

	31 December 2005	31 December 2004
	€ million	
Actuarial provisions at opening	34,458	32,423
Premiums for the year	3,488	3,394
Interest credited	464	438
Profit-sharing	1,047	922
Term	(943)	(835)
Redemptions	(1,570)	(1,283)
Annuity arrears	(344)	(329)
Other transfers	102	(272)
Total actuarial provisions at closing	36,702	34,458

NOTE 22 – OPERATING LIABILITIES RELATED TO FINANCIAL CONTRACTS

	31 December 2005	31 December 2004
	€ million	
Reserves on financial contracts with discretionary profit-sharing		
Life technical reserves	19,220	17,527
Reserves on unit-linked contracts	8	
Reserves for claims to be paid	238	235
Profit-sharing reserves	697	844
Other technical reserves	9	7
Total	20,172	18,613
Reserves on financial contracts without discretionary profit-sharing		
Life technical reserves	39	334
Reserves on unit-linked contracts	656	1,239
Reserves for claims to be paid	1	2
Profit-sharing reserves		
Other technical reserves		
Total	696	1,575
Total Operating liabilities related to financial contracts	20,868	20,188

OPERATING LIABILITIES RELATED TO FINANCIAL CONTRACTS (NON-UNIT-LINKED) BY GEOGRAPHIC REGION

	31 December 2005			31 December 2004		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			€ million			
Reinsurance gross technical reserves						
Reserves for life financial contracts	18,593	666	19,259	17,636,	225	17,861
Reserves for claims to be paid à payer	236	3	239	236	1	237
Profit-sharing reserves	691	6	697	841	3	844
Other technical reserves		9	9		7	7
Total Life Insurance	19,520	684	20,204	18,713	236	18,949
Total Gross technical reserves	19,520	684	20,204	18,713	236	18,949
Share of reinsurers in technical reserves						
Reserves for life financial contracts				1		1
Reserves for claims to be paid						
Profit-sharing reserves						
Other technical reserves						
Total Life Insurance				1		1
Total reinsurers' share in operating liabilities related to financial contracts (non-unit-linked)				1		1

BREAKDOWN OF FINANCIAL CONTRACTS BY MAIN CATEGORIES

	31 December 2005			31 December 2004		
	Life fin. contract reserves	Gross reserves for claims to be paid	Total	Life Fin. contract reserves	Gross reserves for claims to be paid	Total
	€ million					
Life: single-premium contracts						
Capitalisation	798	22	820	1,005	44	1,049
Individual insurance	14,595	156	14,751	11,648	80	11,728
Group contracts	11		11	68	8	76
Other				1,309		1,309
Total reserves for single-premium contracts	15,404	178	15,582	14,030	132	14,162
Life: periodic-premium contracts						
Capitalisation	515	1	516	372	4	376
Individual insurance	866	32	898	939	35	974
Group contracts	1,016	25	1,041	1,204	41	1,245
Other	29	3	32	38	25	63
Total reserves for per. premium contracts	2,426	61	2,487	2,553	105	2,658
Acceptances	1,429		1,429	1,278		1,278
Total Life reserves	19,259	239	19,498	17,861	237	18,098

NOTE 23 – RESERVES FOR DEFERRED PROFIT-SHARING

	31 December 2005	31 December 2004
	€ million	
Reserve for deferred profit-sharing on insurance contracts	2,235	1,209
Reserve for deferred profit-sharing on financial contracts	2,150	1,296
Total deferred profit-sharing reserves	4,385	2,505

NOTE 24 – RESOURCES FROM BANKING-SECTOR ACTIVITIES

	31 December 2005	31 December 2004
	€ million	
Central banks, postal accounts		
Financial liabilities at fair value, by results	1	
Hedging derivative instruments		
Debt to credit institutions	713	676
Debt to clients	930	720
Debt represented by securities	180	289
Revaluation variance on rate-hedged portfolios		
Total resources from banking-sector activities	1,824	1,685

NOTE 25 – OPERATING LIABILITIES

	31 December 2005				31 December 2004			
	<1 yr	1 to 5 yrs	>5 yrs	Total	<1 yr	1 to 5 yrs	>5 yrs	Total
	€ million							
Liabilities generated by insurance or accepted reinsurance transactions								
Insured, intermediaries and other third parties	594			594	543			543
Co-insurers	73	9		82	95	4		99
Ceding and retroceding company current accounts	33	56		89	56	42		98
Deposits received from reinsurers								
Total	700	65		765	694	46		740
Liabilities generated by assigning reinsurance								
Assignee and retrocessionnaire current accounts(1)	208	47	3	258	771	64		835
Other liabilities on reinsurance transactions	46	11		57	22			22
Total	254	58	3	315	793	64		857
Tax liabilities payable	248			248	190	25	1	216
Operating expenses to banking sector companies	452	20		472	436	31		467
Other operating liabilities								
Personnel creditors	234	7	1	242	198	6		204
Social security agencies	169			169	140			140
Other borrowings, deposits and guarantees received	1,085	38	55	1,178	1,233	25	66	1,324
Other creditors	892	157	7	1,056	997	45	9	1,051
Total	2,380	202	63	2,645	2,568	76	75	2,719
Operating liabilities represented by securities								
Total operating liabilities	4,034	345	66	4,445	4,681	242	76	4,999

(1) See Note 12

BREAKDOWN BY CURRENCY AND BY RATE

	31 December 2005			
	Currencies		Rates	
	Euro zone	Non-euro zone	Fixed rate	Variable rate
	€ million			
Operating liabilities owed to banking sector companies	472		472	
Personnel creditors	242		242	
Social security agencies	169		169	
Other borrowings, deposits and guarantees received	1,178		746	432
Other creditors	524	532	552	504
Total other operating liabilities	2,113	532	1,709	936

BREAKDOWN BY ACTIVITY SECTOR

	31 December 2005			31 December 2004		
	Insurance	Banking	Total	Insurance	Banking	Total
	€ million					
Personnel creditors	234	8	242	197	7	204
Social security agencies	164	5	169	135	5	140
Other borrowings, deposits and guarantees received	1,178		1,178	1,324		1,324
Other creditors	1,048	8	1,056	1,042	9	1,051
Total other operating liabilities	2,624	21	2,645	2,698	21	2,719

NOTE 26 – DEFERRED TAX LIABILITIES

	31 December 2005				31 Dec. 2004
	Life	Non-life	Banking	Total	Total
	€ million				
Deferred tax liabilities	97	288		385	520
Total deferred tax liabilities	97	288		385	520

NOTE 27 – BREAKDOWN OF TAX LIABILITY

	31 December 2005				31 Dec. 2004
	Life	**Non-life**	**Banking**	**Total**	**Total**
			€ million		
Current taxes	(6)	(101)	(2)	(109)	(58)
Deferred taxes	(56)	(177)	3	(230)	(155)
Total tax liability	(62)	(278)	1	(339)	(213)

ANALYSIS OF THE MAIN COMPONENTS OF DEFERRED TAXES

	31 December 2005	31 December 2004
	€ million	
Deferred taxes resulting from timing differences on consolidation restatements:		
Capitalisation reserves	(300)	(307)
Restatements of AFS & Trading financial instruments (net of deferred profit-sharing)	(436)	(450)
Consolidated AFA and P.G.G	(64)	(40)
Consolidation restatements on technical reserves	(57)	(57)
Other differences on consolidation restatements	46	19
Deferred taxes resulting from timing differences on tax restatements		
Deferred acquisition costs	(52)	(53)
Tax differences on technical reserves and other provisions for risks and contingencies	399	439
Gains on tax suspension	(19)	(12)
Purchase price discrepancy on mutual funds	85	(5)
Exchange hedging	22	31
Other temporary tax differences	22	15
Sub-total of deferred taxes resulting from timing differences	(354)	(420)
Activation of ordinary deficits	150	294
Deferred taxes recorded on the balance sheet	(204)	(126)
Including:		
● Assets	181	394
● Liabilities	(385)	(520)

RECONCILIATION BETWEEN THE TOTAL TAX LIABILITY RECOGNISED AND THE THEORETICAL TAX LIABILITY CALCULATED

	31 December 2005	31 December 2004
	€ million	
Theoretical tax liability	(316)	(223)
Impact of expenses or income definitively non-deductible or non-taxable	(75)	7
Impact of differences in tax rate	(2)	(8)
Tax credit and various chargings	(2)	6
Charging of prior deficits	68	14
Deficits for the year not activated	(12)	(18)
Deferred tax assets not recognised		2
Other differences		7
Effective tax liability	(339)	(213)

NOTE 28 – OTHER LIABILITIES

	31 December 2005	31 December 2004
	€ million	
Debts to unitholders of consolidated mutual funds	341	201
Derivative liabilities	50	53
Other liabilities	448	247
Total other liabilities	839	501

BREAKDOWN OF OTHER LIABILITIES BY SECTOR

	31 December 2005			31 Dec. 2004
	Insurance companies	Banking companies	Total	Total
	€ million			
Debts to unitholders of consolidated mutual funds	341		341	201
Derivative liabilities	50		50	53
Other liabilities	224	224	448	247
Total other liabilities	615	224	839	501

NOTE 29 – LIFE AND NON-LIFE OPERATING INCOME STATEMENT

	31 December 2005			31 Dec. 2004
	Non-life	**Life**	**Total**	**Total**
		€ million		
Premiums written	8,570	4,125	12,695	12,068
Change in unearned premiums	(173)	(173)	121	
Earned premiums	8,397	4,125	12,522	12,189
Investment income net of management expenses	705	1,618	2,323	2,351
Gains and losses from disposal of investments net of reversals for depreciation and amortisation	434	662	1,096	552
Change in fair value of financial instruments recorded at fair value by result	(4)	368	364	337
Change in depreciation on financial instruments	(5)	(10)	(15)	(76)
Financial income, net of expenses, excluding financing expenses	1,130	2,638	3,768	3,164
Total income from ordinary operations	9,527	6,763	16,290	15,353
Contract service expenses	(6,314)	(6,014)	(12,328)	(11,635)
Commissions received from reinsurers	33	4	37	44
Acquisition costs	(1,580)	(223)	(1,803)	(1,775)
Administrative costs	(537)	(116)	(653)	(666)
Other income and expenses from current operations, technical	(211)	(177)	(388)	(361)
Other income and expenses from current operations, non-technical	(108)		(108)	(117)
Total other income and expenses from current operations	(8,717)	(6,526)	(15,243)	(14,509)
INCOME FROM CURRENT OPERATIONS	810	237	1,047	844
Other operating income and expenses	(35)	(35)	(75)	
Operating income	775	237	1,012	769

NOTE 29 NL – NON-LIFE OPERATING INCOME STATEMENT

	31 December 2005			31 Dec. 2004
	Gross	Disposal	Net	Net
		€ million		
Premiums written	9,094	(524)	8,570	8,159
Change in unearned premiums	(176)	3	(173)	121
Earned premiums, non-life	8,918	(521)	8,397	8,280
Investment income net of management expenses	705		705	727
Gains and losses from disposal of investments net of reversals for depreciation and amortisation	434		434	300
Change in fair value of financial instruments recorded at fair value by result	(4)		(4)	(1)
Change in depreciation on financial instruments	(5)		(5)	(29)
Net financial income, excluding financing expenses	1,130		1,130	997
Total income from ordinary operations	10,048	(521)	9,527	9,277
Contract service expenses	(6,536)	222	(6,314)	(6,252)
Commissions received from reinsurers		33	33	39
Acquisition costs	(1,577)	(3)	(1,580)	(1,551)
Administrative costs	(537)		(537)	(576)
Other income and expenses from current non-life operations, technical	(211)		(211)	(209)
Other income and expenses from current operations, non-technical	(108)		(108)	(117)
Total other income and expenses from current operations	(8,969)	252	(8,717)	(8,666)
INCOME FROM CURRENT OPERATIONS	1,079	(269)	810	611
Other operating income and expenses	(35)		(35)	(75)
Operating income	1,044	(269)	775	536

NOTE 29 L – LIFE – OPERATING INCOME STATEMENT

	31 December 2005			31 Dec. 2004
	Gross	Disposal	Net	Net
		€ million		
Life premiums written	4,153	(28)	4,125	3,909
Income from investments, net of management expenses, Life	1,618		1,618	1,624
Gains and loss from disposal of investments net of reversals in depreciation and amortis., Life	662		662	252
Change in fair value of financial instruments recognised at fair value by result, Life	368		368	338
Change in depreciation on financial instruments, Life	(10)		(10)	(47)
Net financial income ex. financing expenses	2,638		2,638	2,167
Total income from ordinary operations	6,791	(28)	6,763	6,076
Contract service expenses	(6,032)	18	(6,014)	(5,383)
Commissions received from reinsurers		4	4	5
Acquisition costs	(224)	1	(223)	(224)
Administrative costs	(116)		(116)	(90)
Other income and expenses from current operations	(177)		(177)	(152)
Total other income and expenses from current operations	(6,549)	23	(6,526)	(5,843)
INCOME FROM CURRENT OPERATIONS	242	(5)	237	233
Other operating income and expenses				
Operating income	242	(5)	237	233

NOTE 30 – BANKING INCOME STATEMENT

	31 December 2005	31 December 2004
	€ millions	
Interest and related income	44	32
Interest and related expenses	(78)	(66)
Commissions received	149	123
Commissions paid	(15)	(16)
Net gains or losses on financial instruments at fair value by result	11	7
Gains or losses on financial assets available for sale		(11)
Income from other activities	40	38
Expenses on other activities	(14)	(9)
Cost of risk		7
Net Banking Income, net of cost of risk	137	105
General operating expenses	(131)	(123)
Appropriations to amortisation and to provisions for tangible and intangible assets	(9)	(9)
Income from current operations	(3)	(27)

NOTE 31 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
			€ million			
Investment income net of management fees	1,618	705	2,323	1,624	727	2,351
Interest and dividends received	1,547	613	2,160	1,436	565	2,001
Gains/losses on foreign exchange transactions	(1)	6	5		(9)	(9)
Amortisation/reversal of the premium/ discount	65	(11)	54	47	(3)	44
Net property income	49	264	313	177	381	558
Management fees and other revenue	(42)	(167)	(209)	(36)	(207)	(243)
Gains or losses from sale of investments, net of reversals and depreciation	662	434	1,096	252	300	552
Held for transactions	39	35	74	77	33	110
Available for sale	599	358	957	146	210	356
Held to maturity					(1)	(1)
Other	24	41	65	29	58	87
Change in fair value of financial instruments recognised at fair value by result	368	(4)	364	338	(1)	337
Held for transactions	172	27	199	123	(3)	120
Derivatives	(163)	(31)	(194)	14	2	16
Adjustments on unit-linked contracts	359		359	201		201
Change in depreciation on financial instruments	(10)	(5)	(15)	(47)	(29)	(76)
Available for sale	(10)	(8)	(18)	(48)	(23)	(71)
Held to maturity					(1)	(1)
Receivables and loans		3	3	1	(5)	(4)
Total Investment income net of management Expenses	2,638	1,130	3,768	2,167	997	3,164

INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (REVENUE BREAKDOWN BY TYPE OF ASSET)

	31 December 2005				31 December 2004			
	Revenue and expenses	Income from sales	Change in fair value	Total	Revenue and expenses	Income from sales	Change in fair value	Total
				€ million				
Real estate	426	64		490	648	84		732
Stocks	220	357	290	867	91	(72)	162	181
Bonds	1,509	35	12	1,556	1,763	87	79	1,929
Stock mutual funds	56	129	144	329	73	116	32	221
Bond mutual funds	379	54	51	484	89	49	29	167
Interest on cash deposits	9			9	9			9
Other investment income	41	493	(194)	340	20	305	15	340
Investment income	2,640	1,132	303	4,075	2,693	569	317	3,579
Internal and external management fees	(218)			(218)	(230)			(230)
Other investment expenses	(101)	(50)		(151)	(101)	(104)		(205)
Investment expenses	(319)	(50)		(369)	(331)	(104)		(435)
Financial income net of expenses	2,321	1,082	303	3,706	2,362	465	317	3,144
Gains on unit-linked securities			389	389			343	343
Losses on unit-linked securities			(30)	(30)			(142)	(142)
Minority interests, mutual funds income								
Minority interests, mutual funds expenses			(297)	(297)			(181)	(181)
Total Investment income net of management expenses	2,321	1,082	365	3,768	2,362	465	337	3,164

INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (BREAKDOWN OF NON-LIFE REVENUE BY TYPE OF ASSET)

	31 December 2005				31 December 2004			
	Revenue and expenses	Income from sales	Change in fair value	Total	Revenue and expenses	Income from sales	Change in fair value	Total
	€ million							
Real estate	372	37		409	450	57		507
Stock	63	81	290	434	48	(13)	162	197
Bonds	442	13	4	459	438	61	8	507
Stock mutual funds	20	48	19	87	17	55	4	76
Bond mutual funds	43	39	11	93	24	24	4	52
Interest on cash deposits	12			12	9			9
Other investment income	23	246	(31)	238	24	131	2	157
Investment income	975	464	293	1,732	1,010	315	180	1,505
Internal and external management fees	(163)			(163)	(178)			(178)
Other investment expenses	(109)	(33)		(142)	(96)	(53)		(149)
Investment expenses	(272)	(33)		(305)	(274)	(53)		(327)
Financial income net of expenses	703	431	293	1,427	736	262	180	1,178
Gains on unit-linked securities								
Losses on unit-linked securities								
Minority interests, mutual funds income								
Minority interests, mutual funds expenses			(297)	(297)			(181)	(181)
Total Investment income net of management expenses (non-life)	703	431	(4)	1,130	736	262	(1)	997

INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (BREAKDOWN OF LIFE REVENUE BY TYPE OF ASSET)

	31 December 2005				31 December 2004			
	Revenue and expenses	Income from sales	Change in fair value	Total	Revenue and expenses	Income from sales	Change in fair value	Total
				€ million				
Real estate	54	27		81	198	27		225
Stock	157	276		433	43	(59)		(16)
Bonds	1,067	22	8	1,097	1,325	26	71	1,422
Stock mutual funds	36	81	125	242	56	61	28	145
Bond mutual funds	336	15	40	391	65	25	25	115
Interest on cash deposits	(3)			(3)				
Other investment income	18	247	(163)	102	(4)	174	13	183
Investment income	1,665	668	10	2,343	1,683	254	137	2,074
Internal and external management fees	(55)			(55)	(52)			(52)
Other investment expenses	8	(17)		(9)	(5)	(51)		(56)
Investment expenses	(47)	(17)		(64)	(57)	(51)		(108)
Financial income net of expenses	1,618	651	10	2,279	1,626	203	137	1,966
Gains on unit-linked securities			389	389			343	343
Losses on unit-linked securities			(30)	(30)			(142)	(142)
Minority interests, mutual funds income								
Minority interests, mutual funds expenses								
Total Investment income net of management expenses (life)	1,618	651	369	2,638	1,626	203	338	2,167

NOTE 32 – CONTRACT SERVICING EXPENSES NET OF REINSURANCE

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
			€ million			
Claims	(3,233)	(6,250)	(9,483)	(3,120)	(6,236)	(9,356)
Paid to policy holders	(3,233)	(6,250)	(9,483)	(3,120)	(6,236)	(9,356)
Change in technical reserves	(2,799)	(286)	(3,085)	(2,285)	(202)	(2,487)
Reserves for claims to be paid	(33)	(178)	(211)	(80)	(176)	(256)
Actuarial provisions	(820)		(820)	(631)		(631)
Unit-linked reserves	(131)		(131)	41		41
Profit-sharing	(1,668)	(25)	(1,693)	(1,471)	(20)	(1,491)
Other technical reserves	(147)	(83)	(230)	(144)	(6)	(150)
Total insurance contract servicing expenses	(6,032)	(6,536)	(12,568)	(5,405)	(6,438)	(11,843)
Payments received from reinsurers	28	330	358	30	322	352
Technical reserves assigned to reinsurers	(10)	(108)	(118)	(8)	(136)	(144)
Total Contract Serviceing expenses net of reinsurance	(6,014)	(6,314)	(12,328)	(5,383)	(6,252)	(11,635)

NOTE 33 – CONTRACT ACQUISITION COSTS, BY BUSINESS SECTOR

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
			€ million			
Commissions	(72)	(611)	(683)	(99)	(660)	(759)
Change in deferred acquisition costs	(5)	5		9	(12)	(3)
Other expenses	(147)	(971)	(1,118)	(134)	(879)	(1,013)
Total Acquisition costs	(224)	(1,577)	(1,801)	(224)	(1,551)	(1,775)

NOTE 34 – ADMINISTRATIVE COSTS BY SECTOR

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
			€ million			
Commissions	(36)	(116)	(152)	(26)	(128)	(154)
Other expenses	(80)	(421)	(501)	(64)	(448)	(512)
Total Administrative costs	(116)	(537)	(653)	(90)	(576)	(666)

NOTE 35 – OTHER INCOME AND EXPENSES ON CURRENT OPERATIONS

	31 Dec. 2005	31 Dec. 2004
	€ million	
Commissions and other technical expenses, Life	(216)	(178)
Employee profit-sharing, Life	(4)	(6)
Other technical income, Life	17	32
Transfer of operating expenses and capitalised production, Life	26	
Total Other income and expenses on operations, Life	(177)	(152)
Non-Life commissions and other technical expenses	(255)	(231)
Employee profit-sharing, Non-Life	(11)	(5)
Other Non-Life technical income	34	18
Transfer of Non-Life operating expenses and capitalised production	21	9
Total Other income and expenses on operations, Non-Life	(211)	(209)
Other non-technical expenses	(153)	(161)
Other non-technical income	45	44
Total Other non-technical income and expenses on operations	(108)	(117)
Total Other income and expenses on current operations	(496)	(478)

NOTE 36 – EXTRAORDINARY OTHER OPERATING INCOME AND EXPENSES

	31 December 2005	31 December 2004
	€ million	
Extraordinary income	55	60
Extraordinary expenses	(90)	(135)
Appropriation for the provision on goodwill		
Total extraordinary Other operating income and expenses	(35)	(75)

NOTE 37 – BANK – COMMITMENTS GIVEN AND RECEIVED

	31 December 2005	31 December 2004
	€ million	
Financing commitments received		
Guarantee commitments received	3	3
Securities commitments receivable	105	120
Total banking commitment received	108	123
Commitments received on currency transactions	2,577	1,358
Other commitments received	1	
Total of other banking commitment received	2,578	1,358
Financing commitments given	31	22
Guarantee commitments given	77	84
Commitments on securities to be delivered	5	2
Total banking commitments given	113	108
Commitments given on currency transactions	2,585	1,358
Commitments given on financial instrument transactions	46	
Total of other banking commitments given	2,631	1,358

INSURANCE AND REINSURANCE – COMMITMENTS GIVEN AND RECEIVED

	31 December 2005	31 December 2004
	€ million	
Endorsements, sureties and guarantees received	121	178
Other commitments received	1,544	1,608
Total commitments received, ex. reinsurance	1,665	1,786
Reinsurance commitments received	352	370
Endorsements, sureties and guarantees given	1,493	1,542
Other commitments on securities, assets or revenue	321	298
Other commitments given	258	247
Total commitments given, ex. reinsurance	2,072	2,087
Reinsurance commitments given	46	12
Value belonging to provident institutions	3	3
Other assets held on behalf of third parties		

NOTE 38 – SIMPLE LEASES

	31 December 2005	31 December 2004
	€ million	
Minimum future payments		
Less than one year	35	15
1 to 5 years	119	45
More than 5 years	57	41
Minimum payments under sub-lease agreements that cannot be realised	78	92
Total Simple leases	289	193

NOTE 39 – AVERAGE NUMBER OF EMPLOYEES OF CONSOLIDATED COMPANIES

	31 December 2005			31 December 2004
	Insurance	**Banking**	**Total**	**Total**
France	23,935	748	24,683	24,734
United Kingdom	740		740	897
Spain	770		770	758
Italy	434		434	436
Other EU Countries	297		297	301
Non-EU Countries	195		195	165
Total Average Number of Employees of Consolidated Companies	26,371	748	27,119	27,291

NOTE 40 – GROUP HOLDING COMPANY ACTIVITY

	31 December 2005	31 December 2004
	€ million	
Investment income, net of expenses	(13)	(14)
Other income and expenses from current operations	(69)	(56)
Financing expenses	(44)	(45)
Operating income and expenses (extraordinary)	3	(40)
Income taxes	6	22
Income(loss) for holding company activity	(117)	(133)

This table summarises the holding company activity of the group, which included at 31 December 2005 and 31 December 2004:

- Groupama SA (holding company activity)
- Groupama Holding
- Groupama Holding 2
- Groupama International
- Gan UK

NOTE 41
LIST OF CONSOLIDATED ENTITIES

			31 December 2005			31 December 2004		
	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
Groupama Alpes Méditerranée	Insurance	France	—	—	A	—	—	A
Groupama Centre Manche	Insurance	France	—	—	A	—	—	A
Groupama Grand Est	Insurance	France	—	—	A	—	—	A
Groupama Oc	Insurance	France	—	—	A	—	—	A
MISSO	Insurance	France	—	—	A	—	—	A
Groupama Sud	Insurance	France	—	—	A	—	—	A
Groupama Loire Bretagne	Insurance	France	—	—	A	—	—	A
Groupama Paris Val-de-Loire	Insurance	France	—	—	A	—	—	A
Groupama Nord-Est	Insurance	France	—	—	A	—	—	A
Groupama Alsace	Insurance	France	—	—	A	—	—	A
Groupama Rhône-Alpes-Auvergne	Insurance	France	—	—	A	—	—	A
Groupama Centre Atlantique	Insurance	France	—	—	A	—	—	A
Groupama Antilles-Guyanes	Insurance	France	—	—	A	—	—	A
Groupama Océan Indien et Pacifique	Insurance	France	—	—	A	—	—	A
CLAMA Alpes Méditerranée	Insurance	France	—	—	A	—	—	A
CLAMA Centre Manche	Insurance	France	—	—	A	—	—	A
CLAMA Grand Est	Insurance	France	—	—	A	—	—	A
CLAMA Oc	Insurance	France	—	—	A	—	—	A
CLAMA Sud	Insurance	France	—	—	A	—	—	A
CLAMA Loire Bretagne	Insurance	France	—	—	A	—	—	A
CLAMA Paris Val-de-Loire	Insurance	France	—	—	A	—	—	A
CLAMA Nord-Est	Insurance	France	—	—	A	—	—	A
CLAMA Alsace	Insurance	France	—	—	A	—	—	A
CLAMA Rhône-Alpes-Auvergne	Insurance	France	—	—	A	—	—	A
CLAMA Centre Atlantique	Insurance	France	—	—	A	—	—	A
CLAMA Antilles-Guyanes	Insurance	France	—	—	A	—	—	A
CLAMA Océan Indien et Pacifique	Insurance	France	—	—	A	—	—	A
GIE GROUPAMA SI	GIE	France	99.83	99.64	FC	99.83	99.67	FC
GIE LOGISTIQUE	GIE	France	100	99.84	FC	99.85	99.82	FC
GROUPAMA S.A.	Holding	France	99.87	99.84	FC	99.85	99.82	FC
GROUPAMA HOLDING	Holding	France	99.97	99.97	FC	99.97	99.97	FC
GROUPAMA HOLDING 2	Holding	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA INTERNATIONAL	Holding	France	100.00	99.84	FC	100.00	99.82	FC
GAN ASSURANCES VIE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GAN PATRIMOINE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
CAISSE FRATERNELLE D'EPARGNE	Insurance	France	99.93	99.77	FC	99.93	99.75	FC
CAISSE FRATERNELLE VIE	Insurance	France	99.72	99.56	FC	99.72	99.54	FC
ASSUVIE	Insurance	France	50.00	49.92	FC	50.00	49.91	FC
GAN EUROCOURTAGE VIE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GAN PREVOYANCE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA VIE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA ASSURANCE CREDIT	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA TRANSPORT	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
SCEPAR	Participations	France	100.00	99.84	FC	100.00	99.82	FC
MUTUAIDE ASSISTANCE	Assistance	France	100.00	99.84	FC	100.00	99.82	FC
GAN ASSURANCES IARD	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GAN OUTRE MER IARD	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA PROTECTION JURIDIQUE	Insurance	France	100.00	99.84	FC	99.99	99.82	FC
GAN EUROCOURTAGE IARD	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
COFINTEX LUXEMBOURG	Reinsurance	Luxembourg	100.00	99.84	FC	100.00	99.82	FC
RAMPART	Reinsurance	United States	100.00	99.84	FC	100.00	99.82	FC
GAN ITALIA VITA SPA	Insurance	Italy	100.00	99.84	FC	100.00	99.82	FC
LUXLIFE	Insurance	Luxembourg	85.00	84.87	FC	85.00	84.85	FC
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	99.84	FC	100.00	99.82	FC
ZENITH VIE	Insurance	Switzerland	82.00	81.87	FC	82.00	81.85	FC
GUNES SIGORTA	Insurance	Turkey	36.00	35.94	EM	36.00	35.94	EM
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA SEGUROS Espagne	Insurance	Spain	100.00	99.84	FC	100.00	99.82	FC

A: Aggregation FC: Full consolidation EM: Equity method

	Business Sector	Country	31 December 2005 % Control	31 December 2005 % Interest	31 December 2005 Method	31 December 2004 % Control	31 December 2004 % Interest	31 December 2004 Method
GAN UK HOLDING LTD	Holding	UK	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA INSURANCE CY LTD	Insurance	UK	100.00	99.84	FC	100.00	99.82	FC
CLINICARE	Insurance	UK	100.00	100.00	FC			
MINSTER INSURANCE CY LTD	Insurance	UK	100.00	99.84	FC	100.00	99.82	FC
GAN ITALIA SPA	Insurance	Italy	100.00	99.84	FC	100.00	99.82	FC
GAN SEGUROS PORTUGAL	Insurance	Portugal	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA GESTION	Portfol. Mgmt	France	100.00	99.82	FC			
GROUPAMA ASSET MANAGEMENT	Portfol. Mgmt	France	99.98	99.83	FC	100.00	99.82	FC
GROUPAMA ALTERNATIVE ASSET MANAGEMENT	Portfol. Mgmt	France	100.00	99.83	FC	100.00	99.82	FC
FINAMA PRIVATE EQUITY	Portfol. Mgmt	France	100.00	99.84	FC	100.00	99.82	FC
BANQUE FINAMA	Banking	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA BANQUE	Banking	France	60.00	59.91	FC	60.00	59.89	FC
GROUPAMA EPARGNE SALARIALE	Portfol. Mgmt	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA IMMOBILIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
SILIC	Real estate	France	41.65	41.59	FC	41.95	41.88	FC
SEPAC	Real estate	France	100.00	41.59	FC	100.00	41.88	FC
COMPAGNIE FONCIERE PARISIENNE	Real estate	France	99.94	99.80	FC	99.94	99.77	FC
SCIMA	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
SCIMA 2	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
SCI DEFENSE ASTORG	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
GAN FONCIER II	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
IXELLOR	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
79 CHAMPS ELYSÉES	Real estate	France	100.00	99.86	FC	91.21	99.84	FC
33 MONTAIGNE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CNF	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
RENNES VAUGIRARD	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
SCIFMA	Real estate	France	100.00	99.88	FC	100.00	99.86	FC
SCI TOUR GAN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
GAN SAINT LAZARE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
VIEILLE VOIE DE PARAY	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
SCI GAN FONCIER	Real estate	France	100.00	98.85	FC	100.00	98.82	FC
ACTIPAR SA	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
SAFRAGAN	Real estate	France	90.00	89.82	FC	90.00	89.80	FC
261 RASPAIL	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
SOCOMIE	Real estate	France	100.00	41.59	EM	100.00	41.88	EM
19 GENERAL MANGIN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
28 COURS ALBERT 1PerP	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
5/7 PERCIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
ATLANTIS	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
FORGAN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
GFA INDRE III	Real estate	France				27.18	27.18	EM
174 PRES SAINTGERMAIN	Real estate	France	21.85	21.81	EM	21.85	21.85	EM
10 PORT ROYAL	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
102 MALESHERBES	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
12 VICTOIRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
14 MADELEINE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
150 RENNES	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
204 PEREIRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
3 ROSSINI	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
38 LE PELETIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
43 CAUMARTIN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
5/7 MONCEY	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
60 CLAUDE BERNARD	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
9 REINE BLANCHE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
9 VICTOIRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CELESTE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CHAMALIERES EUROPE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CHASSENEUIL	Real estate	France	100.00	99.92	FC	100.00	99.91	FC
DOMAINE DE NALYS	Real estate	France	100.00	99.89	FC	100.00	99.88	FC
DOMAINE DE FARES	Real estate	France	50.00	49.95	FC	50.00	49.94	FC
GOUBET PETIT	Real estate	France	66.66	66.56	FC	66.66	66.54	FC
GROUPAMA LES MASSUES	Real estate	France	100.00	99.88	FC	100.00	99.86	FC
CAP DE FOUSTE (SCI)	Real estate	France	100.00	99.90	FC	100.00	99.89	FC
DOMAINE CAP DE FOUSTE (SARL)	Real estate	France	100.00	99.90	FC	100.00	99.89	FC
GROUPAMA PIPACT	Real estate	France	100.00	99.95	FC	100.00	99.95	FC
LA CHATAIGNERAIE	Real estate	France				56.81	56.74	FC
SCI CHATEAU D'AGASSAC	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
SCA CHATEAU D'AGASSAC	Real estate	France	100.00	99.96	FC	100.00	99.96	FC
SCIMA GFA	Real estate	France	100.00	99.93	FC	44.00	44.00	EM
HAUSSMANN LAFFITTE IMMOBILIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC

	Business Sector	Country	31 December 2005 % Control	% Interest	Method	31 December 2004 % Control	% Interest	Method
LABORIE MARCENAT	Real estate	France	74.19	74.09	FC	74.19	74.09	FC
LES FRERES LUMIERE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
99 MALESHERBES	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
6 MESSINE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
PARIS FALGUIERE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
LES GEMEAUX	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
VILLA DES PINS	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
FRANCE-GAN SI.	Mutual funds	France	92.50	92.35	FC	92.69	92.52	FC
HAVRE OBLIG.FCP	Mutual funds	France	99.95	99.79	FC	99.79	99.61	FC
GROUP.OBL.MONDE LT	Mutual funds	France	78.85	78.73	FC	78.22	78.08	FC
FINAMA CONVERT.FCP	Mutual funds	France	97.19	97.06	FC	99.99	99.88	FC
GROUP.JAP.ST.D4DEC	Mutual funds	France	87.97	87.83	FC	85.31	85.16	FC
GROUP.ET.CT D	Mutual funds	France	99.15	99.02	FC	99.23	99.10	FC
GROUP.ET.CT C	Mutual funds	France	27.95	27.95	EM	64.20	64.20	FC
GROUPAMA AAEXA FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
GROUP.ACT.INTLES	Mutual funds	France	94.01	93.87	FC	96.63	96.47	FC
GROUP.OBL.EUR.CR. MT.D	Mutual funds	France	100.00	99.85	FC	99.99	99.82	FC
GROUP.OBL.EUR.CR. MT C	Mutual funds	France	66.70	66.63	FC	82.57	82.47	FC
GROUP.EURO STOCK	Mutual funds	France	93.72	93.61	FC	95.56	95.44	FC
WASHING.ACT.EUROP. FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
ASTORG EURO SPREAD FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 10 FCP	Mutual funds	France	100.00	99.84	FC	99.91	99.73	FC
WASHINGTON EURO NOURRI 9 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 8 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 7 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 6 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 5 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 4 FCP	Mutual funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON EURO NOURRI 3 FCP	Mutual funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON EURO NOURRI 2 FCP	Mutual funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON EURO NOURRI 1 FCP	Mutual funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON INTER NOURRI 1 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON INTER NOURRI 2 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON INTER NOURRI 3 FCP	Mutual funds	France	100.00	99.84	FC			
WASHINGTO INTER NOURRI 0 FCP	Mutual funds	France	100.00	99.84	FC	100.00	99.82	FC
GROUP.INX.INF.LT D	Mutual funds	France	99.88	99.72	FC	99.48	99.30	FC
GROUP.INX.INF.LT C	Mutual funds	France	66.03	65.97	FC	66.56	66.48	FC
WASHINGTON EURO NOURRI 11 FCP(old)	Mutual funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 11 FCP (new)	Mutual funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 12 FCP (old)	Mutual funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 12 FCP(new)	Mutual funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 13 FCP (old)	Mutual funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 13 FCP (new)	Mutual funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 14 FCP(old)	Mutual funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 14 FCP (new)	Mutual funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 15 FCP (old)	Mutual funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 15 FCP (new)	Mutual funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 16 FCP	Mutual funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 17FCP	Mutual funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 18 FCP	Mutual funds	France	100.00	99.84	FC			

5. Tracking and Managing Risks

As a general insurer, Groupama is subject to various types of insurance risks, with equally variable time horizons. The group is also exposed to market risks because of its financial investment activities, particularly the risks linked to interest rates, equity markets, the liquidity of its assets and currency risks. The credit risk is also specifically monitored by the group for both its insurance and its financial investment activities. In addition, the group is subject to operational, regulatory, legal and tax risks like companies in other business sectors.

5.1 Insurance Risk

5.1.1 Objectives for Managing risks arising from Insurance Contracts and methods of reducing these risks

The group's insurance business exposes it to risks primarily related to product design, underwriting, claims management, the valuation of reserves, and reinsurance process.

- ***Product design***

The insurance divisions of Groupama SA ensure that the product line is adapted to the group's strategy. The design of life and non-life insurance products is the responsibility of the Groupama SA specialist insurance teams. Product design is the result of market and profitability studies performed with actuarial tools to control margins. The work performed by the specialist insurance teams includes the development of the general conditions, the exclusion clauses for the products, underwriting conditions and rates. The products are marketed and managed by the entities of the Gan and Groupama sales networks.

- ***Subscription and claims management***

Delegation of powers for underwriting and claims are defined in all companies of the group. Risks are accepted or refused at every level of delegation, based on underwriting guides that include the group's technical and commercial rules. Underwriting in particular is secured through a cross-managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined homogeneously throughout the group, and are regularly updated in procedural notebooks dealing with the management of injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold. In addition, claims settlement activity is safeguarded by an internal control procedure.

The group's insurance business is explicitly or implicitly monitored using analytic procedures, such as regular analysis of the results of each entity and monitoring underwriting statistics and claims rates by entity. The most significant and most complex risks are individually monitored jointly by the specialist divisions and the entities concerned. Finally, the specialist divisions also intervene to warn and advise the entities.

- ***Valuation of reserves***

The rules for provisioning claims and the funding tables for life and non-life disability payments are defined within the specialist insurance divisions in a guide that is harmonised for all group entities. Reserves are valued by the claims managers within the operational entities and, if necessary, are supplemented by provisions for losses that have occurred but have not yet been declared.

The application of reserve policies is continually monitored, both before and after the fact, by teams dedicated to this task, in addition to the reviews that are conducted by the local control authorities.

- ***Reinsurance***

The reinsurance process is organised at two levels. The internal reinsurance performed by Groupama SA for all group entities is designed to calibrate retentions for each entity. The external reinsurance process defines the optimum reinsurance structure for the group and the adequate level to cover risks. External reinsurance contracts are renegotiated and renewed each year by Groupama SA on behalf of the entire group. Moreover selection rules defined in the security and reinsurance committee, composed of the external reinsurance division of Groupama SA and several of its subsidiaries and based on the ratings from ratings agencies, are designed to control the solvency risk from reinsurers.

These risks are controlled using internal control procedures, which are described in the report on the financial security law.

5.1.2 Terms and Conditions of the Insurance Contracts that have a Significant impact on the amount, maturity and uncertainty of the Insurer's Future Cash Flows

- ***Breakdown of the technical reserves of non-life insurance contracts by major risks***

The group offers a broad range of non-life insurance products designed for individuals and businesses.

	Reserves for unearned premiums	Reserves for claims to be paid	Total
		€ million	
Motor	742	3,877	4,619
Property damage	552	2,471	3,023
General civil liability	51	1,213	1,264
Marine, aviation, transport	45	757	802
Injuries	108	896	1,004
Other risks	163	1,865	2,028
Acceptances	42	653	695
Total gross reinsurance reserves	**1,703**	**11,732**	**13,435**
Reinsured portion	(79)	(1,424)	(1,503)
Total net reinsurance reserves	**1,624**	**10,308**	**11,932**

The automobile, personal, professional and agricultural property damage contracts offered by the group are generally one-year contracts with tacit renewal, which include civil liability coverage.

- ***Breakdown of technical reserves for life insurance contracts by major risks***

The group offers a full line of life insurance products: this offer is intended for individuals in the form of individualised policies and for businesses in the form of group contracts.

	Life insurance reserves	Reserves for claims to be paid	Total
		€ million	
Individual insurance	8,700	163	8,863
Group contracts	5,685	149	5,834
Capitalisation	724	41	765
Other risks	2,276	19	2,295
Acceptances	57	46	103
Total reserves, before reinsurance	**17,442**	**418**	**17,860**
Portion reinsured	(28)	(9)	(37)
Total reserves, net of reinsurance	**17,414**	**409**	**17,823**

The main individual insurance contracts in euros offered to our clients are death policies, endowment insurance contracts, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group contracts offered by the group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with guaranteed point value.

Most of the contracts in units of account offered by the group are multi-vehicle contracts with an arbitration clause corresponding to a low level of costs.

- ***Specific features of certain life insurance contracts***
  - *Discretionary profit-sharing clause*

    Certain life insurance, savings and retirement products offered by the group contain a discretionary profit-sharing clause. The profit-sharing, the amount of which is left to the insurer's discretion, allows policyholders to participate in the results of the financial management and the technical results of the insurance company.

  - *Early surrender possibilities*

    Most of the savings and retirement products may be surrendered by the policyholders at a value defined by contract before contract maturity. For some products, surrender penalties are applied in the event of early surrender and allow the insurer to cover a portion of the acquisition costs incurred at the time the policy was signed.

5.1.3 Information on the sensitivity of income and shareholders equity to changes in variables that materially affect them

The longevity risk and the interest rate risk are the main variables that can have a significant impact on the calculation of the technical reserves, which may generate a substantial change in income and shareholders equity.

- ***Longevity risk***

In life insurance, the payment of benefits depends on the death or the survival of the insured. It is the occurrence of one or the other of these events that gives the right to payment of a benefit. The probability that these events will occur is known through mortality tables that show the number of persons alive at each age in the human life, based on a given number of persons at birth. On the basis of statistics on mortality for men and women, different mortality tables have been constructed and are regularly revised to take demographic changes into account.

For France, the group uses the generational mortality tables (known as TPG), or tables with annuity forecasts with age differences (TPRV), which are both forecasting tables used to define rates for annuity contracts and constructed using data from the French INSEE institution. They take into account the observed trend for a decline in mortality.

As of 31 December 2005, the amount of the actuarial provisions for annuities currently being served was €2,293 million.

	France	**International**	**Total**
		€ million	
Life annuity MP	306	38	**344**
Non-life annuity MP	1,944	5	**1,949**
Total	**2,250**	**43**	**2,293**

In life insurance, the percentage of immediate lifetime annuities and the percentage of immediate temporary annuities represented 91% and 9% respectively.

In the international segment, the tables used comply with legal requirements.

In the other portfolios, the mortality risk concerns the whole life and deferred capital products. However, the percentage of these products in the group's total portfolio remains marginal.

- ***Interest rate risk***

The calculation of technical reserves in life insurance and certain technical reserves in non-life insurance is also based on the use of an interest rate known as the ''technical interest rate'', the terms of which are set by the Insurance Code. The Code determines a maximum level by reference to the average rate for government borrowings (the T.M.E.), which is used to set rates for contracts and calculate the insurer's commitments to policyholders. The terms and conditions vary based on the type of contract and the duration of the commitments.

At 31 December 2005, the breakdown of technical reserves based on rates, fixed-rate, variable rate (i.e. tied to the market rate) or no rate commitment was as follows:

	France	International	Total
		€ million	
Fixed-rate guaranteed commitments	32,007	2,264	**34,271**
Variable-rate guaranteed commitments	4,374	5	**4,379**
Unit-linked and other products without rate commitment	3,279	197	**3,476**
Total	**39,660**	**2,466**	**42,126**

10.2% of the portfolio is variable rate. This variable rate is a function of an index. In most cases, the index used as the reference for life insurance contracts is the "passbook A" rate. For non-life insurance contracts, the rate is the T.M.E.

In France, the guaranteed fixed rates are included within a range from 2.25% to 4.5% for most of the actuarial provisions.

As of 31 December 2005, the amount of the discount contained in the MP for non-life annuities, before reinsurance, was €622 million. The amount of the discount contained in the provision for increasing risks on Long-term care, before reinsurance, was €280 million.

5.1.4 Information on concentrations of the insurance risk

At the time of a claim, a major concern for the group is the risk of being faced by a concentration of risks and therefore an accumulation of indemnities to be paid.

Two types of overlapping risks can be distinguished:

- the risk of underwriting overlaps in which the insurance contracts are underwritten by one or more entities of the group for the same risk;
- the risk of claim overlaps in which the insurance contracts are underwritten by one or several entities of the group on different risks, which may be affected by claims resulting from the same loss event, or the same initial cause.

- ***Identification***

Overlapping risks can be identified at the time of underwriting or in the current management of the portfolio.

A major role in the process of identifying overlaps during underwriting is assumed by the group, through risk inspections, verification of the absence of overlapping co-insurance or inter-network insurance lines, identification of overlapping commitments by site.

In addition, the underwriting procedures for certain risk categories help to control overlapping risks at the time of underwriting. The procedures applicable to property damage underwriting include:

- a verification of overlapping geographic risks at the time of underwriting for major risks (agricultural risks, agri-business risks, industrial risks, municipalities);
- initial elimination during the underwriting process of cases of inter-network co-insurance overlapping risks. These directives are defined in an internal procedural guide.

The procedures in force for managing overlapping portfolio risks concern:

- identification of the inter-network co-insurance overlapping risks;
- inventories of commitments by site for agri-business risks; in addition high-risk business sectors for which the group insures the property and/or civil liability risks are specifically monitored by the relevant specialist insurance division;
- triennial inventories of commitments for risks of storms, hail, greenhouses, frosts and commercial forestry portfolios, which are used to calculate the exposure of these portfolios to the storm risk.

- ***Protection***

Protection consists of implementing reinsurance coverage which will first be adapted to the total amount of the potential loss and, second, corresponds to the kind of dangers protected. The loss may be human in origin (fire, explosion, accident involving people) and of natural origin (atmospheric event, such as storm, hail, etc.)

In the case of a human risk that affects either a risk overlap insured by the same entity or risks insured by different entities of the group, it is the responsibility of the entities to set the necessary protection limits. The underwriting limits (maximum values insured per risk in property insurance or per person for personal insurance) are used in the context of catastrophic scenarios and compared with losses that have already occurred. Once these amounts have been defined, they are increased by a safety margin. Moreover, specific monitoring is performed to track the adequacy of the protections with the risks underwritten.

In the case of a natural event, a needs analysis consists of an initial study on the basis of the reference loss, which is revalued on the basis of the change in the portfolio and the French construction federation index. At the same time, simulation calculations of the exposure of the portfolios are performed using random check methods that result in the production of a curve showing the change in the potential maximum loss as a function of different scenarios. The results are cross-checked, analysed and discounted every year to allow the group to opt for appropriate reinsurance solutions with a reduced margin of error.

5.1.5 Information on claims filed compared with previous estimates

The development of claims over the last three years is shown in the table below in gross reinsurance values.

	2003	**2004**	**2005**
Estimate of the claim charge			
At end of N	6,419	5,942	6,149
At end of N+1	6,277	5,791	
At end of N+2	6,140		
Claims charge	6,140	5,791	6,149
Cumulative claims payments	4,889	4,208	2,933
Reserves for losses to be paid	1,251	1,583	3,216
Earned premium	7,826	7,926	8,030
Claims & reserves/earned premium	**78.5%**	**73.1%**	**76.6%**

This table covers only the non-life entities. For construction and long-term care risks, the years of occurrence correspond to the underwriting years.

The bonus/penalty over prior years is presented in Note 20 of this booklet.

5.2. Market risks

5.2.1 Interest rate risk

The sensitivity analysis covers the perimeter formed by the financial assets of Groupama SA and its French subsidiaries and represents nearly 85% of the total of rate and capital instruments.

At 31 December 2005, the weight of the rate instruments was 63%, 56% of which were classified in the category "assets available for sale" and 7% in the category "assets for trading".

<u>Maturities</u>

The table below shows the group's exposure to interest rate risks. The following points should be specified:

- The data are expressed at market value at 30 December 2005.
- The bonds with a call that can be exercised at the issuer's initiative are assumed to mature on the date of the option (TSDI, etc.)

- The convertible bonds and equity interests are considered to be "without interest rate" like all the other investments (shares, real estate)

	<1 year	<1-3 years	3-5 years	5-10 years	>10 years	No rate	TOTAL
Fixed-rate financial assets	0.0%	10.2%	7.7%	18.6%	20.3%	0.0%	56.8%
Variable rate financial assets	1.4%	0.9%	0.5%	0.8%	2.2%	0.0%	5.8%
Without interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	37.4%	37.4%
Derivatives	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%
TOTAL	1.4%	11.1%	8.2%	19.4%	22.5%	37.4%	100.0%

Effective interest rates

The effective interest rates for the fixed-rate and variable-rate financial assets at 31 December 2005 were 5.1% and 2.1% respectively.

Sensitivity analysis

The fixed-rate financial assets have a sensitivity to nominal rates of 7.2 (a deformation of 100 basis points results in a change of 7.2% in the fair value of the fixed-rate portfolio). The variable rate financial assets have a sensitivity to real rates of 3.2 (a deformation of 100 basis points results in a change of 3.2% in the fair value of the variable-rate portfolio).

Interactions with the surrender risk and the profit-sharing clauses

- Sensitivity of surrender to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and with the sanction, if this expectation cannot be met, of early surrenders. In addition to the loss of revenue and an increase in benefits, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds), which would themselves generate a drop in the rate of return on the asset.
- However, in addition to the fact that the liabilities that can be surrendered do not represent all the commitments, the sensitivity of surrenders to changes in interest rates can vary depending on the product and policyholders' expectations. The objective of asset/liabilities management is to reduce the volatility of surrender rates, using strategies that take into account the various reserves available and bond management strategies coupled with hedging products. These are used to adjust the yield profile for the assets in the different rate environments possible in order to ensure policyholder satisfaction.

Insurance contract profit-sharing clauses and interest rate risk

The constraints of guaranteed minimum rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through prudential provision mechanisms.

However, in a low rate environment, the companies benefit; from the inertia of the assets and the yield on the bonds in inventory; from any appreciation in the diversification assets that can be revalued; and from reserves such as the profit-sharing funds or unrealized gains. Insurance companies also benefit from the effects induced by products sold in recent years which have lower guaranteed levels.

Asset/liability management

Tracking the profile of liability flows allows a definition for bond management, taking into account the duration and convexity of these liability flows and any sensitivity of these flows to changes in interest rates.

Asset/liability simulations allow an analysis of the behaviour of the liabilities in different rate environments, particularly the ability to meet the remuneration requirements for the insured.

These simulations allow the group to develop strategies designed to reduce the volatility of the differential between the real yield from the asset and the rate expected by the insured. These strategies include calibrating the durations and convexities of the bond portfolios, the portion of variable-rate bonds, the portion of diversification assets, and the features of the hedging products.

Hedging products are used to re-establish the asymmetry between liabilities profiles and those of traditional bond assets in the different rate environments considered.

Use of derivatives

The use of derivatives arises from asset/liability simulations. Derivatives are used to reduce the volatility of the results linked to interest rate sensitivity. The derivatives used by Groupama SA and its subsidiaries are:

- Purchase of caps: over the duration and horizon selected, a cap allows collection of the differential, if it is positive, between the market rate and a strike price, in consideration for the payment of a premium. This mechanism has the advantage of reproducing the behaviour of the liability which, when rates fall, is close to a fixed rate (minimum rate) and, when rates rise, to a variable rate. The cost of this strategy is related to the different parameters that affect the value of the option.
- Interest rate swap: the immunization strategy may also consist of transforming a fixed-rate bond into a variable rate, either on a security in inventory or to synthetically create a variable rate bond for new investments.

Hedging programmes have been set up progressively on behalf of the life companies as of the end of the first half of 2005:

	Notional amount	**Change in fair value**
	M€	
Trading derivatives		
Rate swaps	5,257	-73
Caps	103	-38
Hedging derivatives		0
Rate swaps	0	0

The choice has been to treat these transactions as trading, i.e. as fair value through income.

Sensitivity analysis on financing debt

The financing debt has a sensitivity ratio of 7.25% on the undated bond placed in 2005 and 2.95% for the fixed portion of the bond issued in the form of redeemable subordinated securities.

5.2.2 Risk of a change in the price of shareholders equity instruments (shares)

At 31 December 2005, the weight of the equity instruments was 21%, 17% of which is classified in the category "assets available for sale" and 4% in the category "assets for trading". Equity instruments include:

- Shares in French and foreign companies listed for trading on regulated markets and managed under management mandates. They may be held directly or within Mutual Funds (FCP and SICAV)
- Shares in French and foreign companies listed for trading on regulated markets and managed outside management mandates
- Shares in French and foreign companies that are not listed. They may be held directly or in the form of FCPR

Breakdown by activity sectors

Sector	as %
Resources	11.4%
Basic industries	9.2%
General industries	10.0%
Cyclical consumer goods	4.0%
Non-cyclical consumer goods	11.3%
Cyclical services	12.9%
Non-cyclical services	3.8%
Public services	1.1%
Finance	22.9%
Information technology	13.3%
Other	0.2%

source: FTSE classification

Breakdown by geographic regions

Geographic regions	as %
Euro zone	80.1%
United States	7.0%
Japan	5.2%
Other (Asia ex. Japan, etc.)	7.8%

The holding of shares of Groupama subsidiaries is generally determined within the context of asset/liability studies in order to be able to bear a market shock over a short-term period, taking into account the objectives for gains necessary to meet the objectives over the period. These studies cover the reserves available elsewhere, such as the profit-sharing funds or unrealized gains.

5.2.3 Liquidity risk

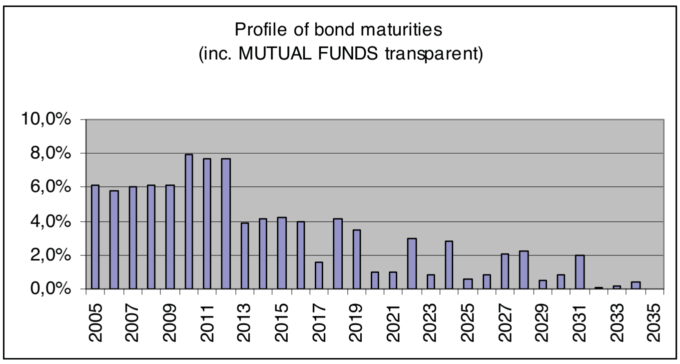
Nature of exposure to liquidity risk

The liquidity risk is analysed overall in the asset/liability approach:

- Identification of a structural cash requirement, corresponding to the cash level to be kept in credit, depending on the liquidity requirements imposed by liabilities, using:
  - Technical cash flow projections in a central scenario
  - Sensitivity scenarios on technical assumptions (production, claims ratio).
- Definition of a reference index for bond management, the results of which support the profile of the liabilities in duration and convexity. This approach is based on validated assumptions of liability outflows and takes into consideration new production.

Maturities

The profile of the annual maturities of the bond portfolios is as follows:



Risk management

In addition to the asset/liability approach, the outlines of which were described above, the liquidity ratios in the equity mandates of the Groupama SA subsidiaries have been strengthened in several directions:

- The market value of a security may not exceed:
  - 3% of the capital of the company in question
  - 10% of the float of the company in question
- All the equity portfolios must individually be able to be made liquid (liquidation assumption: 25% of the average daily volume traded on the market during the last three months) under the following rules:
  - 50% in less than two market weeks
  - 75% in less than one month (20 market days)
  - 95% in less than three months (60 market days).

At 31 December 2005, all these criteria were met.

A regular verification of these liquidity ratios is performed during each investment committee meeting.

In summary, the equity portfolio may be liquidated:

- 87.4% with a 10 day horizon
- 92.6% with a 20 day horizon (1 trading month)
- 96.8% with a 60 days horizon (3 trading months)

5.2.4 Foreign exchange risk

The assets of the Groupama SA subsidiaries are subject to currency variations on the mutual funds denominated in currencies and the mutual funds denominated in euros based on securities in currencies.

In practice, the portfolios are primarily exposed to the risks:

– Euro – dollar

– Euro – yen

Currency risk as % of equity investments

at 30/12/05	**% of market value**
Euro exposure	92.0%
Non-euro exposure	8.0%

Managing the foreign exchange risk

The foreign exchange risk is hedged nowadays through forward sales of dollars and yen.

The documentation is updated each time the accounts are closed.

Currency derivatives

at 30/12/05, € m	**Nominal hedged (Euro counter-value)**	**Unrealised gain euro**
Trading derivatives Forward sales USD	299.2	77.6
Forward Sakes JPY	208.0	75.5
Hedging derivatives		0

5.3 Credit Risk

5.3.1 Financial investments

Type and amount of exposure to the credit risk

The rating indicated is an average of the ratings published at 31 December 2005 by the three main agencies (S&P, Moodys' and Fitch Ratings)

Ratings in % market value at 31 December 2005

Rating	as %
AAA	50.8%
AA	23.4%
A	17.6%
BBB	4.8%
<BBB	0.1%
NR	3.4%

Concentration of the credit risk

A maximum holding percentage per rating has been implemented in the framework of the management mandates of the Groupama SA subsidiaries. These constraints are monitored monthly by the various investment committees.

The ratios defined for the bond assets are calculated on the market value of the total bond assets of each company (or isolated assets) based on the official rating issued by at least two ratings agencies:

- Investment grade universe (securities with signatures equal to or higher than BBB)
  - AAA: regulatory ratios, which is 5% per issuer, with the exception of the securities issued or guaranteed by a member State of the OECD and CADES securities
  - AA: 3% maximum per issuer
  - A: 1% maximum per issuer
  - BBB: 0.5% maximum per issuer
  - Total BBB issuers may not exceed 10% of the market value of the bond envelope.
- Unrated euro zone universe:
  - 0.5% maximum per issuer, with the exception of securities guaranteed by a member State of the OECD; in this case it is the prudential ratio of this State that applies.
  - The total of unrated issuers (NN) may not exceed 10% of the market value of the bond envelope.
- Non-investment grade universe (high yield):
  - No direct holding in the portfolios is authorized for rate products without ratings and outside the euro zone and the non-investment grade securities known as "high-yield".

Managing the credit risk

The following transactions are systematically covered by guarantee contracts with the banking counterparties in question.

- Forward currency sales made to hedge the foreign exchange risk,
- Rate swaps (rate risk),
- Cap purchases (rate risk).

This systematic collateralization of the hedging operations significantly reduces the counterparty risk related to these over the counter transactions.

5.3.2 Risk of reinsurer insolvency

Cession, which consists of transferring to the reinsurer a portion of the risks accepted by the ceding company, is regularly reviewed to control and limit the credit risk on third party reinsurers. The group security committee examines and approves the list of reinsurers allowed for all external reinsurance ceded.

This list is reviewed in its entirety at least twice a year. During the year, ongoing monitoring is performed to adapt the internal ratings of the accepting companies to the changes that may occur at a reinsurer and that would modify the assessment of its solvency. For any given reinsurance placement, any reinsurer approached for a reinsurance cession outside Groupama must first be on the list of the group security committee.

The approved reinsurers must have a rating compatible with the type of business reinsured, depending on whether they have a short or long accounting run off.

5.4 Operational, legal, regulatory and tax risks

5.4.1 Operational risks

The internal management rules and operational procedures define the manner in which operations must be conducted in performance of the activities of Groupama SA. They are appropriate to each business and each key process. The formalization of the rules and procedures constitutes a guarantee of the permanence of the company's method and expertise over time. These existing rules and procedures cover major operations. They are described in documentation that is regularly updated and is based on a detailed organizational chart and specific delegations of powers.

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the operational holdings of the group's entities. The contracts are distributed among outside insurers for the most significant risks. The principal coverage is the following:

- Employee insurance,
- Civil liability of corporate officers,
- Professional civil liabilities,
- Operating civil liability,
- Property damage insurance (property, offices, equipment, automobile fleets, etc.)

The group's IT unit has a second IT site to ensure operational continuity in the event of losses or failure at the first site.

5.4.2 Legal and regulatory risks

The internal control procedures designed to ensure the conformity of all the operations of Groupama SA are based on the main mechanisms described below.

- **Application of corporate law and the Commercial Code**

  The group's legal department within the administrative division provides legal management for Groupama SA and its insurance subsidiaries and provides legal direction as needed to all the French legal entities of Groupama SA. Within this framework, it ensures the legal safety of its operations and its directors and executives. Internal checks on the effective implementation of administrative legal procedures are based on permanent monitoring tools, entity by entity.

- **Application of insurance law**

  The legal and tax support department within the administrative division of Groupama SA provides information and advice to business departments and to insurance subsidiaries on application of insurance laws in their operational activities or technical support.

- **Other areas**

  Special mechanisms are in place to meet special requirements:

  - ethics control designed to prevent insider trading; these responsibilities are borne by a Group Ethics Officer, with the assistance of a person outside the Group, who is responsible for the controls, and an officer within Groupama SA;
  - to fight money laundering; the entities are incorporating into their procedures the legal obligations and professional recommendations in this area. The internal control procedures are based on knowledge of the client base, but also on a set of controls performed prior to the transaction, then after the transaction by analyzing the information databases for past transactions. In addition, The Legal Support and Tax Department is responsible for monitoring Group compliance with its obligations to fight money laundering.

5.4.3 Tax risks

The group's tax department has the role of providing information and monitoring regulations for all the entities of the group. It is also regularly questioned about specific technical points and is involved in closing the accounts.

5.5 *Monitoring and managing risks related to Banking Activity*

5.5.1 General presentation

This division includes three differentiated activities with very specific types of risk: banking, capital management for third parties and real estate management. The banking sector operates under a regulatory framework organized around the risks described below. The common focus for the companies of the division is monitoring the operational risk.

5.5.2 Banking risks

Risk management is inherent in this activity. Responsibility for risk control, measurement and general supervision is assigned to a dedicated risk control unit.

While the primary responsibility for risks remains with the divisions and businesses that propose the risks, the task of the risk control unit is to ensure that risks taken by the bank are compatible with its risk policies. The unit conducts ongoing risk control, before and after. It regularly transmits its principal findings to the Board of Directors and informs the Board of the measurement methods it has implemented to assess and control the risks.

Risk control is intended to cover all the risks generated by banking activities and to intervene at all levels in the risk chain-from incurring the risk to monitoring it. Its permanent tasks consist of formulating recommendations on risk policies, analyzing the credit portfolio, issuing an opinion on credit files and limits made by the credit committee, guaranteeing the quality and effectiveness of the tracking procedures, defining or validating the risk measurement methods and ensuring exhaustive and reliable identification of risks for the Board of Directors.

- ***Prudential monitoring (solvency)***

  Prudential regulations require monitoring the European solvency ratio, which is in the form of a ratio between the level of regulatory equity (Regulation 91-05 and 90-02 of the Banking and Financial Regulatory Committee) and the weighted outstanding amounts at risk (credit risk, market risk) based on defined rules.

- ***The credit risk***

  The credit risk is defined as the risk of incurring financial losses because of a debtor's inability to meet its contractual obligations. The credit risk appears in the lending activity, but also in other circumstances when the bank may be confronted with the default of its counterparty in market, investment or even settlement transactions.

- Decision-making procedures

  The credit decision-making process is based on a set of delegations. The delegations are classified by amount and degree of risks and on the category of client. Credit proposals must comply with the principles of the general credit policy and specific policies where applicable and, in all cases, with laws and regulations in force. A credit committee chaired by a representative from management and the Board of Directors (as final arbiter) are the ultimate decision-making bodies of the group concerning credit and counterparty risks.

- Monitoring procedures

  A monitoring and reporting mechanism is in place and is based on the control teams, whose responsibility is to guarantee conformity with decisions on a permanent basis, the reliability of the reporting data, and the quality of the risk monitoring.

- Impairment procedures

  All the loans granted to clients in default are periodically reviewed by the provisions committee to determine any reduction in value that should be applied, based on the terms and conditions for application of the accounting rules used. The proposals of this committee must be validated by the Board of Directors. Impairment is established on the basis of the discounted valuation of probable net recovery flows taking into account the liquidation of the securities held.

- Total limits

  The commitment limits per market are defined by the bank's Board of Directors. The limits and outstanding amounts at 31 December 2005 are shown in the table below. This exposure to credit risk is determined without taking into account the effect of the securities received and is equal to the book value of the financial assets recorded on the balance sheet, net of all impairments made.

		Outstanding amounts	
Market	**Limits**	**31/12/2005**	**31/12/2004**
	(€ million)	**(€ million)**	
Institutions and Group	200	66.86	72.85
Businesses/local authorities	100	69.19	67.35
Individuals	130	111.78	80.06
Small/med. Businesses	40	24.04	20.28
Professional real estate	Not applicable(*)	20.78	21.60
Mutual funds	1,400	1,482.99	786.06
Corporate	700	364.88	316.29
Banks	3,000	2,118.11	1,423.58
Sovereign States	1,000	326.77	455.62

* "run off" activity

- **Risk division rules**

Prudential supervision (Regulation no 93-05 of the Banking and Financial Committee) limits the concentration of commitments by counterparty. This limit is expressed as two criteria: (i) no outstanding loan may be greater than 25% of the regulatory net assets for one group of beneficiaries and (ii) the total of the counterparties exceeding 10% of the regulatory net assets must be less than eight times the regulatory net assets. The outstanding amounts taken into account are weighted under codified rules. Groups, as defined by Regulation no 93-05, are considered to be a single counterparty. This is the case for the entities of the Groupama group.

At 31 December 2005, 8 counterparties presented outstanding amounts greater than 10% of the regulatory net assets, while none of them exceeded the 25% ceiling, for an aggregate amount of €161 million.

- **Supervision of market risks**

This is based on the risk-taking procedures, which are framed by:

  - the definition of a set of limits and
  - risk tracking on the basis of:

- Daily calculation of the value and results of the trading positions;
- Daily monitoring of compliance with the limits notified to each activity, with any overrun being submitted for decision;
- Regular and independent controls of valuations, and the establishment of reconciliations between the results of the trading room and the accounting results;
- Control of compliance with the internal rules for backing transactions
- stress-scenario simulations.

  - **Rate risk**

    This covers any change in value of a fixed-rate financial instrument due to changes in market interest rates as well as any elements in the future results of a variable-rate financial instrument.

    The following limits have been defined for the outstanding amounts in the transaction and investment portfolios, as well as for the associated stop loss. In addition, a stress scenario calculation is performed.

    The division operates on the interest swap market solely as part of its hedging strategies.

Based on the level of the outstanding amounts, the division is not currently subject to the prudential supervision ratio for market transactions.

	Limit	31 December 2005
	€ million	
Transaction portfolio(*)	10	0
Portfolio available for sale(*)	10	10
Scenario of 40 bp change		- 0.128
Scenario of 200 bp change		- 0.640
Quarterly stop loss	- 0.250	Never reached

(*) excluding shares

- **Risks related to the change in title deeds**

  The division does not operate in this type of market.

- **Counterparty settlement risk**

  Schedule IV of Regulation no 95-02 requires supervision of counterparty settlement events for all transactions relating to the trading portfolio and for transactions initiated by Bank customers for which it is a "del credere" agent. In this respect, no event was recorded in 2005.

- **Foreign exchange risk**

  This is the risk that the value of an instrument or of one of the elements in its future results will fluctuate because of changes in foreign currency rates.

  The division does not take positions in currencies. Its activity is maintained well below the threshold that requires prudential supervision of the currency risk.

- **Risk on base product**

  The division does not operate in this type of market.

- ***Supervision of liquidity***

  Transactions on financial instruments generate a liquidity risk, expressing the difficulties the group could have in collecting the funds needed to honour the commitments related to these financial instruments. Given the balance sheet structure of the group, it is not very sensitive to this risk. It is therefore primarily supervised in the framework of the regulatory obligations that require monthly measurements of liquidity based on codified rules (Regulation 88-01 of the Banking Regulatory Committee). The monitoring ratio must always be greater than 100%. Over 2005, the lowest level was 166%.

- ***The effective interest rate (ALM):***

  The rate risk related to commercial transactions is driven by the asset/liability unit and managed in a centralized way by the Treasury and Capital Markets department. The rate risk related to shareholders equity and investments is generally managed in the same way.

  Position measurements are presented to the monthly Asset/Liability committee by inventory/maturity class/rate category. A "break even" rate for resources is determined and simulations are performed.

- ***Business continuity plan***

  Each entity in the division has prepared a Business Continuity Plan (BCP) organized around three mechanisms:

  – Activating the crisis unit,

  – Back-up of information and IT systems,

  – The availability of a backup site.

  The BCPs are updated annually. Technical and user installation tests are conducted for the backup sites with the same frequency.

5.5.3 Operational risks

In 2005, the implementation of an operational risk management policy based largely on the provisions of the standard method of the "Basel II" agreements continued. The approach is being gradually deployed in the non-banking subsidiaries, which have each begun to map their operational risks.

COMBINED FINANCIAL STATEMENTS OF GROUPAMA GROUP

Pricewaterhouse Coopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars & Guérard
Tour Exaltis
61, avenue Henry Régnault
92075 La Défense Cedex

REPORT OF INDEPENDENT AUDITORS
ON THE COMBINED FINANCIAL STATEMENTS

Year ended 31 December 2006

To the Shareholders,
GROUPAMA S. A.
8-10, rue d'Astorg
75008 PARIS

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the combined financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the combined financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the combined financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying combined financial statements of Groupama SA for the year ended December 31, 2006.

The combined financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the combined financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2006 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

II – Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter(s):

- We have reviewed the accounting treatment used by the Group in combining the accounts of the entities that are not subject to specific provisions in the IFRS as adopted in the EU, and we have assessed that note 2.2 to the combined financial statements provides appropriate information in that respect.

- Certain combined balance sheet items that are specific to insurance and reinsurance business are estimated on the basis of statistical and actuarial data, such as technical reserves, deferred acquisition costs and their amortisation. The methods and assumptions used to calculate the carrying value of these items are described in notes 3.1.2, 3.1.3 and 3.1.4 to the combined financial statements.

  We have assessed the reasonableness of the assumptions used to calculate these values, particularly with respect to the Group's experience and its regulatory and economic environments. We also assessed the overall consistency of these assumptions.

- The financial assets are classified in various categories on the basis of the criteria described in note 3.2.1 to the combined financial statements and in note 6.1 to the combined balance sheet, and are valued under the rules applicable to each category described in note 3.2.1 to the combined financial statements.

  We have assessed the appropriateness of the impairment tests performed on the basis of the position of the investments and the volatility of the financial markets, and we have assessed the reasonableness of the depreciations made.

- The carrying values of purchase goodwill are tested at each closing for recoverability using the methods described in note 2.4 to the combined financial statements.

  We have reviewed the procedures for performing this impairment test and the projections of cash flows and we have assessed the consistency of assumptions used.

- Deferred tax assets are accounted for in accordance with the methods described in note 3.12 to the combined financial statements.

We have assessed the consistency of the assumptions used with the tax projections that emerge from the forecasts drawn up by the Group.

These assessments were made in the context of our audit of the combined financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the combined financial statements.

Neuilly-sur-Seine and La Défense, 15 March 2007

The Independent Auditors

PricewaterhouseCoopers Audit Michel Laforce Bénédicte Vignon	**Mazars & Guérard** Nicolas Robert
PricewaterhouseCoopers Audit 32, rue Guersant 75017 Paris	**Mazars & Guérard** Le Vinci – 4 allée de l'Arche 92075 La Défense Cedex

RAPPORT DES COMMISSAIRES AUX COMPTES SUR LES COMPTES COMBINES

Exercice clos le 31 décembre 2006

Aux Actionnaires,
GROUPAMA SA
8-10 rue d'Astorg
75008 PARIS

Mesdames, Messieurs,

En exécution de la mission qui nous a été confiée par votre assemblée générale, nous avons procédé au contrôle des comptes combinés de la société GROUPAMA SA relatifs à l'exercice clos le 31 décembre 2006, tels qu'ils sont joints au présent rapport.

Les comptes combinés ont été arrêtés par le conseil d'administration. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I – Opinion Sur Les Comptes Combinés

Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en uvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes combinés ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous certifions que les comptes combinés de l'exercice sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la combinaison.

II – Justification Des Appréciations

En application des dispositions de l'article L.823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

- Nous avons examiné le traitement comptable retenu par le groupe pour la combinaison des comptes des entités qui ne fait pas l'objet de dispositions spécifiques dans le référentiel IFRS tel qu'adopté dans l'Union européenne et nous sommes assurés que les annexes aux comptes combinés 2.2 donnent une information appropriée à cet égard.

- Certains postes techniques propres à l'assurance et à la réassurance, à l'actif et au passif des comptes combinés de votre société, sont estimés sur des bases statistiques et actuarielles, notamment les provisions techniques, les frais d'acquisition reportés et leurs modalités d'amortissement. Les modalités de détermination de ces éléments sont relatées dans les annexes aux comptes combinés 3.1.2, 3.1.3. et 3.1.4.

  Nous nous sommes assurés du caractère raisonnable des hypothèses retenues dans les modèles de calculs utilisés, au regard notamment de l'expérience du Groupe, de son environnement réglementaire et économique, ainsi que de la cohérence d'ensemble de ces hypothèses.

- Les actifs financiers sont classés dans différentes catégories selon les critères énumérés en annexe aux comptes combinés 3.2.1. et en note 6.1. sur le bilan combiné, et sont évalués selon les règles applicables à chaque catégorie décrites en annexe aux comptes combinés 3.2.1.

  Nous nous sommes assurés du caractère approprié des tests de dépréciation mis en uvre en fonction de la situation des placements et de la volatilité des marchés financiers, et nous avons apprécié le caractère raisonnable des provisions ainsi estimées.

- Le Groupe procède systématiquement, à chaque clôture, à un test de dépréciation des écarts d'acquisition, selon les modalités décrites en annexe aux comptes combinés 2.4.

  Nous avons examiné les modalités de mise en uvre de ce test de dépréciation ainsi que les prévisions de flux de trésorerie et nous avons vérifié la cohérence d'ensemble des hypothèses utilisées.

- Les actifs d'impôts différés sont comptabilisés selon les modalités décrites en annexe aux comptes combinés 3.12.

  Nous nous sommes assurés que les hypothèses retenues étaient cohérentes avec les projections fiscales issues des prévisions établies par le Groupe.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes combinés, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III – Vérification Spécifique

Nous avons également procédé, conformément aux normes professionnelles applicables en France, à la vérification des informations données dans le rapport sur la gestion du groupe Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes combinés.

Fait à Neuilly-sur-Seine et Paris La Défense, le 15 mars 2007

Les commissaires aux comptes

PricewaterhouseCoopers Audit
Michel Laforce Bénédicte Vignon

Mazars & Guérard
Nicolas Robert

COMBINED BALANCE SHEET OF GROUPAMA GROUP

As of 31 December 2006

Assets

		31.12.2006	31.12.2005
Goodwill	Note 2	1,411	1,158
Other intangible assets	Note 3	317	202
Intangible assets		**1,728**	**1,360**
Real estate investments, excluding unit-linked investments	Note 4	3,555	3,411
Owner-occupied properties	Note 5	743	705
Financial investments, excluding unit-linked investments	Note 6	64,006	61,252
Financial investments, in unit-linked investments	Note 8	3,618	3,376
Derivative instruments and embedded derivatives treated separately		241	140
Insurance-activities investments		**72,162**	**68,884**
Assets used in banking sector activities and investments in other activities	Note 9	**2,410**	**2,193**
Investments in related companies	Note 10	**25**	**31**
Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	Note 11	**1,412**	**1,679**
Other tangible fixed assets	Note 12	294	333
Deferred acquisition costs	Note 13	571	542
Deferred profit-sharing asset	Note 14	64	
Deferred tax assets	Note 15	491	181
Insurance receivables or recoveries on reinsurance inwards	Note 16	2,566	2,272
Receivables from outwards reinsurance activities	Note 17	122	195
Current tax receivables and other tax receivables	Note 18	151	152
Other receivables	Note 19	2,005	1,770
Other assets		**6,264**	**5,444**
Assets available for sale and discontinued activities			
Cash and cash equivalents	Note 20	996	697
TOTAL		**84,998**	**80,288**

Shareholders Equity and Liabilities

		31.12.2006	31.12.2005
Initial capital	Note 21	32	32
Revaluation reserves	Note 21	2,378	2,156
Other reserves	Note 21	4,259	3,714
Unrealised foreign exchange gains (losses)	Note 21	25	13
Consolidated profit	Note 21	753	544
Shareholder's equity (Group share)		7,447	6,459
Minority interests	Note 21	296	212
Total shareholders equity		**7,743**	**6,671**
Provisions for risks and charges	Note 22	**728**	**693**
Financing debt	Note 24	**2,126**	**1,978**
Operating liabilities related to insurance policies:	Note 25	**42,141**	**38,200**
Operating liabilities related to financial contracts	Note 28	**19,787**	**20,868**
Share of liabilities related to deferred profit-sharing	Note 29	**4,081**	**4,385**
Funds from banking sector operations	Note 30	**2,189**	**1,824**
Deferred tax liabilities	Note 31	468	385
Payables owing to unit holders of consolidated mutual funds	Note 32	329	341
Operating liabilities to banking sector companies	Note 33	621	472
Liabilities from insurance or inwards reinsurance activities	Note 34	829	765
Liabilities from outwards reinsurance activities	Note 35	328	315
Current tax payables and other tax payables	Note 36	236	248
Derivative instruments liabilities	Note 37	17	49
Other payables	Note 38	3,377	3,094
Other liabilities		6,204	5,669
Liabilities available for sale or discontinued activities			
TOTAL		**84,998**	**80,288**

2006 COMBINED OPERATING INCOME STATEMENT OF GROUPAMA GROUP
as of 31 December 2006

Income statement

		2006	2005
Premiums written	Note 39	13,884	13,247
Change in unearned premiums		(41)	(176)
Earned premiums		**13,843**	**13,071**
Net banking income, net of cost of risk	Note 39	**169**	**137**
Investment income	Note 40	2,920	2,760
Investment expenses	Note 40	(451)	(438)
Capital gains (losses)from sale of investments net of impairment reversals and amortisations	Note 40	949	1,096
Change in fair value of financial instruments recorded at fair value through income	Note 40	457	365
Change in impairment on investments	Note 40	(1)	(15)
Investment income net of expenses		**3,875**	**3,768**
Total income from ordinary operations		**17,887**	**16,976**
Insurance policy servicing expenses	Note 41	(12,833)	(12,568)
Income from reinsurance outwards	Note 42	242	275
Expenses on reinsurance outwards	Note 42	(640)	(549)
Banking operating expenses	Note 1	(156)	(140)
Policy acquisition costs	Note 44	(1,918)	(1,801)
Administrative costs	Note 45	(622)	(653)
Other income and expenses from current operations	Note 46	(605)	(496)
Total other current income and expenses		**(16,532)**	**(15,932)**
CURRENT OPERATING PROFIT		**1,355**	**1,044**
Other operating income and expenses	Note 47	(103)	(35)
OPERATING PROFIT		**1,252**	**1,009**
Financing expenses	Note 48	(115)	(93)
Share in income of related companies	Note 10	1	2
Corporate income tax	Note 48	(354)	(339)
NET INCOME TOTAL		**784**	**579**
Minority interests	Note 21	30	35
Net profit (Group share)		**753**	**544**

GROUPAMA – STATEMENT OF CHANGE IN SHAREHOLDERS EQUITY (millions of euros)

	Initial capital	Income (loss)	Consolidated reserves	Revaluation reserves	Unrealised FX gains & losses	Shareholders' equity Group share	Minority interests	Total shareholders equity
					(€m)			
Shareholders equity as at 31/12/2004	**32**	**406**	**3,351**	**1,131**	**(3)**	**4,917**	**209**	**5,126**
Appropriation of 2004 profit		(406)	406			0		0
Dividends			(2)			(2)	(34)	(36)
Capital increase						0	3	3
Effects of transactions with members	**0**	**(406)**	**404**	**0**	**0**	**(2)**	**(31)**	**(33)**
Unrealised foreign exchange gains (losses)					18	18		18
Assets available for sale				2,496		2,496	14	2,510
Shadow accounting				(1,582)		(1,582)	(14)	(1,596)
Deferred taxes			6	89		95	1	96
Actuarial gains (losses) on post-employment benefits			(20)			(20)		(20)
Other			(27)	22	(2)	(7)	(2)	(9)
Profit (loss) for the year		544				544	35	579
Total income and expenses recognised for the year	**0**	**544**	**(41)**	**1,025**	**16**	**1,544**	**34**	**1,578**
Total changes for the year	**0**	**138**	**363**	**1,025**	**16**	**1,542**	**3**	**1,545**
Shareholders equity as at 31/12/2005	**32**	**544**	**3,714**	**2,156**	**13**	**6,459**	**212**	**6,671**
Appropriation of 2005 profit		(544)	544					
Dividends							(38)	(38)
Capital increase							8	8
Business combinations							69	69
Effects of transactions with members	**0**	**(544)**	**544**	**0**	**0**	**0**	**39**	**39**
Unrealised foreign exchange gains (losses)					14	14	6	20
Assets available for sale				(569)		(569)	(14)	(583)
Shadow accounting				468		468	11	479
Deferred taxes			(3)	316		313	2	315
Actuarial gains (losses) on post-employment benefits			7			7		7
Other			(3)	7	(2)	2	10	12
Profit (loss) for the year		753				753	30	783
Total income and expenses recognised for the year	**0**	**753**	**1**	**222**	**12**	**988**	**45**	**1,033**
Total changes for the year	**0**	**209**	**545**	**222**	**12**	**988**	**84**	**1,072**
Shareholders equity as at 31/12/2006	**32**	**753**	**4,259**	**2,378**	**25**	**7,447**	**296**	**7,743**

The notes on pages 11 to 135 are an integral part of the combined financial statements.

GROUPAMA S.A. – STATEMENT OF CASH FLOWS (€m)

Statement of cash flows

	2006	2005
Operating profit before taxes	1,252	1,009
Gains (losses) on sale of investments	(829)	(638)
Net depreciation charges	57	16
Change in deferred acquisition costs	(25)	(7)
Changes in impairment	(48)	(362)
Net increases in technical reserves related to insurance policies and financial contracts	3,105	3,388
Net increases to other provisions	39	39
Change in fair value of investments and financial instruments at fair value through income (excluding cash and equivalents)	(175)	(6)
Other non-cash items included in operating profit		
Adjustment for items included in Operating Profit that differ from cash flows and reclassified cash flow from financing and investment .		
Change in operating receivables and payables	256	(220)
Change in operating receivables and payables for the banking business	(274)	(213)
Change in securities repurchase agreements	32	11
Cash flows from other assets and liabilities	152	419
Net taxes paid	(288)	(147)
Net cash flows from operating activities	**3,254**	**3,289**
Acquisitions/Disposals of subsidiaries and joint ventures, net of cash acquired	(362)	(18)
Acquisitions/disposals of interests in related companies		
Cash flows from changes in scope of consolidation	(362)	(18)
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(2,529)	(3,457)
Net acquisitions of real estate investments	(199)	(147)
Net acquisitions and/or issues of investments and derivatives from other activities	(49)	34
Other non-cash items	19	(65)
Cash flow from acquisitions and issues of investments	(2,758)	(3,635)
Net acquisitions of tangible and intangible fixed assets and non-current operating assets	20	(29)
Cash flows from acquisitions and disposals of tangible and intangible fixed assets	20	(29)
Net cash flows from investing activities	**(3,100)**	**(3,682)**
Membership dues		
Equity instruments issued	8	26
Equity instruments redeemed		
Transactions on treasury shares	3	(3)
Dividends paid	(38)	(34)
Cash flows from transactions with shareholders and members	(27)	(11)
Cash allocated to financing debt	147	601
Interest paid on financing debt	(115)	(92)
Cash flows related to Group financing	32	509
Net cash flows from financing activities	**5**	**498**
Cash and cash equivalents as at 1 January	**248**	**143**
Net cash flows from operating activities	3,254	3,289
Net cash flows from investing activities	(3,100)	(3,682)
Net cash flows from financing activities	5	498
Effect of foreign exchange fluctuations on cash	9	
Cash and cash equivalents as at 31 December	**416**	**248**
Cash and cash equivalents	697	
Mutual, central bank and postal bank	23	
Operating liabilities to banking sector companies	(472)	
Cash and cash equivalents as at 1 January 2006	**248**	
Cash and cash equivalents	996	
Mutual, central bank and postal bank	40	
Operating liabilities to banking sector companies	(620)	
Cash and cash equivalents as at 31 December 2006	**416**	

The notes on pages 11 to 135 are an integral part of the combined financial statements.

NOTES TO THE 2006 COMBINED FINANCIAL STATEMENTS OF GROUPAMA GROUP
as of 31 December 2006

1. Significant Events and post-balance sheet events

1.1 Significant events

1.1.1 Organisation of the group

Authorisation for an initial public offering of Groupama S.A.

The shareholders' general' meeting of *Fédération Nationale Groupama* on 24 February 2006 approved in principle an initial public offering of Groupama S.A. to fully or partially finance or refinance Groupama S.A. on the market in view of one or more major acquisitions or to implement a strategic partnership in France and/or abroad.

Pursuant to this authorisation, the shareholders' general' meeting of Groupama S.A. on 29 June 2006 amended the bylaws of Groupama S.A. so that the Group would be able to react more rapidly in the event of an acquisition opportunity in the market, while at the same time securing majority control in the Mutual for the regional mutuals.

Rationalisation of the Group's financial structure

On 14 December 2006, Groupama S.A. in its capacity as holding company, acquired all the shares of Groupama International held by the Group's Life companies, totalling 43.6%. This ownership holding existed for historical reasons had no organisational purpose.

1.1.2 Growth of the group

Acquisitions in Spain

On 24 January 2006, Groupama Seguros acquired the two subsidiaries of the Azur-GMF group in Spain: Azur Multiramos is active in non-life (revenue of €34 million in 2005) and Azur Vida (revenue of €10 million in 2005).

Acquisition in Turkey

At the end of a privatisation process in Turkey, early in 2006 Groupama acquired 56.67% of the non-life insurance company Basak Sigorta (€187 million in revenue in 2005) and 41% of the life insurance company Basak Emeklilik (€56 million in revenue in 2005), 38% held by Basak Sigorta.

With this acquisition, Groupama becomes the sixth largest insurer in the Turkish market, which has one of the fastest growth rates in the world.

Also in Turkey, Groupama is keeping its 36% stake in Günes Sigorta.

Acquisition of a broker in the United Kingdom

On 15 December 2006, Groupama acquired 100% of the broker Carole Nash Insurance Consultants Limited.

With 350 employees in the northwest of England and Ireland, Carole Nash is among the 30 largest brokers in the United Kingdom, with over 240,000 policyholders. This broker, which has more than €90 million in policies in force, is the leading intermediary in the motorcycle insurance market in England and Ireland and a major player in insuring classic and collector cars.

Partnership with Dexia in distributing credit to local authorities

Groupama and the Franco-Belgian bank Dexia signed a partnership agreement on 14 November 2006 covering financing for local authorities.

Under this agreement, Groupama provides financing under the Dexia Crédit Local name to local authorities of fewer than 2500 inhabitants to which it provides insurance, with Dexia providing the financing arrangements.

1.1.3 Other developments

Sale of Minster in the United Kingdom

On 24 August 2006, Groupama UK sold its entire equity stake in Minster Insurance Company Limited. As at 1 January 2003, this company had taken on all of the "run-off" business of the British subsidiaries, with Groupama Insurance Company Limited taking over operating activities exclusively as at the same date. The purchaser is the investor group BSG Insurance Holdings, composed of the American investment bank Bear Stearns and Caspar Gilroy, a private equity investor.

The sale of Minster Insurance resulted in a capital loss of €7.2 million.

Key data for this entity as at 31 December 2005:

– Total technical reserves	£333 million	€483 million
– Total balance sheet	£426 million	€612 million

Standard & Poor's and AM Best ratings

On 8 December 2006, Standard & Poor's confirmed its "A" rating on counterparty risk and the financial stability of Groupama S.A. with a stable outlook.

The AM Best rating agency also gave Groupama S.A. an "A" rating at year end 2006.

Awards for the Group's products

The two insurance policies of Groupama Épargne and Groupama Modulation received "Quality and Performance" awards in April 2006 in the euro policy category as selected by the *Journal des Finances*. Groupama Modulation had already received several awards in March 2006 from *Revenu* and from *Gestion de Fortune*.

The 2006 *Dossiers de l'épargne* awarded marks of excellence to the group retirement policies of 2006 Groupama Dimension Retraite Entreprises, GAN Retraite Entreprises and Dimension Retraite Entreprises as well as the Synergie IFC policy.

Groupama Banque also received three marks of excellence from *Dossiers de l'épargne* for its Astréa 2 Liberté products, including mortgage insurance and securities accounts.

Finally, Groupama Asset Management was honoured in May 2006 with *Trophées du Revenu*, while at the beginning of December 2006, the Groupama Alternatif Equilibre funds received the second highest rating in Tribune/L'EDHEC for its alternative management product.

1.2 Post-Balance Sheet Events

Sale of 15.35% of SCOR share capital

On 21 January 2007, Groupama SA sold a block of 15.35% of SCOR's share capital. This transaction, which was executed as part of the strategy to optimise Groupama's financial management and the allocation of its equity, will result in a capital gain of approximately €150 million in the 2007 consolidated statements. The sale consisted of a private placement with the banks HSBC and UBS. Groupama's remaining equity stake in SCOR is 0.67%.

Additional acquisition in Turkey

In November, agreements were signed with the agricultural cooperatives that are the minority shareholders of Basak Sigorta, for the purpose of acquiring their 40.1 % equity stake in the insurer. These agreements materialised in the first quarter of 2007. At the same time, an acquisition agreement for the acquisition of a minority stake in Basak Groupama Emeklilik (for an additional 10%) was signed at the beginning of January 2007.

Growth in Greece

On 8 March 2007, Groupama acquired the Greek insurance company Phoenix Metrolife Emporiki Hellenic Insurance Company SA for a total of €95 million. This agreement will be subject to receiving statutory approvals.

2. Consolidation principles, methods and scope

2.1 Introduction

Groupama S.A. is a French *Société Anonyme* virtually wholly owned, directly or indirectly, by the Caisses Régionales *d'Assurances et de Réassurances Mutuelles Agricoles* and the *Caisses Spécialisées* ("regional mutuals") which form the mutual division of Groupama. Groupama SA is domiciled in France. Its registered office is at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of share capital at 31 December 2006 was as follows:

- 90.89 % by Groupama Holding;
- 8.99% by Groupama Holding 2;
- 0.12 % by the former and current agents and employees of Groupama S.A. (directly or through FCPEs – French mutual funds).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes*, are wholly owned by the regional mutuals.

Groupama S.A. is a non-life insurance and reinsurance company, the sole reinsurer for the regional mutuals and the holding company for the capital investment activities of the Groupama group. Its activities are:

- to define and implement the operational strategy of the Groupama group in collaboration with the regional mutuals and in line with the strategies defined by *Fédération Nationale Groupama*;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the reinsurance programme for the entire group;
- to manage direct insurance activity;
- to prepare the consolidated and combined financial statements.

The consolidated financial statements of Groupama S.A. include the reinsurance outwards activities of the regional mutuals and the business of the subsidiaries.

The combined financial statements relate to the Groupama group, which is composed of all the local mutuals, the regional mutuals, Groupama S.A. and its subsidiaries.

In conducting its activities, the Company is governed by the provisions of the Commercial Code and the Insurance Code and is subject to the supervision of the French *Autorité de Contrôle des Assurances et des Mutuelles.*

Links between the various entities of the Group are governed by the following:

- within the Groupama S.A. division by capital ties. The subsidiaries included in this division are consolidated in the accounts. Moreover, in exchange for a certain operating autonomy, each of the subsidiaries is subject to the requirements and obligations applicable under Groupama S.A.'s business environment, particularly in terms of control;
- in the mutual division:
  - by an internal reinsurance treaty that binds the regional mutuals to Groupama S.A. This treaty, signed in December 2003 in connection with the businesses acquired by Groupama S.A. at the time of the contribution of the regional mutual reinsurance business granted by the C.C.A.M.A. retroactive to 1 January 2003, replaced the general reinsurance regulations that had previously governed the internal reinsurance ties between the regional mutuals and the C.C.A.M.A;
  - by a security and joint liability agreement between all the regional mutuals and Groupama S.A. ("Convention defining the security and joint liability mechanisms of the *Caisses de Réassurance Mutuelle Agricole* joining the *Fédération Nationale GROUPAMA*"), which was signed on 17 December 2003, effective retroactive to 1 January 2003).

2.2 General presentation of the combined financial statements

For the purposes of preparing the combined financial statements, the accounts of each combined entity are prepared in accordance with International Financial Reporting Standards and the interpretations applicable as at 31 December 2006 as approved by the European Union (European

Regulation 1606/2002 of 19 July 2002), the principal applications of which are applied by GROUPAMA as described below.

The combined financial statements are prepared in accordance with International Financial Reporting Standards and applicable interpretations as at 31 December 2006, as approved by the European Union. On the other hand, the Group has not opted for early adoption of IFRS 7 concerning disclosures on financial instruments.

The format of the financial statements has been prepared in accordance with the recommendation of the National Accounting Board (*Conseil National de la Comptabilité*-CNC) n̊ 2006-R-01 of 30 June 2006, modifying the recommendation n̊ 2005-R-01 of 24 March 2005 governing the format of financial statements of insurance entities under international accounting standards.

The decisions made by the Group are based primarily on the summary of the work of the CNC working groups on the specific requirements for implementation of IFRS by insurance entities.

The subsidiaries, joint ventures and affiliates within the scope of combination are consolidated in accordance with the provisions of IAS 27, IAS 28 and IAS 31.

On the other hand, no IFRS standard specifically deals with the conditions for aggregating the accounts of the entities that form the mutual division (local and regional mutuals). Therefore the Group has adopted the combination rules defined in Section VI of Regulation n̊ 2000-05 of the Accounting Regulatory Committee concerning the rules for the consolidation and combination of enterprises governed by the Insurance Code and the provident insurance institutions governed by the Social Security Code or the Rural Code.

This choice was made based on the judgement criteria defined in Article 10 of IAS 8 (on the selection and application of accounting methods in the absence of a standard or interpretation that specifically applies) because of the characteristics of the mutual division of Groupama described above.

The Group adopted IFRS for the first time in the 2005 financial statements.

In the notes, all amounts are stated in million of euros unless specified otherwise.

The preparation of the Group's financial statements in accordance with IFRS requires management to make assumptions and estimates which have an impact on the value of the assets, liabilities, income, expenses and notes thereto.

These estimates and assumptions are reviewed on a regular basis. They are based on past experience and other factors, including future events, the occurrence of which seems reasonable under the circumstances.

The definitive future results of the transactions for which estimates were necessary may prove to be different from those estimates and result in an adjustment to the financial statements.

The judgments made by management pursuant to the application of IFRS primarily concern:

- Initial valuation and impairment tests performed on intangible fixed assets, particularly goodwill (notes 2.4 and 3.4);
- Evaluation of technical reserves (note 3.1.2);
- Estimate of certain fair values on unlisted investments or real estate assets (notes 3.2.1 and 3.2.2).
- Recognition of deferred taxes as assets (note 3.12);
- Calculation of the provisions for risks and charges, particularly valuation of employee benefits (note 3.10);

2.3 Principles of consolidation

2.3.1 Consolidation scope and policies

An enterprise is included in the scope of consolidation once its consolidation, or the consolidation of the sub-group which it heads, becomes, alone or with other enterprises in a position to be consolidated, material in terms of the combined accounts of all the companies included in the scope of consolidation. It is assumed that an insurance and banking operational entity must be consolidated once the shareholders equity, balance sheet, or earned premiums of this entity represent €30 million of the combined shareholders equity, or €50 million out of the combined balance sheet total, or €10 million of the Group's earned premiums.

Mutual funds and property companies are consolidated. Minority interests pertaining to the mutual funds are disclosed separately as a special financial liability item in the IFRS balance sheet. Under IAS 32, a financial instrument that gives the holder the right to return it to the issuer in exchange for cash is a financial liability. The reverse entry to any change in this liability is taken to the income statement.

- **Consolidating company**

The consolidating company is the company that exclusively or jointly controls other companies, whatever their form, or which exerts a significant influence on them.

- **Exclusively controlled entities**

Companies exclusively controlled by the Group, whatever their structure, are consolidated. These entities are consolidated once they are controlled. Control is the power to direct the financial and operational policies of the entity in order to obtain the benefits of its activities.

An entity is no longer fully consolidated once the Group no longer exerts effective control over the entity.

Full consolidation consists of:

- integrating in the consolidating company's accounts the items in the accounts of the consolidated companies, after any restatements;
- eliminating transactions and accounts between the fully consolidated company and the other consolidated companies.
- distributing the shareholders equity and the income between the interests of the consolidating company and the interests of the other shareholders or associates known as "minority interests";

- **Joint ventures**

When an entity is controlled jointly, it is consolidated using the proportionate consolidation method. Its assets, liabilities, income and expenses are grouped, line by line, with the similar items in the consolidated financial statements of the consolidating entity. Joint control is the sharing of an economic activity under a contractual agreement.

- **Related companies**

Companies over which the Group exerts a significant influence are accounted for using the equity method.

When the consolidating entity holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it is otherwise demonstrated. Conversely, when the consolidating entity holds directly or indirectly less than 20% of the voting rights of the company, it is assumed not to exert a significant influence, unless it can be demonstrated that such influence exists.

The equity method consists of:

- replacing the book value of the shares held by the Group share of shareholders equity including the earnings for the year in accordance with consolidation rules;
- eliminating the transactions and accounts between the equity affiliates and the other consolidated companies.

2.3.2 Change in the scope of consolidation

In comparison with 31 December 2005 and taking into account the transactions presented above, the main changes in the scope of consolidation are as follows:

<u>Newly consolidated companies, acquisitions, formations</u>

France

Increase in the equity stake of Groupama SA in Groupama Banque following the purchase of 20% of the shares. The equity interest rose from 60% to 80% as at 31 December 2006.

Turkey

The companies Basak Sigorta and Basak Emeklilik were acquired in the first half of 2006 and were consolidated with effect from 30 June (the date of effective control). In addition, a holding company, Groupama Investment Bosphorus, was founded in Turkey. Its purpose is in future to hold the investments of the Group in Turkey.

Spain

The companies Azur Multirramos, SA. de Seguros y Reaseguros and Azur Vida, SA. de Seguros y Reaseguros acquired in the first half of 2006 were consolidated with effect from 1 January.

United Kingdom

Acquisition of the broker Carole Nash (see 1.1.2 Growth of the Group)

<u>Sales, deconsolidations</u>

France

The company SCEPAR, which no longer has any activity, has been deconsolidated.

United Kingdom

Sale of Minster Insurance Company Limited (see 1.1.3 Other developments)

<u>Mergers</u>

On 30 May 2006, the company CFP absorbed (with retroactive effect to 1 January) two of its subsidiaries SCIMA and SCIMA II by means of a simplified merger.

2.3.3 Consistency of accounting principles

The Groupama combined financial statements are presented consistently for the entity formed by the companies included within the scope of consolidation, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated financial statements (predominance of substance over form, matching of expenses to income, elimination of local tax accounting entries). The combined financial statements are prepared using the consolidation methods defined by the Group and comply with:

- International Financial Reporting Standards and interpretations applicable as at 31 December 2006, as approved by the European Union;
- the valuation methods specified hereinafter.

Restatements under the principles of consistency are made when they are material.

2.3.4 Translation of statements of foreign companies

Balance sheet items are translated to euros at the official exchange rate on the closing date, with the exception of shareholders equity, excluding income, which are translated at historic rates. The Group share of the resulting unrealised foreign exchange gains or losses is recorded under "Unrealised foreign exchange gains or losses" and the remaining share is included in "Minority interests".

Transactions on the income statements are converted at the average rate. The Group share of the difference between earnings converted at the average rate and earnings converted at the closing rate is recorded as "Unrealised foreign exchange gains or losses" and as "Minority interests" for the balance.

2.3.5 Transactions between companies consolidated by GROUPAMA SA

- **Eliminated transactions**

All intercompany transactions within the Group are eliminated.

When such transactions affect the combined results, 100% of the profits and losses and the gains and losses are offset, and then allocated between the interests of the consolidating company and the minority interests in the company that recorded the results. In the case of offsetting losses, the Group ensures that the value of the asset transferred is not permanently modified. The offsetting of the impacts of internal transactions on assets has the effect of reducing them to their entry value in the combined balance sheet (historic cost).

Thus, intercompany transactions on the following are eliminated accordingly:

- reciprocal receivables and payables as well as reciprocal income and expenses;
- notes receivable and notes payable are reciprocally offset but, when the receivable is discounted, the credit facility granted to the Group is substituted for the note payable;
- transactions affecting commitments received and given;
- reinsurance inwards, ceded and retroceded;
- co-insurance and co-reinsurance operations and pooled management;

- broker and intermediation transactions;
- contractual sharing of revenue of group policies;
- provision charges for impairment of equity interests in the books of the parent company and, if applicable, provision charges for risks and charges recognised because of losses suffered by wholly-owned companies;
- transactions on forward financial instruments;
- gains (losses) from the internal transfer of insurance investments;
- intercompany dividends.

Sale transactions of listed securities followed by the buyback of these same securities are considered to be external transactions.

2.4 Goodwill

First consolidation goodwill corresponds to the difference between the acquisition cost of the shares of consolidated companies and the Group's share of the shareholders equity adjusted on the acquisition date. When not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a special asset item as an intangible asset.

Goodwill is assigned to cash generating units (CGU) of the buyer which are expected to benefit from the combination. A CGU is defined as an identifiable group of assets producing cash flows independently of other assets or groups of assets. In practice, Groupama applied the entity approach.

Goodwill resulting from the acquisition of a foreign entity outside the euro zone is recorded in the local currency of the acquired entity and translated to euros at the closing rate.

For entities acquired during the year, the Group has a twelve month period from the acquisition date to attribute a definitive value to the assets and liabilities acquired. In the absence of any indication of impairment, the recoverable value of these entities in the year they are acquired is considered to be the price paid.

This goodwill is not amortised, but is subject to an impairment test at least once a year. The Group revises the book value of the goodwill if an unfavourable event occurs between two annual tests. An additional impairment is recognised when the recoverable value of the CGU to which the goodwill is assigned is less than its net book value. Recoverable value is defined as the higher of the two following values: fair value or value in use, which corresponds to an approach based on discounted future cash flows.

An impairment of goodwill recognised during a previous year may not be subsequently written back.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost of the company's shares, the identification and valuation of the assets, liabilities and contingent liabilities and the valuation of the cost of the combination is reassessed. If, after this revaluation, the share acquired remains greater than the acquisition cost, this excess is immediately recognised as income.

3. Accounting principles and valuation methods

3.1 Technical operations

3.1.1 Classification

There are two categories of insurance policies:

– insurance policies and financial contracts with discretionary profit-sharing, which are governed by IFRS 4;

– financial contracts without discretionary profit-sharing, which are governed by IAS 39.

- ***Insurance policies***

An insurance policy is a contract under which one party, the insurer, accepts a significant insurance risk from another party, the policyholder, agreeing to indemnify the policyholder if a specified uncertain future event, the insured event, negatively affects the policyholder. An insurance risk is a risk, apart from the financial risk, transferred from the policyholder to the issuer. This risk is significant when an insured event may require an insurer to pay significant additional benefits whatever the scenario, with the exception of scenarios that lack business significance.

The existing accounting practices for insurance policies are maintained, with the exception of the equalisation reserves (see notes 3.1.2.a and 3.1.2.b), provided that the reserves established meet the solvency tests stipulated by international standards (see 3.1.2.c).

- ***Financial contracts***

Contracts that do not meet the definition of an insurance policy as described above are classified as financial contracts. There are two categories of financial contracts: financial contracts with and without discretionary profit-sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or date of which is wholly or partially at the insurer's discretion, and the valuation of which is based either on the performance of a set of contracts or a specific contract, or on the profit or loss of the insurer, of a fund or any other entity that issued the contract, or on the realised and/or unrealised return on investments from a portfolio of specified assets held by the issuer.

The accounting methods for financial contracts with discretionary profit-sharing are identical to the methods for insurance policies described above. Financial contracts without discretionary profit-sharing are treated using the valuation procedures described in Note 3.1.3.

If a contract contains both a financial and an insurance component, the financial component is accounted for separately in accordance with IAS 39 if it can be separately valued and if all the obligations related to the financial component could not be considered part of an insurance policy, in application of the provisions of IFRS 4. In all other cases, the entire contract is treated as an insurance policy.

3.1.2 Insurance policies subject to IFRS 4

a. Non-life insurance policies

- ***Premiums***

Written premiums represent gross income premiums, excluding reinsurance issues tax, net of cancellations, of reductions and rebates, of the change in premiums still to be written and of the change in premiums to be cancelled.

Premiums written and adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

- ***Policy servicing expenses***

Non-life insurance policy servicing expenses essentially include the services and related expenses paid and the change in reserves for claims and other technical reserves.

The services and related expenses represent the claims settled net of claims collected for the year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment for services.

- ***Liabilities related to non-life insurance policies***

- ***Reserves for unearned premiums***

The technical reserves for unearned premiums represent the portion of premiums for the period between the balance sheet date and the next contract settlement date. They are calculated using the straight line method over the contract term.

- ***Reserves for unexpired risks***

The reserves for unexpired risks are intended to cover the portion of the cost of claims and the related management fees that exceeds the fraction of deferred premiums net of deferred acquisition costs.

- ***Reserves for outstanding claims***

The reserves for outstanding claims represent the estimate, net of recoveries, of the cost of all unpaid claims at the end of the year, both declared and undeclared. They include a charge for management fees that is determined on the basis of actual expense rates.

For construction risks, in addition to the reserves for outstanding claims (declared or not yet declared), separate reserves for claims that have not yet appeared are also funded for the ten-year civil liability coverage and the ten-year coverage against structural damage.

Reserves are assessed on the basis of the type of specific risks covered, particularly agricultural and climate risks, and the risks that are highly seasonal in nature.

- ***Other technical reserves***

– *Actuarial reserves for annuities*

  The actuarial reserves for annuities represent the present value of the Company's payables for annuities and annuity expenses.

– *Reserve for increasing risks*

  This reserve is set aside for periodic premium health and disability insurance policies, for which the risk grows with the age of the policyholders.

– *Equalisation reserve*

  No provision is recorded for future risks characterised by low frequency and high unit cost on policies not yet subscribed on the closing date.

- ***Deferred acquisition costs***

In non-life insurance, the acquisition costs for unearned premiums are deferred and recorded on the asset side of the balance sheet.

b. Life insurance policies and financial contracts with discretionary profit-sharing

- ***Premiums***

Premiums written represent the gross income premiums, excluding reinsurance premiums written tax, net of cancellations, of reductions and rebates, of change in premiums to be written and change in premiums to be cancelled.

- ***Policy servicing expenses***

The service expenses on life insurance policies and financial contracts with discretionary profit-sharing include:

– all claims once they have been paid to the beneficiary;

– technical interest and profit-sharing that may be included in those claims;

– all costs incurred by the insurance company for the management and payment of claims.

They also include the profit-sharing and the change in life insurance reserves and other technical reserves.

- ***Liabilities related to life insurance policies and financial contracts with discretionary profit-sharing***
- ***Actuarial reserves***

Actuarial reserves represent the difference between the present values of the commitments made by the insurer and the policyholder respectively, taking into account the probability that these commitments will be realised. Actuarial reserves are recognised as liabilities on the balance sheet at their gross technical value before zillmerisation effect.

- ***Profit-sharing reserve***

The profit-sharing reserve consists of a reserve for profit-sharing owed and potentially as a reserve for deferred profit-sharing. This reserve covers both life insurance policies and financial contracts, as well as discretionary and non-discretionary profit-sharing.

The reserve for profit-sharing owed includes the identifiable amounts resulting from regulatory obligations intended for the insurer or the beneficiaries of policies with profit sharing and rebates, to the extent that these amounts have not been credited to the policyholder's account or included in life technical reserves.

The reserve for deferred profit-sharing includes:

- the reserve for unconditional profit-sharing, which is recognised when a difference is recorded between the bases for calculating future rights in the statutory financial statements and the consolidated financial statements;
- the reserve for conditional profit-sharing, which relates to the difference in liabilities between the statutory financial statements and the consolidated financial statements, the payment of which depends on a management decision or the occurrence of an event.

In the specific case of adjustments to the capitalisation reserve in the consolidated financial statements, a reserve for deferred profit-sharing is determined when the asset/ liabilities management assumptions show a probable and sustained recovery in the balance of the capitalisation reserve. The Group has not accrued for profit-sharing commitments when adjusting the capitalisation reserve.

- ***Application of shadow accounting***

For profit sharing contracts, the Group has decided to apply shadow accounting, which is intended to allocate the value of insurance liabilities of deferred acquisition costs and intangible fixed assets related to insurance policies, the effect of unrealised gains and losses on financial assets valued at fair value. The resulting deferred profit-sharing is recorded as a reverse entry to the revaluation reserve or in the income statement, depending on whether these gains and losses have been recognised in this reserve or in the income statement.

Shadow accounting is applied on the basis of a profit-sharing rate that is estimated and applied to unrealised gains and losses. This rate is obtained by applying the regulatory and contractual conditions for calculating profit-sharing observed in recent years.

- ***Other technical reserves***

- *Reserve for financial contingencies*

  No reserve for financial contingencies is recorded when the actuarial reserves have been funded on the basis of discount rates at most equal to the forecast yield rates, prudently estimated, of the assets assigned to represent them.

- *Overall management reserve*

  The management reserve is constituted when the future margins determined for the purpose of calculating deferred acquisition costs for a homogeneous family of products are negative.

- *Equalisation reserve*

  No equalisation reserve is recognised. So-called equalisation reserves intended to cover claims fluctuations are maintained when they are the result of contractual obligations and revert to the policyholder.

- ***Deferred acquisition costs***

The variable costs that can be directly allocated to the acquisition of life insurance policies are recorded in consolidated assets. These amounts may not under any circumstances be greater than the present value of future profits from the policies.

These costs are amortised over the average life of the policies based on the rate of emergence of future margins for each generation of policies; future margins are determined using economic assumptions (profit-sharing rate, future rate of return on assets and drop rate). Since these acquisition costs are capitalised, the actuarial reserves appearing on the balance sheet are presented as non-zillmerised.

Every year the probable present value of future margins by homogeneous product family is compared to the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, an extraordinary amortisation is recognised in the income statement.

The Group has applied the standard governing shadow accounting for deferred acquisition costs.

c. Liabilities adequacy test

An adequacy test is performed at each accounting closure for liabilities intended to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance policies. Future cash flows resulting from policies take into account their related cover and options. If necessary, and for the purposes of this test, the insurance liabilities are reduced by the deferred acquisition costs and the portfolio values recorded at the time of business combinations or transfers of the related policies.

If there is an insufficiency, the potential losses are recognised in full as a contra entry under income.

d. Unit-linked policies

The technical reserves for unit-linked policies are valued at the market value of the unit-linked contract at the inventory date.

3.1.3. Insurance policies governed by IAS 39

Liabilities relating to significant financial contracts without discretionary profit-sharing must be recognised on the basis of the principle of deposit accounting. Thus the premiums collected and the benefits are recorded on the balance sheet. Management charges and expenses for the contracts are recorded in income. Unearned revenue are deferred over the estimated life of the contract.

The additional costs directly related to management of the investments of a contract governed by IAS 39 are recorded as assets if they can be identified separately and reliably valued, and if it is probable that they will be recovered. This asset, which corresponds to the contractual right acquired by the Group to the profits resulting from the management of the investments, is amortised over the period of management and is symmetrical with recognition of the corresponding profit.

3.1.4 Reinsurance transactions

Reinsurance treaties that include no significant insurance risk are recorded directly on the balance sheet and are included in financial assets and liabilities.

- ***Reinsurance assumed***

Inwards reinsurance is recorded treaty by treaty without difference on the basis of an assessment of the business accepted. These transactions are classified using the same rules as described for insurance policies or financial contracts in Note 3.1.1 Classification. In the absence of sufficient information from the reinsurer, estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the reinsurer and retrocessionnaires.

Securities given as collateral are recorded in the statement of commitments given and received.

- ***Reinsurance ceded***

Reinsurance cessions are recognised in accordance with the terms of the different treaties. A liabilities deposit is recorded for the amount of the corresponding asset received from outwards reinsurers and retrocessionnaires.

Securities from reinsurers (outwards reinsurers and retrocessionnaires) remitted as collateral are recorded in the statement of commitments given and received.

3.1.5 Embedded derivatives

Embedded derivatives are components of compound financial instruments that meet the definition of a derivative product.

They are separate from the host contract and recorded as derivatives when the following three conditions are met:

– the economic features and the risks of the embedded derivative are not closely linked to the economic features and risks of the host contract;

– a separate instrument containing the same conditions as the embedded derivative meets the definition of a derivative;

– the hybrid instrument is not valued at fair value with recognition of the changes in the fair value through the income statement.

When one of these conditions is not met, there is no separation.

3.2 Insurance sector investments

The valuation of the investments, and any depreciation, is established in accordance with IFRS based on the classification of the investments.

3.2.1. Financial assets

Equities, bonds, loans and receivables, derivatives and bank accounts are considered as financial assets.

- ***Classification***

Financial assets are classified in one of the following four categories:

– Assets held for transaction purposes are investments which are held to earn short-term profits. If there have been short-term sales in the past, such assets are also classified in this category. Subject to meeting certain criteria, this category also includes financial assets designated as options;

– Assets held to maturity include fixed-term investments that the company expressly intends, and is able, to retain until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above;

– The category of loans and receivables includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market;

– Assets available for sale include by default all other fixed-term financial investments, equities, loans and receivables that are not included in the other categories.

- ***Initial recognition***

The Group books its financial assets when it becomes a party to the contractual provisions of these assets.

Purchases and sales of financial investments are recorded on the transaction date.

Financial assets are initially recorded at fair value plus; in the case of an asset that is not at fair value in the income statement, the transaction costs directly chargeable to the acquisition. However, the transaction costs are not included in the acquisition cost of the financial assets when they are not significant.

Repurchase transactions are maintained as assets on the balance sheet.

- ***Determination of fair value***

The fair value of the financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.

For assets available for sale and assets held for transactions, the fair value is the listed value on the last listing date of the period or the value estimated using reliable valuation techniques. If the fair value cannot be reliably determined, the investment is recorded at historic cost minus long-term impairment reserves, if any.

For loans and receivables, the fair value is the amortised cost.

- ***Valuation rules***

The valuation rules and any impairment depend on the classification of the financial instrument in one of the four categories given above.

Assets held for transactions are recorded at fair value in the income statement at the price as at the balance sheet date.

Financial assets held to maturity, unlisted equities for which the fair value cannot be measured reliably, and loans and receivables are recorded at amortised cost or historic cost. The amortised cost is the amount at which the asset was valued at the time of initial recognition, minus repayments of principal, plus or minus the cumulative amortisation of the differences between the initial amount and the amount at maturity (based on the effective interest rate) and corrected for any provisions for impairment.

The differences between the redemption value and the acquisition price are distributed actuarially as expenses (adjustment) or as income (discount) over the residual life of the securities. When several redemption dates are provided, the residual life is determined on the basis of the final redemption date.

For inflation-indexed bonds, the indexing to the general level of prices recorded during the period since the acquisition date or since the end of the previous period is recorded as income or expense for the period, with the balance sheet contra entry in a sub-account attached to the principal account of the bond.

Assets available for sale are valued at fair value and the unrealised gains or losses are recorded in a separate item under shareholders equity.

Investments representing unit-linked policies are valued at fair value.

- ***Provisions for impairment***

At each closing date, the Group looks for the existence of objective indications of impairment in its investments. Impairment is assumed in the following cases:

- if there was a provision for impairment for an investment type in the previous published financial statements;
- the financial investment has shown a significant loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of sustained impairment;
- if a large loss in value is observed on the balance sheet date.

The criteria for impairment are based on the volatility of the financial markets on the balance sheet date. In addition, certain securities may be reviewed in relation to a potential need for a specific provision.

For investments valued at amortised cost, the impairment amount is equal to the difference between the net book value of the assets and the discounted value of the future cash flows expected, determined on the basis of the original effective interest rate of the financial instrument, and corrected for any provisions. The amount of the loss is included in the net profit or loss for the year. The provision may be written back to income.

For investments classified as assets available for sale, the amount of the loss is equal to the difference between the acquisition cost and the fair value for the year, minus any loss of value on this asset previously recognised in net profit or loss. When impairment occurs, the loss of value recorded under shareholders equity is transferred to income or loss.

In the case of debt instruments, only the counterparty risk may be accrued. Moreover, when the fair value of an asset subsequently improves, a write-back is made to income in the amount of the provisions recognised. In the case of shareholders equity instruments, there is no write-back of provisions through income. The impairment recorded on a shareholders equity instrument will be reversed to income when the asset in question is sold.

- ***Capitalisation reserve***

The capitalisation reserve is eliminated in the combined financial statements. It is taxed as described in Note 3.12.

- ***De-recognition***

Financial assets are eliminated when the contract rights expire or the Group sells the financial assets. The gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of the securities carried by the mutual funds. The method used for the mutual funds is the weighted average cost method.

The gains or losses from sales are recorded on the income statement on the transaction date and represent the difference between the sale price and the net book value of the asset.

3.2.2 Real estate investments

The Group has chosen to record real estate investments using the amortised cost method. They are valued using the component approach.

- ***Initial recognition***

Lands and buildings are recorded on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly tied to the transaction.

When a real estate asset includes a portion held to produce rental income and another part used for production or administrative purposes, the asset is treated as a real estate investment only if the latter is not significant.

At the time of the initial accounting, the real estate is subdivided by components and recorded separately.

The depreciation periods for the components held by the Group depend on the nature of the property under consideration and are as follows:

– Building structure (depreciation period between 30 and 120 years),
– closed – covered (depreciation period between 30 and 35 years),
– heavy equipment (depreciation period between 20 and 25 years),
– secondary equipment, fixtures and fittings (depreciation period between 10 and 15 years),
– maintenance (depreciation period : 5 years).

- ***Valuation***

The amortised cost of the real estate is the amount at which the real estate has been recorded at the time of initial recognition, minus cumulative depreciation and corrected for any provisions for impairment. Each component is identified by its duration and depreciation rate: the depreciation period for all the components is between 15 and 120 years.

The residual value of the shell component cannot be measured with sufficient reliability, particularly given the uncertainties about the holding horizon; thus this component is amortised on the basis of the acquisition cost.

Rent payments are recorded using the straight line method over the term of the lease agreement.

The realisable value of real estate investments is determined on the basis of the five-year independent appraisal conducted by an expert approved by the *Autorité de Contrôle des Assurances et des Mutuelles*. During each five-year period, the real estate investment is subject to an annual appraisal certified by the expert.

As the maintenance component is not considered significant, provisions for major repairs (PMR) are eliminated.

- ***Subsequent expenses***

Subsequent expenses must be added to the book value of the real estate:

– if it is probable that these expenses will allow the asset to generate economic benefits;
– and these expenses can be reliability valued.

- ***Provisions for impairment***

On each balance sheet date, the Group determines whether there are indications of a potential loss of value on the properties recognised at amortised cost. If this is the case, the realisable value of the real estate is calculated as being the higher of two values: the sale price net of sale costs and the value in use. If the realisable value is less than the net book value, the Group recognises a loss of value in the income statement in the amount of the difference between the two values, and the net book value is adjusted to reflect only the realisable value.

When the value of the real estate increases at a later time, the provision for impairment is written back to income.

- ***De-recognition***

Gains or losses from the sale of real estate investments are recorded in the income statement on the transaction date and represent the difference between the net sale price and the net book value of the asset.

3.3 Derivatives

3.3.1 General information

A derivative is a financial instrument with the following three features:

- its value fluctuates on the basis of the change in a specific variable known as the ''underlying asset'';
- it requires a net zero or low initial investment compared with other instruments that react in the same way to market changes;
- it is unwound at a future date.

All derivatives are recorded on the balance sheet at cost and are subsequently valued at fair value. The changes in fair value are recorded as income or loss.

3.3.2 Hedging derivatives

The use of hedge accounting is subject to obligations for documentation and periodic demonstration of the efficacy of the hedge.

Hedging derivatives are recorded at fair value with changes on the income statement, except for hedges of cash flows considered as effective, for which the changes in fair value are deferred as shareholders equity until the cash flows hedged are recognised in the income statement.

For a value hedge of a security available for sale, the changes in fair value of the hedged item are recorded as income or loss so that they exactly offset the changes in the hedging derivative.

The ineffective portion of hedges is recorded in the income statement.

3.3.3 Embedded derivatives

The three conditions that require separate accounting between the host contract and the derivative instrument are listed in Note 3.1.5.

3.4 Intangible fixed assets

An intangible fixed asset is an identifiable asset, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

Intangible fixed assets consist primarily of purchased and developed software, portfolio values, the brand name, the value of customer relationships, and the value of networks recognised in business combinations.

Intangible fixed assets with a finite life are amortised. When their values are based on future income from contracts, their depreciation is applied at the same rate as that income is received. In other cases, the straight line method is usually applied over the asset's life.

If the life cannot be determined, intangible fixed assets are not amortised but are instead regularly tested for impairment.

Start-up costs are expensed rather than capitalised.

3.5 Tangible fixed assets

The Group has chosen to value owner-occupied premises using the amortised cost method. These properties are presented on a line separate from real estate investments as assets. The accounting and valuation method is identical to the method described for real estate investments.

Tangible fixed assets other than owner-occupied premises are initially recognised at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for installation and payment discounts.

The depreciation methods reflect the method of economic consumption.

An impairment test is conducted once there is an indication of a loss of value. The loss of value is reversible and corresponds to the surplus between the book value over the realisable value, which is the higher of net fair value of withdrawal costs and the useful value.

3.6 Investments in related companies

Investments in related companies are consolidated using the equity method. At the time of acquisition, the investment is recognised at the acquisition cost and its net book value is subsequently raised or reduced to take into account the Group share of profits or losses.

3.7 Operating receivables and payables, other assets and other liabilities

Operating receivables and other assets are recognised at face value, taking into account any potential transaction costs.

Operating payables and other liabilities are recorded at the fair value of the consideration received in exchange at the origin of the contract, net of transaction costs.

In the absence of a specific IFRIC interpretation, commitments to purchase minority interests are recorded in other liabilities and offset against minority interests and recognised in goodwill. Moreover, the minority interests on the consolidation of the mutual funds are included in other liabilities.

3.8 Cash and cash equivalents

Cash and cash equivalents primarily represent the balances in the bank accounts of Group entities.

3.9 Shareholders equity

- ***Revaluation reserves***

The revaluation reserve includes the differences resulting from the revaluation at fair value of balance sheet items, particularly:

- the effects of the revaluation of derivative instruments assigned to hedge cash flows and net investments in currencies pursuant to the provisions of IAS 39. These are unrealised gains and losses;
- the effects of the revaluation of financial assets available for sale in accordance with the provisions of IAS 39. These are unrealised gains and losses;
- the cumulative impact of the gain or loss from shadow accounting.
- the cumulative impact of the deferred tax gain or loss generated by the transactions described above;

- ***Other reserves***

Other reserves consist of the following elements:

- Retained earnings;
- Group consolidation reserves;
- Other regulated reserves;
- The impact of changes in accounting principles.

- ***Unrealised foreign exchange gains and losses***

Unrealised foreign exchange gains or losses result from the consolidation process because of the conversion of the statutory financial statements of foreign subsidiaries prepared in a currency other than the euro.

- ***Minority interests***

Minority interests represent the share in the net assets and net earnings of a fully consolidated Group company. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries (concerning the purchase of minority interests and minority interests on consolidated mutual funds, refer to Note 3.7).

3.10 Provisions for Risks and Charges

Provisions for risks and charges are liabilities for which the due date or the amount is uncertain. A provision must be recognised if the following three conditions are met:

– the company has a current legal or implicit obligation that is the result of a past event;

– it is probable that a disbursement of resources representing economic benefits will be necessary to discharge the obligation;

– it is possible to obtain a reliable estimate of the amount of the provision.

When the impact of the time value of the money is substantial, the amount of the provisions is discounted to the present value of the expected expenditures which the company believes necessary to discharge the obligation.

- ***Employee benefits***
- ***Pension commitments***

The companies of the Group have different pension schemes. The schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations. The Group has defined benefit schemes and defined contribution schemes. A defined contribution scheme is a pension plan under which the Group pays fixed contributions to an independent entity. In this case, the Group is not bound by any legal or implied obligation forcing it to contribute additional amounts to the scheme in the event the assets are not sufficient to pay all employees the benefits owed for the services rendered during the current and previous years. Pension schemes that are not defined contribution schemes are defined benefit schemes. This is the case, for example, for a scheme that defines the amount of the pension benefit that will be collected by an employee at retirement, which is generally a function of one or more factors, such as age, seniority and salary.

The liabilities recorded in the balance sheet for defined benefit pensions and similar schemes correspond to the discounted value of the obligation linked to the defined benefit schemes at closing, after deducting scheme assets and the adjustment for past service costs not recognised.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recorded directly in shareholders equity.

The costs of past services are immediately recognised in income, unless the changes in the pension scheme are subject to employees working over a defined period (the vesting period). In this case, the costs of past services are amortised using the straight line method over this vesting period.

For defined contribution schemes, the Group pays contributions to pension insurance schemes and is not liable for any other payment commitment. The contributions are recorded as expenses related to employee benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 Financing debt

Financing debt includes subordinated liabilities, financing debt represented by securities, and financing debt to banking institutions.

- ***Initial recognition***

Financing debts are recognised when the Group becomes a party to the contractual provisions for such debts. The amount of the financing debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of such debts.

- ***Valuation rules***

Financing debt is subsequently valued at amortised cost using the effective interest rate method.

- ***De-recognition***

Financing debts are eliminated when the obligation specified in the contract is discharged, cancelled or expires.

3.12 Taxes

Corporate income taxes include all current and deferred taxes. When a tax are payable or receivable and payment is not subject to the execution of future transactions, such tax is classified as current, even if the payment is spread over several years. It appears as an asset or liability on the balance sheet as applicable.

The transactions performed by the Group may have positive or negative tax consequences other than those used to calculate current tax, which leads to deferred tax assets or liabilities.

This is particularly the case when, because of completed transactions that are treated in both statutory financial statements and only in the consolidated financial statements as restatements and eliminations of intercompany profits or losses, differences will appear in the future between the tax income and the accounting income of the company, or between the tax value and the book value of an asset or liability, for example when transactions performed during a year are taxable only in the following year. These differences are classified as timing differences. In addition, the capitalisation reserve is included in the base for calculating deferred taxes.

All deferred tax liabilities must be recognised; however, deferred tax assets are only recognised if it is likely that taxable income (against which these deductible timing differences can be charged) will be available.

3.13 Segment information

A segment is a distinct component of a company that is engaged either in supplying a product or service (a life/ non-life/banking segment) or in supplying products or services in a specific economic environment (France/foreign geographic segment), and is exposed to risks and profitability that are different from the risks and profitability of the other segments.

Beginning in 2006, segment information is also included in the income statement under the heading "Health and life insurance/property and third party liability insurance/banking/holding company".

A segment is defined as such once most of the income from sales to external clients and once the income, results or assets represents at least 10% of all segments. Segment information is presented at two levels. The first level is organised by geographic segment. The second level is based on the business segment.

3.14 Costs by function

Management fees and commissions related to insurance business are classified on the basis of their function by applying distribution keys defined as a function of the structure and organisation of each of the insurance entities.

Expenses are classified in the following six categories:

– acquisition costs,
– administrative costs,
– claims settlement costs,
– investment expenses,
– other technical expenses,
– non-technical expenses.

4. NOTES TO THE FINANCIAL STATEMENTS

Note 1 Segment Information

Note 1.1 Segment Information by Geographic Area

Note 1.1.1 Segment Information by Geographic Area – Balance Sheet

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Intangible assets	1,132	595	1,727	1,095	265	1,360
Insurance activities investments	66,535	5,627	72,162	63,261	5,623	68,884
Assets used in the banking sector and investments of other activities	2,410			2,410	2,193	2,193
Investments in related companies	1	24	25	1	30	31
Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	1,047	366	1,412	1,179	500	1,679
Other assets	4,564	1,700	6,264	4,045	1,399	5,444
Assets available for sale and discontinued activities						
Cash and cash equivalents	619	376	996	483	214	697
Total consolidated assets	**76,310**	**8,687**	**84,998**	**72,257**	**8,031**	**80,288**
Provisions for risks and charges	631	97	728	601	92	693
Financing debt	2,126			2,126	1,978	1,978
Operating liabilities related to insurance policies:	37,039	5,102	42,141	33,186	5,014	38,200
Operating liabilities related to financial contracts	19,089	698	19,787	20,156	712	20,868
Deferred profit sharing liability	4,066	15	4,081	4,334	51	4,385
Funds from banking sector operations	2,189			2,189	1,824	1,824
Other liabilities	5,750	454	6,204	5,266	403	5,669
Liabilities for available for sale or discontinued activities						
Total consolidated liabilities	**70,889**	**6,366**	**77,255**	**67,345**	**6,272**	**73,617**

Note 1.1.2 Sector I by Geographic Area – Income Statement

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Earned premiums	11,601	2,243	13,843	11,171	1,900	13,071
Net banking income, net of cost of risk	169		169	137		137
Investment income	2,674	245	2,919	2,545	215	2,760
Investment expenses	(401)	(50)	(451)	(392)	(46)	(438)
Capital gains (losses) from sales of investments net of impairment reversals and amortisations	890	58	948	1,033	63	1,096
Change in fair value of financial instruments recorded at fair value through income	456	1	457	340	25	365
Change in impairment on investments	2	(1)	2	(5)	(10)	(15)
Total income from ordinary operations	**15,391**	**2,496**	**17,887**	**14,829**	**2,147**	**16,976**
Insurance policy servicing expenses	(11,106)	(1,727)	(12,833)	(11,052)	(1,516)	(12,568)
Income on reinsurance ceded	132	110	242	242	33	275
Expenses on reinsurance ceded	(508)	(133)	(640)	(480)	(68)	(549)
Banking expenses	(156)			(156)	(140)	(140)
Policy acquisition costs	(1,513)	(405)	(1,918)	(1,473)	(328)	(1,801)
Administrative costs	(485)	(137)	(622)	(538)	(115)	(653)
Other income and expenses from current operations	(552)	(53)	(605)	(474)	(22)	(496)
CURRENT OPERATING PROFIT	**1,202**	**152**	**1,355**	**914**	**130**	**1,044**
Other operating income and expenses	(76)	(27)	(103)	(34)	(1)	(35)
OPERATING PROFIT	**1,126**	**126**	**1,252**	**880**	**129**	**1,009**
Financing expenses	(115)		(115)	(93)		(93)
Share in income of related companies	1		1	1	1	2
Corporate income tax	(340)	(14)	(354)	(306)	(33)	(339)
Net profit of consolidated entity	**672**	**112**	**784**	**482**	**97**	**579**
Minority interests	37	(6)	30	34	1	35
Net profit (Group share)	**635**	**118**	**753**	**448**	**96**	**544**

Note 1.2 Segment Information by Business Sector

Note 1.2.1 Segment Information by Business Sector – Balance Sheet

	31.12.2006					31.12.2005				
	Life	**Non-life**	**Banking**	**Intersector eliminations**	**Total**	**Life**	**Non-life**	**Banking**	**Intersector eliminations**	**Total**
					(€m)					
Goodwill	740	649	21		1,411	693	445	20		1,158
Other intangible assets	146	163	8		317	46	143		15	202
Insurance activities investments	54,176	20,227		(2,241)	72,162	50,966	19,915		(1,997)	68,884
Assets used in the banking sector and investments of other activities			2,720	(310)	2,410			2,215	(22)	2,193
Investments in related companies		25			25		31			31
Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	271	4,082		(2,941)	1,412	255	4,353		(2,930)	1,679
Other assets	3,220	4,032	184	(1,172)	6,264	2,689	3,611	157	(1,012)	5,444
Assets available for sale and discontinued activities										
Cash and cash equivalents	167	829	15	(16)	996	146	551			697
Total consolidated assets	**58,720**	**30,006**	**2,949**	**(6,680)**	**84,998**	**54,795**	**29,049**	**2,407**	**(5,960)**	**80,288**
Provisions for risks and charges	228	491	7		728	198	486	9		693
Financing debt	102	2,220	27	(224)	2,126	103	2,072	27	(224)	1,978
Operating liabilities related to insurance policies:	28,559	16,522		(2,941)	42,141	24,374	16,756		(2,930)	38,200
Operating liabilities related to financial contracts	19,787				19,787	20,868				20,868
Deferred profit-sharing liabilities	4,081				4,081	4,385				4,385
Funds from banking sector operations			2,514	(325)	2,189			1,846	(22)	1,824
Other liabilities	2,407	6,852	136	(3,190)	6,204	2,357	5,819	277	(2,783)	5,669
Liabilities for available for sale or discontinued activities										
Total consolidated liabilities	**55,163**	**26,085**	**2,686**	**(6,680)**	**77,255**	**52,285**	**25,133**	**2,159**	**(5,960)**	**73,617**

The balance sheet items of the holding company are included in the non-life segment of the segment information.

Note 1.2.2 Segment information by business sector – life/non-life – income statement

	31.12.2006				31.12.2005			
	Life	**Non-life**	**Banking**	**Total**	**Life**	**Non-life**	**Banking**	**Total**
				(€m)				
Earned premiums	4,470	9,374		13,843	4,153	8,918		13,071
Net banking income, net of cost of risk			169	169			137	137
Investment income	1,859	1,061		2,920	1,728	1,032		2,760
Investment expenses	(137)	(314)		(451)	(111)	(327)		(438)
Capital gains (losses) from sales of investments net of impairment reversals and amortisations	541	408		949	662	434		1,096
Change in fair value of financial instruments recognised at fair value through income	413	44		457	368	(4)		365
Change in impairment on investments	3	(3)			(10)	(6)		(15)
Income from ordinary activities	**7,149**	**10,570**	**169**	**17,888**	**6,791**	**10,048**	**137**	**16,976**
Insurance policy servicing expenses	(6,396)	(6,437)		(12,833)	(6,032)	(6,536)		(12,568)
Income on reinsurance ceded	30	212		242	23	252		275
Expenses on reinsurance ceded	(32)	(608)		(640)	(28)	(521)		(549)
Banking expenses			(156)	(156)			(140)	(140)
Policy acquisition costs	(252)	(1,666)		(1,918)	(224)	(1,577)		(1,802)
Administrative costs	(139)	(483)		(622)	(116)	(537)		(653)
Other income and expenses from current operations	(149)	(461)	5	(605)	(177)	(324)	5	(496)
Current operating profit	**211**	**1,127**	**17**	**1,355**	**237**	**805**	**3**	**1,044**
Other operating income and expenses		(103)	1	(103)	0	(35)		(36)
Operating profit	**211**	**1,024**	**18**	**1,252**	**237**	**770**	**3**	**1,009**
Financing expenses	(23)	(92)		(115)	(17)	(76)		(92)
Share in income of related		1		1		2		2
Corporate income tax	(57)	(278)	(19)	(354)	(77)	(248)	(14)	(339)
Net profit of consolidated entity	**131**	**655**	**(1)**	**784**	**143**	**448**	**(11)**	**579**
Minority interests	4	26		30	4	31		34
Net profit (Group share)	**127**	**629**	**(1)**	**754**	**139**	**417**	**(11)**	**544**

The income and expenses of the holding company's activities are included in the non-life segment of the segment information.

Note 1.2.3 Segment information by business sector – life and health insurance/property damage and third party liability/banking/holding company – income statement

	31.12.2006					31.12.2005				
	Life and health insurance	**Property damage and liability**	**Banking**	**Holding**	**Total**	**Life and health insurance**	**Property damage and liability**	**Banking**	**Holding**	**Total**
					(€m)					
Earned premiums	6,962	6,881			13,843	6,446	6,625			13,071
Net banking income, net of cost of risk			169		169			137		137
Investment income	2,172	716		31	2,919	2,021	716		24	2,761
Investment expenses	(201)	(196)		(54)	(451)	(184)	(211)		(45)	(440)
Capital gains (losses) from sales of investments, net of impairment reversals and amortisations	636	304		7	947	769	321		6	1,096
Change in fair value of financial instruments recorded at fair value through income	421	25		12	458	366	3		(3)	366
Change in impairment on investments	4			(2)	2	(12)	(3)			(15)
Total income from ordinary operations	**9,994**	**7,730**	**169**	**(6)**	**17,887**	**9,406**	**7,451**	**137**	**(18)**	**16,976**
Insurance policy servicing expenses	(8,352)	(4,481)			(12,833)	(7,915)	(4,653)			(12,568)
Income on reinsurance ceded	82	160			242	85	190			275
Expenses on reinsurance ceded	(77)	(564)			(641)	(58)	(490)			(548)
Banking expenses			(156)		(156)			(140)		(140)
Policy acquisition costs	(680)	(1,238)			(1,918)	(638)	(1,163)			(1,801)
Administrative costs	(223)	(399)			(622)	(226)	(420)		(7)	(653)
Other income and expenses from current operations	(171)	(364)	4	(74)	(605)	(124)	(320)	6	(57)	(495)
CURRENT OPERATING PROFIT	**573**	**844**	**17**	**(80)**	**1,354**	**530**	**595**	**3**	**(82)**	**1,046**
Other operating income and expenses	(34)	(41)	1	(29)	(103)	(19)	(23)		7	(35)
OPERATING PROFIT	**539**	**803**	**18**	**(109)**	**1,251**	**511**	**572**	**3**	**(75)**	**1,011**
Financing expenses	(33)	(24)		(58)	(115)	(26)	(22)		(45)	(93)
Share in income of related companies		1			1		1			1
Corporate income tax	(173)	(231)	(19)	69	(354)	(168)	(164)	(14)	7	(340)
Net profit of consolidated entity	**333**	**549**	**(1)**	**(98)**	**783**	**317**	**387**	**(11)**	**(113)**	**579**
Minority interests	10	20			30	9	26			35
Net profit (Group share)	**323**	**529**	**(1)**	**(98)**	**753**	**308**	**361**	**(11)**	**(113)**	**544**

NOTES ON THE COMBINED BALANCE SHEET

NOTE 2

GOODWILL

	31.12.2006					31.12.2005
	Gross values	**Cumulative amortisation as at 01.01.2004**	**Impact of implementation of IFRS**	**Impairment**	**Net values**	**Net values**
			(€m)			
Balance brought forward	**2,163**	**(560)**	**(446)**		**1,157**	**1,152**
Changes during the year	**48**			**(15)**	**33**	**6**
Newly consolidated entities:	**224**			**(3)**	**221**	
Turkey	114				114	
Spain	3			(3)		
United Kingdom	107				107	
Deconsolidated						
Balance carried forward	**2,435**	**(560)**	**(446)**	**(18)**	**1,411**	**1,158**

The column ''Amortisation'' reflects the straight line charges based on French accounting principles (Regulation CRC No. 2000-05) applied until 31 December 2003. Beginning on 1 January 2004, in accordance with IFRS, an intangible asset with an indeterminate life is subject to impairment tests rather than amortised on a straight line basis. Goodwill is included in assets with an indeterminate life and is therefore not amortised.

The application of IFRS for the balance sheet as at 1 January 2004 resulted in impairment of €446 million in the goodwill recorded in the consolidated French financial statements. This impairment, net of amortisations of negative goodwill was recorded in shareholders equity in the opening balance sheet as a change in accounting methods that occurred during the year. It reflects the change in balances due to the tests introduced, which resulted in the IFRS net assets including income previously considered as unrealised for accounting purposes based on the former standards (e.g. Group share of unrealised profits, equalisation reserves, and tax receivables). The coordination of future cash flows with margin factors already included in the IFRS net assets resulted in the automatic impairment of a portion of the intangible assets recorded on the balance sheet in accordance with the former accounting principles.

Changes during the year

United Kingdom: The changes for the year relate to Clinicare, which was acquired by Groupama Insurances Company Limited at the end of 2005.

In accordance with IFRS, the Group has the option of adjusting the fair values of assets and liabilities acquired in the 12 months following the transaction. The initial goodwill was therefore reviewed. The residual goodwill on this transaction stood at zero as at 31 December 2006.

Groupama Transport: The purchase agreement for this entity dated 19 June 2000 provides for an addition to the purchase price depending on the company's future results. It was possible to determine this additional price at the end of 2006, resulting in an addition to goodwill of €19.5 million. A final adjustment depending on the liquidation of the portfolio was considered. A deferred additional price, including an estimation of this adjustment, has been included in the accounts.

Groupama S.A. Due to the purchase of minority interests that occurred during the year, an additional amount of €11 million was recorded in goodwill.

Groupama Banque: Groupama S.A. purchased 20% of Groupama Banque's shares during the year. This purchase resulted in goodwill of €19 million, which was written down to a book value of €8 million.

Acquisitions for the year

Turkey: Two companies were acquired during 2006 for a total price of €211 million. These acquisitions concerned:

– Basak Emeklilik, a life company

– Basak Sigorta, a non-life company.

After revaluation of the assets and liabilities at fair value, the premium on consolidation was applied to various items in intangible assets, and the remaining balance was included in goodwill.

(exchange rates as at 31 December 2006)	Basak Emeklilik	Basak Sigorta	Groupama Investment Bosphorus	Total book value
		€m		
Value of the distribution network and customer relationships	50			50
Value of the Life portfolio	41			41
'Basak Groupama' brand name	21			21
Total 'Other Intangible Assets'	**91**		**21**	**112**
Goodwill[(1)]	**47**	**66**		**113**

(1) The goodwill amounts cited above represent Groupama's share of Basak Emeklilik and Basak Sigorta of 79% and 56.67% respectively.

In non-life insurance, the portfolio value is not material due to the level of the acquired portfolio's combined ratio.

United Kingdom: Acquisition of the broker Carole Nash on 15 December 2006 resulted in initial consolidated goodwill of €107 million. In accordance with IFRS 3, the Group has a period of 12 months to allocate the acquisition price to identifiable assets and liabilities.

Spain: Groupama Seguros acquired the companies Azur Multiramos and Azur Vida in 2006 for a total amount of €61 million. This transaction generated goodwill of €3 million which was recorded in expenses because it was not material in amount.

Note 2.1 Goodwill by company

	31.12.2006					31.12.2005
	Gross values	**Cumulative amortisation as at 01.01.2004**	**Impact of implementation of IFRS**	**Impairment**	**Net values**	**Net values**
			(€m)			
Total international	**539**	**(52)**	**(6)**	**(7)**	**474**	**259**
Italy	103	(29)			74	75
Spain	239	(16)	(42)	(3)	178	178
United Kingdom	60	14	37	(4)	107	6
Turkey	133	(19)			114	
Other foreign entities	4	(2)	(1)		1	
Total France and foreign	**1,895**	**(507)**	**(440)**	**(11)**	**937**	**899**
Gan Assurances Vie	319	(87)			231	232
Gan Assurances IARD	424	(118)	(110)		196	191
Gan Eurocourtage Vie	98	(27)			71	71
Gan Eurocourtage IARD	295	(55)	(72)		168	168
Gan Prévoyance	127	(35)			92	92
Gan Patrimoine and its subsidiaries	205	(56)	(74)		75	75
Investment, real estate and other insurance companies	427	(129)	(184)	(11)	104	70
Balance carried forward carried forward	**2,434**	**(559)**	**(446)**	**(18)**	**1,411**	**1,158**

NOTE 3
OTHER INTANGIBLE ASSETS

	31.12.2006			31.12.2005		
	Intangible assets related to insurance activities	**Other intangible assets**	**Total**	**Intangible assets related to insurance activities**	**Other intangible assets**	**Total**
			(€m)			
Gross values brought forward	**25**	**751**	**776**	**28**	**653**	**681**
Increase	5	106	111	2	151	153
Decrease	(1)	(46)	(47)	(5)	(53)	(58)
Change in scope of consolidation	124	2	126			
Gross values carried forward	**153**	**813**	**966**	**25**	**751**	**776**
Cumulative amortisation brought forward	**(14)**	**(551)**	**(565)**	**(19)**	**(445)**	**(464)**
Increase	(14)	(110)	(124)		(112)	(112)
Decrease		47	47	5	6	11
Change in scope of consolidation						
Cumulative amortisation carried forward	**(28)**	**(614)**	**(642)**	**(14)**	**(551)**	**(565)**
Cumulative long-term impairment brought forward	**(3)**	**(6)**	**(9)**	**(2)**	**(3)**	**(5)**
Long-term impairment recognised		(1)	(1)	(1)	(5)	(6)
Long-term impairment amortisations	3	2	5		2	2
Change in scope of consolidation		(1)	(1)			
Cumulative long-term impairment carried forward	**0**	**(6)**	**(6)**	**(3)**	**(6)**	**(9)**
Net values brought forward	**8**	**194**	**202**	**7**	**205**	**212**
Net values carried forward	**125**	**193**	**318**	**8**	**194**	**202**

Intangible assets related to insurance activities primarily correspond to portfolio assets, the distribution networks, and customer relationships and brands. The increase in this item during 2006 is largely related (see Note 2 – Goodwill) to the acquisition of the company Basak Emeklilik in Turkey. These items will be amortised in proportion to the growth in margins on policies underlying these portfolio assets, distribution networks, and customer relationships. The amortised amount during 2006 was €11 million.

In addition, the "BASAK GROUPAMA" brand was valued at year-end 2006 at €21 million (see Note 2).

Other intangible assets primarily include expenses for IT software acquired or created within the Group's various insurance companies.

Note 3.1 Other Intangible assets – by geographic Area

	31.12.2006						31.12.2005	
	Intangible assets related to insurance activities		Other intangible assets		Total		Total	
	France	Foreign	France	Foreign	France	Foreign	France	Foreign
	(€m)							
Gross values carried forward	**27**	**126**	**787**	**26**	**814**	**152**	**754**	**23**
Cumulative amortisation carried forward	(16)	(12)	(598)	(16)	(614)	(28)	(550)	(15)
Cumulative long-term impairment carried forward			(4)	(2)	(4)	(2)	(8)	(1)
Amortisation and provisions	**(16)**	**(12)**	**(602)**	**(18)**	**(618)**	**(30)**	**(558)**	**(16)**
Net book value	**11**	**114**	**185**	**8**	**196**	**122**	**196**	**6**

Note 3.2 Other Intangible assets – by business Sector

	31.12.2006									31.12.2005		
	Intangible assets related to insurance activities			Other intangible assets			Total			Total		
	Life	Non-life	Banking	Life	Non-life	Banking	Life	Non-life	Banking	Life	Non-life	Banking
	(€m)											
Gross values carried forward	**103**	**50**		**174**	**599**	**40**	**277**	**649**	**40**	**142**	**596**	**38**
Cumulative amortisation carried forward	(12)	(15)	(1)	(118)	(464)	(32)	(130)	(479)	(33)	(95)	(446)	(24)
Cumulative long-term impairment carried forward		(1)	1	(1)	(5)		(1)	(6)	1	(1)	(8)	
Amortisation and provisions	**(12)**	**(16)**		**(119)**	**(469)**	**(32)**	**(131)**	**(485)**	**(32)**	**(96)**	**(453)**	**(25)**
Net book value	**91**	**34**		**55**	**130**	**8**	**146**	**164**	**8**	**46**	**142**	**14**

NOTE 4
REAL ESTATE INVESTMENTS (EXCLUDING UNIT-LINKED CONTRACTS)

	31.12.2006			31.12.2005		
	Property	SCI shares	Total	Property	SCI shares	Total
			(€m)			
Gross values brought forward	**3,611**	**569**	**4,180**	**3,502**	**622**	**4,124**
Acquisitions	162	78	240	225	36	261
Newly consolidated entities	22		22			
Subsequent expenses				1	(89)	(88)
Transfer from/to owner occupied buildings	50	4	54	(60)		(60)
Sales	(119)	(30)	(149)	(57)		(57)
Gross values carried forward	**3,726**	**621**	**4,347**	**3,611**	**569**	**4,180**
Cumulative amortisation brought forward	**(719)**	**(9)**	**(728)**	**(687)**	**(11)**	**(698)**
Increase	(72)		(72)	(108)	(5)	(113)
Newly consolidated entities						
Decrease	30	9	39	76	7	83
Cumulative amortisation carried forward	**(761)**		**(761)**	**(719)**	**(9)**	**(728)**
Cumulative long-term impairment brought forward	**(38)**	**(3)**	**(41)**	**(82)**	**(3)**	**(85)**
Long-term impairment recognised	(6)	(8)	(14)	(17)	(3)	(20)
Newly consolidated entities						
Long-term impairment amortisations	20	4	24	61	3	64
Cumulative long-term impairment carried forward	**(24)**	**(7)**	**(31)**	**(38)**	**(3)**	**(41)**
Net values brought forward	**2,854**	**557**	**3,411**	**2,733**	**608**	**3,341**
Net values carried forward	**2,941**	**614**	**3,555**	**2,854**	**557**	**3,411**
Fair value of real estate investments carried forward	**6,330**	**925**	**7,255**	**5,301**	**840**	**6,141**
Unrealised capital gains	**3,389**	**311**	**3,700**	**2,447**	**283**	**2,730**

The realisation of unrealised capital gains on buildings representing commitments in Life Insurance gives rise to rights in favour of policy beneficiaries and minority shareholders (particularly Silic) as well as tax liabilities.

Note 4.1 Real Estate Investments – by Geographic Area

	31.12.2006						31.12.2005					
	Property			**SCI shares**			**Property**			**SCI shares**		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**	**France**	**Foreign**	**Total**	**France**	**Foreign**	**Total**
						(€m)						
Gross values	3,608	118	3,726	621		621	3,501	110	3,611	569		569
Cumulative amortisation	(742)	(19)	(761)				(698)	(21)	(719)	(9)		(9)
Long-term impairment	(21)	(3)	(24)	(7)		(7)	(38)		(38)	(3)		(3)
Net values carried forward	**2,845**	**96**	**2,941**	**614**		**614**	**2,765**	**89**	**2,854**	**557**		**557**
Fair value of real estate investments carried forward	**6,102**	**227**	**6,329**	**925**		**925**	**5,117**	**185**	**5,301**	**840**		**840**
Unrealised capital gains	**3,257**	**131**	**3,388**	**311**		**311**	**2,352**	**95**	**2,447**	**283**		**283**

Note 4.2 Real estate investments – by business sector

	31.12.2006						31.12.2005					
	Property			**SCI shares**			**Property**			**SCI shares**		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**	**Life**	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
						(€m)						
Gross values	317	3,409	3,726	397	224	621	378	3,233	3,611	336	233	569
Cumulative amortisation	(64)	(697)	(761)				(69)	(650)	(719)	(1)	(8)	(9)
Long-term impairment	(1)	(23)	(24)	(1)	(6)	(7)		(38)	(38)	(2)	(1)	(3)
Net values carried forward	252	2,689	2,941	396	218	614	309	2,545	2,854	333	224	557
Fair value of real estate investments carried forward	**518**	**5,812**	**6,330**	**602**	**323**	**925**	**538**	**4,763**	**5,301**	**567**	**273**	**840**
Unrealised capital gains	**266**	**3,123**	**3,389**	**206**	**105**	**311**	**229**	**2,218**	**2,447**	**337**	**(54)**	**283**

NOTE 5
OWNER-OCCUPIED PROPERTIES

	31.12.2006	31.12.2005
	(€m)	
Gross values brought forward	**957**	**929**
Acquisitions	21	80
Newly consolidated entities	16	
Sales	(15)	(53)
Transfer from/to real estate investments	35	1
Gross values carried forward	**1,014**	**957**
Cumulative amortisation brought forward	**(241)**	**(225)**
Increase	(23)	(77)
Newly consolidated entities	(1)	
Decrease	6	61
Cumulative amortisation carried forward	**(259)**	**(241)**
Cumulative long-term impairment brought forward	**(11)**	
Long-term impairment recognised	(5)	(12)
Long-term impairment amortisations	4	1
Cumulative long-term impairment carried forward	**(12)**	**(11)**
Net values brought forward	**705**	**704**
Net values carried forward	**743**	**705**
Fair value of tangible assets carried forward	**1,399**	**1,264**
Unrealised capital gains	**656**	**559**

Note 5.1 Owner-occupied properties – by geographic area

	31.12.2006			31.12.2005		
	Gross	**Depreciation**	**Net**	**Gross**	**Depreciation**	**Net**
			(€m)			
Owner-occupied buildings, excluding leases	891	(249)	642	845	(232)	613
Owner-occupied buildings, leases	18	(5)	13	18	(5)	13
Shares in unlisted real estate companies (operating)	60	(5)	55	65	(5)	60
France	**969**	**(259)**	**710**	**928**	**(242)**	**686**
Owner-occupied buildings, excluding leases	44	(11)	33	29	(10)	19
Owner-occupied buildings, leases	1	(1)				
Shares in unlisted real estate companies (operating)						
Foreign	**45**	**(12)**	**33**	**29**	**(10)**	**19**
Total owner-occupied buildings	**1,014**	**(271)**	**743**	**957**	**(252)**	**705**

Note 5.2 Owner occupied buildings – by business sector

	31.12.2006			31.12.2005		
	Gross	**Depreciation**	**Net**	**Gross**	**Depreciation**	**Net**
			(€m)			
Owner-occupied buildings, excluding leases	60	(21)	39	61	(21)	40
Owner-occupied buildings, leases						
Shares in unlisted real estate companies (operating)	5		5	5		5
Life	**65**	**(21)**	**44**	**66**	**(21)**	**45**
Owner-occupied buildings, excluding leases	875	(239)	636	813	(221)	592
Owner-occupied buildings, leases	19	(6)	13	19	(5)	14
Shares in unlisted real estate companies (operating)	55	(6)	49	59	(5)	54
Non-life	**949**	**(250)**	**699**	**891**	**(231)**	**660**
Owner-occupied buildings, excluding leases						
Owner-occupied buildings, leases						
Shares in unlisted real estate companies (operating)						
Banking						
Total owner-occupied buildings	**1,015**	**(272)**	**743**	**957**	**(252)**	**705**

NOTE 6
FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED CONTRACTS

	31.12.2006	31.12.2005
	Net values	Net values
	(€m)	
Assets valued at fair value	63,246	60,517
Assets valued at amortised cost	760	735
Total financial investments excluding unit-linked contracts	**64,006**	**61,252**

Note 6.1 Investments valued at fair value (by category) – by geographic area

	31.12.2006								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	France	Foreign	Total	France	Foreign	Total	France	Foreign	Total
					(€m)				
Assets available for sale									
Equities	10,945	375	11,320	14,938	486	15,424	3,993	111	4,104
Bonds	34,043	4,500	38,543	35,881	4,511	40,392	1,838	11	1,849
Other	43	34	77	42	16	58	(1)	(18)	(19)
Total assets available for sale	**45,031**	**4,909**	**49,940**	**50,861**	**5,013**	**55,874**	**5,830**	**104**	**5,934**
Transaction assets									
Shares	2,547	60	2,607	2,547	60	2,607			
Bonds	4,618	90	4,708	4,618	90	4,708			
Other	55		55	55		55			
Total transaction assets	**7,220**	**150**	**7,370**	**7,220**	**150**	**7,370**			
Total investments valued at fair value	**52,251**	**5,059**	**57,310**	**58,081**	**5,163**	**63,244**	**5,830**	**104**	**5,934**

The Group has chosen to apply the fair value option. This amendment reduces the possibilities for utilising the option by limiting application to the following situations:

- Hybrid instruments including one or more embedded derivative products;
- Group of financial assets and/or liabilities that are managed and the performance of which is valued at fair value.

As at 31 December 2006, the capital gains and losses that were unrealised but recognised for accounting purposes in shareholders equity (revaluation reserves) as investment assets available for sale and in income as transaction investment assets were €5,934 million and €506 million respectively.

The amount of the provisions for long-term impairment recognised on the investments valued at fair value was €806 million at 31 December 2006, compared with €903 million at 31 December 2005.

	31.12.2005								
	Net amortised cost			**Fair value**			**Unrealised gains (losses)**		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**	**France**	**Foreign**	**Total**
					(€m)				
Assets available for sale									
Shares	9,611	364	9,975	12,355	459	12,814	2,744	95	2,839
Bonds	32,538	4,060	36,598	36,066	4,206	40,272	3,528	146	3,674
Other	39	23	62	43	23	66	4		4
Total assets available for sale	**42,188**	**4,447**	**46,635**	**48,464**	**4,688**	**53,152**	**6,276**	**241**	**6,517**
Transaction assets									
Shares	2,510	47	2,557	2,510	47	2,557			
Bonds	4,360	233	4,593	4,360	233	4,593			
Other	20	196	216	20	196	216			
Total transaction assets	**6,890**	**476**	**7,366**	**6,890**	**476**	**7,366**	**0**	**0**	**0**
Total investments valued at fair value	**49,078**	**4,923**	**54,001**	**55,354**	**5,164**	**60,518**	**6,276**	**241**	**6,517**

Note 6.2 Investments valued at fair value (by category) – by business sector

	31.12.2006								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
	(€m)								
Assets available for sale									
Shares	3,542	7,778	11,320	4,678	10,746	15,424	1,136	2,968	4,104
Bonds	7,507	31,036	38,543	7,732	32,660	40,392	225	1,624	1,849
Other	69	8	77	57	1	58	(12)	(7)	(19)
Total assets available for sale	**11,118**	**38,822**	**49,940**	**12,467**	**43,407**	**55,874**	**1,349**	**4,585**	**5,934**
Transaction assets									
Shares	677	1,930	2,607	677	1,930	2,607			
Bonds	1,668	3,040	4,708	1,668	3,040	4,708			
Other	54	1	55	54	1	55			
Total transaction assets	**2,399**	**4,971**	**7,370**	**2,399**	**4,971**	**7,370**			
Total investments valued at fair value	**13,517**	**43,793**	**57,310**	**14,866**	**48,378**	**63,244**	**1,349**	**4,585**	**5,934**

	31.12.2005								
	Net amortised cost			Fair value			Unrealised gains or losses		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
	(€m)								
Assets available for sale									
Shares	3,173	6,802	9,975	4,042	8,772	12,814	869	1,970	2,839
Bonds	8,238	28,360	36,598	8,691	31,581	40,272	453	3,221	3,674
Other	39	23	62	43	23	66	4		4
Total assets available for sale	**11,450**	**35,185**	**46,635**	**12,776**	**40,376**	**53,152**	**1,326**	**5,191**	**6,517**
Transaction assets									
Shares	970	1,587	2,557	970	1,587	2,557			
Bonds	1,080	3,513	4,593	1,080	3,513	4,593			
Other	174	42	216	174	42	216			
Total transaction assets	**2,224**	**5,142**	**7,366**	**2,224**	**5,142**	**7,366**			
Total investments valued at fair value	**13,674**	**40,327**	**54,001**	**15,000**	**45,518**	**60,518**	**1,326**	**5,191**	**6,517**

Note 6.3 Investments valued at fair value (by type)

	31.12.2006								
	Net amortised cost			Fair value			Unrealised gains or losses		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
					(€m)				
Shares									
Assets available for sale	3,542	7,779	11,321	4,678	10,746	15,424	1,136	2,967	4,103
Transaction assets	677	1,930	2,607	677	1,930	2,607			
Total equities	**4,219**	**9,709**	**13,928**	**5,355**	**12,676**	**18,031**	**1,136**	**2,967**	**4,103**
Bonds									
Assets available for sale	7,506	31,036	38,542	7,732	32,660	40,392	226	1,624	1,850
Transaction assets	1,668	3,040	4,708	1,668	3,040	4,708			
Total bonds	**9,174**	**34,076**	**43,250**	**9,400**	**35,700**	**45,100**	**226**	**1,624**	**1,850**
Other									
Assets available for sale	69	8	77	57	1	58	(12)	(7)	(19)
Transaction assets	54	1	55	54	1	55			
Total other	**123**	**9**	**132**	**111**	**2**	**113**	**(12)**	**(7)**	**(19)**
Total investments valued at fair value	**13,516**	**43,794**	**57,310**	**14,866**	**48,378**	**63,244**	**1,350**	**4,584**	**5,934**

	31.12.2005								
	Net amortised cost			Fair value			Unrealised gains or losses		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
					(€m)				
Shares									
Assets available for sale	3,173	6,802	9,975	4,042	8,772	12,814	869	1,970	2,839
Transaction assets	970	1,587	2,557	970	1,587	2,557			
Total equities	**4,143**	**8,389**	**12,532**	**5,012**	**10,359**	**15,371**	**869**	**1,970**	**2,839**
Bonds									
Assets available for sale	8,238	28,360	36,598	8,691	31,581	40,272	453	3,221	3,674
Transaction assets	1,080	3,513	4,593	1,080	3,513	4,593			
Total bonds	**9,318**	**31,873**	**41,191**	**9,771**	**35,094**	**44,865**	**453**	**3,221**	**3,674**
Other									
Assets available for sale	39	23	62	43	23	66	4		4
Transaction assets	174	42	216	174	42	216			
Total other	**213**	**65**	**278**	**217**	**65**	**282**	**4**	**0**	**4**
Total investments valued at fair value	**13,674**	**40,327**	**54,001**	**15,000**	**45,518**	**60,518**	**1,326**	**5,191**	**6,517**

Note 6.4 Investments valued at amortised cost – net value

	31.12.2006			31.12.2005		
	Non-life	Life	Total	Non-life	Life	Total
			(€m)			
Loans	128	202	330	99	194	293
Deposits	162	81	243	158	66	224
Other	65	121	186	98	119	217
Loans and receivables	**355**	**404**	**759**	**355**	**379**	**734**
Total assets valued at amortised cost	**355**	**404**	**759**	**355**	**379**	**734**

The amount of the provisions for long-term impairment recognised on investments valued at amortised cost was €2 million at 31 December 2006 and at 31 December 2005.

Note 6.5 Estimate of listed investments

	31.12.2006	31.12.2005
	Net values	Net values
	(€m)	
Equities	17,627	15,004
Bonds and other fixed-income securities	45,065	44,659
Other investments		
Total listed investments	**62,692**	**59,663**

The amount of the provisions for long-term impairment recognised on listed investments at fair value was €694 million at 31 December 2006 compared with €796 million at 31 December 2005.

Note 6.6 estimate of unlisted investments

	31.12.2006	31.12.2005
	Net values	Net values
	(€m)	
Equities at fair value	405	122
Bonds and other fixed-income securities at fair value	36	206
Other investments at fair value	113	527
Loans at amortised cost	330	293
Other investments at amortised cost	430	441
Total unlisted investments	**1,314**	**1,589**

The amount of the provisions for long-term impairment recognised on unlisted investments was €112 million at 31 December 2006 compared with €107 million at 31 December 2005.

NOTE 7
SIGNIFICANT INVESTMENTS IN UNCONSOLIDATED COMPANIES

	31.12.2006			31.12.2005	
	% of ownership	Acquisition cost net of provision	Fair value	Acquisition cost net of provision	Fair value
			(€m)		
Scor	16.02%	235	421	175	283
Bolloré Investissement	4.31%	59	174	59	116
Société Générale	2.98%	843	1,785	774	1,369
Lagardère	1.74%	94	151	94	162
Veolia Environnement	5.69%	592	1,256	564	895
Locindus	7.91%	17	24	13	19
Eiffage	2.89%	186	194		
French companies		**2,026**	**4,005**	**1,679**	**2,844**
Médiobanca	4.73%	471	692	471	624
Foreign companies		**471**	**692**	**471**	**624**
Total investments in unconsolidated companies		**2,497**	**4,697**	**2,150**	**3,468**

Fair value represents:

- for shares in listed companies, market price as at the balance sheet date,
- for shares of unlisted companies, a value determined by a multi-criteria approach.

The realisation of unrealised capital gains on buildings that represent commitments in Life Insurance gives rise to rights for policy beneficiaries and minority shareholders as well as tax liabilities.

NOTE 8
INVESTMENTS REPRESENTING UNIT-LINKED COMMITMENTS

	31.12.2006	31.12.2005
	(€m)	
Variable-income and similar securities		
Bonds	309	498
Units in equity mutual funds	2,544	2,204
Units in bond mutual funds and other	765	674
Total investments representing unit-linked commitments	**3,618**	**3,376**

Note 8.1 Investments representing unit-linked commitments – by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Variable-income and similar securities						
Bonds	232	77	309	417	81	498
Units in equity mutual funds	2,463	81	2,544	2,130	74	2,204
Units in bond mutual funds and other	712	53	765	609	65	674
Unrealised capital gains	**3,407**	**210**	**3,618**	**3,156**	**220**	**3,376**

NOTE 9
ASSETS USED FOR BANKING SECTOR BUSINESS

	31.12.2006			31.12.2005		
	Gross values	Provisions	Net values	Gross values	Provisions	Net values
			(€m)			
Cash, central banks, postal accounts	40		40	23		23
Financial assets at fair value by income	1,017		1,017	50		50
Hedging derivative instruments						
Financial assets available for sale	39		39	13		13
Loans and receivables from credit institutions	639		639	772		772
Customer loans and receivables	535	(16)	519	686	(21)	665
Revaluation variance on rate-hedged portfolios						
Investment assets held to maturity	156		156	670		670
Real estate investments						
Total assets used for banking sector business	**2,426**	**(16)**	**2,410**	**2,214**	**(21)**	**2,193**

In 2006, Banque Finama redeemed assets that were included in the item "held to maturity". The proceeds were then reinvested in investments held for transactional purposes.

NOTE 10
INVESTMENTS IN RELATED COMPANIES

	31.12.2006		31.12.2005	
	Equity value	Share of net profit	Equity value	Share of net profit
		(€m)		
Günes Sigorta	24		30	1
Socomie	1	1	1	1
Total Investments in related companies	**25**	**1**	**31**	**2**

The equity value of the Günes shares, which represents the restated portion of shareholders equity, fell €6 million between 2005 and 2006, primarily due to a decline in unrealised foreign exchange gains. This situation resulted from an unfavourable change in the value of the Turkish lira versus the euro during the year.

Note 10.1 Significant data

	31.12.2006				31.12.2005			
	Revenue	Net profit	Total assets	Shareholders equity	Revenue	Net profit	Total assets	Shareholders equity
				(€m)				
Günes Sigorta	284	1	215	48	281	4	233	58
Socomie	12	1	7	1	15	1	7	1

NOTE 11
SHARE OF OUTWARDS REINSURERS AND RETROCESSIONNAIRES IN INSURANCE AND FINANCIAL CONTRACT LIABILITIES

	31.12.2006	31.12.2005
	(€m)	
Share of reinsurers in non-life insurance reserves		
Reserves for unearned premiums	102	80
Reserves for outstanding claims	1,103	1,424
Other technical reserves	129	118
Total	**1,334**	**1,622**
Share of reinsurers in life insurance reserves		
Life insurance reserves	44	28
Reserves for outstanding claims	11	9
Profit-sharing reserves	17	17
Other technical reserves	5	3
Total	**77**	**57**
Share of reinsurers in reserves for financial contracts	**1**	
Total share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	1,412	1,679

Note 11.1 Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities – by geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	50	52	102	63	17	80
Reserves for outstanding claims	828	275	1,103	960	464	1,424
Other technical reserves	126	3	129	117	1	118
Total	**1,004**	**330**	**1,334**	**1,140**	**482**	**1,622**
Share of reinsurers in life insurance reserves						
Life insurance reserves	13	31	44	13	15	28
Reserves for outstanding claims	6	5	11	6	3	9
Profit-sharing reserves	17		17	17		17
Other technical reserves	5		5	3		3
Total	**41**	**36**	**77**	**39**	**18**	**57**
Share of reinsurers in reserves for financial contracts	**1**		**1**			
Total of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	**1,046**	**366**	**1,412**	**1,179**	**500**	**1,679**

NOTE 12
OTHER TANGIBLE ASSETS

	31.12.2006	31.12.2005
	(€m)	
Other tangible assets	241	280
Other long-term operating assets	53	53
Total	**294**	**333**

Note 12.1 Changes in other tangible assets

	31.12.2006	31.12.2005
	(€m)	
Gross values brought forward	**716**	**553**
Acquisitions	130	237
Newly consolidated entities:	15	
Sales	(100)	(74)
Transfer from/to real estate investments	(88)	
Gross values carried forward	**673**	**716**
Cumulative amortisation brought forward	**(431)**	**(362)**
Increase	(58)	(98)
Newly consolidated entities:	(13)	
Decrease	75	29
Cumulative amortisation carried forward	**(427)**	**(431)**
Cumulative long-term impairment brought forward	**(5)**	
Long-term impairment recognised		(5)
Long-term impairment amortisations		
Cumulative long-term impairment carried forward	**(5)**	**(5)**
Net values brought forward	**280**	**191**
Net values carried forward	**241**	**280**
Fair value of tangible assets carried forward	**241**	**280**

Note 12.2 Change in other tangible assets – by geographic area

	31.12.2006			31.12.2005		
	Gross	**Depreciation**	**Net**	**Gross**	**Depreciation**	**Net**
			(€m)			
Other tangible assets	573	(366)	207	645	(390)	255
Other long-term operating assets	54	(1)	53	54	(1)	53
France	**627**	**(367)**	**260**	**699**	**(391)**	**308**
Other tangible assets	100	(66)	34	71	(46)	25
Other long-term operating assets						
Foreign	**100**	**(66)**	**34**	**71**	**(46)**	**25**
Total other tangible assets	**727**	**(433)**	**294**	**770**	**(437)**	**333**

Note 12.3 Change in other tangible assets – by business sector

	31.12.2006			31.12.2005		
	Gross	**Depreciation**	**Net**	**Gross**	**Depreciation**	**Net**
			(€m)			
Other tangible assets	533	(325)	208	575	(324)	251
Other long-term operating assets	54	(1)	53	54	(1)	53
Non-life	**589**	**(326)**	**261**	**629**	**(325)**	**304**
Other tangible assets	118	(89)	29	122	(98)	24
Other long-term operating assets						
Life	**118**	**(89)**	**29**	**122**	**(98)**	**24**
Other tangible assets	20	(17)	5	19	(14)	5
Other long-term operating assets						
Banking	**20**	**(17)**	**5**	**19**	**(14)**	**5**
Total other tangible assets	**727**	**(432)**	**295**	**770**	**(437)**	**333**

NOTE 13
DEFERRED ACQUISITION COSTS

	31.12.2006			31.12.2005		
	Gross	**Deferred profit sharing**	**Net**	**Gross**	**Deferred profit sharing**	**Net**
			(€m)			
Non-life insurance policies	319		319	298	(10)	288
Life insurance policies and financial contracts with discretionary profit-sharing	280	(28)	252	291	(37)	254
Total deferred acquisition costs	**599**	**(28)**	**571**	**589**	**(47)**	**542**

Note 13.1 Deferred acquisition costs – by geographic area

	31.12.2006			31.12.2005		
	Gross	Deferred profit sharing	Net	Gross	Deferred profit sharing	Net
			(€m)			
Non-life insurance policies	169		169	159		159
Life insurance policies and financial contracts with discretionary profit-sharing	255	(27)	228	262	(35)	227
France	**424**	**(27)**	**397**	**421**	**(35)**	**386**
Non-life insurance policies	150		150	139	(10)	129
Life insurance policies and financial contracts with discretionary profit-sharing	25	(1)	24	29	(2)	27
Foreign	**175**	**(1)**	**174**	**168**	**(12)**	**156**
Total deferred acquisition costs	**599**	**(28)**	**571**	**589**	**(47)**	**542**

NOTE 14
DEFERRED PROFIT SHARING ASSETS

	31.12.2006	31.12.2005
	(€m)	
Deferred profit-sharing assets	64	
Total deferred profit-sharing assets	**64**	

In connection with the new mortality tables used to calculate the actuarial reserve for French life annuity policies (see Note 25 -: Operating liabilities related to insurance policies), a €64 million profit sharing asset is shown at the balance sheet date.

Note 14.1 Deferred profit sharing assets – by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Deferred profit-sharing assets	64		64			
Total deferred profit sharing assets	**64**		**64**			

NOTE 15
DEFERRED TAX ASSETS

Note 15.1 Deferred tax assets – by geographic area

	31.12.2006			31.12.2005
	France	Foreign	Total	Total
		(€m)		
Deferred tax assets	438	54	491	181
Total deferred tax assets	**438**	**54**	**491**	**181**

NOTE 15.2 Deferred tax assets – by business sector

	31.12.2006				31.12.2005
	Life	Non-life	Banking	Total	Total
			(€m)		
Deferred tax assets	221	254	16	491	181
Total deferred tax assets	**221**	**254**	**16**	**491**	**181**

Note 15.3 Analysis of the major components of deferred taxes

	31.12.2006	31.12.2005
	(€m)	
Deferred taxes resulting from timing differences on consolidation adjustments:		
Capitalisation reserves	(304)	(300)
Restatements of AFS & Trading financial instruments (net of deferred profit-sharing)	(168)	(436)
Acquisition costs for life policies and total consolidated management reserves	(44)	(64)
Consolidation adjustments on technical reserves	(65)	(57)
Other differences on consolidation adjustments	11	46
Deferred acquisition costs for non-life policies	(56)	(52)
Tax timing differences on technical reserves and other provisions for risks and charges	412	399
Gains on tax exemption	(17)	(19)
Mutual funds valuation differential	111	85
Currency hedging	57	22
Other tax timing differences	30	22
Sub-total of deferred taxes resulting from timing differences	**(34)**	**(354)**
Capitalisation of operating losses	**57**	**150**
Deferred taxes capitalised	**23**	**(204)**
Including:		
– Assets	491	181
– Liabilities	(468)	(385)

The Group also has off-balance sheet assets for foreign subsidiaries and banking sector investments (Groupama Banque) in France. These assets totalled €151 million.

NOTE 16
INSURANCE RECEIVABLES OR RECOVERIES ON REINSURANCE INWARDS

	31.12.2006			31.12.2005
	Gross values	Provisions	Net values	Net values
	(€m)			
Insurance receivables or recoveries on reinsurance inwards				
Earned premiums not written	749		749	676
Policyholders, intermediaries and other third parties	1,282	(95)	1,187	1,072
Co-insurer and other third party current accounts	296	(9)	287	220
Ceding and retroceding company current accounts	344	(1)	343	304
Total	**2,671**	**(105)**	**2,566**	**2,272**

Note 16.1 Insurance receivables or recoveries on reinsurance inwards – by maturity

	31.12.2006				31.12.2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
	(€m)							
Insurance receivables or recoveries on reinsurance inwards								
Earned premiums not written	755	(7)		749	679	(3)		676
Policyholders, intermediaries and other third parties	1,179	9		1,187	1,062	10		1,072
Co-insurer and other third party current accounts	252	35		287	177	43		220
Ceding and retroceding company current accounts	310	33		343	264	40		304
Total	**2,496**	**70**		**2,566**	**2,182**	**90**		**2,272**

NOTE 17
RECEIVABLES FROM REINSURANCE ACTIVITIES

	31.12.2006			31.12.2005
	Gross values	Provisions	Net values	Net values
	(€m)			
Receivables from reinsurance activities				
Outwards reinsurer and retrocessionaire current accounts	126	(38)	88	149
Other receivables from reinsurance transactions	34		34	46
Total	**160**	**(38)**	**122**	**195**

Note 17.1 Receivables from reinsurance activities – by maturity

	31.12.2006				31.12.2005			
	< 1 year	1 to 5 years	>5 years	Total	< 1 year	1 to 5 years	>5 years	Total
				(€m)				
Receivables from reinsurance activities								
Outwards reinsurer and retrocessionaire current accounts	73	15		88	138	11		149
Other receivables from reinsurance transactions	33		1	34	44		2	46
Total	**106**	**15**	**1**	**122**	**182**	**11**	**2**	**195**

NOTE 18
CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

Note 18.1 Current tax receivables and other tax receivables – by maturity

	31.12.2006				31.12.2005			
	< 1 year	1 to 5 years	>5 years	Total	< 1 year	1 to 5 years	>5 years	Total
				(€m)				
Current tax receivables and other tax receivables	151			151	141	11		152

Note 18.2 Current tax receivables and other tax receivables – by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Current tax receivables and other tax receivables	121	31	151	124	28	152

Note 18.3 Current tax receivables and other tax receivables – by business sector

	31.12.2006				31.12.2005			
	Life	Non-Life	Banking	Total	Life	Non-Life	Banking	Total
				(€m)				
Current tax receivables and other tax receivables	62	88		151	64	87	1	152

NOTE 19
OTHER RECEIVABLES

	31.12.2006			31.12.2005
	Gross values	Provisions	Total	Total
		(€m)		
Interest accrued not due	807		807	815
Employee receivables	23		23	26
Social security agencies	56		56	11
Other debtors	770	(23)	747	639
Other receivables	372		372	278
Total	**2,028**	**(23)**	**2,005**	**1,769**

Note 19.1 Other receivables – by maturity

	31.12.2006				31.12.2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Employee receivables	23			23	26			26
Social security agencies	56		56		11			11
Other debtors	702	18	27	747	597	23	19	639
Interest accrued not due	807			807	815			815
Other receivables	335		37	372	278			278
Total	**1,923**	**18**	**64**	**2,005**	**1,727**	**23**	**19**	**1,769**

Note 19.2 Other receivables – by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Interest accrued not due	741	66	807	760	55	815
Employee receivables	21	2	23	24	2	26
Social security agencies	56		56	11		11
Other debtors	638	109	747	607	32	639
Other receivables	350	22	372	255	23	278
Total	**1,806**	**199**	**2,005**	**1,657**	**112**	**1,769**

Note 19.3 Other receivables – by business sector

	31.12.2006				31.12.2005			
	Life	Non-Life	Banking	Total	Life	Non-Life	Banking	Total
				(€m)				
Interest accrued not due	680	127		807	674	141		815
Employee receivables	2	21		23	3	23		26
Social security agencies	45	11		56		11		11
Other debtors	227	496	24	747	224	395	20	639
Other receivables	107	141	124	372	73	105	100	278
Other receivables	**1,061**	**796**	**148**	**2,005**	**974**	**675**	**120**	**1,769**

NOTE 20

BREAKDOWN OF CASH AND EQUIVALENTS BY BUSINESS SECTOR AND GEOGRAPHIC AREA

	31.12.2006	31.12.2005
	(€m)	
France	619	483
Foreign	376	214
Total	**996**	**697**
Life and combined entities	167	146
Non-life entities	829	551
Total	**996**	**697**

NOTE 21
SHAREHOLDERS EQUITY AND MINORITY INTERESTS

Note 21.1 Transactions with members

- ***Changes in shareholders equity during 2006***

During 2006, no transaction occurred that had an effect on shareholders equity and issue premiums.

Note 21.2. Income and expenses recognised during the year

The Statement of Recognised Income and Expense – SORIE, an integral part of the summary statement of changes in shareholders equity, includes, in addition to the net profit for the year, the reserve for unrealised capital gains and losses on assets available for sale, net of deferred profit-sharing and deferred taxes, as well as the reserves for foreign exchange gains (losses) and actuarial gains (losses) on post-employment benefits.

- ***Income and expenses recognised during 2006***

	31.12.2006			31.12.2005		
	Group share	**Minority interests**	**Total**	**Group share**	**Minority interests**	**Total**
			(€m)			
Unrealised capital gains (losses) on assets available for sale	(569)	(14)	(583)	2,496	14	2,510
Shadow accounting	468	11	479	(1,582)	(14)	(1,596)
Deferred taxes	313	2	315	95	1	96
Actuarial gains (losses) on post-employment benefits	7		7	(20)		(20)
Unrealised FX gains (losses)	14	6	20	18		18
Other	2	10	12	(7)	(2)	(9)
Profit (loss) for the year	753	30	783	544	35	579
Total	**988**	**45**	**1,033**	**1,544**	**34**	**1,578**

- ***Reserves related to changes in fair value recorded in shareholders equity***

The reconciliation between unrealised capital gains (losses) on investment assets available for sale and the corresponding reserves in shareholders equity are broken down as follows:

	31.12.2006	**31.12.2005**
	(€m)	
Unrealised capital gains (losses) on assets available for sale	5,934	6,517
Shadow accounting	(3,490)	(3,969)
Cash flow hedge and other changes	(7)	(24)
Deferred taxes	(54)	(371)
Unrealised FX gains & losses		(1)
Minority interests	(5)	4
Unrealised net capital gains (losses) Group share	**2,378**	**2,156**

The deferred tax amount shown in the table above corresponds to the application of 1) a short-term and long-term tax rate on the unrealised gains on financial instruments classified as "assets available for sale"; and 2) a short-term tax rate on deferred profit-sharing ("shadow accounting"). Under the new rules for long-term capital gains (losses) applicable as at 1 January 2006, the unrealised capital gains on "strategic" equity interests are exempt for the calculation of the deferred tax up to a maximum percentage of costs and expenses (i.e. an effective rate of 1.72%).

NOTE 22
PROVISIONS FOR RISKS AND CHARGES

	31.12.2006					31.12.2005
	Balance brought forward	Increases	Amortisations	Other changes	Balance carried forward	Balance carried forward
			(€m)			
Provision for pensions and similar obligations	322	144	(109)	9	366	322
Other risks and charges[1]	371	97	(106)		362	371
Total provisions for risks and charges	**693**	**241**	**(215)**	**9**	**728**	**693**

(1) The details of this item are not provided because this information could cause serious harm to the Group in view of current litigation.

NOTE 23
INFORMATION REGARDING EMPLOYEE BENEFITS – DEFINED BENEFIT PLANS

Note 23.1 Net actuarial liabilities as at the balance sheet date

	Post-employment benefits		Other long term benefits		Total	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
			(€m)			
Actuarial debt brought forward	**543**	**467**	**48**	**44**	**591**	**511**
Cost of past services	10	9	3	3	13	12
Services paid	(14)	(7)			(14)	(7)
Interest on actuarial debt	19	19	1	1	20	20
Actuarial gains (losses) (actual variations)	(6)	27	(3)	(3)	(9)	24
Actuarial gains (losses) (hypothetical variations)		21	(1)	3	(1)	24
Changes in the plan	(4)				(4)	0
Change in scope of consolidation	6				6	0
Changes in exchange rates	6	7			6	7
Other					0	0
Actuarial debt carried forward (A)	**560**	**543**	**48**	**48**	**608**	**591**
Fair value of hedging assets brought forward	225	188			225	188
Return on hedging assets	14	13			14	13
Services paid	(11)	(8)			(11)	(8)
Contributions received	8	7			8	7
Actuarial gains (losses)	1	20			1	20
Change in scope of consolidation					0	0
Changes in exchange rates	5	5			5	5
Other					0	0
Fair value of hedging assets carried forward (B)	**242**	**225**	**0**	**0**	**242**	**225**
Net actuarial liabilities carried forward (A)–(B)	**318**	**318**	**48**	**48**	**366**	**366**

Note 23.2 Changes in the provision for risks and charges recorded in the balance sheet

	Post-employment benefits		Other long term benefits		Total	
	31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**	**31.12.2006**	**31.12.2005**
			(€m)			
Provision for risks and charges brought forward	**283**	**250**	**39**	**37**	**322**	**287**
Change in present value of the provision	47	8	1	2	48	10
Actuarial differences affecting shareholders equity	(7)	20			(7)	20
Services paid for by the employer	(14)	(7)			(14)	(7)
Reclassifications	2	9	8		10	9
Change in scope of consolidation	6				6	0
Changes in exchange rates	1	2			1	2
Other					0	0
Provision for risks and charges carried forward	**318**	**282**	**48**	**39**	**366**	**321**

The amount of provisions written back as stated above pertains solely to post-employment benefits (retirement payments) and other long term benefits (such as employee awards and special anniversary leave).

Note 23.3 Annual retirement expenses recorded in the balance sheet

	31.12.2006	**31.12.2005**
	(€m)	
Cost of past services	10	9
Services paid for by the employer	14	7
Interest on actuarial liabilities	19	19
Return expected from hedging assets	(14)	(13)
Sorie Option	7	(20)
Change in plan	4	
Effects of exchange rate changes	1	2
Other		
Annual retirement expenses	**41**	**4**

Note 23.4 Information pertaining to employee benefits – distribution of hedging assets

	31.12.2006	**31.12.2005**
	(€m)	
Equities	147	131
Bonds	92	91
General euro funds		
Other	3	3
Fair value of assets carried forward	**242**	**225**

Note 23.5 Principal actuarial assumptions

	31.12.2006	31.12.2005
Discount rate	4.5%	from 3.80% to 4.00%
Yield expected from plan assets	7.0%	6.7%
Expected salary increases	from 2.0% to 3.0%	from 2.80% to 3.20%
Turnover rate in employees by age range:		
– from 18 to 34:	from 2% to 20%	from 2% to 20%
– from 35 to 44:	from 2% to 15%	from 2% to 15%
– from 45 to 54:	from 1% to 10%	from 1% to 10%
– from 55 and over:	0%	0%

Note 23.6 Breakdown of personnel expenses

	31.12.2006	31.12.2005
	(€m)	
Salaries	1,058	986
Social security expenses	474	451
Post-employment benefits		
Defined contribution plans		
Defined benefit plans	4	22
Termination benefits	41	4
Anniversary days and employee awards	1	14
Other employee benefits		12
Annual salary expenses	**1,578**	**1,489**

The changes in personnel expenses are largely attributable to changes in the scope of consolidation.

NOTE 24
FINANCING DEBT

	31.12.2006				31.12.2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
	(€m)							
Subordinated debt			1,245	1,245			1,245	1,245
– of which subordinated debt of insurance companies			1,245	1,245			1,245	1,245
– of which subordinated debt of banking companies								
Financing debt represented by securities								
Financing debt with banking-sector companies	32	212	636	880	4	198	531	733
Total financing debt	**32**	**212**	**1,882**	**2,126**	**4**	**198**	**1,776**	**1,978**

Note 24.1 Breakdown by currency and rate

	31.12.2006			
	Currencies		Rates	
	Euro zone	Non-Euro zone	Fixed rate	Variable rate
	(€m)			
Subordinated debt	1,245		745	500
Financing debt represented by securities				
Financing debt with banking-sector companies	880		578	302
Total	**2,126**		**1,324**	**802**

The "subordinated debt" item represents:

– first, a bond issued in July 1999 by Caisse Centrale des Assurances Mutuelles Agricoles in two tranches (one variable rate tranche for €500 million, the other a fixed-rate tranche for €250 million) that was assumed by Groupama S.A. as part of the assets contributed completed on 1 January 2003 in the form of redeemable subordinated securities (titres subordonnés remboursables-TSR). This thirty-year bond offers the issuer the option of early redemption as from the tenth year. The total amount of these TSRs was €750 million, and they were listed at 31 December 2006 at 101.8% for the variable portion and 103.4% for the fixed portion;

– and second, a fixed-rate perpetual subordinated bond of €495 million issued by Groupama S.A. in July 2005. This bond includes a "10-year call" that allows the issuer to redeem the bond early beginning in the tenth year. On account of the contractual clauses of this debt instrument, it is recorded as financing debt in the financial statements. As at 31 December, it was quoted at 94.2%.

NOTE 25
OPERATING LIABILITIES RELATED TO INSURANCE POLICIES

	31.12.2006	31.12.2005
	(€m)	
Non-life insurance reserves		
Reserves for unearned premiums	1,859	1,703
Reserves for outstanding claims	11,368	11,732
Other technical reserves	3,264	3,235
Total	**16,492**	**16,670**
Life insurance reserves		
Life insurance reserves	**20,707**	**17,442**
Reserves for outstanding claims	474	418
Profit-sharing reserves	770	733
Other technical reserves	191	125
Total	**22,141**	**18,718**
Life insurance reserves for unit-linked contracts	**3,508**	**2,812**
Operating liabilities related to insurance policies	**42,141**	**38,200**

Life insurance reserves

For French life insurance and capitalisation policies, the Group used the new mortality tables published by decree in August 2006 to calculate the actuarial reserves for existing and pending life annuities. These tables reflect an updated estimate of the French population's mortality probability.

– For policies not subject to Regulation L441, the impact of the changes in the table is estimated at €154 million. After taking into account the deferred profit sharing based on the changes in the table, and amortisations to prior year technical reserves as a result of changing mortality data, the effect of the changes in the table on the financial statements was limited.

– For policies subject to Regulation L441, a test was performed to demonstrate the adequacy of the return on assets dedicated to covering the underwriting liabilities based on the new tables. In 2006, this test led to the conclusion that no further reserves were necessary in the financial statements for the effect of the change in the tables.

Note 25.1 Breakdown by geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Reinsurance gross technical reserves						
Life insurance reserves	18,844	1,862	20,707	15,844	1,598	17,442
Reserves for outstanding claims	434	40	474	395	23	418
Profit-sharing reserves	740	30	770	707	26	733
Other technical reserves	178	13	191	120	5	125
Total Life Insurance	**20,196**	**1,945**	**22,141**	**17,066**	**1,652**	**18,718**
Reserves for unearned premiums	1,001	858	1,859	999	704	1,703
Reserves for outstanding claims	9,243	2,125	11,368	9,318	2,414	11,732
Other technical reserves	3,207	57	3,264	3,183	52	3,235
Total Non-life insurance	**13,451**	**3,041**	**16,492**	**13,500**	**3,170**	**16,670**
Life insurance reserves for unit-linked contracts	3,392	115	3,508	2,620	192	2,812
Total gross technical reserves	**37,039**	**5,102**	**42,141**	**33,186**	**5,014**	**38,200**
Share of reinsurers in the technical reserves	**1,045**	**366**	**1,411**	**1,179**	**500**	**1,679**
Net grand total	**35,994**	**4,736**	**40,730**	**32,007**	**4,514**	**36,521**

Note 25.2 Breakdown of technical reserves for insurance policies by main categories

	31.12.2006			31.12.2005		
	Gross life insurance reserves	**Gross outstanding claims reserves**	**Total**	**Gross life insurance reserves**	**Gross outstanding claims reserves**	**Total**
			(€m)			
Life business: Single-premium policies						
Capitalisation	574	31	604	608	36	644
Personal insurance	3,118	66	3,184	2,834	76	2,910
Group contracts	247	9	255	129	2	131
Other	1,746	14	1,760	1,678	13	1,691
Total reserves for single-premium contracts	**5,683**	**120**	**5,803**	**5,249**	**127**	**5,376**
Life business: periodic-premium contracts						
Capitalisation	281	11	292	116	5	121
Personal insurance	6,139	92	6,232	5,866	87	5,953
Group contracts	6,257	185	6,442	5,556	147	5,703
Other	714	7	721	598	6	604
Total reserves for periodic premium contracts	**13,391**	**295**	**13,686**	**12,136**	**245**	**12,381**
Reinsurance inwards	**1,632**	**59**	**1,691**	**57**	**46**	**103**
Total Life Reserves	**20,706**	**474**	**21,180**	**17,442**	**418**	**17,860**

The implementation of a rider during the first half of 2006 that introduced a significant risk element in the item "Group policies" resulted in a €1,477 million transfer from accepted actuarial reserves in the category "reserves for financial contracts with discretionary profit sharing" to "insurance policies" as at 31 December 2006.

	31.12.2006			31.12.2005		
	Gross reserve for unearned premiums	**Gross outstanding claims reserves**	**Total**	**Gross reserve for unearned premiums**	**Gross outstanding claims reserves**	**Total**
			(€m)			
Non-life insurance						
Motor	800	3,935	4,734	742	3,877	4,619
Bodily injury	120	926	1,046	108	896	1,004
Property damage	580	2,535	3,115	552	2,471	3,023
Third party liability	54	1,160	1,214	51	1,213	1,264
Marine, aviation, transport	35	590	626	45	757	802
Other	236	1,637	1,873	163	1,865	2,028
Reinsurance inwards	**35**	**586**	**620**	**42**	**653**	**695**
Total Non-Life Reserves	**1,859**	**11,368**	**13,228**	**1,703**	**11,732**	**13,435**

NOTE 26
CHANGES IN RESERVES FOR CLAIMS DURING THE YEAR
GROSS VALUES

	31.12.2006	31.12.2005
	(€m)	
Reserves for claims brought forward	**11,735**	**10,999**
Portfolio transfer /changes in scope of consolidation	**(314)**	
Claims expense for the current year	6,821	6,149
Claims expense for prior years	(556)	(456)
Total claims expense	**6,265**	**5,693**
Claims payments for the current year	(3,340)	(2,933)
Claims payments for prior years	(2,954)	(2,526)
Total payments	**(6,294)**	**(5,459)**
Exchange rate variation	**(24)**	**80**
Total reserves for claims carried forward	**11,368**	**11,313**

Opening 2006 reserves for claims were increased by reserves for combined entities. The amount as at 31 December 2005 totalled €422 million. This amount was not shown in this table in prior years.

The amount recorded in "Changes in scope of consolidation" involves the following entities:

– Basak Sigorta: €109 million

– Azur: €38 million

– Minster Insurances: €(461) million (out of a total of €483 million in technical reserves)

Note 26.1 Changes in reserves for claims during the year – by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Reserves for claims brought forward	**9,322**	**2,413**	**11,735**	**8,645**	**2,354**	**10,999**
Portfolio transfer /changes in scope of consolidation	**3**	**(317)**	**(314)**			
Claims expense for the current year	5,514	1,308	6,821	4,914	1,235	6,149
Claims expense for prior years	(391)	(165)	(556)	(286)	(170)	(456)
Total claims expense	**5,123**	**1,143**	**6,265**	**4,628**	**1,065**	**5,693**
Claims payments for the current year	(2,735)	(605)	(3,340)	(2,429)	(504)	(2,933)
Claims payments for prior years	(2,429)	(524)	(2,953)	(1,985)	(541)	(2,526)
Total payments	**(5,164)**	**(1,129)**	**(6,293)**	**(4,414)**	**(1,045)**	**(5,459)**
Exchange rate variation	**(39)**	**15**	**(24)**	**42**	**38**	**80**
Total reserves for claims carried forward	**9,245**	**2,126**	**11,371**	**8,901**	**2,412**	**11,313**

Note 26.2 Impact of gross claims

	2003	2004	2005	2006
		(€m)		
Estimated claims expense				
At end of N	7,105	6,751	6,853	7,085
At end of N+1	6,950	6,532	6,771	
At end of N+2	6,838	6,346		
At end of N+3	6,741			
Claims expense	**6,741**	**6,346**	**6,771**	**7,085**
Cumulative claims payments	**5,768**	**5,238**	**5,019**	**3,514**
Reserves for outstanding claims	**973**	**1,108**	**1,752**	**3,571**
Earned premiums	**8,794**	**9,037**	**9,184**	**9,442**
Claims and Reserves/Earned Premium	**76.7%**	**70.2%**	**73.7%**	**75.0%**

NOTE 27
OPERATING IMPACT OF THE DISCOUNT IN THE ACTUARIAL RESERVES FOR ANNUITIES AND CHANGE IN ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES

Note 27.1 Impact of the computation on the actuarial reserves for annuities

GROSS VALUES

	31.12.2006	31.12.2005
	(€m)	
Outstanding claims reserves carried forward (net of recoveries)	**1,899**	**1,290**
Outstanding claims reserves (net of recoveries) carried forward before change in discount rate	**1,962**	**1,219**
Outstanding claims reserves carried forward (net of recoveries) excluding technical interest	2,577	1,841
Technical interest	(615)	(621)
Impact of change in discount rate	(63)	70

OUTWARDS REINSURANCE SHARE

	31.12.2006	31.12.2005
	(€m)	
Share of reinsurers in outstanding claims reserves (net of recoveries) brought forward	**78**	**45**
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries) before change in discount rate	**80**	**42**
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries) excluding technical interest	101	62
Technical interest	(21)	(20)
Impact of change in discount rate	(2)	3

The 2006 opening actuarial reserves for annuities were increased by reserves for combined entities. The amount as at 31 December 2005 totalled €662 million, solely for entities based in France, as a gross amount. The assigned portion as at 31 December 2005 totalled €45 million, of which €40 million was for France and €5 million for foreign countries.

These amounts were not shown in this table in prior years.

Note 27.2 Impact of the computation on the actuarial reserves by geographic area

GROSS VALUES

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Outstanding claims reserves carried forward (net of recoveries)	**1,892**	**6**	**1,899**	**1,285**	**5**	**1,290**
Outstanding claims reserves carried forward (net of recoveries) before change in discount rate	1,956	6	1,962	1,215	4	1,219
Outstanding claims reserves carried forward (net of recoveries) excluding technical interest	2,572	5	2,577	1,837	4	1,841
Technical interest	(616)	1	(615)	(622)	1	(621)
Impact of change in discount rate	(63)		(63)	70		70

OUTWARDS REINSURANCE SHARE

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries)	**73**	**5**	**78**	**40**	**5**	**45**
Share of reinsurers in **outstanding claims** reserves carried forward (net of recoveries) before change in discount rate	75	5	80	37	5	42
Share of reinsurers in **outstanding claims** reserves carried forward (net of recoveries) excluding technical interest	97	4	101	58	4	62
Technical interest	(22)	1	(21)	(21)	1	(20)
Impact of change in discount rate	(2)		(2)	3		3

Note 27.3 Changes in actuarial reserves for life insurance policies and investments

	31.12.2006	31.12.2005
	(€m)	
Actuarial reserves brought forward	**36,702**	**34,458**
Premiums for the year	3,588	3,488
Portfolio transfer /changes in scope of consolidation	206	
Interest credited	620	464
Profit-sharing	1,129	1,047
Policies at term	(836)	(943)
Surrenders	(1,608)	(1,570)
Annuity arrears	(371)	(344)
Death benefits	(307)	(297)
Other changes	51	399
Total actuarial reserves carried forward	**39,174**	**36,702**

Note 27.4 Changes in actuarial reserves for life insurance policies and investments by geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Actuarial reserves brought forward	**34,437**	**2,265**	**36,702**	**32,251**	**2,207**	**34,458**
Premiums for the year	3,216	372	3,588	3,141	347	3,488
Portfolio transfer /changes in scope of consolidation	16	191	206			
Interest credited	544	76	620	389	75	464
Profit-sharing	1,110	18	1,129	1,036	11	1,047
Policies at term	(709)	(127)	(836)	(829)	(114)	(943)
Surrenders	(1,363)	(246)	(1,608)	(1,350)	(220)	(1,570)
Annuity arrears	(359)	(12)	(371)	(331)	(13)	(344)
Death benefits	(302)	(5)	(307)	(297)		(297)
Other changes	95	(44)	51	427	(28)	399
Total reserves carried forward	**36,686**	**2,488**	**39,174**	**34,437**	**2,265**	**36,702**

NOTE 28
OPERATING LIABILITIES RELATED TO FINANCIAL CONTRACTS

	31.12.2006 Total	31.12.2005 Total
	(€m)	
Reserves on financial contracts with discretionary profit-sharing		
Life technical reserves	**18,454**	**19,220**
Reserves on unit-linked contracts	52	8
Reserves for outstanding claims	270	238
Profit-sharing reserves	860	697
Other technical reserves		9
Total	**19,636**	**20,172**
Reserves on financial contracts without discretionary profit-sharing		
Life technical reserves	14	39
Reserves on unit-linked contracts	136	656
Reserves for outstanding claims		1
Profit-sharing reserves		
Other technical reserves		
Total	**151**	**696**
Total operating liabilities related to financial contracts	**19,787**	**20,868**

Note 28.1 Operating liabilities related to financial contracts (excluding unit-linked) by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Gross technical reinsurance reserves						
Life financial contract reserves	17,842	626	18,468	18,593	666	19,259
Reserves for outstanding claims	269	1	270	236	3	239
Profit-sharing reserves	858	3	861	691	6	697
Other technical reserves					9	9
Total Life Insurance	**18,969**	**630**	**19,599**	**19,520**	**684**	**20,204**
Total gross technical reserves	**18,969**	**630**	**19,599**	**19,520**	**684**	**20,204**
Share of reinsurers in technical reserves						
Total operating liabilities related to financial contracts net of reinsurance	**18,969**	**630**	**19,599**	**19,520**	**684**	**20,204**

Note 28.2 Breakdown of financial contracts by major categories

	31.12.2006			31.12.2005		
	Life financial contract reserves	**Gross outstanding claims reserves**	**Total**	**Life financial contract reserves**	**Gross outstanding claims reserves**	**Total**
			(€m)			
Life business: single-premium policies						
Capitalisation	808	14	822	798	22	820
Life and health insurance	16,134	202	16,336	14,595	156	14,751
Group policies	8		8	11		11
Other						
Total reserves for single-premium policies	**16,950**	**216**	**17,166**	**15,404**	**178**	**15,582**
Life business: periodic-premium policies						
Capitalisation	354		354	515	1	516
Life and health insurance	699	25	724	866	32	898
Group policies	465	26	491	1,016	25	1,041
Other		3	3	29	3	32
Total reserves for periodic premium policies	**1,518**	**54**	**1,572**	**2,426**	**61**	**2,487**
Reinsurance acceptance				**1,429**		**1,429**
Total Life Reserves	**18,468**	**270**	**18,738**	**19,259**	**239**	**19,498**

NOTE 29
DEFERRED PROFIT SHARING LIABILITY

	31.12.2006	31.12.2005
	(€m)	
Reserve for deferred profit-sharing on insurance policies	2,128	2,235
Reserve for deferred profit-sharing on financial contracts	1,953	2,150
Total deferred profit sharing liability	**4,081**	**4,385**

For the principal entities, the rate for deferred profit sharing used for accounting purposes fell within a range between 63.1% and 86.6% in 2006, versus 67.2% and 87.6% in 2005.

Note 29.1 Deferred profit sharing liability by geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Reserve for deferred profit-sharing on insurance policies	2,116	12	2,128	2,189	46	2,235
Reserve for deferred profit-sharing on financial contracts	1,949	4	1,953	2,147	5	2,150
Total deferred profit sharing liability	**4,065**	**16**	4,081	4,334	51	4,385

NOTE 30
FUNDS FROM BANKING SECTOR OPERATIONS

	31.12.2006	31.12.2005
	(€m)	
Central banks, postal accounts		
Financial liabilities at fair value through income	734	1
Hedging derivative instruments		
Payables to credit institutions	145	713
Payables to clients	1,190	930
Payables represented by securities	120	180
Revaluation variance on interest rate-hedged portfolios		
Total funds from banking sector operations	**2,189**	**1,824**

The change in amounts is primarily due to the transfer of securities "Held to maturity" for the purposes of a transaction oriented strategy. The item "issue of certificates of deposit" appears as an offset to "issue of certificates of deposit transaction" recorded in financial liabilities at fair value through income.

NOTE 31
DEFERRED TAX LIABILITIES

Note 31.1 Deferred tax liabilities – by geographic area

	31.12.2006			31.12.2005
	France	Foreign	Total	Total
		(€m)		
Deferred tax liabilities	421	47	468	385
Total deferred tax liabilities	**421**	**47**	**468**	**385**

Note 31.2 Deferred tax liabilities – by business sector

	31.12.2006				31.12.2005
	Life	Non-life	Banking	Total	Total
			(€m)		
Deferred tax liabilities	81	387		468	385
Total deferred tax liabilities	**81**	**387**		**468**	**385**

NOTE 32
PAYABLES TO UNIT HOLDERS OF CONSOLIDATED MUTUAL FUNDS

	31.12.2006			31.12.2005		
	Insurance	Banking	Total	Insurance	Banking	Total
			(€m)			
Payables owing to unit holders of consolidated mutual funds	329		329	341		341
Total	**329**		**329**	**341**		**341**

NOTE 33
OPERATING PAYABLES TO BANKING INSTITUTIONS

Note 33.1 Operating payables to banking institutions – by maturity

	31.12.2006				31.12.2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Operating payables to banking sector companies	585	35		621	452	20		472
Total	**585**	**35**		**621**	**452**	**21**		**472**

Note 33.2 Operating payables to banking institutions – by currency and rate

	31.12.2006			
	Currencies		Rates	
	Euro zone	Non-Euro zone	Fixed rate	Variable rate
		(€m)		
Operating payables to banking sector companies	621		620	
Total	**621**		**620**	

NOTE 34
LIABILITIES GENERATED BY INSURANCE OR INWARDS REINSURANCE TRANSACTIONS

	31.12.2006				31.12.2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Liabilities from insurance or reinsurance acceptance transactions								
Policyholders, intermediaries and other third parties	673			673	594			594
Co-insurers	62	9		71	73	9		82
Ceding and retroceding company current accounts	69	12	4	85	33	56		89
Deposits received from reinsurers								
Total	**804**	**21**	**4**	**829**	**700**	**65**		**765**

NOTE 35
LIABILITIES FROM OUTWARDS REINSURANCE ACTIVITIES

	31.12.2006				31.12.2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Liabilities from outwards reinsurance activities								
Outwards reinsurer and retrocessionnaire current accounts	244	41	3	287	208	47	3	258
Other liabilities from reinsurance activities	30	10		40	46	11		57
Total	**274**	**51**	**3**	**328**	**254**	**58**	**3**	**315**

NOTE 36
CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

	31.12.2006				31.12.2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Current tax payables and other tax payables	236			236	248			248
Total	**236**			**236**	**248**			**248**

NOTE 37
DERIVATIVE INSTRUMENTS LIABILITIES

	31.12.2006			31.12.2005		
	Insurance	Banking	Total	Insurance	Banking	Total
			(€m)			
Derivative liabilities	17		17	49		49
Total	**17**		**17**	**49**		**49**

NOTE 38
OTHER LIABILITIES

Note 38.1 Other liabilities – by business sector

	31.12.2006			31.12.2005		
	Insurance	Banking	Total	Insurance	Banking	Total
			(€m)			
Personnel creditors	250	10	260	234	8	242
Social security agencies	152	7	159	164	5	169
Other loans, deposits and guarantees received	1,625		1,625	1,178		1,178
Other creditors	880	9	889	1,048	8	1,056
Other payables	368	77	445	225	224	449
Total	**3,275**	**103**	**3,377**	**2,849**	**245**	**3,094**

The item "Other loans, deposits and guarantees received" includes an amount of €490 million corresponding to drawdowns on Groupama S.A.'s credit facility.

Note 38.2 Other liabilities – by maturity

	31.12.2006				31.12.2005			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
				(€m)				
Personnel creditors	251	8	1	260	234	7	1	242
Social security agencies	159			159	169			169
Other loans, deposits and guarantees received	1,434	77	113	1,625	1,085	38	55	1,178
Other creditors	789	16	84	889	892	157	7	1,056
Other payables	445			445	449			449
Total	**3,078**	**101**	**198**	**3,377**	**2,829**	**202**	**63**	**3,094**

Note 38.3 Other liabilities by currency and rate

	31.12.2006			
	Currencies		Rates	
	Euro zone	Non-Euro zone	Fixed rate	Variable rate
		(€m)		
Personnel creditors	260		260	
Social security agencies	159		159	
Other loans, deposits and guarantees received	1,621	4	748	877
Other creditors	253	636	355	534
Other payables	445		445	
Total	**2,738**	**640**	**1,967**	**1,411**

NOTES ON THE COMBINED INCOME STATEMENT
NOTE 39
ANALYSIS OF REVENUE BY MAJOR CATEGORIES

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Life business: single-premium policies						
Capitalisation	82	138	220	62	142	204
Personal insurance	1,868	66	1,933	2,018	54	2,072
Group policies	3	32	35	3	14	17
Unit-linked policies	716	3	719	321	21	342
Other	44		44	52		52
Total single-premium policies	**2,712**	**240**	**2,952**	**2,456**	**231**	**2,687**
Life business: periodic-premium policies						
Capitalisation	46	40	86	51	37	88
Personal insurance	642	85	727	640	86	726
Group policies	501	58	560	451	53	504
Unit-linked policies	5	17	22	6	19	25
Other	13		13	10		10
Total periodic premium policies	**1,206**	**200**	**1,406**	**1,158**	**195**	**1,353**
Reinsurance acceptance	**111**		**111**	**113**		**113**
Total life	**4,029**	**440**	**4,469**	**3,727**	**426**	**4,153**
Non-life insurance						
Motor	1,991	911	2,903	2,072	845	2,917
Bodily injury	2,109	77	2,186	1,989	71	2,060
Property damage	2,162	461	2,624	2,177	399	2,576
Civil liability	151	68	219	150	61	211
Marine, aviation, transport	279	31	311	256	27	283
Other	639	299	938	641	147	788
Reinsurance acceptance	227	7	234	257	2	259
Total non-life	**7,559**	**1,856**	**9,415**	**7,542**	**1,552**	**9,094**
Total life and non-life	**11,588**	**2,296**	**13,884**	**11,269**	**1,978**	**13,247**
Banking activities						
Banking	149		149	97		97
Asset management	129		129	106		106
Other	3		3	2		2
Total banking	**281**		**281**	**205**		**205**
Total	**11,869**	**2,296**	**14,165**	**11,474**	**1,978**	**13,452**

Banking revenue shown in the combined financial statements correspond to banking income before interest costs.

Note 39.1 Analysis of revenue by life/non-life and geographic area

	31.12.2006					31.12.2005				
	Life	Non-life	Investment activities	Total	Share as %	Life	Non-life	Investment activities	Total	Share as %
					(€m)					
France	**4,029**	**7,559**	**281**	**11,869**	**84%**	**3,727**	**7,542**	**205**	**11,474**	**85%**
EEC (ex- France)	**377**	**1,693**		**2,070**	**15%**	**366**	**1,513**		**1,879**	**14%**
UK		605		605	4%		504		504	4%
Italy	175	368		543	4%	191	353		544	4%
Spain	86	704		790	6%	66	641		707	5%
Portugal	116	16		132	1%	109	15		124	1%
Other countries	**63**	**163**		**226**	**1%**	**60**	**39**		**99**	**1%**
Total	**4,469**	**9,415**	**281**	**14,165**	**100%**	**4,153**	**9,094**	**205**	**13,452**	**100%**

Total Insurance revenue totalled €13,884 million for the year ended 31 December 2006 compared with €13,247 million in 2005. The growth in revenue from other countries was primarily attributable to consolidation of the Turkish companies which posted revenue of €157 million.

Note 39.2 Analysis of revenue by life and health insurance/ property and liability insurance/ banking/holding and by geographic area

	31.12.2006					31.12.2005				
	Life and health insurance	Property and liability insurance.	Investment activities	Total	Share as %	Life and health insurance	Property and liability insurance.	Investment activities	Total	Share as %
					(€m)					
France	**6,253**	**5,335**	**281**	**11,869**	**84%**	**5,840**	**5,429**	**205**	**11,474**	**85%**
EEC (ex- France)	**641**	**1,429**	**0**	**2,070**	**15%**	**606**	**1,273**	**0**	**1,879**	**14%**
UK	152	453		605	4%	137	367		504	4%
Italy	221	322		543	4%	235	309		544	4%
Spain	141	649		790	6%	115	592		707	5%
Portugal	127	5		132	1%	119	5		124	1%
Other countries	**78**	**148**	**0**	**226**	**1%**	**60**	**39**	**0**	**99**	**1%**
Total	**6,972**	**6,912**	**281**	**14,165**	**100%**	**6,506**	**6,741**	**205**	**13,452**	**100%**

Note 39.3 Analysis of banking activities revenue

	31.12.2006			31.12.2005		
	Groupama Banque	Other companies	Total	Groupama Banque	Other companies	Total
			(€m)			
Interest and related income	21	55	76	16	28	44
Commissions (income)	17	162	179	13	136	149
Gains on financial instruments at fair value through income		21	21	8	3	11
Gains on financial assets available for sale			0			0
Income from other activities		5	5		1	1
Banking activities revenue	**38**	**243**	**281**	**37**	**168**	**205**

NOTE 40

INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

Note 40.1 By geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Investment income	**2,675**	**245**	**2,920**	**2,546**	**215**	**2,761**
Interest on deposit and financial investment income	2,038	240	2,278	1,958	205	2,163
Gains on foreign exchange transactions	10		10	20	5	24
Income from net premiums on redemption receivable	191	1	192	141	1	142
Property income	435	4	438	425	4	429
Other investment income	1		1	3		3
Investment expenses	**(401)**	**(50)**	**(450)**	**(393)**	**(46)**	**(439)**
Interest received from reinsurers	(2)	(2)	(4)	(3)		(3)
Losses on foreign exchange transactions	(21)	(5)	(26)	(13)	(6)	(19)
Amortisation of net discounts on redemption	(79)	(13)	(91)	(77)	(11)	(88)
Depreciation on buildings	(90)		(90)	(114)	(2)	(116)
Management expenses	(209)	(30)	(240)	(186)	(26)	(212)
Capital gains (losses) from sale of investments, net of amortisations and impairment	**891**	**58**	**950**	**1,033**	**63**	**1,096**
Held for transaction purposes	57	2	59	71	3	74
Available for sale	775	55	830	900	57	957
Held to maturity						
Other	60	1	61	61	3	65
Change in fair value of financial instruments recognised at fair value through income	**456**	**1**	**457**	**340**	**25**	**364**
Held for transaction purposes	73	(3)	70	194	5	199
Derivatives	105		105	(194)		(194)
Adjustments on unit-listed contracts	278	4	282	340	19	359
Change in impairment on financial instruments		**(1)**	**(1)**	**(5)**	**(10)**	**(15)**
Available for sale	(4)	(1)	(5)	(8)	(10)	(18)
Held to maturity						
Receivables and loans	4		4	3		3
Total investment income net of management expenses	**3,621**	**254**	**3,875**	**3,521**	**247**	**3,768**

Note 40.2 By business sector

	31.12.2006			31.12.2005		
	Life	Non-life	Total	Life	Non-life	Total
			(€m)			
Investment income	**1,859**	**1,061**	**2,920**	**1,727**	**1,034**	**2,761**
Interest on deposits and investment income	1,630	648	2,278	1,547	616	2,163
Gains on foreign exchange transactions	2	8	10	5	19	24
Income from net premiums on redemption	168	24	192	121	21	142
Property income	59	380	439	54	375	429
Other investment income		1	1		3	3
Investment expenses	**(137)**	**(313)**	**(450)**	**(111)**	**(327)**	**(439)**
Interest received from reinsurers	(2)	(2)	(4)		(3)	(3)
Losses on foreign exchange transactions	(7)	(18)	(26)	(6)	(13)	(19)
Amortisation of net discounts on redemption	(57)	(35)	(92)	(56)	(32)	(88)
Depreciation on buildings	(3)	(87)	(90)	(5)	(111)	(116)
Management expenses	(69)	(171)	(240)	(42)	(170)	(212)
Capital gains (losses) from sale of investments, net of amortisations and impairment	**541**	**408**	**949**	**662**	**434**	**1,096**
Held for transaction purposes	27	32	59	39	35	74
Available for sale	483	347	830	599	358	957
Held to maturity						
Other	31	29	60	24	41	65
Change in fair value of financial instruments recognised at fair value through income	**413**	**44**	**457**	**368**	**(4)**	**364**
Held for transaction purposes	51	18	69	172	27	199
Derivatives	80	26	106	(163)	(31)	(194)
Adjustments on unit-listed contracts	282		282	359		359
Change in impairment on financial instruments	**3**	**(4)**	**(1)**	**(10)**	**(6)**	**(15)**
Available for sale	(1)	(4)	(5)	(10)	(8)	(18)
Held to maturity						
Receivables and loans	4		4		3	3
Total investment income net of management expenses	**2,678**	**1,196**	**3,875**	**2,638**	**1,130**	**3,768**

Note 40.3 Investment income net of management expenses (revenue breakdown by type of asset)

	31.12.2006					31.12.2005				
	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total
					(€m)					
Property	438	61			499	429	65			494
Equities	336	576	3		915	220	357	123		700
Bonds	1,854	12	(78)		1,788	1,920	35	(108)		1,847
Equity mutual funds	34	141	124		299	55	129	144		328
Bond mutual funds	31	38	26		95	57	53	50		160
Interest on cash deposits	137				137	11				11
Other investment income	90	120	100	2	312	68	457	(203)	(15)	307
Investment income	**2,920**	**948**	**175**	**2**	**4,045**	**2,760**	**1,096**	**6**	**(15)**	**3,847**
Internal and external management expenses	(258)				(258)	(217)				(217)
Other investment expenses	(194)				(194)	(220)				(220)
Investment expenses	**(452)**				**(452)**	**(437)**				**(437)**
Investment income, net of expenses	**2,468**	**948**	**175**	**2**	**3,593**	**2,323**	**1,096**	**6**	**(15)**	**3,410**
Capital gains on value related to Unit-linked policies			365		365			389		389
Capital losses on value related to Unit-linked policies			(83)		(83)			(30)		(30)
Total investment income net of management expenses	**2,468**	**948**	**457**	**2**	**3,875**	**2,323**	**1,096**	**365**	**(15)**	**3,769**

A new presentation of investment income net of management expenses has been adopted. It entails allocating expenses relating to minority interests in the consolidation of mutual funds with investment income net of expenses by type of asset.

Note 40.4 Investment income net of management expenses (breakdown of non-life revenue by type of asset) – non-life

	31.12.2006					31.12.2005				
	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total
					(€m)					
Property	380	29			409	375	37			412
Equities	88	186	1		275	63	81	123		267
Bonds	462	(5)	(11)		446	505	13	(118)		400
Equity mutual funds	14	105	18		137	20	48	19		87
Bond mutual funds	15	27	17		59	13	39	12		64
Interest on cash deposits	69				69	14				14
Other investment income	33	65	19	(1)	116	43	216	(40)	(5)	214
Investment income	**1,061**	**407**	**44**	**(1)**	**1,511**	**1,033**	**434**	**(4)**	**(5)**	**1,458**
Internal and external management expenses	(161)				(161)	(163)				(163)
Other investment expenses	(153)				(153)	(165)				(165)
Investment expenses	**(314)**				**(314)**	**(328)**				**(328)**
Investment income, net of expenses	**747**	**407**	**44**	**(1)**	**1,197**	**705**	**434**	**(4)**	**(5)**	**1,130**
Capital gains on value related to Unit-linked policies										
Capital losses on value related to Unit-linked policies										
Total investment income net of management expenses	**747**	**407**	**44**	**(1)**	**1,197**	**705**	**434**	**(4)**	**(5)**	**1,130**

Note 40.5 Investment income net of management expenses (breakdown of life income by type of asset) – life

	31.12.2006					31.12.2005				
	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total
					(€m)					
Property	59	31			90	54	27			81
Equities	248	390	2		640	157	276			433
Bonds	1,392	18	(67)		1,343	1,415	22	8		1,445
Equity mutual funds	20	36	107		163	36	81	124		241
Bond mutual funds	16	11	10		37	44	15	40		99
Interest on cash deposits	68				68	(3)				(3)
Other investment income	56	55	79	3	193	24	241	(163)	(10)	92
Investment income	**1,859**	**541**	**131**	**3**	**2,534**	**1,727**	**662**	**9**	**(10)**	**2,388**
Internal and external management expenses	(96)				(96)	(54)				(54)
Other investment expenses	(42)				(42)	(55)				(55)
Investment expenses	**(138)**				**(138)**	**(109)**				**(109)**
Investment income, net of expenses	**1,721**	**541**	**131**	**3**	**2,396**	**1,618**	**662**	**9**	**(10)**	**2,279**
Capital gains on value related to Unit-linked policies			365		365			389		389
Capital losses on value related to Unit-linked policies			(83)		(83)			(30)		(30)
Total investment income net of management expenses	**1,721**	**541**	**413**	**3**	**2,678**	**1,618**	**662**	**368**	**(10)**	**2,638**

NOTE 41

CLAIMS EXPENSES

Note 41.1 Claims expenses – by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Claims						
Paid to policyholders	(8,019)	(1,691)	(9,710)	(8,028)	(1,455)	(9,483)
Change in technical reserves						
Reserves for outstanding claims	(95)	(30)	(126)	(246)	35	(211)
Actuarial reserves	(670)	31	(639)	(758)	(62)	(820)
Unit-linked reserves	(256)	35	(220)	(108)	(23)	(131)
Profit-sharing	(1,812)	(63)	(1,876)	(1,683)	(10)	(1,693)
Other technical reserves	(254)	(8)	(262)	(230)		(230)
Total claims expenses	**(11,106)**	**(1,727)**	**(12,833)**	**(11,053)**	**(1,515)**	**(12,568)**

Note 41.2 Claims expenses – By business sector

	31.12.2006			31.12.2005		
	Life	Non-life	Total	Life	Non-life	Total
	(€m)					
Claims						
Paid to policyholders	(3,343)	(6,367)	(9,710)	(3,233)	(6,250)	(9,483)
Change in technical reserves						
Reserves for outstanding claims	(93)	(32)	(126)	(33)	(178)	(211)
Actuarial reserves	(639)		(639)	(820)		(820)
Unit-linked reserves	(220)		(220)	(131)		(131)
Profit-sharing	(1,866)	(10)	(1,876)	(1,668)	(25)	(1,693)
Other technical reserves	(234)	(28)	(262)	(147)	(83)	(230)
Total claims expenses	**(6,396)**	**(6,437)**	**(12,833)**	**(6,032)**	**(6,536)**	**(12,568)**

NOTE 42
EXPENSES AND INCOME NET OF REINSURANCE CESSIONS

Note 42.1 Expenses and Income net of reinsurance cessions – by geographic area

	31.12.2006			31.12.2005		
	France	Foreign	Total	France	Foreign	Total
	(€m)					
Acquisition and administrative expenses	29	31	59	22	13	34
Claims charge	71	77	148	204	22	226
Change in technical reserves	30	3	33	6	(1)	5
Profit sharing	2		2	9		9
Change in equalisation reserve						
Income from outwards reinsurance	**132**	**110**	**242**	**241**	**34**	**275**
Premiums ceded	(508)	(133)	(640)	(481)	(68)	(549)
Expenses on outwards reinsurance	**(508)**	**(133)**	**(640)**	**(481)**	**(68)**	**(549)**
Income and expenses on outwards reinsurance	**(376)**	**(22)**	**(398)**	**(240)**	**(34)**	**(274)**

Note 42.2 Expenses and Income net of outwards reinsurance – by business sector

	31.12.2006			31.12.2005		
	Life	Non-life	Total	Life	Non-life	Total
	(€m)					
Acquisition and administrative expenses	6	54	60	5	30	35
Claims charge	14	134	148	11	215	226
Change in technical reserves	4	29	33	(3)	8	5
Profit sharing	6	(5)	1	10	(1)	9
Change in equalisation reserve						
Income from outwards reinsurance	**30**	**212**	**242**	**23**	**252**	**275**
Premiums ceded	(32)	(608)	(640)	(28)	(521)	(549)
Expenses on outwards reinsurance	**(32)**	**(608)**	**(640)**	**(28)**	**(521)**	**(549)**
Income and expenses on outwards reinsurance	**(3)**	**(396)**	**(398)**	**(5)**	**(269)**	**(274)**

NOTE 43
OPERATING EXPENSES

Note 43.1 Operating expenses – by geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
External expenses	(1,079)	(163)	(1,242)	(1,059)	(97)	(1,156)
Taxes	(262)	(3)	(265)	(248)	(2)	(250)
Personnel expenses	(1,383)	(150)	(1,533)	(1,349)	(137)	(1,486)
Commissions	(626)	(343)	(969)	(623)	(298)	(921)
Depreciation and provision charges (net of amortisations)	(174)	(17)	(191)	(176)	(11)	(187)
Other expenses	(47)	(13)	(60)	(76)	(6)	(82)
Total expenses by nature	**(3,571)**	**(689)**	**(4,260)**	**(3,531)**	**(551)**	**(4,082)**
Claims management expenses	(639)	(75)	(714)	(681)	(72)	(753)
Acquisition costs	(1,513)	(403)	(1,916)	(1,475)	(327)	(1,802)
Administrative expenses	(486)	(136)	(622)	(538)	(115)	(653)
Other operating expenses	(534)	(34)	(568)	(465)	(25)	(490)
Investment management expenses	(96)	(3)	(99)	(85)	(4)	(89)
Other non-operating expenses	(147)	(38)	(185)	(147)	(8)	(155)
Banking expenses	(156)		(156)	(140)		(140)
Total operating expenses by function	**(3,571)**	**(689)**	**(4,260)**	**(3,531)**	**(551)**	**(4,082)**

Note 43.2 Operating Expenses – by business sector

	31.12.2006			31.12.2005		
	Insurance	**Banking**	**Total**	**Insurance**	**Banking**	**Total**
			(€m)			
External expenses	(1,177)	(65)	(1,242)	(1,101)	(55)	(1,156)
Taxes	(259)	(6)	(265)	(245)	(5)	(250)
Personnel expenses	(1,448)	(85)	(1,533)	(1,409)	(77)	(1,486)
Commissions	(969)		(969)	(921)		(921)
Depreciation and provision charges (net of amortisations)	(183)	(8)	(191)	(176)	(11)	(187)
Other expenses	(49)	(11)	(60)	(71)	(11)	(82)
Total expenses by nature	**(4,085)**	**(175)**	**(4,260)**	**(3,923)**	**(159)**	**(4,082)**
Claims management expenses	(714)		(714)	(753)		(753)
Acquisition costs	(1,916)		(1,916)	(1,802)		(1,802)
Administrative expenses	(622)		(622)	(653)		(653)
Other operating expenses	(568)		(568)	(490)		(490)
Investment management expenses	(99)		(99)	(89)		(89)
Other non-operating expenses	(166)	(19)	(185)	(136)	(19)	(155)
Banking expenses		(156)	(156)		(140)	(140)
Total operating expenses by function	**(4,085)**	**(175)**	**(4,260)**	**(3,923)**	**(159)**	**(4,082)**

NOTE 44
POLICY ACQUISITION COSTS

Note 44.1 Policy acquisition costs by geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Commissions	(454)	(322)	(776)	(422)	(261)	(683)
Change in deferred acquisition costs		(2)	(2)	1	(1)	
Other expenses	(1,059)	(81)	(1,140)	(1,052)	(66)	(1,118)
Total Acquisition costs	**(1,513)**	**(405)**	**(1,918)**	**(1,473)**	**(328)**	**(1,801)**

Note 44.2 Policy acquisition costs by business sector

	31.12.2006			31.12.2005		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
			(€m)			
Commissions	(87)	(689)	(776)	(72)	(611)	(683)
Change in deferred acquisition costs	(12)	10	(1)	(5)	5	
Other expenses	(153)	(987)	(1,140)	(147)	(971)	(1,118)
Total acquisition costs	**(252)**	**(1,666)**	**(1,918)**	**(224)**	**(1,577)**	**(1,801)**

NOTE 45
ADMINISTRATIVE EXPENSES

Note 45.1 Administrative expenses by geographic area

	31.12.2006			31.12.2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Commissions	(104)	(39)	(143)	(117)	(35)	(152)
Other expenses	(381)	(97)	(479)	(421)	(80)	(501)
Total administrative expenses	**(485)**	**(137)**	**(622)**	**(538)**	**(115)**	**(653)**

Note 45.2 Administrative expenses by business sector

	31.12.2006			31.12.2005		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
			(€m)			
Commissions	(28)	(115)	(143)	(36)	(116)	(152)
Other expenses	(111)	(368)	(479)	(80)	(421)	(501)
Total administrative expenses	**(139)**	**(483)**	**(622)**	**(116)**	**(537)**	**(653)**

NOTE 46
OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

	31.12.2006	31.12.2005
	(€m)	
Commissions and other operating expenses, Life	(183)	(216)
Other operating income, Life	19	17
Transfer of operating expenses and capitalised production, Life	25	26
Total other operating income and expenses, Life	**(139)**	**(172)**
Non-life commissions and other operating expenses	(325)	(255)
Other Non-life operating income	32	34
Transfer of Non-life operating expenses and capitalised production	15	21
Total other operating income and expenses, Non-life	**(278)**	**(200)**
Other non-operating expenses	(232)	(168)
Other non-operating income	44	45
Total other non-operating income and expenses	**(188)**	**(123)**
Total other operating income and expenses	**(605)**	**(496)**

NOTE 47
OTHER EXTRAORDINARY OPERATING INCOME AND EXPENSES

	31.12.2006	31.12.2005
	(€m)	
Extraordinary income	83	55
Extraordinary expenses	(168)	(90)
Goodwill impairment charges	(18)	
Total other extraordinary operating income and expenses	**(103)**	**(35)**

NOTE 48
FINANCING EXPENSES

	31.12.2006	31.12.2005
	(€m)	
Interest expenses on loans and debt	(90)	(71)
Interest expenses on repurchases	(21)	(17)
Interest income and expenses – Other	(4)	(5)
Total financing expenses	**(115)**	**(93)**

NOTE 49

BREAKDOWN OF TAX EXPENSE

Note 49.1 Breakdown of tax expense- by geographic area

	31.12.2006		31.12.2005	
	France	**Foreign**	**Total**	**Total**
		(€m)		
Current taxes	(258)	(14)	(272)	(109)
Deferred taxes	(82)		(82)	(230)
Total tax expense	**(340)**	**(14)**	**(354)**	**(339)**

Note 49.2 Breakdown of tax expense- by business sector

	31.12.2006				31.12.2005
	Life	**Non-life**	**Banking**	**Total**	**Total**
			(€m)		
Current taxes	(63)	(191)	(19)	(273)	(109)
Deferred taxes	6	(87)	(1)	(82)	(230)
Total tax expense	**(57)**	**(278)**	**(19)**	**(354)**	(339)

Note 49.3 Reconciliation between total recognised tax expense and theoretical tax expense calculations

	31.12.2006	**31.12.2005**
	(€m)	
Theoretical tax expense	(392)	(316)
Impact of non-deductible or non-taxable expenses or income	17	(75)
Impact of differences in tax rate	5	(2)
Tax credits and other		(2)
Impact of prior year losses	19	68
Losses for the year not capitalised	(14)	(12)
Deferred tax assets not capitalised		
Other differences	11	
Effective tax expense	**(354)**	**(339)**

Corporate income taxes amounted to a total expense of €354 million in 2006 compared to an expense of €339 million in 2005. The combined corporate income tax expense rose less than the combined net profit before taxes primarily because of partial utilisation of the accumulated tax loss carry forwards from the UK operating subsidiary. The effective tax rate was therefore 31.1% compared to 36.9% for 2005.

OTHER INFORMATION

NOTE 50

EMPLOYEES OF CONSOLIDATED COMPANIES

	31.12.2006			31.12.2005
	Insurance	**Banking**	**Total**	**Total**
		(€m)		
France	24,726	943	25,669	25,528
UK	1,207		1,207	767
Spain	875		875	764
Italy	396		396	397
Hungary	240		240	253
Other EU countries	114		114	108
Turkey	501		501	
Non-EU countries	29		29	30
Total average number of employees of the consolidated companies	**28,088**	**943**	**29,031**	**27,847**

This table shows the employees at year end. In previous years, the number of employees used to be presented as an average. The comparative figures as at 31 December 2005 have been restated accordingly to ease comparison.

The increase in the number of employees primarily reflects the following newly consolidated companies:

– Basak Sigorta and Basak Emeklilik, with 360 and 141 employees respectively, representing a total of 501 employees;

– Carole Nash, with a total of 328 employees;

– Azur Multiramos and Azur Vida, with a total of 46 employees.

NOTE 51

COMMITMENTS GIVEN AND RECEIVED

Note 51.1 – Commitments given and received – Banking

	31.12.2006	31.12.2005
	(€m)	
Financing commitments received		
Guarantee commitments received	20	3
Securities commitments receivable	90	105
Total banking commitments received	**110**	**108**
Commitments received on currency transactions	6	25
Other commitments received	1	1
Total of other banking commitments received	**6**	**26**
Financing commitments given	43	31
Guarantee commitments given	109	77
Commitments on securities to be delivered	10	5
Total banking commitments given	**163**	**113**
Commitments given on currency transactions	24	32
Commitments given on financial instrument transactions		46
Total of other banking commitments given	**24**	**78**

Forward currency sale transactions are now allocated to notional instruments and are no longer presented in this table.

The amounts for 2005 were €2,552 million for commitments received on currency transactions and €2,553 million for commitments given on currency transactions.

Note 51.2 – Commitments given and received-Insurance and Reinsurance

	31.12.2006	31.12.2005
	(€m)	
Endorsements, securities and guarantees received	122	121
Other commitments received	953	1,544
Total commitments received, excluding reinsurance	**1,075**	**1,666**
Reinsurance commitments received	429	352
Endorsements, securities and guarantees given	1,417	1,493
Other commitments on securities, assets or income	612	321
Other commitments given	156	258
Total commitments given, excluding reinsurance	**2,185**	**2,072**
Reinsurance commitments given	319	46
Securities belonging to provident institutions	3	3
Other assets held on behalf of third parties		

NOTE 52

SENSITIVITY NOTES

As a multi-line insurer, Groupama is subject to various types of insurance risks, with equally variable time horizons. The Group is also exposed to market risks because of its financial investment activities, particularly the risks linked to interest rates, equity markets, the liquidity of its assets, and currency risks. The credit risk is also specifically monitored by the Group for both its insurance and its financial investment activities. In addition, the Group is subject to operational, regulatory, legal and tax risks like all companies in other business sectors.

1 Organisation of internal risk management in the Group

Risk management in the Group is organised on three levels, reflecting the organisation of Groupama.

- ***Regional mutuals***

The regional mutuals are autonomous legal entities which implement their own internal control system and manage their risks. The reinsurance of the regional mutuals is carried by Groupama SA under the conditions defined in the Reinsurance Convention. For the risks related to the distribution of banking products and life insurance, the regional mutuals apply the risk management procedures defined by Groupama Banque and Groupama Vie.

- ***Groupama S.A. and its subsidiaries***

Risks related to the insurance activities are monitored by the business departments specialising in the area in question; reinsurance risks are managed by the reinsurance and management department (see section 2 Insurance risk). The investment department is responsible for managing the risks related to assets and asset/liability management (see section 3 Market risks).

The Board of Directors of Groupama SA has established an audit and accounts committee; the principal missions of this committee are to review the consistency of the internal control procedures, to monitor risks, ensure ethical compliance, review internal audit work, and prepare the annual report on internal control.

- ***Group***

The Group general audit and actuarial department conducts a general economic and financial audit of the main entities of the Group on a three-year basis, in addition to the operational audits conducted within the entities. The audit plan of the Group general audit and actuarial department is approved by the Managing Director of Groupama SA. It is also presented annually to the audit and accounts committee of Groupama SA.

The mission of the group internal control and risk management department is to coordinate and direct risk management within the Group; this department is also present within each regional mutual and each subsidiary of Groupama SA. The internal control department is responsible for directing the deployment of internal control procedures within Group companies and for implementing Group-wide action plans to manage risks.

In addition, the Group management control department is responsible for ongoing monitoring of results and achievement of the Group's objectives. Each regional mutual and each subsidiary of Groupama SA also has a management control department.

2 Insurance risk

2.1 Prudential supervision

Pursuant to European directives, Groupama is subject to regulations for covering the solvency margin, both at the corporate level for each of the insurance companies and at the level of the combined group.

At 31 December 2006, the principal insurance companies had a solvency margin on average four times over the minimum requirement, both in life and non-life.

Solvency is periodically monitored by each of the companies and by the Group's finance department.

The adjusted solvency margin, calculated at the level of the Groupama combined consolidation, stands at three times over the margin requirement.

2.2 Objectives for managing the risks resulting from insurance policies and methods to limit risks

The Group's insurance business exposes it to risks primarily related to product design, underwriting, claims management, valuation of reserves, and reinsurance.

- ***Product design***

The insurance divisions of Groupama S.A. ensure that the product line is adapted to the Group's strategy. Life and non-life insurance products are designed by the business units of Groupama SA on behalf of the Group's companies. Product design is the result of market and profitability studies performed with actuarial tools to control margins. The work performed by the specialist insurance teams includes the development of the general conditions, the exclusion clauses for the products, underwriting conditions and rates. The regional mutuals and subsidiaries of Groupama SA are then responsible for marketing and managing the products. The products are marketed and managed by the entities of the Gan and Groupama S.A. sales networks.

- ***Underwriting and claims management***

Assignment of powers for underwriting and claims are defined in all companies of the Group. Risks are accepted or refused at every level, based on underwriting guidelines that include the Group's underwriting and commercial policies. Underwriting in particular is secured through a cross managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined on a standard basis throughout the Group, and are regularly updated in procedural specifications governing the management of bodily injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold. In addition, claims settlement activity is safeguarded by an internal control procedure.

The Group's insurance business is explicitly or implicitly monitored using analytic procedures, such as regular analysis of the results of each entity and monitoring underwriting statistics and claims rates by entity. The most significant and most complex risks are individually monitored by the specialist divisions and the entities concerned. Finally, the specialist divisions also act to warn and advise the entities.

- ***Valuation of reserves***

The rules for reserving claims and the funding tables for life and non-life disability payments are defined within the insurance divisions in guidelines that are harmonised for all Group entities.

Reserves are valued by the claims managers within the operational entities and, if necessary, are supplemented by reserves for losses that have occurred but have not yet been declared.

The application of reserve policies is continually monitored, both before and after the fact, by teams dedicated to this task, in addition to the reviews that are conducted by the local supervisory authorities.

- ***Reinsurance***

Reinsurance is organised on two levels. The internal reinsurance performed by Groupama S.A. for all Group entities is designed to optimise retentions for each entity. The external reinsurance defines the optimum reinsurance structure for the Group and the level of risk coverage on the basis of computer models. External reinsurance contracts are renegotiated and renewed each year by Groupama S.A. on behalf of the entire Group. Moreover selection rules defined in the security and reinsurance committee, which is composed of the external reinsurance division of Groupama S.A. and several of its subsidiaries, which are based on the ratings from ratings agencies, are designed to control the solvency risk of reinsurers.

These risks are controlled using internal control procedures, which are described in the report on the financial security law.

2.3 Terms and conditions of the insurance policies which have a material impact on the amount, maturities, and uncertainty of the insurer's future cash flows

- ***Breakdown of the technical reserves of non-life insurance policies by major risk***

The Group offers a broad range of non-life insurance products designed for individuals and businesses.

	Reserves for unearned premiums	**Outstanding claims reserve**	**31.12.2006**
		(€m)	
Motor	800	3,935	**4,734**
Property damage	580	2,535	**3,115**
Civil liability	54	1,160	**1,214**
Marine, aviation, transport	35	590	**626**
Bodily injury	120	926	**1,046**
Other risks	236	1,637	**1,873**
Reinsurance inwards	35	586	**620**
Total reserves, before reinsurance	**1,859**	**11,368**	**13,228**
Portion reinsured	102	1,102	**1,204**
Total reserves, net of reinsurance	**1,757**	**10,266**	**12,023**

The motor, personal, professional and agricultural property damage policies offered by the Group are generally one-year contracts with tacit renewal, which include civil liability coverage.

- ***Breakdown of technical reserves for life insurance policies by major risks***

The Group offers a full line of life insurance products: this offer is intended for individuals in the form of individualised policies and for businesses in the form of group contracts.

	Life insurance reserves	Outstanding claims reserve	31.12.2006
		(€m)	
Personal insurance	9,257	158	**9,416**
Group policies	6,504	194	**6,697**
Capitalisation	855	42	**896**
Other risks	2,460	21	**2,481**
Acceptances	1,632	59	**1,691**
Total reserves, before reinsurance	**20,706**	**474**	**21,180**
Portion reinsured	44	10	**54**
Total reserves, net of reinsurance	**20,662**	**464**	**21,126**

The main personal insurance policies in euros offered to our customers are death benefit policies, mixed insurance policies, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group contracts offered by the Group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with guaranteed point value.

Most of the unit-linked contracts offered by the Group are multi-line contracts with an arbitrage clause based on commercial terms.

- ***Specific features of certain life insurance policies***

Discretionary profit-sharing clause

Certain life insurance, savings and retirement products offered by the Group contain a discretionary profit-sharing clause. The profit-sharing, the amount of which is left to the insurer's discretion, allows policyholders to participate in the results of the financial management and the technical results of the insurance company.

Early redemption options

Most of the savings and retirement products may be surrendered by the policyholders before maturity at a value defined by the policy. For some products, redemption penalties are applied in the event of early redemption and allow the insurer to cover a portion of the acquisition costs incurred at the time the policy was signed.

2.4 Information on the sensitivity of earnings and equity to changes in the variables that significantly affect them

Mortality risk and interest rate risk are the main variables that can have a significant impact on the calculation of the technical reserves, which can generate a substantial change in income and shareholders equity.

- ***Mortality risk***

In life insurance, the payment of benefits depends on the death or the survival of the insured. The occurrence of one or other of these events gives the right to payment of a benefit. The probability that these events will occur is known through mortality tables that show the number of persons alive at all ages, based on a given number of persons at birth. On the basis of statistics on mortality for men and women, different mortality tables have been constructed and are regularly revised to take demographic changes into account.

For France, the Group uses the generational mortality tables (known as TPG), or tables with annuity forecasts with age differences (TPRV), which are both forecasting tables used to define rates for annuity policies constructed using data from the French INSEE. They take into account the observed decline in mortality.

As at 31 December 2006, the amount of the actuarial reserves for annuities currently being paid was €4,747 million.

	France	International	31.12.2006
		(€m)	
Life annuity actuarial reserves	2,743	106	**2,849**
Non-life annuity actuarial reserves	1,892	6	**1,898**
Total	**4,635**	**112**	**4,747**

In life insurance, the percentage of immediate lifetime annuities and the percentage of immediate temporary annuities represent 99% and 1% respectively.

In the international segment, the tables used comply with legal requirements.

In the other portfolios, mortality risk concerns the whole life and deferred capital products. However, the percentage of these products in the Group's total portfolio remains marginal.

- ***Interest-rate risk***

The calculation of technical reserves in life insurance and certain technical reserves in non-life insurance is also based on the use of an interest rate known as the ''technical interest rate'', the terms of which in France are set by the Insurance Code. The Code determines a maximum level by reference to the average rate for government bonds (the T.M.E.), which is used to set rates for policies and calculate the insurer's commitments to policyholders. The terms and conditions vary based on the type of policy and the duration of the commitments.

As at 31 December 2006, the breakdown of technical reserves based on fixed-rate, variable rate (i.e. tied to the market rate) or no rate commitments was as follows:

	France	International	31.12.2006
		(€m)	
Fixed-rate guaranteed commitments	33,886	2,488	**36,374**
Variable-rate guaranteed commitments	4,692	6	**4,698**
Unit-linked and other products without rate commitment	3,512	184	**3,696**
Total	**42,090**	**2,678**	**44,768**

10.5% of the portfolio is variable rate. This variable rate is a function of an index. In France, in most cases, the index used as the reference for life insurance policies is the A passbook rate. The T.M.E. is used for non-life insurance policies.

In France, guaranteed fixed rates fall within a range of 2% to 4.50% for most of the actuarial reserves.

As at 31 December 2006, the amount of the discount contained in the non-life annuities acturial reserves, before reinsurance, was €615 million. The amount of the discount contained in the provision for increasing risks on Long-term care policies, before reinsurance, was approximately €415 million.

2.5 Concentrations of insurance risk

At the time of a claim, a major concern for the Group is the risk of facing a concentration of risks and therefore an accumulation of the indemnities to be paid.

There are two types of overlapping risks:

- the risk of underwriting overlaps in which the insurance policies are underwritten by one or more entities of the Group for the same risk;
- the risk of claim overlaps in which the insurance policies are underwritten by one or more entities of the Group on different risks, which may be affected by claims resulting from the same loss event, or the same initial cause.

- ***Identification***

Overlapping risks can be identified at the time of underwriting or during ongoing management of the portfolio.

A major role in the process of identifying overlaps during underwriting is assumed by the Group, through risk inspections, verification of the absence of overlapping co insurance or inter-network insurance lines, identification of overlapping commitments by site.

In addition, the underwriting procedures for certain risk categories help to control overlapping risks at the time of underwriting. The procedures applicable to property damage underwriting include:

– a verification of overlapping geographic risks during underwriting for major risks (agricultural risks, agri-business risks, industrial risks, municipalities);

– initial elimination during the underwriting process of cases of inter-network co-insurance overlapping risks. These directives are defined in internal procedural guidelines.

The procedures in force for managing overlapping portfolio risks cover:

– identification of the inter-network co-insurance overlapping risks;

– statements of commitments by site for agri-business risks; in addition high-risk business sectors for which the Group insures the property and/or civil liability risks are specifically monitored by the relevant specialist insurance division;

– three-year statements of commitments for risks of storms, hail, frost and commercial forestry, which are used to calculate the exposure of these portfolios to storm risk.

- ***Protection***

Protection consists of implementing reinsurance coverage which will first be adapted to the total amount of the potential loss and, second, corresponds to the kind of risk covered. The loss may be human in origin (e.g. fire, explosion, accident involving people) and of natural origin (atmospheric event, such as storm, hail, etc.).

In the case of a human risk that affects either a risk overlap insured by the same entity or risks insured by different entities of the Group, it is the responsibility of the entities to set the necessary coverage limits. The underwriting limits (maximum values insured per risk in property insurance or per person for personal insurance) are used in the context of catastrophic scenarios and compared with losses that have already occurred. Once these amounts have been defined, they are increased by a safety margin. Moreover, specific monitoring is performed to track the adequacy of the coverage with the risks underwritten.

In the case of a natural event, a needs analysis consists of an initial study on the basis of the reference loss, which is re-evaluated on the basis of the change in the portfolio and the French construction federation index. At the same time, simulation calculations of the exposure of the portfolios are performed using stochastic methods that result in the production of a curve showing the change in the potential maximum loss as a function of different scenarios. The results are cross-checked, analysed and discounted every year to allow the Group to opt for appropriate reinsurance solutions with a reduced margin of error.

3. Market risks

3.1 Interest-rate risk

The sensitivity analysis covers the financial assets of Groupama S.A. and its French subsidiaries, and represents more than 90% of the total of interest rate and equity instruments.

The proportion of interest rate instruments was 66% at net book value (57% in market value), 59% of which was classified as "assets available for sale" and 7% as "assets held for trading" at 31 December 2006.

- ***Maturities***

The table below shows the Group's exposure to interest rate risks. The following points should be specified:

- data are expressed at market value at 29 December 2006;
- bonds with a call that can be exercised at the issuer's initiative are assumed to mature on the date of the option (e.g. TSDI, etc.);

- convertible bonds and equity securities are considered to be "without interest rate" like all other investments (e.g. equities and real estate).

	<1 year	1-3 years	3-5 years	5-10 years	>10 years	No rate	TOTAL
Fixed-rate financial assets	0.0%	5.7%	6.9%	17.2%	22.5%	0.0%	52.3%
Variable rate financial assets	0.0%	2.3%	0.5%	0.5%	2.4%	0.0%	5.6%
Without interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	42.0%	42.0%
Derivatives	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
TOTAL	0.0%	8.0%	7.4%	17.7%	24.8%	42.0%	100.0%

- ***Effective interest rates***

The effective interest rates for the fixed-rate and variable rate financial assets at year end 2006 were 5.0% and 1.5% respectively.

- ***Sensitivity analysis***

The fixed-rate financial assets have a sensitivity to nominal rates of 7.5 (i.e. a change of 100 basis points results in a change of 7.5% in the fair value of the fixed-rate portfolio). The variable rate financial assets have a sensitivity to real rates of 3.5 (i.e. a change of 100 basis points results in a change of 3.5% in the fair value of the variable-rate portfolio).

- ***Interactions with the redemption risk and profit-sharing clauses***
  - Sensitivity of redemption behaviours to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and, if this expectation cannot be met, early redemption penalties. In addition to the loss of income and an increase in benefits, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds), which would reduce the rate of return on the asset.
  - However, in addition to the fact that the liabilities that can be redeemed do not represent all the commitments, the sensitivity of redemptions to changes in interest rates can vary depending on the product and policyholders' expectations. The objective of asset/liabilities management is to reduce the volatility of redemption rates, using strategies that take into account the various reserves available and bond management strategies coupled with hedging products. These are used to adjust the yield profile for the assets in the different potential interest rate environments in order to ensure policyholder satisfaction.

- ***Insurance policy profit-sharing clauses and interest rate risk***

The constraints of guaranteed minimum interest rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through prudential provision mechanisms.

However, in a low interest rate environment, the companies benefit from the carry of the assets and the yield on the bonds held; from any appreciation in the diversification assets that can be revalued; and from reserves such as profit sharing reserves or unrealised gains. Insurance companies also benefit from the effects induced by products sold in recent years which have lower guaranteed levels.

- ***Assetlliability management***

Tracking the profile of liability flows allows bond management to be defined, taking into account the duration and convexity of these liability flows and any sensitivity of these flows to changes in interest rates.

Asset/liability simulations allow an analysis of the behaviour of the liabilities in different rate environments, particularly the ability to meet the yield requirements for the insured.

These simulations allow the Group to develop strategies designed to reduce the volatility of the differential between the real yield from the asset and the rate expected by the policyholder. These strategies include calibrating the durations and convexities of the bond portfolios, the portion of variable- rate bonds, the portion of diversification assets, and the features of the hedging products.

Hedging products are used to re-establish the asymmetry between liabilities profiles and those of traditional bond assets in the different rate environments considered.

- ***Use of derivatives***

The use of derivatives arises from asset/liability simulations. Derivatives are used to reduce the sensitivity of earnings to interest rate fluctuations. The derivatives used by Groupama S.A. and its subsidiaries are:

- Purchase of caps: over the duration and horizon selected, a cap allows collection of the differential, if it is positive, between the market rate and a strike price, in consideration for the payment of a premium. This mechanism has the advantage of reproducing the behaviour of the debt instrument which, when rates fall, is close to a fixed rate (minimum rate) and, when rates rise, to a variable rate. The cost of this strategy is a function of the different criteria that affect the value of the option;
- Interest rate swap: the hedging strategy may also consist of transforming a fixed-rate bond into a variable rate, either on a security held or to synthetically create a variable rate bond for new investments.

Hedging programmes were gradually implemented on behalf of the life insurance companies as from 2005. The programmes were completed and expanded in 2006.

	Notional amount	**Fair value**
	in million of euros	
Trading derivatives		
Interest-rate swaps	5,055	-22
Caps	9,460	60
Hedging derivatives		
Interest-rate swaps	0	0

The choice has been to treat these transactions as trading, i.e. as fair value through income.

- ***Sensitivity analysis on financing debt***

The financing debt has a sensitivity ratio of 6.7% on the perpetual subordinated debt placed in 2005 and 2.2% for the fixed portion of the bond issued in the form of redeemable subordinated securities.

3.2 Risk of variation in the price of equity instruments (shares)

The proportion of equity instruments was 29% in net book value (37% in market value), 23% of which were classified as "assets available for sale" and 6% as "assets for trading". Equity instruments include:

- Equities in French and foreign companies listed for trading on regulated markets and managed under management mandates. They may be held directly or within mutual funds (FCP and SICAV);
- Equities in French and foreign companies listed for trading on regulated markets and managed outside management mandates;
- Equities in French and foreign companies that are not listed. They may be held directly or in the form of FCPR.

Breakdown by business sector

Sector	**As %**
Consumer goods	12.1%
Industries	19.5%
Raw materials	5.9%
Energy	8.8%
Health	3.7%
Institutional services	6.7%
Consumer services	12.5%
Finance	22.4%
Information technology	4.2%
Telecommunications	4.1%
Other	0.0%

Breakdown by geographic area

	As %
Euro zone	82.5%
United States	6.5%
Japan	2.4%
Other (Asia ex. Japan, etc.)	8.7%

The holding of shares in Groupama subsidiaries is generally determined within the context of asset/liability studies in order to tolerate a market shock over a short-term period, taking into account the objectives for gains necessary to meet the objectives over the period. These studies cover the reserves available elsewhere, such as the profit-sharing funds or unrealised gains.

3.3 Liquidity risk

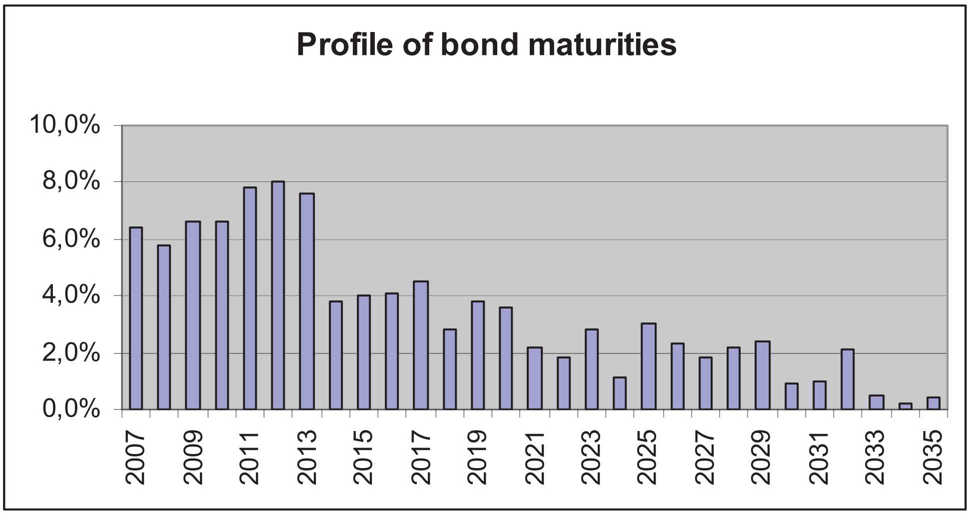
- ***Nature of exposure to liquidity risk***

The overall liquidity risk is analysed using the asset/liability approach:

- identification of a structural cash requirement, which is the level of cash to be held as an asset, based on the liquidity requirements imposed by liabilities, using:
  - technical cash flow projections in a central scenario;
  - sensitivity scenarios on underwriting assumptions (production, loss ratio);
- definition of a reference index for bond management, the results of which support the duration and convexity profile of the liabilities. This approach is based on validated assumptions of liability outflows and takes into consideration new business written.

- ***Maturities***

The profile of the annual maturities of the bond portfolios is as follows:



- ***Risk management***

In addition to the asset/liability approach, the outlines of which have been described above, the liquidity ratios in the equity mandates of the Groupama S.A. subsidiaries have been strengthened in several directions:

- the market value of a security may not exceed:
  - 3% of the share capital of the company in question;
  - 10% of the float of the company in question;
- all equity portfolios must individually be able to be converted into cash (liquidation assumption: 25% of the average daily volume traded on the market during the last three months) under the following rules:
  - 50% in less than two market weeks;

- 75% in less than one month (20 market days);
- 95% in less than three months (60 market days).

At the end of December 2006, all these criteria were satisfied overall.

A regular verification of these liquidity ratios is performed during each investment committee meeting.

In summary, the equity portfolio may be liquidated:

- 90.5% within 10 days;
- 94.9% within 20 days (1 market months).
- 98.4% within 60 days (3 market months).

3.4 Exchange rate risk

The assets of the Groupama S.A. subsidiaries are subject to currency fluctuations on mutual funds denominated in foreign currencies and mutual funds denominated in euros based on securities in foreign currencies.

In practice, the portfolios are primarily exposed to the following risks:

Euro – dollar

Euro – yen

- ***Managing foreign exchange risk***

Foreign exchange risk is currently hedged through forward sales of dollars and yen.

The documentation is updated each time the accounts are closed.

Currency derivatives

	Nominal hedged (Euro equivalent - value)	Unrealised gain (euro)
	at 29/12/06, €m	
Trading derivatives		
Forward sales USD	265.8	69.7
Forward sales JPY	230.2	97.7
Hedging derivatives	0	0

4 Credit risk

4.1 Financial investments

- ***Type and amount of the exposure to credit risk***

The rating indicated is an average of the ratings published at year-end 2006 by the three main agencies (S&P, Moodys' and Fitch Ratings).

Ratings as % of market value at year-end 2006

Rating	As %
AAA	53.9%
AA	20.4%
A	19.4%
<BBB	3.4%
BBB	0.0%
NR	2.9%

- ***Concentration of credit risk***

A maximum holding percentage per rating has been implemented under the management mandates of the Groupama S.A. subsidiaries. These constraints are monitored monthly by the various investment committees.

The ratios defined for bonds held are calculated on the market value of the total bond assets of each company (or isolated assets) based on the official rating issued by at least two ratings agencies:

- Investment grade environment (securities with ratings at least BBB):
  - AAA: regulatory ratios, which is 5% per issuer, with the exception of securities issued or guaranteed by a member State of the OECD and CADES securities;
  - AA: 3% maximum per issuer;
  - A: 1% maximum per issuer;
  - BBB: 0.5% maximum per issuer;
  - the total of BBB issuers may not exceed 10% of the market value of the bond portfolio;
- Unrated euro zone environnent:
  - 0.5% maximum per issuer, with the exception of securities guaranteed by a member State of the OECD; in this case the prudential ratio of that State applies;
  - the total of unrated issuers may not exceed 10% of the market value of the bond envelope;
- Non-investment grade environment (high yield):
  - no direct holding in the portfolios is authorized for interest rate products without credit ratings and outside the euro zone and the non-investment grade securities known as "high-yield".

- ***Managing credit risk***

The following transactions are systematically covered by guarantee contracts with the banking counterparties in question:

- forward currency sales made to hedge the foreign exchange risk;
- interest rate swaps (interest rate risk);
- cap purchases (interest rate risk).

This systematic collateralisation of the hedging transactions significantly reduces the counterparty risk related to these over the counter transactions.

4.2 Risk of reinsurer insolvency

Reinsurance outward consists of ceding to the reinsurer a portion of the risks assumed by the ceding company. They are regularly reviewed to monitor and limit the credit risk on third-party reinsurers. The Group security committee examines and approves the list of reinsurers accepted for all external reinsurance ceded.

This list is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings of the reinsurers to changes that may occur to them that would modify their solvency assessment. For any given reinsurance placement, any reinsurer approached for a reinsurance cession outside Groupama must first be on the list of the Group security committee.

Approved reinsurers must have a rating compatible with the type of business reinsured, depending on whether they have a short or long accounting run off.

5 Operational, legal, regulatory and tax risks

5.1 Operational risks

Internal management rules and operational procedures define the manner in which operations must be conducted in the performance of the activities of Groupama S.A. They are appropriate to each business and each key process. The formalization of the rules and procedures constitutes a guarantee of the permanence of the company's methods and expertise over time. The existing rules and procedures cover major operations. They are described in documentation that is regularly updated and is based on a detailed organizational chart and specific delegations of powers.

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the holdings of the regional mutuals, Groupama SA and its subsidiaries. The contracts are distributed among internal insurers and external insurers for the most significant risks. The principal coverage is the following:

- employee insurance,

– liability of corporate officers,
– professional liability,
– operating civil liability,
– property damage insurance (property, offices, equipment, car fleets, etc.).

The Group's IT department has a second IT site to ensure operational continuity in the event of systems crashes or errors at the first site.

5.2 Legal and regulatory risks

The internal control procedures designed to ensure the conformity of all Groupama S.A. operations are based on the main mechanisms described below.

- ***Compliance with company law and the French Commercial Code***

The Group's legal and tax department within the administrative division provides legal management for Groupama S.A. and its insurance subsidiaries and provides legal direction as needed to all the French legal entities of Groupama S.A. Within this framework, it ensures the legal protection of its operations and its directors and executives. Internal control on the effective implementation of administrative legal procedures are based on ongoing monitoring systems on an individual entity basis.

- ***Compliance with insurance law***

The legal and tax department within the administrative division of Groupama S.A. provides information and advice to the business departments and to insurance subsidiaries on compliance with insurance laws in their operational activities or technical support.

- ***Other areas***

Special procedures are in place to meet special requirements:

– ethical control to prevent insider trading; this responsibility is performed by a Group Ethics Officer with the assistance of a person outside the Group, who is responsible for the controls, and an agent at Groupama SA;
– to prevent money laundering; the entities are incorporating into their procedures the legal obligations and professional recommendations in this area. The internal control procedures are based on knowledge of the customer base, but also on a set of controls performed prior to the transaction, then after the transaction by analysing the information databases for past transactions. In addition, the Legal and Tax Department is responsible for monitoring Group compliance with its obligations to prevent money laundering.

5.3 Tax risks

The role of the Group's tax department is to provide information and monitor regulations for all the entities of the Group. It is also regularly questioned about specific technical points and is involved in closing the accounts.

6 Monitoring and managing of banking risks

6.1 General description

This division includes three separate activities with very specific types of risk: the banking activity conducted by two institutions presented below, capital management for third parties, and property management. The banking sector operates under a regulatory framework organised around the risks described below. The common focus for the companies of the division is monitoring operational risk.

The Group's two banks are Banque Finama, wholly owned by Groupama SA, which is the Group bank and manages its holdings, and Groupama Banque, 80% held by Groupama SA and 20% by Société Générale, which holds a limited license from the CECEI and is a retail bank for consumers and professionals.

6.2 Banking risks

Risk management is inherent in this activity. Responsibility for risk control, measurement and general supervision is assigned to a dedicated risk department.

While the primary responsibility for risks remains with the divisions and businesses that propose the risks, the task of the risk control department is to ensure that risks taken by the bank are compatible with its risk policies. The department conducts ongoing risk control, before and after transactions. It regularly transmits its principal findings to the Board of Directors and informs the Board of the measurement methods it has implemented to assess and control the risks.

Risk control is intended to cover all the risks generated by the banking activities and to intervene at all levels in the risk chain. Its ongoing tasks consist of formulating recommendations on risk policies, analysing the credit portfolio, issuing an opinion on credit files, and setting limits for risks, guaranteeing the quality and effectiveness of the tracking procedures, defining or validating the risk measurement methods, and ensuring exhaustive and reliable identification of risks for the Management Board.

- ***Prudential supervision (solvency)***

Prudential regulations require monitoring the European solvency ratio, which is in the form of a ratio between the level of regulatory equity (Regulation no 91-05 and 90-02 of the Banking and Financial Regulatory Committee) and the weighted outstanding amounts at risk (e.g. credit risk, market risk) based on defined rules. For Groupama Banque, the Secretary of the Banking Commission imposes a minimum ratio of 10% instead of the regulatory 8%, as long as the bank has not reached the financial breakeven point.

- ***Credit risk***

Credit risk is defined as the risk of incurring financial losses because of a debtor's inability to pay its contractual liabilities. Credit risk appears in the lending business, but also in other circumstances when the bank may be confronted with the default of its counterparty in market, investment or even settlement transactions.

- ***Decision-making procedures***

The credit decision-making process is based on a set of delegations. The delegations are classified by amount and degree of risks and the customer category. Credit proposals must comply with the principles of the general credit policy and specific policies where applicable and, in all cases, with laws and regulations in force. For Banque Finama, a credit committee chaired by the Chairman of the Management Board or the Managing Director and, as the final resort, the Management Board, are the ultimate decision-making bodies of the bank for credit and counterparty risks. For Groupama Banque, consumer loans are made using scoring rules from which only the directors may deviate based on the powers delegated by the Management Board; consumer real estate loans are made by different organisational levels based on the amount of the loan, with the possibility of granting exceptions to the rules in force for the Director of risks and two members of the Management Board, who are the responsible officers recognised by the CECEI.

- ***Oversight procedures***

An oversight and reporting mechanism is in place and is based on the control teams, whose responsibility is to guarantee permanent conformity with decisions, the reliability of the reporting data, and the quality of the risk monitoring.

- ***Impairment procedures***

For Banque Finama, all loans made to customers in default are periodically reviewed by the provisions committee to determine any reduction in value that should be applied, based on the terms and conditions for application of the accounting rules used. The proposals of this committee must be validated by the Management Board. Impairment is established on the basis of the discounted valuation of the probable net recoverable amount, taking into account the liquidation of the securities held.

For Groupama Banque, doubtful receivables on consumer loans are accrued on a general basis at a rate of 40% and doubtful loans at 60%. For revolving consumer credits, the rates are 60% and 70% respectively. Certain loans are subject to special review. As collections are made, profits or losses are recognised in relation to the amounts previously impaired.

- ***Total limits***

At Banque Finama, the commitment limits per market are defined by the bank's Management Board. As at 31 December 2006, the limits and outstanding amounts are shown in the table below. This exposure to credit risk is determined without taking into account the effect of guarantees received and is equal to the book value of the financial assets recorded on the balance sheet, net of all impairments made.

Market (Banque Finama only)	Limits	Outstandings 31/12/2006	Outstandings 31/12/2005
	(€m)	(€m)	
Institutions and Group	200	72	67
Businesses/local authorities	150	91	69
Individuals	150	109	112
SME	40	23	24
Professional real estate	Not applicable*	17	21
Mutual funds	2 500	2193	1 483
Corporate	700	625	365
Banks	4 500	3956	2 118
Sovereign States	1 000	227	327

*Run off activity.

The commitments of Groupama Banque are presented in the table below. Receivables from credit institutions consist of cash investments, and the off-balance sheet commitments are for general hedging transactions performed to manage assets and liabilities. Trade receivables essentially consists of cash loans (€144 million) and housing loans (€11 million); the off-balance sheet commitments represent offers for consumer loans issued, unused revolving credit reserves, and offers of housing loans. This exposure to the credit risk is equal to the book value of the financial assets recorded on and off the balance sheet, net of any impairment taken.

Market (Groupama Banque only)	Outstandings 31/12/2006	Outstandings 31/12/2005
	(€m)	
Credit institutions		
Balance sheet receivables	670	567
Off-balance sheet commitments	193	326
Individuals		
Balance sheet receivables	155	125
Off-balance sheet commitments	22	5

- ***Risk diversification rules***

Prudential supervision (Regulation no 93-05 of the Banking and Financial Committee) limits the concentration of commitments by counterparty. This limit is expressed by two components (i) no outstanding amount may be greater than 25% of the regulatory net assets on one group of beneficiaries, and (ii) the aggregate on counterparties exceeding 10% of the regulatory net assets must be less than eight times the regulatory equity. The outstanding amounts taken into account are weighted under codified rules. Groups, as defined by Regulation no 93-05, are considered to be a single counterparty. This is the case for the entities of the Groupama Group.

At Banque Finama, at 31 December 2006, eight counterparties presented outstanding amounts greater than 10% of the regulatory net assets, while none of them exceeded the 25% ceiling, for an aggregate amount of €161 million.

At Groupama Banque, the only two counterparties concerned are Société Générale and Banque Finama for the replacement of the surplus of deposits over loans.

- ***Supervision of market risks***

Only Banque Finama is involved in monitoring these risks since it holds a general authorization from the CECEI.

Groupama Banque has no market activity and does not take proprietary positions. In the context of managing assets and liabilities, it may, however, use interest rate instruments to conduct transactions to hedge interest rate risk.

This is based on the risk-taking procedures, which are framed by:

- the definition of a set of limits;
- risk tracking on the basis of:
  - daily calculation of the sensitivity and results of the trading positions;
  - daily monitoring of compliance with the limits notified to each activity, with any overrun being submitted for decision;
  - regular and independent controls of valuations, and the establishment of reconciliations between the results of the trading room and the accounting results;
  - control of compliance with the internal rules for endorsing transactions;
  - stress-scenario simulations.

- ***Interest-rate risk***

This covers any change in value of a fixed-rate financial instrument due to changes in market interest rates as well as any elements of the future results of a variable-rate financial instrument.

The following limits have been defined for the outstanding amounts in the transaction and investment portfolios, as well as for the associated stop loss. In addition, a stress scenario calculation is performed.

Based on the level of outstanding amounts, only Banque Finama, within the Group's banking division, is subject to prudential supervision of market transactions.

Banque Finama	**Limit**	**31 December 2006**
Long securities transaction portfolio	100 Bund contracts	0
Short securities transaction portfolio	50 Euribor contracts	- 4
Portfolio available for sale*	280 Euribor contracts	13
Scenario for a change of 40 bp in the portfolios above		€34,000
Scenario for a change of 200 bp in the portfolios above		€171,900
Stop loss	from €250,000 to €500,000 depending on portfolio	Never reached

It should be noted that, within the banking division, Groupama Banque has no market activity and does not take a proprietary position.

- ***Risks related to the change in title deeds***

The division does not operate in this type of market.

- ***Counterparty settlement risk***

Schedule IV of Regulation no 95-02 requires supervision of counterparty settlement events for all transactions relating to the trading portfolio and for transactions initiated by Bank customers for which it is a "del credere" agent. In this respect, no event was recorded in 2006.

Exchange rate risks

This is the risk that the value of an instrument or of one of its future income or expense accounts will fluctuate because of changes in foreign currency rates.

The division does not take positions in foreign currencies. Its activity is maintained well below the threshold that requires prudential supervision of currency risk.

Risk on base product

The division does not operate in this type of market.

- ***Supervision of liquidity***

Transactions on financial instruments generate a liquidity risk, expressing the difficulties the Group could have in collecting the funds needed to honour the commitments related to these financial instruments. Given the balance sheet structure of the Group, it has little sensitive to this risk. It is therefore primarily monitored within the framework of the regulatory obligations that require monthly measurements of liquidity based on codified rules (Regulation no 88-01 of the French Banking Regulatory Committee). The monitoring ratio must always be greater than 100%. Throughout 2006, the lowest level was 179%.

For Groupama Banque, the liquidity position is monitored through the liquidity gap and through changes in the regulatory liquidity ratio, and currently does not require more detailed monitoring. As in previous years, Groupama Banque continues to have a strong cash surplus.

- ***The effective interest rate (ALM)***

At Banque Finama, the interest rate risk related to commercial transactions is monitored by the asset/liability department and is centrally managed by the Treasury and Capital Markets department. The interest rate risk related to equity and investments is generally managed in the same way.

Position measurements are presented to the monthly Asset/Liability committee meeting by inventory/maturity class/rate category. A "break even" rate for resources is determined and simulations are performed.

In the context of managing assets-liabilities, it may however use interest rate instruments to conduct transactions to hedge interest rate risks. The liquidity and interest rate positions of Groupama Banque are managed in compliance with banking regulations and within limits that have been set by the shareholders and attached to the ALM charter. These limits are periodically reviewed, at least once a year, based on changes in the bank's activity and balance sheet. At year-end 2006, the sensitivity of the bank to a change of 1% in the rate curve was €1.2 million, which is less than its authorized limit of €1.5 million.

- ***Business continuity plan***

Each entity in the division has prepared a Business Continuity Plan (BCP) organized around three mechanisms:

- activating the crisis management unit,
- back-up of information and IT systems,
- the availability of a backup site.

The BCPs are updated annually. Technical and user installation tests are conducted for the backup sites with the same frequency.

6.3 Operational risks

For the Group's two banks in 2006, the implementation of an operational risk management policy based primarily on the provisions of the standard method of the "Basel II" accords was continued with the installation of an ad hoc software application. The approach is being gradually deployed in the non-banking subsidiaries, which have each begun to map their operational risks.

NOTE 53
LIST OF CONSOLIDATED ENTITIES

	Business Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
				31.12.2006			31.12.2005	
GROUPAMA Alpes Méditerranée	Insurance	France	—	—	A	—	—	A
GROUPAMA Centre Manche	Insurance	France	—	—	A	—	—	A
GROUPAMA Grand Est	Insurance	France	—	—	A	—	—	A
GROUPAMA Oc	Insurance	France	—	—	A	—	—	A
MISSO	Insurance	France	—	—	A	—	—	A
GROUPAMA Sud	Insurance	France	—	—	A	—	—	A
GROUPAMA Loire Bretagne	Insurance	France	—	—	A	—	—	A
GROUPAMA Paris Val-de-Loire	Insurance	France	—	—	A	—	—	A
GROUPAMA Nord-Est	Insurance	France	—	—	A	—	—	A
GROUPAMA Alsace	Insurance	France	—	—	A	—	—	A
GROUPAMA Rhône-Alpes-Auvergne	Insurance	France	—	—	A	—	—	A
GROUPAMA Centre Atlantique	Insurance	France	—	—	A	—	—	A
GROUPAMA Antilles-Guyanes	Insurance	France	—	—	A	—	—	A
GROUPAMA Océan Indien et Pacifique	Insurance	France	—	—	A	—	—	A
CLAMA Alpes Méditerranée	Insurance	France	—	—	A	—	—	A
CLAMA Centre Manche	Insurance	France	—	—	A	—	—	A
CLAMA Grand Est	Insurance	France	—	—	A	—	—	A
CLAMA Oc	Insurance	France	—	—	A	—	—	A
CLAMA Sud	Insurance	France	—	—	A	—	—	A
CLAMA Loire Bretagne	Insurance	France	—	—	A	—	—	A
CLAMA Paris Val-de-Loire	Insurance	France	—	—	A	—	—	A
CLAMA Nord-Est	Insurance	France	—	—	A	—	—	A
CLAMA Alsace	Insurance	France	—	—	A	—	—	A
CLAMA Rhône-Alpes-Auvergne	Insurance	France	—	—	A	—	—	A
CLAMA Centre Atlantique	Insurance	France	—	—	A	—	—	A
CLAMA Antilles-Guyanes	Insurance	France	—	—	A	—	—	A
CLAMA Océan Indien et Pacifique	Insurance	France	—	—	A	—	—	A
GIE GROUPAMA SI	GIE	France	99.79	99.62	FC:	99.83	99.64	FC:
GIE LOGISTIQUE	GIE	France	100.00	99.85	FC:	100.00	99.84	FC:
GROUPAMA S.A.	Holding	France	99.88	99.86	FC:	99.87	99.84	FC:
GROUPAMA HOLDING	Holding	France	99.97	99.97	FC:	99.97	99.97	FC:
GROUPAMA HOLDING 2	Holding	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA INTERNATIONAL	Holding	France	100.00	99.86	FC:	100.00	99.84	FC:
GAN ASSURANCES VIE	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
GAN PATRIMOINE	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
CAISSE FRATERNELLE D'ÉPARGNE	Insurance	France	99.94	99.80	FC:	99.93	99.77	FC:
CAISSE FRATERNELLE VIE	Insurance	France	99.72	99.57	FC:	99.72	99.56	FC:
ASSUVIE	Insurance	France	50.00	49.93	FC:	50.00	49.92	FC:
GAN EUROCOURTAGE VIE	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
GAN PRÉVOYANCE	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA VIE	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA ASSURANCE CRÉDIT	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA TRANSPORT	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
SCEPAR	Equity Invstmt	France	—	—	—	100.00	99.84	FC:
MUTUAIDE ASSISTANCE	Assistance	France	100.00	99.86	FC:	100.00	99.84	FC:
GAN ASSURANCES IARD	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
GAN OUTRE MER IARD	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA PROTECTION JURIDIQUE	Insurance	France	100.00	99.85	FC:	100.00	99.84	FC:
GAN EUROCOURTAGE IARD	Insurance	France	100.00	99.86	FC:	100.00	99.84	FC:
COFINTEX LUXEMBOURG	Reinsurance	Luxembourg	100.00	99.85	FC:	100.00	99.84	FC:
RAMPART	Reinsurance	United States	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA ITALIA VITA	Insurance	Italy	100.00	99.86	FC:	100.00	99.84	FC:
LUXLIFE	Insurance	Luxembourg	85.00	84.88	FC:	85.00	84.87	FC:
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	99.86	FC:	100.00	99.84	FC:
ZENITH VIE	Insurance	Switzerland	82.00	81.88	FC:	82.00	81.87	FC:

A: Aggregation
FC: Full consolidation
EM: Equity method

			31.12.2006	31.12.2005				
GUNES SIGORTA	Insurance	Turkey	36.00	35.95	EM:	36.00	35.94	EM:
BASAK SIGORTA ANONIM SIRKETI	Insurance	Turkey	56.67	56.59	FC:	—	—	
EMEKLILIK SIGORTA ANONIM SIRKETI	Insurance	Turkey	79.00	62.44	FC:	—	—	
GROUPAMA Investment BOSPHORUS	Holding	Turkey	100.00	99.86	FC:	—	—	
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA SEGUROS Espagne	Insurance	Spain	100.00	99.86	FC:	100.00	99.84	FC:
GAN UK HOLDING LTD	Holding	UK	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA INSURANCE CY LTD	Insurance	UK	100.00	99.86	FC:	100.00	99.84	FC:
CAROLE NASH	Insurance	UK	100.00	99.86	FC:	—	—	
CLINICARE	Insurance	UK	100.00	99.85	FC:	100.00	100.00	FC:
MINSTER INSURANCE CY LTD	Insurance	UK	—	—	—	100.00	99.84	FC:
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA SEGUROS PORTUGAL	Insurance	Portugal	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA ASSET MANAGEMENT	Portf. mngmt	France	99.98	99.84	FC:	99.98	99.83	FC:
GROUPAMA ALTERNATIVE ASSET MANAGEMENT	Portf. mngmt	France	100.00	99.84	FC:	100.00	99.83	FC:
FINAMA PRIVATE EQUITY	Portf. mngmt	France	100.00	99.86	FC:	100.00	99.84	FC:
BANQUE FINAMA	Banking	France	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA BANQUE	Banking	France	80.00	79.88	FC:	60.00	59.91	FC:
GROUPAMA ÉPARGNE SALARIALE	Portf. mngmt	France	100.00	99.86	FC:	100.00	99.84	FC:
GROUPAMA IMMOBILIER	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
SILIC	Real estate	France	41.38	41.32	FC:	41.65	41.59	FC:
SEPAC	Real estate	France	100.00	41.32	FC:	100.00	41.59	FC:
COMPAGNIE FONCIÈRE PARISIENNE	Real estate	France	99.94	99.81	FC:	99.94	99.80	FC:
SCIMA	Real estate	France	—	—	—	100.00	99.80	FC:
SCIMA 2	Real estate	France	—	—	—	100.00	99.80	FC:
SCI DÉFENSE ASTORG	Real estate	France	100.00	99.81	FC:	100.00	99.80	FC:
GAN FONCIER II	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
IXELLOR	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
79 CHAMPS ELYSÉES	Real estate	France	100.00	99.86	FC:	100.00	99.86	FC:
33 MONTAIGNE	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
CNF	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
RENNES VAUGIRARD	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
SCIFMA	Real estate	France	100.00	99.88	FC:	100.00	99.88	FC:
SCI TOUR GAN	Real estate	France	100.00	98.86	FC:	100.00	99.84	FC:
GAN SAINT-LAZARE	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
VIEILLE VOIE DE PARAY	Real estate	France	100.00	99.86	FC:	100.00	99.84	FC:
SCI GAN FONCIER	Real estate	France	100.00	98.86	FC:	100.00	98.85	FC:
ACTIPAR SA	Real estate	France	100.00	99.81	FC:	100.00	99.80	FC:
SAFRAGAN	Real estate	France	90.00	89.83	FC:	90.00	89.82	FC:
261 RASPAIL	Real estate	France	100.00	99.81	FC:	100.00	99.80	FC:
SOCOMIE	Real estate	France	100.00	41.32	EM:	100.00	41.59	EM:
19 GÉNÉRAL MANGIN	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
28 COURS ALBERT 1er	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
5/7 PERCIER	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
ATLANTIS	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
FORGAN	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
174 PRES SAINTGERMAIN	Real estate	France	21.85	21.82	EM:	21.85	21.81	EM:
10 PORT ROYAL	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
102 MALESHERBES	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
12 VICTOIRE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
14 MADELEINE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
150 RENNES	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
204 PEREIRE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
3 ROSSINI	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
38 LE PELETIER	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:

A: Aggregation
FC: Full consolidation
EM: Equity method

			31.12.2006	31.12.2005				
43 CAUMARTIN	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
5/7 MONCEY	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
60 CLAUDE BERNARD	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
9 REINE BLANCHE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
9 VICTOIRE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
CÉLESTE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
CHAMALIÈRES EUROPE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
CHASSENEUIL	Real estate	France	100.00	99.93	FC:	100.00	99.92	FC:
DOMAINE DE NALYS	Real estate	France	100.00	99.90	FC:	100.00	99.89	FC:
DOMAINE DE FARES	Real estate	France	50.00	49.95	FC:	50.00	49.95	FC:
GOUBET PETIT	Real estate	France	66.66	66.56	FC:	66.66	66.56	FC:
GROUPAMA LES MASSUES	Real estate	France	100.00	99.89	FC:	100.00	99.88	FC:
CAP DE FOUSTE (SCI)	Real estate	France	100.00	99.91	FC:	100.00	99.90	FC:
DOMAINE CAP DE FOUSTE (SARL)	Real estate	France	100.00	99.91	FC:	100.00	99.90	FC:
GROUPAMA PIPACT	Real estate	France	100.00	99.95	FC:	100.00	99.95	FC:
SCI CHATEAU D'AGASSAC	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
SCA CHATEAU D'AGASSAC	Real estate	France	100.00	99.96	FC:	100.00	99.96	FC:
SCIMA GFA	Real estate	France	100.00	99.93	FC:	100.00	99.93	FC:
HAUSSMANN LAFFITTE IMMOBILIER	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
LABORIE MARCENAT	Real estate	France	74.10	74.00	FC:	74.19	74.09	FC:
LES FRÈRES LUMIÈRE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
99 MALESHERBES	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
6 MESSINE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
PARIS FALGUIÈRE	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
LES GÉMEAUX	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
VILLA DES PINS	Real estate	France	100.00	99.85	FC:	100.00	99.84	FC:
FRANCE-GAN SI.	Mutual funds	France	92.75	92.61	FC:	92.50	92.35	FC:
HAVRE OBLIG.FCP	Mutual funds	France	100.00	99.85	FC:	99.95	99.79	FC:
GROUP.OBL.MONDE LT	Mutual funds	France	77.08	76.97	FC:	78.85	78.73	FC:
FINAMA CONVERT.FCP	Mutual funds	France	98.61	98.49	FC:	97.19	97.06	FC:
GROUP.JAP.ST.D4DEC	Mutual funds	France	93.56	93.42	FC:	87.97	87.83	FC:
GROUP.ET.CTD	Mutual funds	France	99.21	99.08	FC:	99.15	99.02	FC:
GROUP.ET.CTC	Mutual funds	France	19.43	19.42	EM:	27.95	27.95	EM:
GROUPAMA AAEXA FCP	Mutual funds	France	100.00	99.86	FC:	100.00	99.84	FC:
GROUP ACT.INTERNATIONALES	Mutual funds	France	99.96	99.82	FC:	94.01	93.87	FC:
GROUP.OBL.EUR.CR. MT.D	Mutual funds	France	100.00	99.86	FC:	100.00	99.85	FC:
GROUP.OBL.EUR.CR. MTC	Mutual funds	France	69.68	69.60	FC:	66.70	66.63	FC:
GROUP.EURO STOCK	Mutual funds	France	95.38	95.26	FC:	93.72	93.61	FC:
GROUP. INDEX INFLATION LTD	Mutual funds	France	100.00	99.85	FC:	99.88	99.72	FC:
GROUP. INDEX INFLATION LTC	Mutual funds	France	46.49	46.44	FC:	66.03	65.97	FC:
ASTORG EURO SPREAD FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 10 FCP	Mutual funds	France	99.93	99.79	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 9 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 8 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 7 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 6 FCP	Mutual funds	France	100.00	99.86	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 5 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 4 FCP	Mutual funds	France	83.33	83.21	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 3 FCP	Mutual funds	France	83.33	83.21	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 2 FCP	Mutual funds	France	83.33	83.21	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 1 FCP	Mutual funds	France	83.33	83.21	FC:	100.00	99.84	FC:
WASHINGTON INTER NOURRI 1 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON INTER NOURRI 2 FCP	Mutual funds	France	100.00	99.86	FC:	100.00	99.84	FC:
WASHINGTON INTER NOURRI 3 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTO INTER NOURRI 0 FCP	Mutual funds	France	100.00	99.86	FC:	100.00	99.84	FC:

A: Aggregation
FC: Full consolidation
EM: Equity method

	Business Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
				31.12.2006			31.12.2005	
WASHING.ACT.EUROP. FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 11 FCP (new)	Mutual funds	France	100.00	99.86	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 12 FCP (new)	Mutual funds	France	100.00	99.86	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 13 FCP (new)	Mutual funds	France	100.00	99.84	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 14 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 15 FCP	Mutual funds	France	100.00	99.84	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 16 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 17 FCP	Mutual funds	France	100.00	99.85	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 18 FCP	Mutual funds	France	100.00	99.86	FC:	100.00	99.84	FC:
WASHINGTON EURO NOURRI 19 FCP	Mutual funds	France	100.00	99.86	FC:	—	—	
WASHINGTON EURO NOURRI 20 FCP	Mutual funds	France	100.00	99.86	FC:	—	—	
WASHINGTON EURO NOURRI 21 FCP	Mutual funds	France	100.00	99.86	FC:	—	—	
WASHINGTON EURO NOURRI 22 FCP	Mutual funds	France	100.00	99.86	FC:	—	—	

A: Aggregation
FC: Full consolidation
EM: Equity method

Certain real estate entities are consolidated using the equity method under a "simplified" process. This consists of reclassifying on the balance sheet the value of the units and the financing current account in the item "real estate investments" and reclassifying in the income statement the dividends or share in the results of the companies on the line "Income from property". The net book value of the units in question amounted to €13 million as at 31 December 2006.

CONSOLIDATED FINANCIAL STATEMENTS OF GROUPAMA SA

Pricewaterhousecoopers Audit
32, rue Guersant
75017 Paris

Mazars & Guérard
Le Vinci – 4 allée de l'Arche
92075 La Défense Cedex

Report of independent auditors on the consolidated financial statements

Fiscal Year ended 31 December 2005

"*This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France*."

To the Shareholders,

GROUPAMA SA
8-10, rue d'Astorg
75008 Paris

Dear Shareholders:

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Groupama SA for the year ended December 31, 2005.

The consolidated financial statements have been approved by the Board of Directors . Our role is to express an opinion on these financial statements based on our audit. These statements have been prepared for the first time using the IFRSs as adopted by the EU. For the sake of comparison, 2004 financial information has been restated using the same rules.

1 – Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2005 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

2 – Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter(s):

- Certain consolidated balance sheet items that are specific to insurance and reinsurance business are estimated on the basis of statistical and actuarial data, such as technical reserves, deferred acquisition costs and their amortisation. The methods and assumptions used to calculate the carrying value of these items are described in notes 3.1.2, 3.1.3 and 3.1.4 to the consolidated financial statements.

We have assessed the reasonableness of the assumptions used to calculate these values, particularly with respect to the Group's experience and its regulatory and economic environments. We also assessed the overall consistency of these assumptions.

- The financial assets are classified in various categories on the basis of the criteria described in note 3.2.1 to the consolidated financial statements and in note 6 to the consolidated balance sheet, and are valued under the rules applicable to each category described in note 3.2.1 to the consolidated financial statements.

  We have assessed the appropriateness of the impairment tests performed on the basis of the position of the investments and the volatility of the financial markets, and we have assessed the reasonableness of the depreciations made.

- The carrying values of purchase goodwill are tested at each closing for recoverability using the methods described in note 2.4 to the consolidated financial statements.

  We have reviewed the procedures for performing this impairment test and the projections of cash flows and we have assessed the consistency of assumptions used.

- Deferred tax assets are accounted for in accordance with the methods described in note 3.12 to the consolidated financial statements.

We have assessed the consistency of the assumptions used with the tax projections that emerge from the forecasts drawn up by the Group.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 – Specific Verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and La Défense, 23 March 2006

The Auditors

Pricewaterhousecoopers Audit

Michel Laforce Bénédicte Vignon

Mazars & Guérard

Mazars
Nicolas Robert

Pricewaterhousecoopers Audit

32, rue Guersant,
75017 Paris

Mazars & Guérard

Le Vinci – 4 allée de l'Arche
92075 La Défense Cedex

RAPPPORT DES COMMISSAIRES AUX COMPTES SUR LES COMPTES CONSOLIDES

Aux actionnaires
Groupama SA
8-10 rue d'Astorg
75008 Paris

Exercice clos le 31 décembre 2005

Mesdames, Messieurs les actionnaires,

En exécution de la mission qui nous a été confiée par votre assemblée générale, nous avons procédé au contrôle des comptes consolidés de Groupama relatifs à l'exercice clos le 31 décembre 2005 tels qu'ils sont joints au présent rapport.

Les comptes consolidés ont été arrêtés par le Conseil d'Administration de Groupama SA. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes. Ces comptes ont été préparés pour la première fois conformément au référentiel IFRS tel qu'adopté dans l'Union européenne. Ils comprennent à titre de comparatif les données relatives à l'exercice 2004 retraitées selon les mêmes règles.

I – Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en oeuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

II – Justification De Nos Appréciations

En application des dispositions de l'article L. 823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

- Certains postes techniques propres à l'assurance et à la réassurance, à l'actif et au passif des comptes consolidés de votre société, sont estimés sur des bases statistiques et actuarielles, notamment les provisions techniques, les frais d'acquisition reportés et leurs modalités d'amortissement. Les modalités de détermination de ces éléments sont relatées dans les notes 3.1.2, 3.1.3. et 3.1.4. aux comptes consolidés.

  Nous nous sommes assurés du caractère raisonnable des hypothèses retenues dans les modèles de calculs utilisés, au regard notamment de l'expérience du Groupe, de son environnement réglementaire et économique, ainsi que de la cohérence d'ensemble de ces hypothèses.

- Les actifs financiers sont classés dans différentes catégories selon les critères énumérés en notes 3.2.1. et 6 de l'annexe, et sont évalués selon les règles applicables à chaque catégorie décrites en note 3.2.1.

  Nous nous sommes assurés du caractère approprié des tests de dépréciation mis en uvre en fonction de la situation des placements et de la volatilité des marchés financiers, et nous avons apprécié le caractère raisonnable des provisions ainsi estimées.

- Le Groupe procède systématiquement, à chaque clôture, à un test de dépréciation des écarts d'acquisition, selon les modalités décrites en note 2.4.

  Nous avons examiné les modalités de mise en uvre de ce test de dépréciation ainsi que les prévisions de flux de trésorerie et nous avons vérifié la cohérence d'ensemble des hypothèses utilisées.

- Les actifs d'impôts différés sont comptabilisés selon les modalités décrites dans la note 3.12 aux comptes consolidés.

  Nous nous sommes assurés que les hypothèses retenues étaient cohérentes avec les projections fiscales issues des prévisions établies par le Groupe.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes consolidés, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III – Vérification spécifique

Nous avons également procédé à la vérification des informations données dans le rapport sur la gestion du groupe. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Fait à Paris, le 23 mars 2006

Les Commissaires aux Comptes

Mazars & Guérard	**Pricewaterhousecoopers Audit**	
Nicolas Robert	Michel Laforce	Bénédicte Vignon

CONSOLIDATED BALANCE SHEET OF GROUPAMA SA

Year ended 31 December 2005

Assets

		31/12/2005	31/12/2004
		(€ million)	
Goodwill	Note 3	1,151	1,145
Other intangible assets	Note 4	131	148
Intangible assets		**1,282**	**1,293**
Real estate investments	Note 5	3,083	2,999
Operating property	Note 14	335	354
Financial investments, not in Units of Account	Note 6	56,943	50,137
Financial investments in Units of Account	Note 8	3,376	3,241
Derivatives		139	246
Insurance sector Investments		**63,876**	**56,977**
Uses from banking sector investment and investments in other sectors	Note 9	**2,193**	**1,897**
Investments in associates	Note 10	**31**	**23**
Share of cessionaries and retrocessionnaries in liabilities from insurance policies and financial contracts	Note 11	**1,881**	**1,875**
Receivables from accepted reinsurance or insurance operations	Note 12	1,981	1,841
Receivables from reinsurance assignment operations	Note 12	155	767
Tax receivables	Note 12	111	137
Other receivables	Note 12	530	588
Trade receivables		**2,777**	**3,333**
Deferred tax receivables	Note 13	**165**	**368**
Other receivables	Note 13	**1,724**	**1,602**
Assets to be sold and discontinued activities			
Cash and cash equivalents		**455**	**431**
Total		**74,384**	**67,799**

Liabilities

		31/12/2005	31/12/2004
		(€ million)	
Share capital	Note 15	1,187	1,187
Revaluation reserves	Note 15	1,816	941
Other consolidated reserves	Note 15	977	674
Unrealised foreign exchange gains or losses	Note 15	13	(3)
Consolidated profit or loss	Note 15	394	315
Groupama SA shareholders equity (group share)	Note 15	**4,387**	**3,114**
Minority interests		**252**	**245**
Total shareholders equity		**4,639**	**3,359**
Provisions for risks and charges	Note 16	**607**	**567**
Financing debt	Note 18	**1,961**	**1,280**
Operating liabilities related to insurance policies	Note 19	**35,099**	**32,762**
Operating liabilities related to financial contracts	Note 22	**20,868**	**20,188**
Passive deferred profit-sharing	Note 23	**4,385**	**2,505**
Resources from banking sector operations	Note 24	**1,824**	**1,685**
Liabilities from insurance or accepted reinsurance operations	Note 25	617	658
Liabilities from assigned reinsurance operations	Note 25	394	896
Tax liabilities due	Note 25	154	165
Operating liabilities to banking sector companies	Note 25	165	249
Other liabilities	Note 25	2,298	2,382
Operating liabilities		**3,628**	**4,350**
Deferred tax liabilities	Note 26	**248**	**397**
Other liabilities	Note 28	**1,125**	**706**
Liabilities from activities to be transferred or discontinued			
Total		74,384	67,799

2005 CONSOLIDATED OPERATING INCOME STATEMENT OF GROUPAMA SA

Year ended 31 December 2005

Statement of income

		31/12/2005	31/12/2004
		(€ million)	
Premiums written	Note 2	10,556	9,985
Change in unearned premiums		(181)	147
Premiums earned	Note 2	**10,375**	**10,132**
Net banking income, net of cost of risk	Note 2	**137**	**105**
Investment income, net of management expenses	Note 31	2,224	2,246
Gains (losses) from sale of investments, net of recoveries of depreciation and amortisation	Note 31	949	424
Change in fair value of financial instruments recognised at fair value by result	Note 31	330	350
Change in depreciation on financial instruments	Note 31	(14)	(50)
Investment income net of expenses, excluding financing expense		**3,489**	**2,970**
Total income from ordinary business		**14,001**	**13,207**
Insurance policies service expenses	Note 32	(10,509)	(9,768)
Net income (loss) on reinsurance assignments		(263)	(349)
Bank operating expenses	Note 30	(140)	(133)
Acquisition costs of policies	Note 33	(1,330)	(1,333)
Administrative costs	Note 34	(697)	(708)
Other current operating income (expenses)	Note 35	(256)	(231)
Total other current income (expenses)		**(13,195)**	**(12,522)**
Current operating profit	Notes 29-30	**806**	**685**
Other operating income (expenses)	Note 36	(33)	(80)
Operating Profit	Notes 29-30	**773**	**605**
Financing expenses		(84)	(86)
Share in results of associates	Note 10	2	4
Corporate tax	Note 27	(260)	(178)
Net profit for The consolidated entity		**431**	**345**
Minority interests		37	30
Net profit (Group Share)		**394**	**315**

GROUPAMA SA

STATEMENT OF CHANGE IN SHAREHOLDERS EQUITY

	Capital	Income (loss)	Consolidated reserves	Revaluation reserves	Unrealised foreign exchange adjustment	Capital & reserves, Group share	Minority interests	Total capital and reserves
				(millions of euros)				
Capital and reserves 31/12/2003	**1,187**	**138**	**1,481**		**(50)**	**2,756**	**268**	**3,024**
Impact of change in AFA method			(374)			(374)		(374)
Impact of adoption of IFRS			(595)	519	50	(26)	(16)	(42)
Corrected opening position	**1,187**	**138**	**512**	**519**		**2,356**	**252**	**2,608**
Allocation of profit (loss) 2003		(138)	138					
Member dividends			(26)			(26)	(32)	(58)
Company combinations			(26)			(26)	2	(24)
Unrealised foreign exch. losses					(3)	(3)		(3)
Assets available for sale (AFS)				1,622		1,622	9	1,631
Shadow accounting				(1,068)		(1,068)	(6)	(1,074)
Deferred taxes			(2)	(127)		(129)	(1)	(130)
Other			78	(5)		73	(9)	64
Net income		315				315	30	345
Total changes for period		**177**	**162**	**422**	**(3)**	**758**	**(7)**	**751**
Capital & reserves at 31/12/2004	**1,187**	**315**	**674**	**941**	**(3)**	**3,114**	**245**	**3,359**
Allocation of 2004 profit		(315)	315					
Member dividends			(46)			(46)	(36)	(82)
Capital increase							3	3
Company combinations								
Unrealised foreign exch. gains					18	18		18
Assets available for sale (AFS)				2,325		2,325	12	2,337
Shadow accounting				(1,583)		(1,583)	(13)	(1,596)
Deferred taxes			5	145		150	1	151
Actuarial profits (losses) on post-employment benefits			(15)			(15)		(15)
Other			44	(12)	(2)	30	3	33
Net income		394				394	37	431
Total changes for period		**79**	**303**	**875**	**16**	**1,273**	**7**	**1,280**
Capital & reserves at 31/12/2005	**1,187**	**394**	**977**	**1,816**	**13**	**4,387**	**252**	**4,639**

The notes on pages 7 to 101 are an integral part of the consolidated financial statements.

In summary, the income and expenses recognised (group share) in the period as income and directly as capital and reserves totalled 1,271 million euros and can be broken down as follows:

Gains (losses) on financial instruments classified as "assets available for sale"	**2,325 million euros**
Shadow accounting	**(1,583) million euros**
Deferred taxes	**150 million euros**
Actuarial gains (losses) on post-employment benefits	**(15) million euros**
Net income	**394 million euros**

GROUPAMA SA – STATEMENT OF CASH FLOWS

Statement of Cash Flows

	31/12/2005	31/12/2004
	(millions of euros)	
Operating profit before taxes	773	605
Gains (losses) on sale of investments	(551)	(177)
Net depreciation allowances	1	47
Change in acquisition costs carried forward	(6)	25
Change in impairment	(353)	(398)
Net appropriation for technical insurance reserves and operating liabilities related to financial contracts	3,254	2,219
Net appropriations to other provisions	22	22
Change in the fair value of financial instruments recognised at fair value as income (ex. cash and cash equivalents and ex. Unit-linked contracts)	29	(149)
Other items without cash disbursement included in operating profit		
Corrections of items included in operating profit other than monetary flows and reclassification of flows from financing and investment		
Change in trade receivables and payables	(200)	143
Change in banking operating receivables and payables	(212)	(365)
Change in securities repurchase agreements	11	(15)
Cash flows from other assets and liabilities	423	149
Net taxes paid	(98)	(128)
Net cash flows from operating activities	**3,093**	**1,978**
Acquisitions/disposals of subsidiaries and joint ventures, net of cash acquired	(18)	
Acquisitions/disposals of interests in associated companies		
Cash flows from changes in consolidation	(18)	
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(3,480)	(2,074)
Net acquisitions of real estate investments	(106)	(120)
Net acquisitions and/or issues of investments and derivatives from other activities	65	59
Other items not corresponding to monetary cash flows	35	56
Cash flows from acquisitions and issues of financial assets	(3,486)	(2,079)
Net acquisitions of tangible and intangible assets and operating non-current assets	(1)	32
Cash flows from acquisitions and disposals of tangible and intangible assets	(1)	32
Net cash flows from investing activities	**(3,505)**	**(2,047)**

	31/12/2005	31/12/2004
	(millions of euros)	
Dues		
Issue of capital instruments	5	15
Redemption of capital instruments		
Operation on treasury stock	(3)	
Dividends paid	(82)	(59)
Cash flows from transactions with shareholders and members	(80)	(44)
Cash assigned to financing debt	681	150
Interest paid on financing debt	(84)	(86)
Cash flows related to group financing	597	64
Net cash flows from financing activities	**517**	**20**
Cash and cash equivalents at 1 January	**208**	**257**
Net cash flows from operating activities	3,093	1,978
Net cash flows from investing activities	(3,505)	(2,047)
Net cash flows from financing activities	517	20
Cash and cash equivalents at 31 December	**313**	**208**

Cash and cash equivalents	431
Bank uses – cash, central bank, postal accounts	26
Operating debt to bank sector companies	(249)
Cash and cash equivalents at 1 January 2005	**208**
Cash and cash equivalents	455
Bank uses – cash, central bank, postal accounts	23
Operating debt to bank sector companies	(165)
Cash and cash equivalents at 31 December 2005	**313**

The notes on pages 7 to 101 are an integral part of the consolidated financial statements.

NOTES TO THE 2005 CONSOLIDATED FINANCIAL STATEMENTS OF GROUPAMA SA

Year ended December 2005

Note to the consolidated financial statements

1. Key Events and post-closing Events

1.1 Key Events

1.1.1 Organisation of the Group

Election of outside directors

The Shareholders' Meeting of Groupama S.A. on 24 February 2005 elected three outside members to the Board of Directors of Groupama S.A. for a term of six years. These elections increased the number of Board members from 13 to 16, i.e. 11 representatives of the shareholder regional mutuals of Groupama S.A., 2 directors elected by the employees of Groupama S.A., and 3 outside directors.

1.1.2 Development of the Group

Placement of an undated bond

At the end of June 2005, Groupama placed 500 million euros (nominal value) in an undated subordinated bond, with a coupon of 4.375%. This issue also includes a "10-year call" which allows the issuer, if it wishes, to redeem early as of 6 July 2015. The operation was very successful with investors, as the order book, constructed in less than two days, was largely oversubscribed by nearly 70 quality investors.

Crop insurance

In March 2005, Groupama launched "Climats", the multi-risk climate insurance designed from agricultural operators. The "climats" business line is targeted at all operators, whatever the size or economic strategy. It is in line with the three-level system planned by the public authorities:

– for small risks, an incentive to save with the "deduction for risks" tax deduction;

– for larger risks, private insurance. The policy covers the equivalent of incompressible production expenses estimated at 65% of operating revenue;

– for exceptional risks, governmental assistance is maintained.

Extension of activities to Vietnam

In January 2005, the Vietnamese government authorised Groupama to expand its activities to all sectors of non-life insurance in Vietnam over the entire territory. At the group's request, the government authorities granted an extension of the license originally granted in 2001 only for agricultural insurance in southern Vietnam.

Acquisition of the British insurer Clinicare

Groupama Insurances acquired at year-end 2005 the British insurer Clinicare, which specialises in health insurance and is a subsidiary of the French mutual insurance group Azur – GMF. This company has 70 employees and earned revenue of €48 million in 2004. It should be noted that Clinicare was recognised as "Health Insurance Company of the year 2005" during the health insurance awards. This is the most important award in the insurance sector in Great Britain.

1.2 Post-closing Events

1.2.1 International

Acquisitions in Spain

On January 24, 2006, Groupama Seguros acquired the two subsidiaries of the Azur – GMF group in Spain: Azur Multiramos in non-life (revenue of €30 million in 2004) and Azur Vida (revenue of €15 million in 2004).

Spain is a major component of Groupama's international strategy.

Acquisition in Turkey

At the end of a privatisation process in Turkey, Groupama acquired early in 2006, subject to the formal approval from Turkish authorities, 56.67% of the non-life insurance company Basak Sigorta

(€222 million in revenue in 2004) and 41% of the life insurance company Basak Emeklilik (€46 million in revenue in 2004), 38% held by Basak Sigorta.

With this acquisition, Groupama becomes the sixth largest insurer in the Turkish market, which is recording one of the fastest growth rates in the world.

Also in Turkey, Groupama is keeping its 36% stake in Günes Sigorta.

1.2.2 Organisation

Authorisation for a public offering of Groupama SA

The shareholders' meeting of Fédération Nationale Groupama on February 24, 2006 approved a public offering of Groupama SA to satisfy a need for total or partial financing or refinancing of Groupama SA on the market, generated by one or more major growth acquisitions or to implement a strategic partnership in France and/or abroad.

2. Principles, methods and scope of Consolidation

2.1 Preliminary Note

Groupama SA is a French *Société Anonyme* nearly 100% held, directly or indirectly, by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the Caisses Spécialisées ("regional mutuals") which form the mutual division of Groupama. Groupama SA is domiciled in France, with registered offices at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of capital at 31 December 2005 was as follows:

- 90.88% by Groupama Holding;
- 8.99% by Groupama Holding 2;
- 0.13% by the former and current agents and employees of Groupama SA (directly or through FCPEs).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes*, are wholly owned by the regional mutuals.

Groupama SA is a non-life insurance and reinsurance company, the sole reinsurer for the regional mutuals and the holding company for the capital division of the Groupama group. Its activities are:

- to define and implement the operational strategy of the Groupama group in collaboration with the regional mutuals and in line with the strategies defined by Fédération Nationale Groupama;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the reinsurance programme for the entire group;
- to manage a direct insurance activity;
- to establish the consolidated and combined financial statements.

The consolidated financial statements of Groupama S.A. include the reinsurance ceded by the regional mutuals and the business of the subsidiaries.

The combined financial statements relate to the Groupama group, which is composed of all the local mutuals, the regional mutuals, Groupama S.A. and its subsidiaries.

In conducting its activities, the company is governed by the provisions of the Commercial Code and the Insurance Code and is subject to the supervision of the French *Autorité de Contrôle des Assurances et des Mutuelles*.

Links between the various entities of the group are governed by the following:

- within the Groupama SA division by – capital ties. The subsidiaries included in this division are consolidated in the accounts. Moreover, in exchange for a certain operating autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the Groupama SA environment, particularly in terms of control;

- in the mutual division:
  - by an internal reinsurance treaty that binds the regional mutuals to Groupama SA. This treaty, signed in December 2003 for the businesses acquired by Groupama SA at the time of the contribution of the regional mutual reinsurance business granted by the C.C.A.M.A. retroactively to 1 January 2003, replaced the general reinsurance regulations that had previously governed the internal reinsurance ties between the regional mutuals and the C.C.A.M.A.
  - by a security and solidarity agreement between all the regional mutuals and Groupama SA ("Convention defining the security and solidarity mechanisms of the Caisses de Réassurance Mutuelle Agricole joining the Fédération Nationale GROUPAMA", which was signed 17 December 2003, effective retroactively to 1 January 2003).

2.2 General presentation of the consolidated financial statements

The consolidated financial statements are prepared in accordance with the provisions of the International Financial Reporting Standards and the interpretations applicable as of 31 December 2005 as approved by the European Union.

The group has also chosen to apply the following standards early: IAS 32/39 (including the fair value option amendment); revised IAS 19 "termination option", and IFRS 4 as of 1 January 2004. On the other hand, the group has not anticipated the adoption of IFRS 7 concerning the information to be provided on financial instruments.

The format of the financial statements has been established in accordance with the recommendation of the National Accounting Board (*Conseil National de la Comptabilité* -CNC) 2005-R-01 of 24 March 2005 governing the format of financial statements of insurance organisations under international accounting standards.

The decisions made by the group are based primarily on the synthesis of the work of the CNC working groups on the specific requirements for implementation of the IFRS by insurance organisations.

The group has adopted the IFRS for the first time for the 2005 financial statements and, for purposes of comparison, has restated the statements for financial year 2004 under IFRS. The options selected by the group for the retrospective restatement of assets and liability under IFRS 1 are described in paragraph 4 of Note 1.

In the notes, all amounts are expressed in million of euros, unless otherwise indicated.

The IFRS that have a significant impact in the Groupama SA accounts are primarily the following:

– IFRS 1: First application of the International Financial Reporting Standards
– IFRS 3: Business combinations
– IFRS 4: Insurance policies
– IAS 1: Presentation of financial statements
– IAS 12: Income taxes
– IAS 16: Property, plant and equipment
– IAS 19: Employee benefits
– IAS 27: Consolidated and separate financial statements
– IAS 32: Financial instruments – Disclosure and presentation
– IAS 36: Impairment of assets
– IAS 37: Provisions, contingent liabilities and contingent assets
– IAS 38: Intangible assets
– IAS 39: Financial instruments – Recognition and measurement
– IAS 40: Real estate investments

The preparation of the group's financial statements in accordance with the IFRS requires that management choose assumptions and make estimates which have an impact on the amount of the assets, liabilities, income and expenses as well as on the related notes.

These estimates and assumptions are reviewed on a regular basis. They are based on past experience and other factors, including future events, the occurrence of which seems reasonable under the circumstances.

The definitive future results of the transactions for which estimates were necessary may prove to be different from those estimates and result in an adjustment to the financial statements.

The judgements made by management pursuant to the application of IFRS primarily concern:

- The impairment tests performed on intangible assets, particularly goodwill (Notes 2.4 and 3.4);
- The recognition of deferred taxes as assets (Note 3.12);
- The evaluation of technical reserves (Note 3.1.2),
- The determination of the provisions for risks and contingencies, particularly the valuation of employee benefits (Note 3.10);
- The estimate of certain fair values on untraded assets or property assets (Notes 3.2.1 and 3.2.2).

2.3 Principles of consolidation

2.3.1 Scope and methods of consolidation

An enterprise is included in the scope of consolidation once its consolidation, or the consolidation of the sub-group which it heads, becomes, alone or with other enterprises in a position to be consolidated, significant in terms of the consolidated accounts of all the companies included in the scope of consolidation. It is assumed that insurance and banking operational entity must be consolidated once the shareholders equity, balance sheet, or earned premiums of this entity represent €30 million of the combined shareholders equity, or €50 million out of the consolidated balance sheet total, or €10 million of the group's earned premiums.

The mutual funds and property companies are consolidated. The minority interests for the mutual funds are classified in a specific financial debt line on the liabilities side of the IFRS balance sheet. In effect, under IAS 32, a financial instrument that gives the holder the right to return it to the issuer in exchange for cash is a financial liability. The change in this debt is recognised as a contra entry on the income statement.

- ***Consolidating company***

The consolidating company is the company that exclusively or jointly controls other companies, whatever their form, or which exerts a significant influence on them.

- ***Exclusively controlled entities***

Companies exclusively controlled by the group, whatever their structure, are consolidated. These entities are consolidated once they are controlled. Control is the power to direct the financial and operational policies of the entity in order to obtain the benefits of its activities.

An entity is no longer fully consolidated once the group no longer exerts effective control over the entity.

Full consolidation consists of:

- integrating in the consolidating company's accounts the items in the accounts of the consolidated companies, after any restatements;
- distributing the shareholders equity and the income between the interests of the consolidating company and the interests of the other shareholders or associates known as "minority interests";
- offsetting transactions and accounts between the fully consolidated company and the other consolidated companies.

- ***Joint ventures***

When an entity is controlled jointly, it is consolidated using the proportionate consolidation method. Its assets, liabilities, income and expenses are grouped, line by line, with the similar items in the consolidated financial statements of the consolidating entity. Joint control is the sharing of an economic activity under a contractual agreement.

- ***Associates***

Companies over which the group exerts a significant influence are accounted for using the equity method.

When the consolidating entity holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it is otherwise demonstrated. Conversely, when the consolidating entity holds directly or indirectly less than 20% of the voting rights of the company held, it is assumed not to exert a significant influence, unless it can be demonstrated that such influence exists.

The equity method consists of:

- substituting the share of shareholders equity, including the earnings for the year determined using the consolidation rules, for the book value of the securities held;
- offsetting the transactions and accounts between the equity associate and the other consolidated companies.

2.3.2 Change in the scope of consolidation

In comparison with 31 December 2004 and taking into account the operations presented above, the main changes in the scope of consolidation are as follows:

Newly consolidated entities:

Clinicare, acquired at the end of 2005, is now consolidated.

Mergers, reorganisations and deconsolidated entities

Merger-absorption of Groupama Gestion by Groupama Asset Management on 30 June 2005, effective retroactively to 1 January 2005.

2.3.3 Homogeneous accounting principles

The Groupama SA consolidated financial statements are presented homogeneously for the entity formed by the companies included within the scope of consolidation, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated financial statements (predominance of substance over form, attachment of expenses to income, offsetting of items recognised under local tax provisions). The consolidated financial statements are established using the consolidation methods defined by the group and comply with:

- the International Financial Reporting Standards and the interpretations applicable at 31 December 2005;
- the valuation methods specified hereinafter.

Restatements under the principles of homogeneity are made when they are significant.

2.3.4 Conversion of the accounts of foreign companies

Balance sheet items are converted to euros at the official exchange rate on the closing date, with the exception of shareholders equity, excluding income, which are converted at historic rates. The portion of the resulting unrealised foreign exchange gains or losses reverting to the group is recorded in the "unrealised foreign exchange gains or losses" item and the balance is included in "Minority interests".

Transactions on the income statements are converted at the average rate. The difference between the result converted at the average rate and the result converted at the closing rate is recorded as "unrealised foreign exchange gains or losses" for the portion belonging to the group and as "Minority interests" for the balance.

2.3.5 Internal transactions between companies consolidated by GROUPAMA

- ***Transactions offset***

All intra-group transactions are offset.

When such transactions affect the consolidated results, 100% of the profits and losses and the gains and losses is offset, and then allocated between the interests of the consolidating company and the minority interests in the company that recorded the results. In the case of offsetting losses, the group ensures that the value of the asset transferred is not permanently modified. The offsetting of the impacts of internal transactions on assets has the effect of reducing them to their entry value in the consolidated balance sheet (consolidated historic cost).

Thus, internal transactions on the following must be offset:

- reciprocal receivables and payables as well as reciprocal income and expenses;

- notes receivable and notes payable are reciprocally offset but, when the note receivable is discounted, the bank loan made to the group is substituted for the note payable;
- transactions affecting commitments received and given;
- reinsurance acceptances, cessions and retrocessions;
- co-insurance and co-reinsurance operations and pooled management;
- broker and intermediation transactions;
- contractual sharing of the results of group contracts;
- appropriations to provisions for the depreciation of equity interests funded by the company holding the securities and, if applicable, appropriations to provisions for risks and contingencies recognised because of losses suffered by exclusively controlled companies;
- transactions on forward financial instruments;
- gains and losses from the internal transfer of insurance investments;
- intra-group dividends.

Sale transactions of traded securities followed by the buyback of these same securities are considered to be external transactions.

2.4 Goodwill

Discrepancies on first consolidation correspond to the difference between the acquisition cost of the shares of consolidated companies and the group's share of the shareholders equity restated on the acquisition date. When it is not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a specific asset item as an intangible asset.

Goodwill is assigned to cash generating units (CGU) of the buyer from which it is expected that they will draw more from the combination. A CGU is defined as an identifiable group of assets producing cash flows independently of other assets or groups of assets. In practice, Groupama has used the approach by entity.

This goodwill is not amortised, but is subject to an impairment test at least once a year. The group revises the book value of the goodwill if an unfavourable event occurs between two annual tests. An additional impairment is recognised when the recoverable value of the CGU to which the goodwill is assigned is less than its net book value. The recoverable value is determined using an approach based on discounted future cash flows.

An impairment of goodwill recognised during a previous year may not be subsequently reversed.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost of the company's shares, the identification and valuation of the assets, liabilities and contingent liabilities and the valuation of the cost of the combination is reestimated. If, after this revaluation, the share acquired remains greater than the acquisition cost, this excess is immediately recognised as income.

3. Accounting principles and valuation methods used

3.1 Technical operations

3.1.1 Classification

There are two categories of insurance contracts:

– insurance contracts and financial contracts with discretionary profit-sharing, which are governed by IFRS 4;

– financial contracts without discretionary profit-sharing, which are governed by IAS 39.

- ***Insurance contracts***

An insurance contract is a contract under which one party, the insurer, accepts a significant insurance risk from another party, the policyholder, agreeing to indemnify the policyholder if a specified uncertain future event, the insured event, negatively affects the policyholder. An insurance risk is a risk, apart from the financial risk, transferred from the policyholder to the issuer. This risk is significant when an insured event may require an insurer to pay significant additional benefits whatever the scenario, with the exception of scenarios that lack commercial substance.

The existing accounting practices for insurance contracts are maintained, with the exception of the equalisation reserves (see Notes 3.1.2.a and 3.1.2.b), provided that the reserves established meet the liability adequacy test stipulated by international standards (see Note 3.1.2.c).

- ***Financial contracts***

Contracts that do not meet the definition of an insurance contract as described above are classified as financial contracts. There are two categories of financial contracts: financial contracts with and without discretionary profit-sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or date of which is wholly or partially at the insurer's discretion, and the valuation of which is based either on the performance of a set of contracts or a specific contract, or on the profit or loss of the insurer, of a fund or any other entity that issued the contract, or on the realised and/or unrealised return on investments from a portfolio of specified assets held by the issuer.

The accounting methods for financial contracts with discretionary profit-sharing are identical to the methods for insurance contracts described above. Financial contracts without discretionary profit-sharing are treated using the valuation procedures described in Note 3.1.3.

If a single contract contains a financial component and an insurance component, the financial component is recognised as a financial instrument if all obligations related to the financial component are not recognised under existing accounting standards. The entire contract is treated as an insurance contract for accounting purposes.

3.1.2 Insurance contracts governed by IFRS 4

a. Non-life insurance contracts

- ***Premiums***

Written premiums represent the gross reinsurance issues, excluding tax, net of cancellations, reductions and dividends, of the change in premiums still to be written and of the change in premiums to be cancelled.

Premiums written and adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

- ***Expenses for contract claims***

Non-life insurance contract claims expenses essentially include the claims and related expenses paid and the change in reserves for claims and other technical reserves.

The benefits and costs represent the claims settled net of claims collected for the year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment of benefits.

- ***Liabilities related to non-life insurance contracts***

- Reserves for unearned premiums

The technical reserves for unearned premiums represent the portion of premiums for the period between the inventory date and the next contract payment date. They are calculated on a *pro rata* basis.

- Reserves for unexpired risks

The reserves for unexpired risks are intended to cover the portion of the cost of claims and the related management fees that exceeds the fraction of deferred premiums net of deferred acquisition costs.

- Reserves for outstanding claims

The reserves for outstanding claims represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the year, both declared and undeclared. They include a charge for management fees that is determined on the basis of the actual fee rates observed.

For construction risks, in addition to the reserves for outstanding claims (declared or not yet declared), separate reserves for claims that have not yet appeared are also funded for the ten-year civil liability guarantees and the ten-year guarantees against structural damage.

Reserves are assessed on the basis of the type of specific risks covered, particularly agricultural and climate risks, and the risks that are highly seasonal in nature.

- Other technical reserves

Actuarial provisions for annuities

The actuarial provisions for annuities represents the present value of the company's commitments for annuities and annuity expenses which it must pay.

Reserve for increasing risks

This reserve is provisioned for regular premium health and disability insurance policies, for which the risk grows with the aged of the insured.

Equalisation reserve

No provision is recorded for future risks characterised by low frequency and high unit cost on policies not yet subscribed on the closing date.

- ***Deferred acquisition costs***

In non-life insurance, the acquisition costs for unearned premiums are deferred and recorded on the asset side of the balance sheet.

b. Life insurance contracts and financial contracts with discretionary profit-sharing

- ***Premiums***

Premiums written represent the gross reinsurance premiums written, excluding tax, net of cancellations, reductions, dividends, the change in premiums to be written and the changed in premiums to be cancelled.

- ***Contract services expenses***

The service expenses on life insurance contracts and financial contracts with discretionary profit-sharing include:

- all benefits once they have been paid to the beneficiary;
- technical interest and profit-sharing that may be included in those benefits;
- all costs incurred by the insurance company for the management and payment of benefits.

They also include the profit-sharing and the change in life insurance reserves and other technical reserves.

- ***Liabilities related to life insurance contracts and financial contracts with discretionary profit-sharing***
- Actuarial provisions

Actuarial provisions represent the difference between the present values of the commitments made by the insurer and the insured respectively, taking into account the probability that these commitments will be realised. Actuarial provisions are recognised as liabilities on the balance sheet at their gross technical value before zillmerisation effect.

- Profit-sharing reserve

The profit-sharing reserve consists of a reserve for profit-share owed and possibly a reserve for deferred profit-sharing. This reserve covers both life insurance contracts and financial contracts, as well as discretionary and non-discretionary profit-sharing.

The reserve for profit-sharing owed includes the identifiable amounts resulting from regulatory obligations intended for the insurer or the beneficiaries of contracts with profit-sharing and dividends, to the extent that these amounts have not been credited to the insured's account or included in the life technical reserves item.

The reserve for deferred profit-sharing includes:

- the reserve for unconditional profit-sharing, which is recognised when a difference is recorded between the bases for calculating future rights in the separate accounts and the consolidated accounts;

– the reserve for conditional profit-sharing, which related to the difference in rights recorded between the separate accounts and the consolidated accounts, the payment of which depends on a management decision or the occurrence of an event.

In the specific case of the restatement of the capitalisation reserve in the consolidated accounts, a reserve for deferred profit-sharing is determined when the asset/liabilities management assumptions show a probable and sustained recovery in the capitalisation reserve stock. The group has not recognised profit-sharing on the restatement of the capitalisation reserve.

- Application of shadow accounting

For participatory contracts, the group has decided to apply shadow accounting, which is intended to pass on to the value of insurance liabilities, deferred acquisition costs and the intangible assets related to insurance contracts, the effects of taking into account the unrealised gains and losses on financial assets valued at fair value. The resulting deferred profit-sharing is recorded as a contra entry to the revaluation reserve or the profit or loss, depending on whether these gains and losses have been recognised in this reserve or in the income statement.

The shadow accounting is applied on the basis of a profit-sharing rate that is estimated and applied to the unrealised gains and losses. This rate is obtained by applying the regulatory and contractual conditions for calculating the profit-sharing observed in recent years.

- Other technical reserves

Reserve for financial contingencies

No reserve for financial contingencies is recorded when the actuarial provisions have been funded on the basis of discount rates at most equal to the forecast yield rates, prudently estimated, of the assets assigned to represent them.

Overall management reserve

The management reserve is constituted when the future margins determined for the purpose of calculating deferred acquisition costs for a homogeneous family of products are negative.

Equalisation reserve

No equalisation reserve is recognised. So-called equalisation reserves intended to cover claims fluctuations are maintained when they are the result of contractual obligations and revert to the insured.

- ***Deferred acquisition costs***

The variable costs that can be directly allocated to the acquisition of life insurance contracts are recorded on the asset side of the consolidated financial statements. These amounts may not under any circumstances be greater than the present value of future profits from the contracts.

These costs are amortised over the average life of the contracts based on the rate of emergence of future margins for each generation of contracts; future margins are determined using economic assumptions (profit-sharing rate, future rate of return on assets and drop rate). As acquisition costs are activated, the actuarial provisions appearing on the balance sheet are presented as non-zillmerised.

Every year the probable present value of future margins by homogeneous product family is compared to the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, an extraordinary amortisation is expensed.

The group has applied the standard governing shadow accounting for deferred acquisition costs.

c. Liabilities sufficiency test

An adequacy test is performed at each accounting closure for liabilities intended to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance contracts. Future cash flows resulting from contracts take into account their attached cover and options. If necessary, and for the purposes of this test, the insurance liabilities are reduced by the deferred acquisition costs and the portfolio values recorded at the time of business combinations or transfers of the related contracts.

If there is an insufficiency, the potential losses are recognised in full as a contra entry under income.

d. Contracts denominated in units of account

The technical reserves for unit-linked contracts are valued at the market value of the unit-linked contract in the inventory.

3.1.3 Insurance contracts governed by IAS 39

Liabilities relating to significant financial contracts without discretionary profit-sharing must be recognised on the basis of the principle of deposit accounting. Thus the premiums collected and the benefits are recorded on the balance sheet. Management charges and expenses for the contracts are recorded as profit or loss. Unearned revenue are deferred over the estimated life of the contract.

The additional costs directly related to management of the investments of a financial contract are recorded as assets if they can be identified separately and reliably valued, and if it is probable that they will be recovered. This asset, which corresponds to the contractual right acquired by the group to the profits resulting from the management of the investments is amortised over the period of management and is symmetrical with recognition of the corresponding profit.

3.1.4 Reinsurance operations

Reinsurance treaties that include no significant insurance risk are recorded directly on the balance sheet and are included in financial assets and liabilities.

- ***Acceptances***

Reinsurance acceptances are recorded treaty by treaty without difference on the basis of an assessment of the business accepted. These transactions are classified using the same rules as described for insurance contracts or financial contracts in Note 3.1.1. Classification. In the absence of sufficient information from the cedant estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the cedants and retrocedants.

Securities given as a hedge are recorded in the statement of commitments given and received.

- ***Cessions***

Reinsurance cessions are recognised in accordance with the terms of the different treaties. A liabilities deposit is recorded for the amount of the counterparty received from accepting parties and retrocessionnaires.

Securities from reinsurers (accepting parties or retrocessionnaires) remitted as a hedge are recorded in the statement of commitments given and received.

3.1.5 Embedded derivatives

Embedded derivatives are components of compound financial instruments that meet the definition of a derivative product.

They are separate from the host contract and recorded as derivatives when the following three conditions are met:

- the economic features and the risks of the embedded derivative are not closely linked to the economic features and risks of the host contract;
- a separate instrument containing the same conditions as the embedded derivative meets the definition of a derivative;
- the hybrid instrument is not valued at fair value with recognition of the changes in the fair value through the income statement.

When one of these conditions is not met, there is no separation.

3.2 Insurance sector investments

The valuation of the investments, and any depreciation, is established in accordance with IFRS based on the classification of the investments.

3.2.1. Financial assets

Stocks, bonds, loans and receivables, derivatives and bank accounts are considered financial assets.

- ***Classification***

Financial assets are classified in one of the following four categories:

– Assets held for transaction purposes are investments which are held to earn short-term profits. The existence of a history of short-term sale also allows classification in this category. Subject to meeting certain criteria, this category also includes financial assets designated as options.

– Assets held to maturity include fixed-term investments that the company expressly intends, and is able, to retain until maturity. The group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above.

– The category of loans and receivables allows the recording of assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market.

– Assets available for sale include by default all other fixed-term financial investments, stocks, loans and receivables that are not included in the other categories.

- ***Initial recognition***

The group books its financial assets when it becomes a party to the contractual provisions of these assets.

Purchases and sales of financial investments are recorded on the transaction date.

Financial assets are initially recorded at their fair value plus, in the case of an asset that is not at fair value in the income statement, the transaction costs directly chargeable to the acquisition. However, the transaction costs are not included in the acquisition cost of the financial assets when they are not significant.

Repurchase transactions are maintained as assets on the balance sheet.

- ***Determination of fair value***

The fair value of the financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.

For assets available for sale and assets held for transactions, the fair value is the listed value on the last listing date of the period or the value estimated using reliable valuation techniques. If the fair value cannot be reliably valued, the investment is recorded at the historic cost minus permanent reserves, if any.

For loans and receivables, the fair value is the amortised cost.

- ***Valuation rules***

The valuation rules and any impairment must be understood as depending on the classification of the financial instrument in one of the four categories given above.

Assets held for transactions are recorded at their fair value at the closing price in the income statement.

Financial assets held to maturity, unlisted stock for which the fair value cannot be measured reliably, and loans and receivables are recorded at the amortised cost or the historic cost. The amortised cost is the amount at which the asset was valued at the time of initial recognition, minus repayments of principal, plus or minus the cumulative amortisation of the differences between the initial amount and the amount at maturity (based on the effective interest rate) and corrected for any provisions for impairment.

The differences between the redemption value and the acquisition price are distributed actuarially as expenses (adjustment) or as income (discount) over the residual life of the securities. When several redemption dates are provided, the residual life is determined on the basis of the final redemption date.

For inflation-indexed bonds, the indexing to the general level of prices recorded during the period since the acquisition date or since the end of the previous period is recorded as income or expense for the period, with the balance sheet contra entry in a sub-account attached to the principal account of the bond.

Assets available for sale are valued at their fair value and the unrealised gains or losses are recorded in a separate item under shareholders equity.

Investments representing unit-linked contracts are valued at fair value.

- ***Provisions for impairment***

At each closing date, the group looks for the existence of objective presumptions of depreciation in its investments. Depreciation is assumed in the following cases:

- if there was a provision for depreciation for an investment line in the previous published statement;
- the financial investment has shown a significant loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of sustained depreciation;
- if a strong discount is observed on the closing date.

The criteria for impairment are based on the volatility of the financial markets on the closing date. In addition, there may also be a specific increase in the provisionable nature of certain securities.

For investments valued at the amortised cost, the amount of the loss is equal to the difference between the net book value of the assets and the discounted value of the future cash flows expected, determined on the basis of the original effective interest rate of the financial instrument, and corrected for any provisions. The amount of the loss is included in the net income or loss for the year. The provision may be reversed by income.

For investments classified as assets available for sale, the amount of the loss is equal to the difference between the acquisition cost and the fair value for the year, minus any loss of value on this asset previously recognised in net income or loss. When impairment occurs, the loss of value recorded under shareholders equity is transferred to income or loss.

In the case of a debt instrument, only the counterparty risk may be provisioned. Moreover, when the fair value of an asset subsequently improves, a reversal is made in income in the amount of the provisions recognised. In the case of shareholders equity instruments, there is no reversal of provisions through income. The depreciation recorded on a shareholders equity instrument will be reversed as income only at the time of the transfer of the asset in question.

- ***Capitalisation reserve***

The capitalisation reserve is eliminated in the consolidated financial statements. It is taxed as described in Note 3.12.

- ***Derecognition***

Financial assets are derecognised when the contract rights expire or the group transfers the financial assets. The gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of the securities carried by the mutual funds. The method used for mutual funds is the weighted average cost method.

The gains and losses from disposal are recorded on the income statement on the date of realisation and represent the difference between the sale price and the net book value of the asset.

3.2.2 Real estate investments

The group has chosen to record real estate investments using the amortised cost method. They are valued using the component approach.

- ***Initial recognition***

Lands and buildings appear on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly tied to the transaction.

When a real estate asset includes a portion held to draw rent and another part used for production or administrative purposes, the asset is a real estate investment only if the latter part is not significant.

At the time of the initial accounting, the real estate is sub-divided by components and recorded separately.

The components used by the group are the following:

- framework or hull,
- enclosure-covered,
- heavy equipment,

– secondary equipment, coverings.

- ***Valuation***

The amortised cost of the real estate is the amount at which the real estate has been recorded at the time of initial recognition, minus cumulative amortisation and corrected for any provisions for depreciation. Each component is identified by its duration and amortisation rate: the amortisation period for all the components is between 15 and 120 years.

The residual value of the framework component cannot be measured with sufficient reliability, particularly given the uncertainties about the holding horizon; thus this component is amortised on the basis of the acquisition cost.

Rent payments are recorded using the straight line method over the term of the lease agreement.

The liquidation value of real estate investments is determined on the basis of the five-year expert appraisal conducted by an expert approved by the *Autorité de Contrôle des Assurances et des Mutuelles*. During each five-year period, the real estate is subject to an annual estimated certified by the expert.

As the maintenance component is not considered significant, provisions for major repairs (PMR) are eliminated.

- ***Subsequent expenses***

Subsequent expenses must be added to the book value of the real estate:

– if it is probable that these expenses will allow the asset to generate economic advantages;

– and these expenses can be reliability valued.

- ***Provisions for impairment***

On each account closing date, the group determines whether there are indications of a potential loss of value on the properties recognised at the amortised cost. If this is the case, the recoverable value of the real estate is calculated as being the higher of two values: the sale price net of sale costs and the useful value. If the recoverable value is less than the net book value, the group recognises a loss of value as income or loss in the amount of the difference between the two values, and the net book value is adjusted to reflect only the recoverable value.

When the value of the real estate increases at a later time, the provision for impairment is reversed in income.

- ***De-recognition***

Gains or losses from the disposal of real estate investments are recorded in the income statement on the date of realisation and represent the difference between the net sale price and the net book value of the asset.

3.3 Derivatives

3.3.1 General information

A derivative is a financial instrument with the following three features:

– its value fluctuates on the basis of the change in a specific variable known as the "underlying asset";

– it require a net zero or low initial investment compared with other instruments that react in the same way to market changes;

– it is unwound at a future date.

All derivatives are recorded on the balance sheet at original cost and are subsequently valued at fair value. The changes in fair value are recorded as income or loss.

3.3.2 Hedging derivatives

The use of hedging accounting is subject to obligations for documentation and periodic demonstration of the efficacy of the hedge.

Hedging derivatives are recorded at fair value with changes on the income statement, except for hedges of cash flows considered as effective, for which the changes in fair value are deferred as shareholders equity until the cash flows hedged are recognised in the income statement.

For a value hedge of a security available for sale, the changes in fair value of the hedged item are recorded as income or loss so that they exactly offset the changes in the hedging derivative.

The ineffective portion of hedges is recorded in the income statement.

3.3.3 Embedded derivatives

The three conditions that require separate accounting between the host contract and the derivative instrument are listed in Note 3.1.5.

3.4 Intangible fixed assets

An intangible asset is an identifiable asset, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

Intangible assets include primarily the software acquired and created, portfolio securities, and businesses. The entry value of an intangible fixed asset consists of its acquisition price and the costs directly linked to its use.

With the exception of portfolio securities, intangible assets are valued using the amortised cost, which equals the acquisition cost minus amortisation and any cumulative loss of value. They are amortised using the straight line method over a period of between one and five years, with the exception of businesses which are amortised over a maximum period of 20 years and may also be depreciated when there is an indication of a loss of value.

Amortisation of portfolio securities is spread out over the residual life of the portfolio contracts.

Initial costs are not capitalised, but expensed.

3.5 Tangible fixed assets

The group has chosen to value business premises using the amortised cost method. These properties are presented on a line separate from real estate investment on the asset side. The accounting and valuation method is identical to the method described for real estate investment.

Tangible fixed assets other than business premises are initially recognised at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for implementation and payment discounts.

The amortisation methods reflect the method of economic consumption.

An impairment test is conducted once there is an indication of a loss of value. The loss of value is reversible and corresponds to the surplus between the book value over the recoverable value, which is the higher of net fair value of withdrawal costs and the useful value.

3.6 Investments in affiliates

Investments in affiliates are consolidated using the equity method. At the time of acquisition, the investment is recorded at the acquisition cost and its net book value is subsequently raised or reduced to take into account the profits or losses *pro rata* to the investor's holding.

3.7 Trade receivables and payables, other assets and other liabilities

Trade receivables and other assets are recorded at their nominal value, taking into account any transaction costs.

Trade payables and other liabilities are recorded at the fair value of the consideration received in exchange at the origin of the contract, net of transaction costs.

Pending clarification from the IFRIC, commitments to purchase minority interests are recorded as other liabilities as a contra entry to minority interests. Moreover, the minority interests on the consolidation of mutual funds are included in other liabilities.

3.8 Cash and cash equivalents

Cash and cash equivalents primarily represent the balances in the bank accounts of group entities.

3.9 Shareholders equity

- ***Revaluation reserve***

The revaluation reserve includes the differences resulting from the revaluation at fair value of balance sheet items, particularly:

- the effects of the revaluation of derivative instruments assigned to hedge cash flows and net investments in currencies pursuant to the provisions of IAS 39; these are unrealised gains and losses;
- the effects of the revaluation of financial assets available for sale in accordance with the provisions of IAS 39; these are unrealised gains and losses;
- The cumulative impact of the deferred tax gain or loss generated by the transactions described above;
- The cumulative impact of the gain or loss from the shadow accounting.

- ***Other reserves***

Other reserves consist of the following elements:

- Carried forward
- Group consolidation reserves
- Other regulated reserves
- The impact of changes in accounting methods.

- ***Unrealised foreign exchange gains or losses***

Unrealised exchange gains or losses result from the consolidation mechanism because of the conversion of the individual financial statements of foreign subsidiaries established in a currency other than the euro.

- ***Minority interests***

Minority interests include the share in the net assets and net earnings of a fully consolidated group company. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries (concerning the purchase of minority interests and minority interests on consolidated mutual funds, refer to Note 3.7).

3.10 Provisions for risks and contingencies

Provisions for risks and contingencies are liabilities for which the due date or the amount is uncertain. A provision must be recognised if the following three conditions are met:

- the company has a current, legal, or implicit obligation that is the result of a past event;
- it is probable that a disbursement of resources representing economic benefits will be necessary to discharge the obligation;
- it is possible to obtain a reliable estimate of the amount of the provision.

When the impact of the time value of the money is substantial, the amount of the provisions must be equal to the present value of the expected expenditures which the company believes necessary to discharge the obligation.

- ***Employee benefits***
- Pension commitments

The companies of the group have different pension schemes. The schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations. The group has defined benefit schemes and defined contribution schemes. A defined contribution scheme is a pension plan under which the group pays fixed contributions to an independent entity. In this case, the group is not bound by any legal or implied obligation forcing it to contribute additional amounts to the scheme in the event the assets are not sufficient to pay all employees the benefits owed for the services rendered during the current and previous years. Pension schemes that are not defined contribution schemes are defined benefit schemes. This is the case, for example, for a scheme that defines the amount of the pension benefit that will be collected by an employee at retirement, which is generally a function of one or more factors, such as age, seniority and salary.

The liabilities recorded on the balance sheet for defined benefit pension and similar schemes correspond to the discounted value of the obligation linked to the defined benefit schemes at closing, after deducting scheme assets and the adjustment for past service costs not recognised.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recorded directly in shareholders equity.

The costs of past services are immediately recognised in income, unless the changes in the pension scheme are subject to employees working over a defined period (the vesting period for the rights). In this case, the costs of past services are amortised using the straight line method over this vesting period.

For defined contribution schemes, the group pays contributions to pension insurance schemes and is not liable for any other payment commitment. The contributions are recorded as expenses related to employee benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 Financing debt

Financing debt includes subordinated liabilities, financing debt represented by securities, and financing debt to banking institutions.

- ***Initial recognition***

Financing debts are recognised when the group becomes a party to the contract for these debts. The amount of the financing debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of these debts.

- ***Valuation rules***

Financing debts are subsequently valued at the amortised cost using the effective interest rate method.

- ***De-recognition***

Financing debts are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

3.12 Income taxes

Income taxes include all taxes, both due and deferred. When income taxes are payable or receivable and payment is not subject to the execution of future transactions, the tax is classified as due, even if the payment is spread over several years. It appears as an asset or liability on the balance sheet as applicable.

The transactions performed by the group may have positive or negative tax consequences other than those used to calculate the tax due. The result is tax assets or liabilities classified as deferred.

This is particularly the case when, because of transactions already completed, whether they are recorded in the individual accounts or only in the consolidated accounts as restatements and eliminations of intra-group results, differences will appear in the future between the fiscal result and the accounting result of the company, or between the fiscal value and the book value of an asset or liability, for example when transactions performed during a year are taxable only in the following year. These differences are classified as temporary. In addition, the capitalisation reserve is integrated in the base for calculating deferred taxes.

All deferred tax liabilities must be recognised; on the other hand, deferred tax assets are recognised on the asset side of the balance sheet only if it is likely that a taxable profit (against which these deductible timing differences can be charged) will be available.

3.13 Sector information

A sector is a distinct component of a company that is engaged either in supplying a product or service (a life/non-life sector) or in supplying products or services in a specific economic environment (a France/foreign geographic sector), and is exposed to risks and profitability that are different from the risks and profitability of the other sectors.

A sector is defined as such once most of the income results from sales to external clients and once the income, results or assets represent at least 10% of all sectors. Sector information is presented at two levels. The first level is organised by geographic sector. The second level is based on the business.

3.14 Costs by intended use

Management fees and commissions related to insurance business are classified on the basis of their intended use by applying distribution keys defined as a function of the structure and organisation of each of the insurance entities.

Expenses are classified in the following six categories:

- acquisition costs
- administrative costs
- claims settlement costs
- investment expenses
- other technical expenses
- non-technical expenses.

4. NOTES TO THE FINANCIAL STATEMENTS

Note 1 Initial application of the standards

The group has published its financial statements for the year ended 31 December 2005 under International Financial Reporting Standards (IFRS) for the first time. For purposes of comparison, the year 2004 has been restated and is presented under IFRS. The date of the transition to IFRS is 1 January 2004.

The details of the transition from the statements published in accordance with French standards to IFRS were submitted to the Audit Committee on 17 October 2005 and to the Board of Directors on 20 October 2005.

A Options selected under IFRS 1

For this first year under IFRS 1, Groupama SA chose the following options for the retrospective restatements of assets and liabilities.

Business combinations

As allowed under IFRS 3, Groupama SA chose not to restate business combinations prior to 1 January 2004. As allowed under IFRS 1, Groupama SA will not apply IAS 21 "Effects of changes in foreign exchange rates retrospectively to the goodwill coming from business combinations before the date of transition to IFRS. As a result, this goodwill is maintained in the functional currency of the acquiring entity.

Unrealised foreign exchange gains or losses

Groupama SA transferred to consolidated reserves the unrealised foreign exchange gains or losses at 1 January 2004 on the conversion into euros of the accounts of the subsidiaries with a foreign currency as the functional currency. The new IFRS value for unrealised foreign exchange gains and losses is, therefore, reset to zero at 1 January 2004. In the event of a subsequent sale of these subsidiaries, the sale gain or loss will not include a reversal of unrealised gains or losses prior to 1 January, but will include the unrealised foreign exchange gains or losses recognised after 1 January 2004.

Valuation of certain intangible and tangible assets at fair value

Groupama SA has chosen not to use the option offered by IFRS 1 to value certain intangible and tangible assets at their fair value on 1 January 2004.

Application of IFRS 4 concerning insurance contracts

Groupama SA has opted to value insurance contracts in accordance with French standards (preferred methods of CRC Regulation 2000-05).

B Impacts of the main restatements on the opening consolidated balance sheet at 1 January 2004

- Unrealised foreign exchange gains or losses (IFRS 1)

IFRS 1 (First-time adoption of the standards) allows a company not to reconstitute retrospectively the cumulative deferred unrealised exchange gains or losses as of 1 January 2004. As a result, in the event of a future sale of a business or subsidiary with an operating currency different from the consolidation currency, the sale gain or loss will not include the unrealised exchange gains or losses generated before 1 January 2004.

- ***Impact on the 2004 opening balance sheet***

The adoption of this optional treatment results in a reclassification of – €50 million euros from the unrealised foreign exchange gains and losses item to consolidated reserves, without any impact on shareholders equity at 1 January 2004.

- Business combinations (IFRS 1 & 3)

Groupama has decided to use the option offered by IFRS 1 not to restate business combinations prior to 1 January 2004. The first application of the IFRS does not call into question the accounting methods used in the past.

Goodwill constitutes intangible assets with an indefinite useful life. Goodwill is allocated and is subject to an impairment test per Cash Generating Unit (CGU). The CGUs used correspond to the main areas of activities. An impairment of goodwill is recorded when the recoverable value of the asset is less than its book value. The recoverable value is estimated using the discounted future cash flows of the CGU.

- ***Impact on the 2004 opening balance sheet***

By integrating into revalued net assets income previously deemed to be in the future (particularly the unrealised results reverting to the shareholder and the activation of deficit carry forwards), the balances of previously excess tests have been modified under the new standards.

This break results in the recognition on 1 January 2004 of a negative impact of €426 million on shareholders equity. On the asset side of the balance sheet, the amount of the goodwill was reduced by the same amount.

- Scope of consolidation (IAS 27 & 28)

Under IAS 27, all controlled companies must be included in the scope of consolidation. For this reason, the real estate companies are consolidated in IFRS. The effects of the consolidation of the mutual funds have been classified in IAS 32 & 39.

- ***Impact on the 2004 opening balance sheet***

As of 1 January 2004, the negative impact on shareholders equity was €244 million. This impact is primarily the result of the absence of any question on the internal sale price of the real estate companies before the purchase of GAN. On the other hand, the following items were affected:

● Real estate investment, ex. unit-linked investments	+ €731 million
● Financial investments, ex. unit-linked investments	+ €53 million
● business premises	+ €154 million
● Investments in associates	- €1,149 million
● Other net assets and liabilities	- €33 million

- Insurance-sector investments (IAS 32 & 39)

Pursuant to IAS 39, financial assets are recorded on the balance sheet at their market value. This revaluation, net of income tax and deferred participation for the life entities, is recorded based on the type of financial instrument as shareholders equity or as income/loss. Derivative instruments are recognised on the balance sheet at fair value (The gains and losses related to the change in market value of derivatives not eligible for hedging accounting are recorded as income/loss). Financial assets and liabilities related to the consolidation of the mutual funds are treated in accordance with IAS 32 & 39. The impact of the restatements is described below.

- ***Impact on the 2004 opening balance sheet***

At 1 January 2004, the impact on shareholders equity (gross of profit-sharing and deferred taxes) totalled €1,643 million.

The contra entry for the increase in shareholders equity concerned the following items:

● Financial investments AFS ex. unit-linked investments	+ €1,711 million
● Financial investments HFT & trading ex. unit-linked investments	+ €195 million
● Derivative instruments	+ €221 million
● Debt on minority interests in consolidated mutual funds	- €412 million
● Other debt–purchase of minority interests	- €28 million
● Other receivables and other net liabilities	- €44 million

- Equalisation reserve (IFRS 4)

As IFRS do not allow the possibility of funding an equalisation reserve on future risks on future contracts, Groupama has eliminated these reserves in its consolidated financial statements.

- *Impact on the 2004 opening balance sheet*

The positive impact on the 2004 opening shareholders equity is €186 million. In return, the item "contract liabilities" is increased to the level of this restatement.

- "Shadow" accounting (IFRS 4)

Groupama has opted for shadow accounting to record the effects on liabilities and deferred acquisition costs of the booking of financial instruments at fair value. This adjustment is made by recording a deferred profit-sharing as a contra entry to shareholders equity or income/loss based on the methods for recording the item to which it is linked.

- ***Impact on the 2004 opening balance sheet***

As of 1 January 2004, the impacts were negative for shareholders equity in the amount of €1,339 million. The contra items affected were the following:

- Increase in liabilities related to insurance contracts	+ €598 million
- Increase in operating liabilities related to financial contracts with discretionary profit-sharing	+ €702 million
- Deferred acquisition costs	+ €39 million

- Classification of contracts (IFRS 4)

In accordance with the principles of IFRS 4, which require a distinction between "insurance" contracts and "financial" contracts, presentation reclassifications were made to reflect this new classification.

Impact on the 2004 opening balance sheet

At 1 January 2004, the breakdown between insurance contract liabilities and financial contract liabilities was as follows:

- Liabilities related to insurance contracts: 63%,
- Operating liabilities related to financial contracts with discretionary profit-sharing: 37%.

- Deferred taxes (IAS 12)

Based on the tax change in the group and the effects of the implementation of IFRS, Groupama SA has drawn the appropriate conclusions for deferred taxes. The approach used was to recognise deferred taxes more systematically when their recovery was more probable than improbable.

- ***Impact on the 2004 opening balance sheet***

At 1 January 2004, the impacts were as follows:

- increase in shareholders equity	+ €245 million
- increased in deferred tax assets	+ €652 million
- increase in deferred tax liabilities	- €407 million

- Real estate (IAS 16 & 40)

The restatements made are related to the valuation of business premises and real estate investments using the method of amortised cost by components.

- ***Impact on the 2004 opening balance sheet***

The negative impact on shareholders equity was €23 million. The contra effect on the other balance sheet items was as follows:

- reduction in "real estate investments"	- €17 million
- reduction in "provisions for risks and contingencies"	+ €9 million
- decrease in "other assets net of liabilities"	- €15 million

- Employee benefits (IAS 19)
- ***Impact on the 2004 opening balance sheet***

The procedures for valuing and recognising pension and retirement commitments under IAS 19 resulted in a reduction of €86 million in shareholders equity. In return, the liability item "provisions for risks and contingencies" on the balance sheet increased by an equivalent amount.

- Other standards
- ***Impact on the 2004 opening balance sheet***

The other standards had a positive impact of €18 million on opening shareholders equity. The following contra items on the balance sheet were affected as follows:

● reduction in intangible assets	- €3 million
● reduction in provisions for risks and contingencies	+ €18 million
● reduction in tax liabilities	+ €3 million

- Summary of the impacts on shareholders equity at 1 January 2004, by standard

Net Group share of shareholders equity at 1 January 2004 totalled €2,355 million under IFRS compared with €2,382 million under French standards. This change breaks down as follows:

	millions of euros
Group share of shareholders equity at 1 January 2004 under French GAAP	2.382
IAS 32/39 Financial Instruments	1.643
IFRS 4 – "Shadow" accounting	-1.339
IFRS 4 – Equalisation reserve	186
IAS 27/28 – Scope of consolidation	-244
IFRS 1/3 – Business combinations	-426
IAS 12 – Deferred taxes	245
IAS 19 – Employee benefits	-86
IAS 16/40 – Real estate	-23
Other impacts	18
Group share of shareholders equity at 1 January 2004 restated under IFRS	2.355

NOTE 2
SECTOR INFORMATION BY GEOGRAPHIC REGION

	31 December 2005			31 December 2004		
	France	Foreign	Consolidated	France	Foreign	Consolidated
			(€ million)			
Premiums earned	8,475	1,900	**10,375**	8,051	2,081	**10,132**
Net banking income, net of cost of risk	137		**137**	105		**105**
Investment income, net of expenses, excluding financing expense	3,242	247	**3,489**	2,749	221	**2,970**
Income from ordinary activities	**11,854**	**2,147**	**14,001**	**10,905**	**2,302**	**13,207**
Income from current operations	**676**	**130**	**806**	**594**	**91**	**685**
Other operating income and expenses	(33)		**(33)**	(67)	(13)	**(80)**
Operating income	**643**	**130**	**773**	**527**	**78**	**605**
Financing expenses	(84)		**(84)**	(85)	(1)	**(86)**
Share in net income of associates	1	1	**2**	1	3	**4**
Income taxes	(227)	(33)	**(260)**	(144)	(34)	**(178)**
Net income of consolidated entity	**333**	**98**	**431**	**299**	**46**	**345**
Minority interests	(36)	(1)	**(37)**	(32)	2	**(30)**
Net income (Group share)	**297**	**97**	**394**	**267**	**48**	**315**
Insurance-sector investments	58,253	5,623	**63,876**	51,674	5,303	**56,977**
Tax receivables	83	28	**111**	102	35	**137**
Investments in associates	1	30	**31**	1	22	**23**
Other sector assets	9,785	581	**10,366**	10,084	578	**10,662**
Total consolidated assets	**68,122**	**6,262**	**74,384**	**61,861**	**5,938**	**67,799**
Sector liabilities	68,122	6,262	**74,384**	61,861	5,938	**67,799**
Total consolidated liabilities	**68,122**	**6,262**	**74,384**	**61,861**	**5,938**	**67,799**
Gains or losses from disposal of investments, net of reversals of depreciation and amortisation	886	63	**949**	366	58	**424**
Change in fair value of financial instruments recognised at fair value by result	306	24	**330**	335	15	**350**
Change in depreciation on financial instruments	(4)	(10)	**(14)**	(39)	(11)	**(50)**
Acquisitions of tangible fixed assets	175	14	**189**	197	14	**211**
Acquisitions of intangible assets	112	3	**115**	79	6	**85**
Amortisation and depreciation	(201)	(12)	**(213)**	(99)	(11)	**(110)**

Analysis of Revenue–Breakdown by geographic region

	31 December 2005					31 December 2004				
	Life	Non-life	Financial activities	Total	Share as %	Life	Non-life	Financial activities	Total	Share as %
					(€ million)					
France	**3,735**	**4,843**	**206**	**8,784**	**82%**	**3,522**	**4,550**	**164**	**8,236**	**81%**
EEC (ex- France)	**366**	**1,513**		**1,879**	**17%**	**310**	**1,432**		**1,742**	**17%**
United Kingdom		504		**504**	**5%**		451		**451**	**4%**
Italy	191	353		**544**	**5%**	179	346		**525**	**5%**
Spain	66	641		**707**	**6%**	54	622		**676**	**7%**
Portugal	109	15		**124**	**1%**	77	13		**90**	**1%**
Other countries	**60**	**39**		**99**	**1%**	**121**	**50**		**171**	**2%**
Total	**4,161**	**6,395**	**206**	**10,762**	**100%**	**3,953**	**6,032**	**164**	**10,149**	**100%**

TOTAL REVENUE AMOUNTED TO €10,556 MILLION AT 31 DECEMBER 2005, COMPARED WITH €9,985 MILLION AT 31 DECEMBER 2004.

Analysis of Revenue – Breakdown by main branches

	31 December 2005			31 December 2004		
	France	Foreign	Total	France	Foreign	Total
			(€ million)			
Life insurance: single-premium contracts						
Capitalisation	62	142	**204**	74	101	**175**
Individual insurance	2,018	54	**2,072**	1,909	60	**1,969**
Group contracts	3	14	**17**	3	63	**66**
Contracts in units of account	321	21	**342**	193	12	**205**
Other	52		**52**	54		**54**
Total single-premium contracts	**2,456**	**231**	**2,687**	**2,233**	**236**	**2,469**
Life insurance: periodic premium policies						
Capitalisation	51	37	**88**	57	37	**94**
Individual insurance	640	86	**726**	633	92	**725**
Group contracts	451	53	**504**	432	46	**478**
Contracts in units of account	6	19	**25**	6	20	**26**
Other	10		**10**	3		**3**
Total periodic premium policies	**1,158**	**195**	**1,353**	**1,131**	**195**	**1,326**
Acceptances	**121**		**121**	**158**		**158**
Total life	**3,735**	**426**	**4,161**	**3,522**	**431**	**3,953**
Non-life insurance						
Motor	707	845	**1,552**	618	822	**1,440**
Injuries	685	71	**756**	630	69	**699**
Property damage	820	399	**1,219**	854	364	**1,218**
General civil liability	129	61	**190**	129	61	**190**
Marine, aviation, transport	242	27	**269**	201	25	**226**
Other	343	147	**490**	277	137	**414**
Acceptances	**1,917**	**2**	**1,919**	**1,841**	**4**	**1,845**
Total non-life	**4,843**	**1,552**	**6,395**	**4,550**	**1,482**	**6,032**
Total Life and non-Life	**8,578**	**1,978**	**10,556**	**8,072**	**1,913**	**9,985**
Banking						
Bank	97		**97**	77		**77**
Asset management	107		**107**	85		**85**
Other	2		**2**	2		**2**
Total Banking	**206**		**206**	**164**		**164**
Total	**8,784**	**1,978**	**10,762**	**8,236**	**1,913**	**10,149**

NOTE 3
GOODWILL

	31 December 2005	31 December 2004
	(€ million)	
Net values at opening	**1,145**	**1,138**
Change in scope of consolidation	**6**	**7**
Groupama Sa		
Groupama Asset Management		2
Silic		4
Groupama Insurances (Clinicare)	6	
Compagnie Foncière Parisienne		1
Deconsolidated		
Net values at closing	**1,151**	**1,145**

Detail of goodwill by company

	31 Dec. 2005	31 Dec. 2004
	Net values	Net values
	(€ million)	
Gan Italie	75	75
Groupama Seguros	178	178
Groupama Insurances (Clinicare)	6	
Total international	**259**	**253**
Gan French subsidiaries	720	720
Gan banking subsidiaries	18	18
Groupama Transport	19	19
Silic	4	4
Gan Eurocourtage IARD	128	128
Groupama Asset Management	2	2
Compagnie Foncière Parisienne	1	1
Total France	**892**	**892**
Total	**1,151**	**1,145**

NOTE 4
OTHER INTANGIBLE ASSETS

	31 December 2005			31 December 2004		
	Business	Other intangible assets	Total	Business	Other intangible assets	Total
			(€ million)			
Gross values at opening	51	428	**479**	51	362	413
Acquisitions and creations		115	**115**		85	**85**
Disposals or withdrawals	(5)	(49)	**(54)**		(19)	**(19)**
Gross values at closing	46	494	**540**	51	428	**479**
Cumulative amortisation at opening	(50)	(278)	**(328)**	(50)	(197)	**(247)**
Increase		(87)	**(87)**		(85)	**(85)**
Decrease	5	3	**8**		4	**4**
Cumulative amortisation at closing	(45)	(362)	**(407)**	(50)	(278)	**(328)**
Cumulative lasting impairment at opening		(3)	**(3)**		(4)	**(4)**
Lasting impairment recognised		(1)	**(1)**			
Lasting impairment reversed		2	**2**		1	**1**
Cumulative lasting impairment at closing		(2)	**(2)**		(3)	**(3)**
Net values at opening	**1**	**147**	**148**	**1**	**161**	**162**
Net values at closing	**1**	**130**	**131**	**1**	**147**	**148**

Other intangible assets primarily include expenses for IT software acquired or created within the group's various insurance companies.

NOTE 5
REAL ESTATE INVESTMENTS

	31 December 2005			31 December 2004		
	Property	SCI Shares	Total	Property	SCI Shares	Total
			(€ million)			
Gross values at opening	3,234	454	**3,688**	3,170	454	**3,624**
Acquisitions	203	15	**218**	184	4	**188**
Subsequent expenses				(1)		**(1)**
Transfer from/to business premises	(62)		**(62)**	(36)		**(36)**
Disposals	(35)	(62)	**(97)**	(83)	(4)	**(87)**
Gross values at closing	3,340	407	**3,747**	3,234	454	**3,688**
Cumulative amortisation at opening	(605)	(2)	**(607)**	(561)	(3)	**(564)**
Increase	(85)		**(85)**	(57)		**(57)**
Decrease	57		**57**	13	1	**14**
Cumulative amortisation at closing	(633)	(2)	**(635)**	(605)	(2)	**(607)**
Cumulative lasting depreciation at opening	(81)	(1)	**(82)**	(87)	(2)	**(89)**
Lasting depreciation recognised	(8)		**(8)**	(7)		**(7)**
Lasting depreciation reversed	61		**61**	13	1	**14**
Cumulative lasting depreciation at closing	**(28)**	**(1)**	**(29)**	**(81)**	**(1)**	**(82)**
Net values at opening	**2,548**	**451**	**2,999**	**2,522**	**449**	**2,971**
Net values at closing	**2,679**	**404**	**3,083**	**2,548**	**451**	**2,999**
Fair value of real estate investments at closing	**4,958**	**675**	**5,633**	**4,483**	**594**	**5,077**
Unrealised gains	**2,279**	**271**	**2,550**	**1,935**	**143**	**2,078**

The realisation of unrealised gains would result in rights for the beneficiaries of contracts and minority shareholders as well as tax liabilities.

NOTE 6
FINANCING INVESTMENTS EXCLUDING UNIT-LINKED INVESTMENTS

	31 December 2005	31 December 2004
	Net values	Net values
	(€ million)	
Assets valued at fair value	56,243	49,280
Assets valued at amortised cost	700	857
Total non-unit-linked financial investments	**56,943**	**50,137**

Investments valued at fair value (by category)

	31 December 2005									31 December 2004
	Net amortised cost			Fair value			Unrealised gains or losses			
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total	Fair value
	(€ million)									
Assets available for sale										
Stocks	2,056	6,773	8,829	2,304	8,772	11,076	248	1,999	2,247	8,141
Bonds	6,331	28,335	34,666	6,688	31,582	38,270	357	3,247	3,604	35,769
Other	15	22	37	15	22	37				53
Total assets available for sale	**8,402**	**35,130**	**43,532**	**9,007**	**40,376**	**49,383**	**605**	**5,246**	**5,851**	**43,963**
Transaction assets										
Stocks	743	1,455	2,198	753	1,587	2,340	10	132	142	2,063
Bonds	793	3,162	3,955	809	3,513	4,322	16	351	367	3,071
Other	156	42	198	156	42	198				183
Total transaction assets	**1,692**	**4,659**	**6,351**	**1,718**	**5,142**	**6,860**	**26**	**483**	**509**	**5,317**
Total investments valued at fair value	**10,094**	**39,789**	**49,883**	**10,725**	**45,518**	**56,243**	**631**	**5,729**	**6,360**	**49,280**

THE GROUP HAS CHOSEN TO APPLY THE FAIR VALUE OPTION EARLY. THIS AMENDMENT REDUCES THE POSSIBILITIES FOR EXERCISING THE OPTION BY LIMITING APPLICATION TO THE FOLLOWING CASES:

- hybrid instruments including one or more embedded derivative products;
- group of financial assets and/or liabilities that are managed and the performance of which is valued at fair value.

Investments valued at fair value (by type)

	31 December 2005									31 December 2004
	Net amortised cost			Fair value			Unrealised gains or losses			
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total	Fair value
	(€ million)									
Stocks										
Assets available for sale	2,056	6,773	8,829	2,304	8,772	11,076	248	1,999	2,247	8,141
Transaction assets	743	1,455	2,198	753	1,587	2,340	10	132	142	2,063
Total stocks	**2,799**	**8,228**	**11,027**	**3,057**	**10,359**	**13,416**	**258**	**2,131**	**2,389**	**10,204**
Bonds										
Assets available for sale	6,331	28,335	34,666	6,688	31,582	38,270	357	3,247	3,604	35,769
Transaction assets	793	3,162	3,955	809	3,513	4,322	16	351	367	3,071
Total bonds	**7,124**	**31,497**	**38,621**	**7,497**	**35,095**	**42,592**	**373**	**3,598**	**3,971**	**38,840**
Other										
Assets available for sale	15	22	37	15	22	37				53
Transaction assets	156	42	198	156	42	198				183
Total other	**171**	**64**	**235**	**171**	**64**	**235**				**236**
Total investments valued at fair value	**10,094**	**39,789**	**49,883**	**10,725**	**45,518**	**56,243**	**631**	**5,729**	**6,360**	**49,280**

The amount of the provisions for lasting depreciation recognised on the investments valued at fair value was -€799 million at 31 December 2005, compared with -€1,199 million at 31 December 2004.

Investments valued at amortised cost in net value

	31 December 2005			31 December 2004		
	Non-life	Life	Total	Non-life	Life	Total
	(€ million)					
Loans	54	194	248	46	241	287
Deposits	158	66	224	132	148	280
Other	109	119	228	102	188	290
Loans and receivables	**321**	**379**	**700**	**280**	**577**	**857**
Total assets valued at amortised cost	**321**	**379**	**700**	**280**	**577**	**857**

The amount of the provisions for lasting depreciation recognised on investments valued at amortised cost was -€2 million at 31 December 2005 and at 31 December 2004.

Estimate of listed investments

	31 December 2005	31 December 2004
	Net values	Net values
	(€ million)	
Stocks	9,175	6,605
Shares of fixed-income mutual funds	1,916	1,111
Shares of other mutual funds	4,016	3,345
Bonds and other fixed-income securities	40,501	37,607
Total listed investments	**55,608**	**48,668**

The amount of the provisions for lasting depreciation recognised on listed investments at fair value was -€723 million euros at 31 December 2005 compared with -€1,088 million at 31 December 2004.

Estimate of unlisted investments

	31 December 2005	31 December 2004
	Net values amortised cost or fair value	Net values amortised cost or fair value
	(€ million)	
Stocks at fair value	59	149
Bonds and other fixed-income securities at fair value	174	120
Loans at amortised cost	248	287
Other investments at fair value	402	343
Other investments at amortised cost	452	570
Total unlisted investments	**1,335**	**1,469**

The amount of the provisions for lasting depreciation recognised on unlisted investments was – €77 million at 31 December 2005 compared with -€111 million at 31 December 2004.

NOTE 7
SIGNIFICANT INVESTMENTS IN UNCONSOLIDATED COMPANIES

	31 December 2005			31 December 2004	
	% of interest	Acquisition cost net of provision	Fair value	Acquisition cost net of provision	Fair value
			(€ million)		
Scor	15.89%	173	280	175	214
Bolloré Investissement	4.62%	59	116	59	63
Société Générale	2.97%	762	1,339	773	960
Lagardère	1.71%	92	158	94	129
Veolia Environnement	5.67%	556	884	564	616
Locindus	6.15%	13	19		
French companies		**1,655**	**2,796**	**1,665**	**1,982**
Mediobanca	4.86%	471	624	471	461
Foreign companies		**471**	**624**	**471**	**461**
Total significant investments in consolidated companies		**2,126**	**3,420**	**2,136**	**2,443**

Fair value represents:

- the market price at 31 December for listed companies;
- the value determined by applying a multi-criteria method for the securities of unlisted companies.

NOTE 8
INVESTMENTS REPRESENTING UNIT-LINKED COMMITMENTS

	31 December 2005	31 December 2004
	€ million	
Variable-income and similar securities		
Bonds	498	762
Shares of stock mutual funds	2,204	1,935
Shares or bond mutual funds and other	674	544
Total investments representing unit-linked commitments	**3,376**	**3,241**

NOTE 9
BANKING USES

	31 December 2005			31 December 2004		
	Gross values	Provisions	Net values	Gross values	Provisions	Net values
	€ million					
Cash, central banks, postal accounts	23		23	26		26
Financial assets at fair value by income	50		50	34		34
Hedging derivatives						
Financial assets available for sale	13		13	13		13
Loans and receivables from credit institutions	772		772	573		573
Trade loans and receivables	686	(21)	665	641	(22)	619
Revaluation variance on rate-hedged portfolios						
Financial assets held to maturity	670		670	632		632
Real estate investment						
Total Bank uses	**2,214**	**(21)**	**2,193**	**1,919**	**(22)**	**1,897**

NOTE 10
INVESTMENTS IN ASSOCIATES

	31 December 2005		31 December 2004	
	Equity value	Share in income	Equity value	Share in income
	€ million			
Günes Sigorta	30	1	22	3
Socomie	1	1	1	1
Total investments in associates	**31**	**2**	**23**	**4**

Significant data at 31 December

	31 December 2005				31 December 2004			
	Revenue	Net income	Total assets	Shareholders equity	Revenue	Net income	Total assets	Shareholders equity
	€ million							
Günes Sigorta	281	4	233	58	211	4	153	49
Socomie	15	1	7	1	12	1	8	1

NOTE 11

SHARE OF OUTWARDS REINSURERS AND RETROCESSIONNAIRES IN LIABILITIES RELATED TO INSURANCE CONTRACTS AND FINANCIAL CONTRACTS

	31 December 2005	31 December 2004
	(€ million)	
Share of reinsurers in non-life insurance reserves		
Reserves for unearned premiums	80	69
Reserves for claims to be paid	1,624	1,641
Other technical reserves	120	107
Total	**1,824**	**1,817**
Share of reinsurers in life insurance reserves		
Life insurance reserves	28	29
Reserves for claims to be paid	9	15
Profit-sharing reserves	17	4
Other technical reserves	3	9
Total	**57**	**57**
Share of reinsurers in reserves for financial contracts with discretionary profit-sharing		
Life technical reserves		
Reserves for claims to be paid		
Profit-sharing reserves		
Other technical reserves		
Total		
Share of reinsurers in reserves for financial contracts without discretionary profit-sharing		
Life technical reserves		**1**
Reserves for claims to be paid		
Profit-sharing reserves		
Other technical reserves		
Total		**1**
Total Share of outwards reinsurers and retrocessionnaires in Liabilities related to insurance contracts and financial contracts	**1,881**	**1,875**

NOTE 12
TRADE RECEIVABLES

	31 December 2005			31 Dec. 2004
	Gross values	Provisions	Net values	Net values
	(€ million)			
Receivables generated by insurance or accepted reinsurance transactions				
Earned premiums not written	665		**665**	**657**
Insured, intermediaries and other third parties	824	(73)	**751**	**588**
Co-insurer and other third party current accounts	222	(2)	**220**	**232**
Ceding and retroceding company current accounts	347	(2)	**345**	**364**
Total	**2,058**	**(77)**	**1,981**	**1,841**
Receivables from reinsurance assignment transactions				
Assignee and retrocessionaire current accounts[1]	137	(27)	**110**	**688**
Other receivables on reinsurance transactions	45		**45**	**79**
Total	**182**	**(27)**	**155**	**767**
Tax receivables payable	111		**111**	**137**
Other trade receivables				
Employee debts	23		**23**	**12**
Social security agencies	9		**9**	**2**
Other debtors	520	(22)	**498**	**574**
Total	**552**	**(22)**	**530**	**588**
Total Trade receivables	**2,903**	**(126)**	**2,777**	**3,333**

(1) The change between the two periods, which is offset in operating expenses (see Note 25), in the item for assignee and retrocessionnaire current accounts is due primarily to a change in the method for recording flows generated by the installation of a new reinsurance management software application.

Trade receivables by maturity

	31 December 2005				31 December 2004			
	<1 yr	1 to 5 yrs	>5 yrs	Total	<1 yr	1 to 5 yrs	>5 yrs	Total
	(€ million)							
Receivables resulting from insurance or accepted reinsurance transactions								
Earned premiums not written	668	(3)		**665**	656	1		**657**
Insured, intermediaries and other third parties	751			**751**	582	6		**588**
Co-insurer and other third party currency accounts	177	43		**220**	181	51		**232**
Ceding and retroceding company current accounts	305	40		**345**	333	31		**364**
Total	**1,901**	**80**		**1,981**	**1,752**	**89**		**1,841**
Receivables from reinsurance assignment transactions								
Assignee and retrocessionaire current accounts	99	11		**110**	683	5		**688**
Other receivables on reinsurance transactions	45			**45**	52	27		**79**
Total	**144**	**11**		**155**	**735**	**32**		**767**
Tax receivables payable	111			**111**	133	1	3	**137**
Other trade receivables								
Employee debts	23			**23**	11	1		**12**
Social security agencies	9			**9**	2			**2**
Other debtors	463	24	11	498	570	1	3	**574**
Total	**495**	**24**	**11**	**530**	**583**	**2**	**3**	**588**
Total Trade receivables	**2,651**	**115**	**11**	**2,777**	**3,203**	**124**	**6**	**3,333**

Tax receivables due and other receivables by business sector

	31 December 2005					31 Dec. 2004
	Gross values	Provisions	Net values	Insurance Sector	Banking sector	Net
	(€ million)					
Tax receivables due	111		**111**	110	1	**137**
Personnel	23		**23**	23		**12**
Social security agencies	9		**9**	9		**2**
Other debtors	520	(22)	498	478	20	574
Other receivables	**552**	**(22)**	**530**	**510**	**20**	**588**
Total Tax receivables due and other receivables	**663**	**(22)**	**641**	**620**	**21**	**725**

NOTE 13
DEFERRED TAX ASSETS

	31 December 2005			31 Dec. 2004
	Gross value	Amort., deprec. Provisions	Net values	Net values
		(€ million)		
Non-life	137		**137**	**319**
Life	12		**12**	**35**
Banking	16		**16**	**14**
Total Deferred tax assets	**165**		**165**	**368**

NOTE 14
OTHER ASSETS AND BUSINESS PREMISES

	31 December 2005	31 December 2004
	(€ million)	
Business premises	335	354
Total business premises	**335**	**354**
Interest accrued not due	791	790
Other tangible fixed assets	154	68
Other long-term operating assets	28	28
Deferred acquisition costs	488	478
Active deferred profit-sharing		
Other receivables	263	238
Total other assets	**1,724**	**1,602**
Total other assets and business premises	**2,059**	**1,956**

Business premises by sectors

	31 December 2005			31 December 2004
	Gross value	Amort., deprec. provisions	Net values	Net values
		(€ million)		
Non-life	387	(100)	287	294
Life	65	(17)	48	60
Banking				
Total business premises	**452**	**(117)**	**335**	**354**

Other assets by sector

	31 December 2005			31 Dec. 2004
	Gross values	Amort., deprec., provisions	Net values	Net values
	(€ million)			
Non-Life	688	(157)	531	399
Life	1,223	(136)	1,087	1,126
Banking	120	(14)	106	77
Total other assets	**2,031**	**(307)**	**1,724**	**1,602**

Details of business premises and other tangible fixed assets

	31 December 2005			31 December 2004		
	Bus. premises and SCI. shares	Other tang. fixed assets	Total	Bus. premises. and SCI shares	Other tang. fixed assets	Total
	(€ million)					
Gross values at opening	459	262	**721**	357	345	**702**
Acquisitions	5	184	**189**	182	29	**211**
Disposals	(17)	(32)	**(49)**	(115)	(112)	**(227)**
Transfer from/to real estate investment	5		**5**	35		**35**
Gross values at closing	452	414	**866**	459	262	**721**
Cumulative amortisation at opening	(106)	(194)	**(300)**	(130)	(216)	**(346)**
Increase	(54)	(73)	**(127)**	(11)	(14)	**(25)**
Decrease	46	11	**58**	35	36	**71**
Cumulative amortisation at closing	(113)	(256)	**(369)**	(106)	(194)	**(300)**
Cumulative sustained depreciation at opening			**1**			**1**
Sustained depreciation recognised	(5)	(3)	**(8)**	1		**1**
Sustained depreciation reversed						
Cumulative sustained depreciation at closing	(4)	(3)	**(7)**	1		**1**
Net values at opening	**354**	**68**	**422**	**227**	**129**	**356**
Net values at closing	**335**	**155**	**490**	**354**	**68**	**422**
Fair value of tangible fixed assets at closing	**769**	**155**	**924**	**768**	**68**	**836**
Unrealised gains	**434**		**434**	**414**		**414**

The total net book value of business premises at 31 December 2005 amounted to €335 million and the realisation value was €769 million, versus €354 million and €768 million respectively at 31 December 2004.

Details of deferred acquisition costs

	31 December 2005			31 December 2004		
	Gross values	Amortisation	Net values	Gross values	Amortisation	Net values
	(€ million)					
Non-life insurance contracts	244	(10)	234	217	(9)	208
Life insurance contracts and financial contracts with discretionary profit-sharing	291	(37)	254	302	(32)	270
Total deferred acquisition costs	**535**	**(47)**	**488**	**519**	**(41)**	**478**

NOTE 15

COMMENTS ON THE CHANGE IN SHAREHOLDERS EQUITY (GROUP SHARE)

	Capital	Income (loss)	Consolidated reserves	Revaluation reserves	Unrealised ex. gains & losses	Capital & reserves Group share
	(€ million)					
Shareholders equity at 31/12/2004	**1,187**	**315**	**674**	**941**	**(3)**	**3,114**
Appropriation of 2004 earnings (losses)		(315)	315			
Dividends			(46)			(46)
Capital increase						
Business combinations						
Unrealised foreign exch. gains and losses					18	18
Assets available for sale				2,325		2,325
Shadow accounting				(1,583)		(1,583)
Deferred taxes			5	145		150
Actuarial gains and losses on post-employment benefits			(15)			(15)
Other			44	(12)	(2)	30
Income (loss) for the year		394				394
Total changes for the period		**79**	**303**	**875**	**16**	**1,273**
Shareholders equity at 31/12/2005	**1,187**	**394**	**977**	**1,816**	**13**	**4,387**

The transfers recorded on the "other" line represent the adjustments charged against the 2005 opening net position for the corrections made to the 2004 proforma consolidated statements under IFRS, the impact of which on the various items of the financial statements in question was considered to be non-significant.

The deferred tax amount restated in the "revaluation reserves" column corresponds to the application of 1) a short-term and long-term tax rate on the unrealised values of the financial instruments classified as "assets available for sale"; and 2) a short-term tax rate on the deferred profit-sharing ("shadow accounting"). Under the new rules for long-term gains or losses applicable as of 1 January 2006, the unrealised gains on "strategic" equity interests were exempt for the calculation of the deferred tax up to a maximum of a percentage of costs and expenses (i.e. an effective rate of 1.72%).

NOTE 16
PROVISIONS FOR RISKS AND CONTINGENCIES

	31 December 2005					31 Dec. 2004
	Opening amount	Increases	Reversals	Other transfers	Closing amount	Closing amount
	(€ million)					
Provision for pensions and similar obligations	245	40	(13)	2	274	245
Other risks and contingencies[1]	322	59	(45)	(3)	333	322
Total provisions for risks and contingencies	**567**	**99**	**(58)**	**(1)**	**607**	**567**

(1) The details of this item are not provided because this information could cause a serious loss for the group because of current litigation.

NOTE 17
INFORMATION ON EMPLOYEE BENEFITS–DEFINED BENEFIT PLANS
I – Amount Recognised on the Balance Sheet

	31 December 2005	31 December 2004
	(€ million)	
Discounted value of the "non-group" financed bond	299	267
Fair value of plan assets	(224)	(186)
Net sub-total of "non-group coverage" pension commitments	75	81
Discounted value of the bond financed within the group	112	85
Net provision on the balance sheet	**187**	**166**

The amount of the provisions stated in this note concern only retirement indemnities.

II – Change in Net Liabilities Recorded on the Balance Sheet

	31 December 2005	31 December 2004
	(€ million)	
Net provision at opening	166	173
Initial consolidation		
Actuarial differences recorded as shareholders equity	14	
Expense (income) for the year	10	7
Contributions paid to outside organisations	(8)	(7)
Benefits paid by the employer at time of retirement	(4)	(4)
Transfers of actuarial provisions and other transfers	9	(3)
Net provision at closing	**187**	**166**

III – Total Expense Recognised in the Income Statement

	31 December 2005	31 December 2004
	(€ million)	
Cost of services rendered during the year	6	6
Financial cost	18	15
Yield expected from plan assets	(14)	(11)
Net actuarial loss (profit) recorded during the year		
Cost of past services		
Impact of entries/reversals due to transfers		(3)
Total	**10**	**7**

IV – Main Actuarial Assumptions

	31 December 2005	31 December 2004
Discount rate	3.80% à 4.00%	4.50% à 5.00%
Yield expected from plan assets	3.00% à 3.50%	2.50% à 3.00%
Expected salary increases	2.80% à 3.20%	2.50% à 3.00%

Information on Employee Benefits *– Personnel Expenses And Employee Information*

	31 December 2005	31 December 2004
	(€ million)	
Salaries	534	524
Social security expenses	224	202
Post-employment benefits		
Defined contribution plans		
Defined benefit plans	10	7
Anniversary days and work awards	3	3
Other benefits	11	11

NOTE 18

FINANCING DEBT

	31 December 2005				31 December 2004			
	<1 yr	1 to 5 yrs	>5 yrs	Total	<1 yr	1 to 5 yrs	>5 yrs	Total
	€ million							
Subordinated debt			1,245	**1,245**			750	**750**
subordinated debt of insurance companies			1,245	**1,245**			750	**750**
subordinated debt of banking companies								
Financing debt represented by securities								
Financing debt with banking-sector companies		188	528	**716**	2	107	421	**530**
Total financing debt		**188**	**1,773**	**1,961**	**2**	**107**	**1,171**	**1,280**

Breakdown by Currency and Rate

	31 December 2005			
	Currency		Rate	
	Euro zone	Non-euro zone	Fixed-rate	Variable rate
	(€ million)			
Subordinated debt	1,245		745	500
Financing debt represented by securities				
Financing debt with banking-sector companies	716		561	155

The "subordinated debt"item represents:

– first, a bond issued in July 1999 by Caisse Centrale des Assurances Mutuelles Agricoles in two tranches, one variable rate tranche for €500 million, the other a fixed-rate tranche for €250 million, and assumed by Groupama SA during the contribution operations completed on 1 January 2003 in the form of redeemable subordinated securities (*titres subordonnés remboursables*-TSR). This thirty-year bond offers the issuer the possibility of early redemption as of the tenth year. The total amount of these TSRs was €750 million and their listings at 31 December 2005 were 101.49% for the variable portion and 107.47% for the fixed portion;

– and second, a fixed-rate perpetual subordinated bond issued by Groupama SA in July 2005 for the amount of €495 million. This bond includes a "10-year call"that allows the issuer to redeem the bond early as of the tenth year. As of 31 December, the listing was 99.54%.

NOTE 19
LIABILITIES RELATED TO INSURANCE CONTRACTS

	31 December 2005	31 December 2004
	(€ million)	
Non-life insurance reserves		
Reserves for unearned premiums	1,469	1,241
Reserves for claims to be paid	9,856	9,575
Other technical reserves	2,245	2,233
Total	**13,570**	**13,049**
Life insurance reserves		
Life insurance reserves	17,442	16,598
Reserves for claims to be paid	418	346
Profit-sharing reserves	733	520
Other technical reserves	124	113
Total	**18,717**	**17,577**
Life insurance reserves on unit-linked contracts	**2,812**	**2,136**
Total liabilities related to insurance contracts	**35,099**	**32,762**

Breakdown by Geographic Regions

	31.12.2005			31.12.2004		
	France	Foreign	Total	France	Foreign	Total
			(€ million)			
Reinsurance gross technical reserves						
Life insurance reserves	15,844	1,598	**17,442**	14,615	1,982	**16,597**
Reserves for claims to be paid	395	23	**418**	316	30	**346**
Profit-sharing reserves	707	26	**733**	490	30	**520**
Other technical reserves	119	5	**124**	108	6	**114**
Total Life insurance	**17,065**	**1,652**	**18,717**	**15,529**	**2,048**	**17,577**
Reserves for unearned premiums	764	704	**1,468**	620	621	**1,241**
Reserves for claims to be paid	7,443	2,414	**9,857**	7,221	2,355	**9,576**
Other technical reserves	2,193	52	**2,245**	2,179	53	**2,232**
Total Non-life insurance	**10,400**	**3,170**	**13,570**	**10,020**	**3,029**	**13,049**
Life insurance reserves for unit-linked contracts	**2,620**	**192**	**2,812**	**1,978**	**158**	**2,136**
Total Gross Technical Reserves	**30,085**	**5,014**	**35,099**	**27,527**	**5,235**	**32,762**
Reinsurers' share of technical reserves						
Life insurance reserves	13	15	**28**	12	16	**28**
Reserves for claims to be paid	6	3	**9**	12	3	**15**
Profit-sharing reserves	17		**17**	4		**4**
Other technical reserves	3		**3**	10		**10**
Total Life Insurance	**39**	**18**	**57**	**38**	**19**	**57**
Reserves for unearned premiums	63	17	**80**	51	18	**69**
Reserves for claims to be paid	1,160	464	**1,624**	1,131	510	**1,641**
Other technical reserves	119	1	**120**	106	2	**108**
Total Non-life insurance	**1,342**	**482**	**1,824**	**1,288**	**530**	**1,818**
Total reinsurers' share of technical reserves	**1,381**	**500**	**1,881**	**1,326**	**549**	**1,875**
Net general total	**28,704**	**4,514**	**33,218**	**26,201**	**4,686**	**30,887**

Breakdown of Technical Reserves on Insurance Contracts by Main Categories

	31 December 2005			31 December 2004		
	Gross life insurance reserves	Gross reserves for claims to be paid	Total	Gross life insurance reserves	Gross reserves for claims to be paid	Total
			(€ million)			
Life insurance: single-premium contracts						
Capitalisation	608	36	**644**	505	10	**515**
Individual insurance	2,834	76	**2,910**	3,726	43	**3,769**
Group contracts	129	2	**131**	159	2	**161**
Other	1,678	13	1,691	223		**223**
Total reserves for single-premium contracts	**5,249**	**127**	**5,376**	**4,613**	**55**	**4,668**
Life insurance: periodic premium contracts						
Capitalisation	116	5	**121**	255	2	**257**
Individual insurance	5,866	87	**5,953**	5,663	84	**5,747**
Group contracts	5,556	147	**5,703**	5,121	137	**5,258**
Other	598	6	**604**	894	24	**918**
Total reserves for per. premium contracts	**12,136**	**245**	**12,381**	**11,933**	**247**	**12,180**
Acceptances	**57**	**46**	**103**	**51**	**44**	**95**
Total Life Reserves	**17,442**	**418**	**17,860**	**16,597**	**346**	**16,943**

	31 December 2005			31 December 2004		
	Gross res. for unearned premiums	Gross reserves for claims to be paid	Total	Gross res. for unearned premiums	Gross reserves for claims to be paid	Total
			(€ million)			
Non-life insurance						
Motor	584	2,170	**2,754**	464	2,163	**2,627**
Injuries	49	386	**435**	52	378	**430**
Property damage	441	1,128	**1,569**	397	1,080	**1,477**
General civil liability	48	1,190	**1,238**	45	1,172	**1,217**
Marine, aviation, transport	44	754	**798**	35	696	**731**
Other	140	1,177	**1,317**	104	1,120	**1,224**
Acceptances	162	3,052	**3,214**	144	2,967	**3,111**
Total Non-life reserves	**1,468**	**9,857**	**11,325**	**1,241**	**9,576**	**10,817**

NOTE 20
CHANGE IN RESERVES FOR CLAIMS OVER THE YEAR

Gross Values

	31 December 2005
	(€ million)
Reserves for claims at opening	**9,158**
Claims expense for the current year	3,971
Claims expense for prior years	(241)
Total claims expense	**3,730**
Claims payments for the current year	(1,673)
Claims payments for prior years	(1,859)
Total payments	**(3,532)**
Exchange rate variation	80
Total Reserves for claims at closing	**9,436**

The reserves for claims stated in this table do not include the reserves of the semi-public entities, which totalled €417 million at opening and €422 million at closing.

NOTE 21
IMPACT OF THE DISCOUNT IN THE ACTUARIAL PROVISIONS FOR ANNUITIES OF NON-LIFE ENTITIES AND CHANGE IN ACTUARIAL PROVISIONS FOR LIFE INSURANCE CONTRACTS

NOTE 21A
IMPACT OF THE DISCOUNT IN THE ACTUARIAL PROVISIONS FOR ANNUITIES OF NON-LIFE ENTITIES

Gross Values

	31 December 2005	31 December 2004
	(€ million)	
Reserves for claims to be paid at closing (net of claims)	**904**	**840**
Reserves for claims to be paid at closing (net of claims) before change in discount rate	*861*	*808*
Reserves for claims to be paid at closing (net of appeals) excluding technical interest	1,342	1,319
Technical interest	(481)	(511)
Impact of change in discount rate	43	32

Ceded Portion

	31 December 2005	31 December 2004
	(€ million)	
Share of reinsurers in reserves for claims to be paid at closing (net of appeals)	**45**	**39**
Share of reinsurers in reserves for claims to be paid at closing (net of claims) before change in discount rate	*42*	*38*
Share of reinsurers in reserves for claims to be paid at closing (net of claims) ex. technical interest	62	58
Technical interest	(20)	(20)
Impact of change in discount rate	3	1

NOTE 21B
CHANGE IN ACTUARIAL PROVISIONS FOR LIFE INSURANCE CONTRACTS

	31 December 2005	31 December 2004
	(€ million)	
Actuarial provisions at opening	**34,458**	**32,423**
Premiums for the year	3,488	3,394
Interest credited	464	438
Profit-sharing	1,047	922
Term	(943)	(835)
Redemptions	(1,570)	(1,283)
Annuity arrears	(344)	(329)
Other transfers	102	(272)
Total actuarial provisions at closing	**36,702**	**34,458**

NOTE 22
OPERATING LIABILITIES RELATED TO FINANCIAL CONTRACTS

	31 December 2005	31 December 2004
	(€ million)	
Reserves on financial contracts with discretionary profit-sharing		
Life technical reserves	19,220	17,527
Reserves on unit-linked contracts	8	
Reserves for claims to be paid	238	235
Profit-sharing reserves	697	844
Other technical reserves	9	7
Total	**20,172**	**18,613**
Reserves on financial contracts without discretionary profit-sharing		
Life technical reserves	39	334
Reserves on unit-linked contracts	656	1,239
Reserves for claims to be paid	1	2
Profit-sharing reserves		
Other technical reserves		
Total	**696**	**1,575**
Total operating liabilities related to financial contracts	**20,868**	**20,188**

Operating Liabilities Related to Financial Contracts (Non-Unit-Linked) by Geographic Regions

	31 December 2005			31 December 2004		
	France	Foreign	Total	France	Foreign	Total
			(€ million)			
Reinsurance gross technical reserves						
Reserves for life financial contracts	18,593	666	**19,259**	17,636,	225	**17,861**
Reserves for claims to be paid à payer	236	3	**239**	236	1	**237**
Profit-sharing reserves	691	6	**697**	841	3	**844**
Other technical reserves		9	**9**		7	**7**
Total Life Insurance	**19,520**	**684**	**20,204**	**18,713**	**236**	**18,949**
Total Gross technical reserves	**19,520**	**684**	**20,204**	**18,713**	**236**	**18,949**
Share of reinsurers in technical reserves						
Reserves for life financial contracts				1		**1**
Reserves for claims to be paid						
Profit-sharing reserves						
Other technical reserves						
Total Life Insurance				**1**		**1**
Total operating liabilities related to financial contracts (non-unit-linked)				**1**		**1**

Breakdown of Financial Contracts by Main Categories

	31 December 2005			31 December 2004		
	Life fin. contract reserves	Gross reserves for claims to be paid	Total	Life Fin. contract reserves	Gross reserves for claims to be paid	Total
			(€ million)			
Life: single-premium contracts						
Capitalisation	798	22	**820**	1,005	44	**1,049**
Individual insurance	14,595	156	**14,751**	11,648	80	**11,728**
Group contracts	11		**11**	68	8	**76**
Other				1,309		**1,309**
Total reserves for single-premium contracts	**15,404**	**178**	**15,582**	**14,030**	**132**	**14,162**
Life: periodic-premium contracts						
Capitalisation	515	1	**516**	372	4	**376**
Individual insurance	866	32	**898**	939	35	**974**
Group contracts	1,016	25	**1,041**	1,204	41	**1,245**
Other	29	3	**32**	38	25	**63**
Total reserves for per. premium contracts	**2,426**	**61**	**2,487**	**2,553**	**105**	**2,658**
Acceptances	**1,429**		**1,429**	**1,278**		**1,278**
Total Life reserves	**19,259**	**239**	**19,498**	**17,861**	**237**	**18,098**

NOTE 23
RESERVES FOR DEFERRED PROFIT-SHARING

	31 December 2005	31 December 2004
	(€ million)	
Reserve for deferred profit-sharing on insurance contracts	2,235	1,209
Reserve for deferred profit-sharing on financial contracts	2,150	1,296
Total deferred profit-sharing reserves	**4,385**	**2,505**

NOTE 24
RESOURCES FROM BANKING-SECTOR ACTIVITIES

	31 December 2005	31 December 2004
	(€ million)	
Central banks, postal accounts		
Financial liabilities at fair value, by results	1	
Hedging derivative instruments		
Debt to credit institutions	713	676
Debt to clients	930	720
Debt represented by securities	180	289
Revaluation variance on rate-hedged portfolios		
Total resources from banking-sector activities	**1,824**	**1,685**

NOTE 25
OPERATING LIABILITIES

	31 December 2005				31 December 2004			
	<1 yr	**1 to 5 yrs**	**>5 yrs**	**Total**	**<1 yr**	**1 to 5 yrs**	**>5 yrs**	**Total**
				(€ million)				
Liabilities generated by insurance or accepted reinsurance transactions								
Insured, intermediaries and other third parties	491			**491**	469			**469**
Co-insurers	69	9		**78**	101	4		**105**
Ceding and retroceding company current accounts	36	12		**48**	82	2		**84**
Deposits received from reinsurers								
Total	**596**	**21**		**617**	**652**	**6**		**658**
Liabilities generated by assigning reinsurance								
Assignee and retrocessionnaire current accounts (1)	247	47		**294**	770	61		**831**
Other liabilities on reinsurance transactions	89	11		**100**	65			**65**
Total	**336**	**58**		**394**	**835**	**61**		**896**
Tax liabilities payable	**154**			**154**	**140**	**24**	**1**	**165**
Operating expenses to banking sector companies	**144**	**21**		**165**	**218**	**31**		**249**
Other operating liabilities								
Personnel creditors	148	7	1	**156**	119	6		**125**
Social security agencies	105			**105**	89			**89**
Other borrowings, deposits and guarantees received	1,033	36	2	**1,071**	1,169	23	16	**1,208**
Other creditors	808	151	7	**966**	910	42	8	**960**
Total	**2,094**	**194**	**10**	**2,298**	**2,287**	**71**	**24**	**2,382**
Operating liabilities represented by securities								
Total operating liabilities	**3,324**	**294**	**10**	**3,628**	**4,132**	**193**	**25**	**4,350**

(1) See Note 12

Breakdown by Currency and by Rate

	31 December 2005			
	Currencies		Rates	
	Euro zone	Non-euro zone	Fixed rate	Variable rate
	(€ million)			
Operating liabilities owed to banking sector companies	**165**		**165**	
Personnel creditors	156		156	
Social security agencies	105		105	
Other borrowings, deposits and guarantees received	1,071		703	368
Other creditors	434	532	462	504
Total other operating liabilities	**1,766**	**532**	**1,426**	**872**

Breakdown by Activity Sector

	31 December 2005			31 December 2004		
	Insurance	Banking	Total	Insurance	Banking	Total
	(€ million)					
Personnel creditors	147	9	**156**	118	7	**125**
Social security agencies	100	5	**105**	84	5	**89**
Other borrowings, deposits and guarantees received	1,071		**1,071**	1,208		**1,208**
Other creditors	958	8	**966**	951	9	**960**
Total other operating liabilities	**2,276**	**22**	**2,298**	**2,361**	**21**	**2,382**

NOTE 26
DEFERRED TAX LIABILITIES

	31 December 2005				31 Dec. 2004
	Life	Non-life	Banking	Total	Total
	(€ million)				
Deferred tax liabilities	97	151		**248**	**397**
Total deferred tax liabilities	**97**	**151**		**248**	**397**

NOTE 27
BREAKDOWN OF TAX LIABILITY

	31 December				31 Dec. 2004
	Life	Non-life	Banking	Total	Total
	(€ million)				
Current taxes	(6)	(12)	(2)	**(20)**	**(24)**
Deferred taxes	(55)	(187)	2	**(240)**	**(154)**
Total tax liability	**(61)**	**(199)**		**(260)**	**(178)**

Analysis of The Main Components of Deferred Taxes

	31 December 2005	31 December 2004
	(€ million)	
Deferred taxes resulting from timing differences on consolidation restatements:		
Capitalisation reserves	(243)	(254)
Restatements of AFS & Trading financial instruments (net of deferred profit-sharing)	(258)	(343)
Consolidated AFA and P.G.G	(63)	(40)
Consolidation restatements on technical reserves	(21)	(23)
Other differences on consolidation restatements	31	28
Deferred taxes resulting from timing differences on tax restatements		
Deferred acquisition costs	(34)	(34)
Tax differences on technical reserves and other provisions for risks and contingencies	329	368
Gains on tax suspension	(11)	(5)
Purchase price discrepancy on mutual funds	15	(34)
Exchange hedging	22	31
Other temporary tax differences	21	18
Sub-total of deferred taxes resulting from timing differences	**(212)**	**(288)**
Activation of ordinary deficits	**129**	**259**
Deferred taxes recorded on the balance sheet	**(83)**	**(29)**
Including:		
– Assets	165	368
– Liabilities	(248)	(397)

Reconciliation between The Total Tax Liability recognised and The Theoretical Tax Liability calculated

	31 December 2005	31 December 2004
	(€ million)	
1.1.3 Theoretical tax liability	(238)	(180)
Impact of expenses or income definitively non-deductible or non-taxable	(64)	35
Impact of differences in tax rate	(2)	(17)
Tax credit and various chargings	(1)	3
Charging of prior deficits	64	1
Deficits for the year not activated	(12)	(23)
Deferred tax assets not recognised		1
Other differences	(7)	2
Effective tax liability	(260)	(178)

NOTE 28
OTHER LIABILITIES

	31 December 2005	31 December 2004
	(€ million)	
Debts to unitholders of consolidated mutual funds	629	408
Derivative liabilities	46	53
Other liabilities	450	245
Total other liabilities	**1,125**	**706**

Breakdown of other Liabilities by Sector

	31 December 2005			31 Dec. 2004
	Insurance companies	Banking companies	Total	Total
		(€ million)		
Debts to unitholders of consolidated mutual funds	629		629	408
Derivative liabilities	46		46	53
Other liabilities	224	226	450	245
Total other liabilities	**899**	**226**	**1,125**	**706**

NOTE 29
LIFE AND NON-LIFE OPERATING INCOME STATEMENT

	31 December 2005			31 Dec. 2004
	Non Life	Life	Total	Total
		(€ million)		
Premiums written	5,813	4,133	**9,946**	**9,336**
Change in unearned premiums	(178)		**(178)**	**133**
Earned premiums	5,635	4,133	**9,768**	**9,469**
Investment income net of management expenses	606	1,618	**2,224**	**2,246**
Gains and losses from disposal of investments net of reversals for depreciation and amortisation	287	662	**949**	**424**
Change in fair value of financial instruments recorded at fair value by result	(38)	368	**330**	**350**
Change in depreciation on financial instruments	(4)	(10)	**(14)**	**(50)**
Financial income, net of expenses, excluding financing expenses	851	2,638	**3,489**	**2,970**
Total income from ordinary operations	6,486	6,771	**13,257**	**12,439**
Contract service expenses	(4,181)	(6,022)	**(10,203)**	**(9,507)**
Commissions received from reinsurers	34	4	**38**	**53**
Acquisition costs	(1,031)	(299)	**(1,330)**	**(1,333)**
Administrative costs	(566)	(131)	**(697)**	**(708)**
Other income and expenses from current operations, technical	(115)	(86)	**(201)**	**(165)**
Other income and expenses from current operations, non-technical	(56)		**(56)**	**(66)**
Total other income and expenses from current operations	(5,915)	(6,534)	**(12,449)**	**(11,725)**
INCOME FROM CURRENT OPERATIONS	571	237	**808**	**714**
Other operating income and expenses	(33)		**(33)**	**(80)**
Operating income	**538**	**237**	**775**	**634**

NOTE 29
NL – NON-LIFE OPERATING INCOME STATEMENT

	31 December 2005			31 Dec. 2004
	Gross	**Disposal**	**Net**	**Net**
		(€ million)		
Premiums written	6,395	(582)	**5,813**	**5,422**
Change in unearned premiums	(181)	3	**(178)**	**133**
Earned premiums, non-life	6,214	(579)	**5,635**	**5,555**
Investment income net of management expenses	606		**606**	**622**
Gains and losses from disposal of investments net of reversals for depreciation and amortisation	287		**287**	**172**
Change in fair value of financial instruments recorded at fair value by result	(38)		**(38)**	**12**
Change in depreciation on financial instruments	(4)		**(4)**	**(3)**
Net financial income, excluding financing expenses	**851**		**851**	**803**
Total income from ordinary operations	**7,065**	**(579)**	**6,486**	**6,358**
Contract service expenses	(4,469)	288	**(4,181)**	**(4,119)**
Commissions received from reinsurers	34	34	**48**	
Acquisition costs	(1,030)	(1)	**(1,031)**	**(1,037)**
Administrative costs	(566)		**(566)**	**(604)**
Other income and expenses from current non-life operations, technical	(115)		**(115)**	**(100)**
Other income and expenses from current operations, non-technical	(56)		**(56)**	**(66)**
Total other income and expenses from current operations	**(6,236)**	**321**	**(5,915)**	**(5,877)**
INCOME FROM CURRENT OPERATIONS	**829**	**(258)**	**571**	**481**
Other operating income and expenses	(33)		**(33)**	**(80)**
Operating income	**796**	**(258)**	**538**	**401**

Associates

It should be noted that the items "non-life earned premiums", "contract service expenses", "acquisition costs" and "administrative costs" include acceptance flows at the level of Groupama SA from the regional mutuals under the reinsurance treaty (see Note 2.1).

At 31 December 2005, the amounts of these different flows were as follows:

- non-life earned premiums €1,659 million
- contract service expenses €(1,098) million euros
- acquisition costs €(148) million
- administrative costs €(148) million

NOTE 29 L
LIFE – OPERATING INCOME STATEMENT

	31 December 2005			31 Dec. 2004
	Gross	Disposal	Net	Net
		(€ million)		
Life premiums written	**4,161**	**(28)**	**4,133**	**3,914**
Income from investments, net of management expenses, Life	1,618		**1,618**	**1,624**
Gains and loss from disposal of investments net of reversals in depreciation and amortis., Life	662		**662**	**252**
Change in fair value of financial instruments recognised at fair value by result, Life	368		**368**	**338**
Change in depreciation on financial instruments, Life	(10)		**(10)**	**(47)**
Net financial income ex. financing expenses	**2,638**		**2,638**	**2,167**
Total income from ordinary operations	**6,799**	**(28)**	**6,771**	**6,081**
Contract service expenses	(6,040)	18	**(6,022)**	**(5,388)**
Commissions received from reinsurers	4	4	**5**	
Acquisition costs	(300)	1	**(299)**	**(296)**
Administrative costs	(131)		**(131)**	**(104)**
Other income and expenses from current operations	(86)		**(86)**	**(65)**
Total other income and expenses from current operations	**(6,557)**	**23**	**(6,534)**	**(5,848)**
INCOME FROM CURRENT OPERATIONS	**242**	**(5)**	**237**	**233**
Other operating income and expenses				
Operating income	**242**	**(5)**	**237**	**233**

NOTE 30
BANKING INCOME STATEMENT

	31 December 2005	31 December 2004
	(€ million)	
Interest and related income	44	32
Interest and related expenses	(78)	(66)
Commissions received	150	123
Commissions paid	(15)	(16)
Net gains or losses on financial instruments at fair value by result	11	7
Gains or losses on financial assets available for sale		(11)
Income from other activities	39	37
Expenses on other activities	(14)	(8)
Cost of risk		7
Net Banking Income, net of cost of risk	**137**	**105**
General operating expenses	(130)	(125)
Appropriations to amortisation and to provisions for tangible and intangible assets	(9)	(9)
Income from current operations	**(2)**	**(29)**

NOTE 31
INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
	(€ million)					
Investment income net of management fees	**1,618**	**606**	**2,224**	**1,624**	**622**	**2,246**
Interest and dividends received	1,547	512	2,059	1,437	469	1,906
Gains/losses on foreign exchange transactions	(1)	6	5		(9)	(9)
Amortisation/reversal of the premium/discount	65	(12)	53	47	(4)	43
Net property income	49	238	287	177	341	518
Management fees and other revenue	(42)	(138)	(180)	(37)	(175)	(212)
Gains or losses from sale of investments, net of reversals and depreciation	**662**	**287**	**949**	**252**	**172**	**424**
Held for transactions	39	22	61	78	13	91
Available for sale	599	233	832	147	129	276
Held to maturity						
Other	24	32	56	27	30	57
Change in fair value of financial instruments recognised at fair value by result	**368**	**(38)**	**330**	**338**	**12**	**350**
Held for transactions	172	(12)	160	122	10	132
Derivatives	(163)	(26)	(189)	14	2	16
Adjustments on unit-linked contracts	359		359	202		202
Change in depreciation on financial instruments	**(10)**	**(4)**	**(14)**	**(47)**	**(3)**	**(50)**
Available for sale	(10)	(7)	(17)	(48)	2	(46)
Held to maturity						
Receivables and loans		3	3	1	(5)	(4)
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**2,638**	**851**	**3,489**	**2,167**	**803**	**2,970**

INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (REVENUE BREAKDOWN BY TYPE OF ASSET)

	31 December 2005				31 December 2004			
	Revenue and expenses	Income from sales	Change in fair value	Total	Revenue and expenses	Income from sales	Change in fair value	Total
				(€ million)				
Real estate	371	56		**427**	591	58		**649**
Stocks	207	361	442	**1,010**	79	(72)	215	**222**
Bonds	1,438	24	10	**1,472**	1,691	70	76	**1,837**
Stock mutual funds	50	92	139	**281**	69	81	27	**177**
Bond mutual funds	373	20	42	**435**	86	28	25	**139**
Interest on cash deposits	9			**9**	9			**9**
Other investment income	35	427	(189)	**273**	15	278	15	**308**
Investment income	**2,483**	**980**	**444**	**3,907**	**2,540**	**443**	**358**	**3,341**
Internal and external management fees	(187)			**(187)**	(196)			**(196)**
Other investment expenses	(78)	(39)		**(117)**	(89)	(78)		**(167)**
Investment expenses	**(265)**	**(39)**		**(304)**	**(285)**	**(78)**		**(363)**
Financial income net of expenses	**2,218**	**941**	**444**	**3,603**	**2,255**	**365**	**358**	**2,978**
Gains on unit-linked securities			389	**389**			343	**343**
Losses on unit-linked securities			(30)	**(30)**			(142)	**(142)**
Minority interests, mutual funds income							5	**5**
Minority interests, mutual funds expenses			(473)	**(473)**			(214)	**(214)**
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**2,218**	**941**	**330**	**3,489**	**2,255**	**365**	**350**	**2,970**

INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (BREAKDOWN OF NON-LIFE REVENUE BY TYPE OF ASSET)

	31 December 2005				31 December 2004			
	Revenue & expenses	Income from sales	Change in fair value	Total	Revenue and expenses	Income from sales	Change in fair value	Total
				(€ million)				
Real estate	317	29		**346**	393	31		**424**
Stock	50	84	442	**576**	37	(13)	215	**239**
Bonds	372	2	2	**376**	364	43	5	**412**
Stock mutual funds	14	11	15	**40**	13	20	(1)	**32**
Bond mutual funds	37	5	2	**44**	21	2		**23**
Interest on cash deposits	12			**12**	9			**9**
Other investment income	16	180	(26)	**170**	21	104	2	**127**
Investment income	**818**	**311**	**435**	**1,564**	**858**	**187**	**221**	**1,266**
Internal and external management fees	(132)			**(132)**	(144)			**(144)**
Other investment expenses	(86)	(22)		**(108)**	(83)	(27)		**(110)**
Investment expenses	**(218)**	**(22)**		**(240)**	**(227)**	**(27)**		**(254)**
Financial income net of expenses	**600**	**289**	**435**	**1,324**	**631**	**160**	**221**	**1,012**
Gains on unit-linked securities								
Losses on unit-linked securities								
Minority interests, mutual funds income							5	**5**
Minority interests, mutual funds expenses			(473)	**(473)**			(214)	**(214)**
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (NON-LIFE)	**600**	**289**	**(38)**	**851**	**631**	**160**	**12**	**803**

INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (BREAKDOWN OF LIFE REVENUE BY TYPE OF ASSET)

	31 December 2005				31 December 2004			
	Revenue and expenses	Income from sales	Change in fair value	Total	Revenue and expenses	Income from sales	Change in fair value	Total
	(€ million)							
Real estate	54	27		**81**	198	27		**225**
Stock	157	277		**434**	42	(59)		**(17)**
Bonds	1,066	22	8	**1,096**	1,327	27	71	**1,425**
Stock mutual funds	36	81	124	**241**	56	61	28	**145**
Bond mutual funds	336	15	40	**391**	65	26	25	**116**
Interest on cash deposits	(3)			**(3)**				
Other investment income	19	247	(163)	**103**	(6)	174	13	**181**
Investment income	**1,665**	**669**	**9**	**2,343**	**1,682**	**256**	**137**	**2,075**
Internal and external management fees	(55)			**(55)**	(52)			**(52)**
Other investment expenses	8	(17)		**(9)**	(6)	(51)		**(57)**
Investment expenses	**(47)**	**(17)**		**(64)**	**(58)**	**(51)**		**(109)**
Financial income net of expenses	**1,618**	**652**	**9**	**2,279**	**1,624**	**205**	**137**	**1,966**
Gains on unit-linked securities			389	**389**			343	**343**
Losses on unit-linked securities			(30)	**(30)**			(142)	**(142)**
Minority interests, mutual funds income								
Minority interests, mutual funds expenses								
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (LIFE)	**1,618**	**652**	**368**	**2,638**	**1,624**	**205**	**338**	**2,167**

NOTE 32
CONTRACT SERVICING EXPENSES NET OF REINSURANCE

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
			(€ million)			
Claims	**(3,244)**	**(4,284)**	**(7,528)**	**(3,130)**	**(4,312)**	**(7,442)**
Paid to policy holders	(3,244)	(4,284)	(7,528)	(3,130)	(4,312)	(7,442)
Change in technical reserves	**(2,796)**	**(185)**	**(2,981)**	**(2,280)**	**(46)**	**(2,326)**
Reserves for claims to be paid	(29)	(137)	(166)	(76)	(40)	(116)
Actuarial provisions	(820)		(820)	(631)		(631)
Unit-linked reserves	(131)		(131)	42		42
Profit-sharing	(1,669)	(24)	(1,693)	(1,471)	(20)	(1,491)
Other technical reserves	(147)	(24)	(171)	(144)	14	(130)
Total insurance contract servicing expenses	**(6,040)**	**(4,469)**	**(10,509)**	**(5,410)**	**(4,358)**	**(9,768)**
Payments received from reinsurers	28	350	378	30	367	397
Technical reserves assigned to reinsurers	(10)	(62)	(72)	(8)	(128)	(136)
TOTAL CONTRACT SERVICING EXPENSES NET OF REINSURANCE	**(6,022)**	**(4,181)**	**(10,203)**	**(5,388)**	**(4,119)**	**(9,507)**

NOTE 33
CONTRACT ACQUISITION COSTS, BY BUSINESS SECTOR

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
			(€ million)			
Commissions	(147)	(732)	(879)	(172)	(758)	(930)
Change in deferred acquisition costs	(5)	5		10	16	26
Other expenses	(148)	(303)	(451)	(134)	(295)	(429)
TOTAL ACQUISITION COSTS	**(300)**	**(1,030)**	**(1,330)**	**(296)**	**(1,037)**	**(1,333)**

NOTE 34
ADMINISTRATIVE COSTS BY SECTOR

	31 December 2005			31 December 2004		
	Life	Non-life	Total	Life	Non-life	Total
			(€ million)			
Commissions	(51)	(262)	(313)	(40)	(252)	(292)
Other expenses	(80)	(304)	(384)	(64)	(352)	(416)
TOTAL ADMINISTRATIVE COSTS	**(131)**	**(566)**	**(697)**	**(104)**	**(604)**	**(708)**

NOTE 35
OTHER INCOME AND EXPENSES ON CURRENT OPERATIONS

	31 Dec. 2005	31 Dec. 2004
	(€ million)	
Commissions and other technical expenses, Life	(125)	(90)
Employee Profit-sharing, Life	(4)	(6)
Other technical income, Life	17	31
Transfer of operating expenses and capitalised production, Life	26	
Total Other income and expenses on operations, Life	**(86)**	**(65)**
Non-Life commissions and other technical expenses	(226)	(113)
Employee profit-sharing, Non-Life	(8)	(4)
Other Non-Life technical income	112	17
Transfer of Non-Life operating expenses and capitalised production	7	
Total Other income and expenses on operations, Non-Life	**(115)**	**(100)**
Other non-technical expenses	(97)	(103)
Other non-technical income	41	37
Total Other non-technical income and expenses on operations	**(56)**	**(66)**
General operating expenses	1	(1)
Share of equity associates		
Gain/loss on other assets		
Total other income and expenses on banking operations	**1**	**(1)**
TOTAL OTHER INCOME AND EXPENSES ON CURRENT OPERATIONS	**(256)**	**(231)**

NOTE 36

OTHER EXCEPTIONAL OPERATING INCOME AND EXPENSES

	31 December 2005	31 December 2004
	(€ million)	
Extraordinary income	43	48
Extraordinary expenses	(76)	(128)
Appropriation for the provision on goodwill		
TOTAL OTHER EXCEPTIONAL OPERATING INCOME AND EXPENSES	**(33)**	**(80)**

NOTE 37

BANK – COMMITMENTS GIVEN AND RECEIVED

	31 December 2005	31 December 2004
	(€ million)	
Financing commitments received		
Guarantee commitments received	4	4
Securities commitments receivable	105	120
Total banking commitment received	**109**	**124**
Commitments received on currency transactions	2,577	1,358
Other commitments received	26	30
Total of other banking commitment received	**2,603**	**1,388**
Financing commitments given	38	31
Guarantee commitments given	78	85
Commitments on securities to be delivered	5	2
Total banking commitments given	**121**	**118**
Commitments given on currency transactions	2,585	1,358
Commitments given on financial instrument transactions	46	
Total of other banking commitments given	**2,631**	**1,358**

INSURANCE AND REINSURANCE – COMMITMENTS GIVEN AND RECEIVED

	31 December 2005	31 December 2004
	(€ million)	
Endorsements, sureties and guarantees received	119	176
Other commitments received	1,545	1,514
Total commitments received, ex. reinsurance	**1,664**	**1,690**
Reinsurance commitments received	**519**	**530**
Endorsements, sureties and guarantees given	714	715
Other commitments on securities, assets or revenue	307	256
Other commitments given	255	199
Total commitments given, ex. reinsurance	**1,276**	**1,170**
Reinsurance commitments given	**2,364**	**2,094**
Value belonging to provident institutions	**3**	**3**
Other assets held on behalf of third parties		

NOTE 38

SIMPLE LEASES

	31 December 2005	31 December 2004
Minimum future payments		
Less than one year	29	11
1 to 5 years	104	30
More than 5 years	50	35
Minimum payments under sub-lease agreements that cannot be realised	78	92
TOTAL SIMPLE LEASES	**261**	**168**

NOTE 39

AVERAGE NUMBER OF EMPLOYEES OF CONSOLIDATED COMPANIES

	31 December 2005			31 December 2004
	Insurance	Banking	Total	Total
		(€ million)		
France	9,222	748	9,970	9,894
United Kingdom	740		740	897
Spain	770		770	758
Italy	434		434	436
Other EU countries	297		297	301
Non-EU countries	195		195	165
TOTAL AVERAGE NUMBER OF EMPLOYEES OF CONSOLIDATED COMPANIES	**11,658**	**748**	**12,406**	**12,451**

NOTE 40
GROUP HOLDING COMPANY ACTIVITY

	31 December 2005	31 December 2004
	(€ million)	
Investment income, net of expenses	(16)	(25)
Other income and expenses from current operations	(69)	(56)
Financing expenses	(42)	(41)
Operating income and expenses (extraordinary)	3	(40)
Income taxes	8	24
Income(loss) for holding company activity	**(116)**	**(138)**

This table summarises the holding company activity of the group, which included at 31 December 2005 and 31 December 2004:

- Groupama SA (holding company activity)
- Groupama International
- Gan UK

NOTE 41
LIST OF CONSOLIDATED ENTITIES

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
			31 December 2005			31 December 2004		
GIE GROUPAMA SI	EIG	France	88.42	88.36	FC	99.81	88.36	FC
GIE LOGISTIQUE	EIG	France	100.00	99.99	FC	99.99	99.99	FC
GROUPAMA S.A.	Holding	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA INTERNATIONAL	Holding	France	100.00	100.00	FC	100.00	100.00	FC
GAN ASSURANCES VIE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GAN PATRIMOINE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
CAISSE FRATERNELLE D'EPARGNE	Insurance	France	99.93	99.93	FC	99.93	99.93	FC
CAISSE FRATERNELLE VIE	Insurance	France	99.72	99.72	FC	99.72	99.71	FC
ASSUVIE	Insurance	France	50.00	50.00	FC	50.00	50.00	FC
GAN EUROCOURTAGE VIE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GAN PREVOYANCE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA VIE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA INSURANCE CREDIT	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA TRANSPORT	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
SCEPAR	Participations	France	100.00	100.00	FC	100.00	100.00	FC
MUTUAIDE ASSISTANCE	Assistance	France	100.00	100.00	FC	100.00	100.00	FC
GAN INSURANCES IARD	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GAN OUTRE MER IARD	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA PROTECTION JURIDIQUE	Insurance	France	100.00	100.00	FC	99.99	99.99	FC
GAN EUROCOURTAGE IARD	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
COFINTEX Luxembourg	Reinsurance	Luxembourg	100.00	100.00	FC	100.00	100.00	FC
RAMPART	Reinsurance	United States	100.00	100.00	FC	100.00	100.00	FC
GAN ITALIA VITA SPA	Insurance	Italy	100.00	100.00	FC	100.00	100.00	FC
LUXLIFE	Insurance	Luxembourg	85.00	85.00	FC	85.00	85.00	FC
GOUPAMA SEGUROS DE VIDA PORTUGAL	Insurance	Portugal	100.00	100.00	FC	100.00	100.00	FC
ZENITH VIE	Insurance	Switzerland	82.00	82.00	FC	82.00	82.00	FC
GUNES SIGORTA	Insurance	Turkey	36.00	36.00	EM	36.00	36.00	EM
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA SEGUROS ESPAGNE	Insurance	Spain	100.00	100.00	FC	100.00	100.00	FC
GAN UK HOLDINGS LTD	Holding	UK	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA INSURANCE CY LTD	Insurance	UK	100.00	100.00	FC	100.00	100.00	FC
CLINICARE	Insurance	UK	100.00	100.00	FC			
MINSTER INSURANCE CY LTD	Insurance	UK	100.00	100.00	FC	100.00	100.00	FC
GAN ITALIA SPA	Insurance	Italy	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA SEGUROS PORTUGAL	Insurance	Portugal	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA GESTION	Portfol. Mgm	France				100.00	100.00	FC
GROUPAMA ASSET MANAGEMENT	Portfol. Mgm.	France	99.98	99.98	FC	100.00	100.00	FC

FC: Full consolidation
EM: Equity method

	Business Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
			31 December 2005			31 December 2004		
GROUPAMA Alternative Asset Management	Portfol. Mgm	France	100.00	99.98	FC	100.00	100.00	FC
FINAMA PRIVATE EQUITY	Portfol. Mgm	France	100.00	100.00	FC	100.00	100.00	FC
BANQUE FINAMA	Banking	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA BANQUE	Banking	France	60.00	60.00	FC	60.00	60.00	FC
GROUPAMA EPARGNE SALARIALE	Portfol. Mgm	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA IMMOBILIER	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
SILIC	Real estate	France	39.91	39.91	FC	40.15	40.15	FC
SEPAC	Real estate	France	100.00	40.02	FC	100.00	40.15	FC
COMPAGNIE FONCIERE PARISIENNE	Real estate	France	95.29	95.29	FC	95.29	95.29	FC
SCIMA	Real estate	France	100.00	95.29	FC	100.00	95.29	FC
SCIMA 2	Real estate	France	100.00	95.29	FC	100.00	95.29	FC
SCI DEFENSE ASTORG	Real estate	France	100.00	95.29	FC	100.00	95.29	FC
GAN FONCIER II	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
IXELLOR	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
79 CHAMPS ELYSÉES	Real estate	France	91.21	91.21	FC	91.21	91.21	FC
33 MONTAIGNE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
CNF	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
RENNES VAUGIRARD	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
SCIFMA	Real estate	France	78.93	78.93	FC	78.93	78.93	FC
SCI TOUR GAN	Real estate	France	100.00	100.00	FC	100.00	99.82	FC
GAN SAINT LAZARE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
VIEILLE VOIE DE PARAY	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
SCI GAN FONCIER	Real estate	France	100.00	99.00	FC	100.00	98.82	FC
ACTIPAR SA	Real estate	France	100.00	95.29	FC	100.00	95.29	FC
SAFRAGAN	Real estate	France	90.00	85.76	FC	90.00	85.76	FC
261 RASPAIL	Real estate	France	100.00	95.29	FC	100.00	95.29	FC
SOCOMIE	Real estate	France	100.00	40.02	EM	100.00	40.15	EM
19 GENERAL MANGIN	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
28 COURS ALBERT 1er	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
5/7 PERCIER	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
ATLANTIS	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
FORGAN	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
GFA INDRE III	Real estate	France				27.18	27.18	EM
174 PRES SAINTGERMAIN	Real estate	France	21.85	21.81	EM	21.85	21.85	EM
10 PORT ROYAL	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
102 MALESHERBES	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
12 VICTOIRE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
14 MADELEINE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
150 RENNES	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
204 PEREIRE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
3 ROSSINI	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
38 LE PELETIER	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
43 CAUMARTIN	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
5/7 MONCEY	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
60 CLAUDE BERNARD	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
9 REINE BLANCHE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
9 VICTOIRE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
CELESTE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
CHAMALIERES EUROPE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
CHASSENEUIL	Real estate	France	50.00	50.00	FC	50.00	50.00	FC
DOMAINE DE NALYS	Real estate	France	69.57	69.10	FC	69.10	69.10	FC
GOUBET PETIT	Real estate	France	66.66	8.33	FC	66.66	66.66	FC
GROUPAMA LES MASSUES	Real estate	France	75.07	75.07	FC	75.07	75.07	FC
CAP DE FOUSTE (SCI)	Real estate	France	61.31	61.31	FC	61.31	61.31	FC
DOMAINE CAP DE FOUSTE (SARL)	Real estate	France	59.74	59.74	FC	59.74	59.74	FC

	Business Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
			31 December 2005			31 December 2004		
GROUPAMA PIPACT	Real estate	France	31.91	31.91	EM	31.91	31.91	EM
LA CHATAIGNERAIE	Real estate	France				41.05	41.05	EM
SCA CHATEAU D'AGASSAC	Real estate	France	25.00	25.00	EM	25.00	25.00	EM
DOMAINE DE FARES	Real estate	France	31.25	31.25	EM	31.25	31.25	EM
SCIMA GFA	Real estate	France	44.00	44.00	EM	44.00	44.00	EM
HAUSSMANN LAFFITTE IMMOBILIER	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
LABORIE MARCENAT	Real estate	France	64.52	64.52	FC	64.52	64.52	FC
LES FRERES LUMIERE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
99 MALESHERBES	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
6 MESSINE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
PARIS FALGUIERE	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
LES GEMEAUX	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
VILLA DES PINS	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
FRANCE-GAN SI.	Mutual funds	France	92.50	92.50	FC	92.69	92.69	FC
HAVRE OBLIG.FCP	Mutual funds	France	99.95	99.95	FC	99.79	99.79	FC
GROUP.OBL.MONDE LT	Mutual funds	France	78.17	78.17	FC	77.54	77.54	FC
FINAMA CONVERT.FCP	Mutual funds	France	78.24	78.24	FC	66.12	66.12	FC
GROUP.JAP.ST.D4DEC	Mutual funds	France	85.29	85.29	FC	82.63	82.63	FC
GROUP.ET.CT D	Mutual funds	France	82.47	82.47	FC	72.36	72.36	FC
GROUP.ET.CT C	Mutual funds	France	1.44	1.44	EM			
GROUPAMA AAEXA FCP	Mutual funds	France	100.00	100.00	FC	98.30	98.30	FC
GROUP.ACT.INTLES	Mutual funds	France	87.87	87.87	FC	90.28	90.28	FC
GROUP.OBL.EUR.CR. MT D	Mutual funds	France	95.39	95.39	FC	95.30	95.30	FC
GROUP.OBL.EUR.CR. MT C	Mutual funds	France	45.96	45.96	EM	54.91	54.91	FC
GROUP.EURO STOCK	Mutual funds	France	64.91	64.91	FC	62.60	62.60	FC
WASHING.ACT.EUROP. FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG EURO SPREAD FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 1 FCP	Mutual funds	France	100.00	100.00	FC	83.33	83.33	FC
WASHINGTON EURO NOURRI 2 FCP	Mutual funds	France	100.00	100.00	FC	83.33	83.33	FC
WASHINGTON EURO NOURRI 3 FCP	Mutual funds	France	100.00	100.00	FC	83.33	83.33	FC
WASHINGTON EURO NOURRI 4 FCP	Mutual funds	France	100.00	100.00	FC	83.33	83.33	FC
WASHINGTON EURO NOURRI 5 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 6 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 7 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 8 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 9 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 10 FCP	Mutual funds	France	100.00	100.00	FC	99.91	99.91	FC
WASHINGTON EURO NOURRI 11 FCP	Mutual funds	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 11 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON EURO NOURRI 12 FCP	Mutual funds	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 12 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON EURO NOURRI 13 FCP	Mutual funds	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 13 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON EURO NOURRI 14 FCP	Mutual funds	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 14 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON EURO NOURRI 15 FCP	Mutual funds	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 15 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON EURO NOURRI 16 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON EURO NOURRI 17 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON EURO NOURRI 18 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTON INTER NOURRI 1 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON INTER NOURRI 2 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON INTER NOURRI 3 FCP	Mutual funds	France	100.00	100.00	FC			
WASHINGTO INTER NOURRI 0 FCP	Mutual funds	France	100.00	100.00	FC	100.00	100.00	FC
GROUP.INX.INF.LT D	Mutual funds	France	99.88	99.88	FC	99.48	99.48	FC
GROUP.INX.INF.LT C	Mutual funds	France	37.14	37.14	EM	46.61	46.61	EM

5. Tracking and managing risks

As a multi-line insurer, Groupama is subject to various types of insurance risks, with equally variable time horizons. The group is also exposed to market risks because of its financial investment activities, particularly the risks linked to interest rates, equity markets, the liquidity of its assets and currency risks. The credit risk is also specifically monitored by the group for both its insurance and its financial investment activities. In addition, the group is subject to operational, regulatory, legal and tax risks like companies in other business sectors.

5.1 Insurance risk

5.1.1 Objectives for managing risks arising from insurance contracts and methods of reducing these risks

The group's insurance business exposes it to risks primarily related to product design, underwriting, claims management, the valuation of reserves, and the reinsurance process.

- ***Product design***

The insurance divisions of Groupama SA ensure that the product line is adapted to the group's strategy. The design of life and non-life insurance products is the responsibility of the Groupama SA specialist insurance teams. Product design is the result of market and profitability studies performed with actuarial tools to control margins. The work performed by the specialist insurance teams includes the development of the general conditions, the exclusion clauses for the products, underwriting conditions and rates. The regional mutuals and subsidiaries of Groupama SA are then responsible for marketing and managing them. The products are marketed and managed by the entities of the Gan and Groupama networks.

- ***Subscription and claims management***

Delegation of powers for underwriting and claims are defined in all companies of the group. Risks are accepted or refused at every level of delegation, based on underwriting guides that include the group's technical and commercial rules. Underwriting in particular is secured through a cross-managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined homogeneously throughout the group, and are regularly updated in procedural notebooks dealing with the management of injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold. In addition, claims settlement activity is safeguarded by an internal control procedure.

The group's insurance business is explicitly or implicitly monitored using analytic procedures, such as regular analysis of the results of each entity and monitoring underwriting statistics and claims rates by entity. The most significant and most complex risks are individually monitored jointly by the specialist divisions and the entities concerned. Finally, the specialist divisions also intervene to warn and advise the entities.

- ***Valuation of reserves***

The rules for provisioning claims and the funding tables for life and non-life disability payments are defined within the specialist insurance divisions in a guide that is harmonised for all group entities. Reserves are valued by the claims managers within the operational entities and, if necessary, are supplemented by provisions for losses that have occurred but have not yet been declared.

The application of reserves policies is continually monitored, both before and after the fact, by teams dedicated to this task, in addition to the reviews that are conducted by the local control authorities.

- ***Reinsurance***

The reinsurance process is organised at two levels. The internal reinsurance performed by Groupama SA for all group entities is designed to calibrate retentions for each entity. The external reinsurance process defines the optimum reinsurance structure for the group and the adequate level to cover risks. External reinsurance contracts are renegotiated and renewed each year by Groupama SA on behalf of the entire group. Moreover selection rules defined in the security and reinsurance committee, composed of the external reinsurance division of Groupama SA and several of its subsidiaries and based on the ratings from ratings agencies, are designed to control the solvency risk from reinsurers.

These risks are controlled using internal control procedures, which are described in the report on the financial security law.

5.1.2 Terms and conditions of the insurance contracts that have a significant impact on the amount, maturity and uncertainty of the insurer's future cash flows

● ***Breakdown of the technical reserves of non-life insurance contracts by major risks***

The group offers a broad range of non-life insurance products designed for individuals and businesses.

	Reserves for unearned premiums	Reserves for claims to be paid	Total
		(€ million)	
Motor	584	2,170	**2,754**
Property damage	441	1,128	**1,569**
General civil liability	48	1,190	**1,238**
Marine, aviation, transport	44	754	**798**
Injuries	49	386	**435**
Other risks	140	1,177	**1,317**
Acceptances	162	3,052	**3,214**
Total gross reinsurance reserves	**1,468**	**9,857**	**11,325**
Reinsured portion	(80)	(1,624)	**(1,704)**
Total net reinsurance reserves	**1,388**	**8,233**	**9,621**

The automobile, personal, professional and agricultural property damage contracts offered by the group are generally one-year contracts with tacit renewal, which include civil liability coverage.

● ***Breakdown of technical reserves for life insurance contracts by major risks***

The group offers a full line of life insurance products: this offer is intended for individuals in the form of individualised policies and for businesses in the form of group contracts.

	Life insurance reserves	Reserves for claims to be paid	Total
		(€ million)	
Individual insurance	8,700	163	**8,863**
Group contracts	5,685	149	**5,834**
Capitalisation	724	41	**765**
Other risks	2,276	19	**2,295**
Acceptances	57	46	**103**
Total reserves, before reinsurance	**17,442**	**418**	**17,860**
Portion reinsured	(28)	(9)	**(37)**
Total reserves, net of reinsurance	**17,414**	**409**	**17,823**

The main individual insurance contracts in euros offered to our clients are death policies, endowment insurance contracts, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group contracts offered by the group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with guaranteed point value.

Most of the contracts in units of account offered by the group are multi-vehicle contracts with an arbitration clause corresponding to a low level of costs.

- ***Specific features of certain life insurance contracts***
- ***Discretionary profit-sharing clause***

Certain life insurance, savings and retirement products offered by the group contain a discretionary profit-sharing clause. The profit-sharing, the amount of which is left to the insurer's discretion, allows policyholders to participate in the results of the financial management and the technical results of the insurance company.

- ***Early surrender possibilities***

Most of the savings and retirement products may be surrendered by the policyholders at a value defined by contract before contract maturity. For some products, surrender penalties are applied in the event of early surrender and allow the insurer to cover a portion of the acquisition costs incurred at the time the policy was signed.

5.1.3 Information on the sensitivity of income and shareholders equity to changes in variables that materially affect them

The longevity risk and the interest rate risk are the main variables that can have a significant impact on the calculation of the technical reserves, which may generate a substantial change in income and shareholders equity.

- ***Longevity risk***

In life insurance, the payment of benefits depends on the death or the survival of the insured. It is the occurrence of one or the other of these events that gives the right to payment of a benefit. The probability that these events will occur is known through mortality tables that show the number of persons alive at each age in the human life, based on a given number of persons at birth. On the basis of statistics on mortality for men and women, different mortality tables have been constructed and are regularly revised to take demographic changes into account.

For France, the group uses the generational mortality tables (known as TPG), or tables with annuity forecasts with age differences (TPRV), which are both forecasting tables used to define rates for annuity contracts and constructed using data from the French INSEE institution. They take into account the observed trend for a decline in mortality.

As of 31 December 2005, the amount of the actuarial provisions for annuities currently being served was €1,907 million.

	France	International	Total
		(€ million)	
Life annuity MP	306	38	**344**
Non-life annuity MP	1,558	5	**1,563**
Total	**1,864**	**43**	**1,907**

In life insurance, the percentage of immediate lifetime annuities and the percentage of immediate temporary annuities represented 91% and 9% respectively.

In the international segment, the tables used comply with legal requirements.

In the other portfolios, the mortality risk concerns the whole life and deferred capital products. However, the percentage of these products in the group's total portfolio remains marginal.

- ***Interest rate risk***

The calculation of technical reserves in life insurance and certain technical reserves in non-life insurance is also based on the use of an interest rate known as the "technical interest rate", the terms of which are set by the Insurance Code. The Code determines a maximum level by reference to the average rate for government borrowings (the T.M.E.), which is used to set rates for contracts and calculate the insurer's commitments to policyholders. The terms and conditions vary based on the type of contract and the duration of the commitments.

At 31 December 2005, the breakdown of technical reserves based on rates, fixed-rate, variable rate (i.e. tied to the market rate) or no rate commitment was as follows:

	France	International	Total
		(€ million)	
Fixed-rate guaranteed commitments	32,007	2,264	**34,271**
Variable-rate guaranteed commitments	3,988	5	**3,993**
Unit-linked and other products without rate commitment	3,279	197	**3,476**
Total	**39,274**	**2,466**	**41,740**

9.5% of the portfolio is variable rate. This variable rate is a function of an index. In most cases, the index used as the reference for life insurance contracts is the "passbook A" rate. For non-life insurance contracts, the rate is the T.M.E.

In France, the guaranteed fixed rates are included within a range from 2.25% to 4.50% for most of the actuarial provisions.

As of 31 December 2005, the amount of the discount contained in the MP for non-life annuities, before reinsurance, was €482 million. The amount of the discount contained in the provision for increasing risks on Long-term care, before reinsurance, was €145 million.

5.1.4 Information on concentrations of the insurance risk

At the time of a claim, a major concern for the group is the risk of being faced by a concentration of risks and therefore an accumulation of indemnities to be paid.

Two types of overlapping risks can be distinguished:

– the risk of underwriting overlaps in which the insurance contracts are underwritten by one or more entities of the group for the same risk;

– the risk of claim overlaps in which the insurance contracts are underwritten by one or several entities of the group on different risks, which may be affected by claims resulting from the same loss event, or the same initial cause.

● ***Identification***

Overlapping risks can be identified at the time of underwriting or in the current management of the portfolio.

A major role in the process of identifying overlaps during underwriting is assumed by the group, through risk inspections, verification of the absence of overlapping co-insurance or inter-network insurance lines, identification of overlapping commitments by site.

In addition, the underwriting procedures for certain risk categories help to control overlapping risks at the time of underwriting. The procedures applicable to property damage underwriting include:

– a verification of overlapping geographic risks at the time of underwriting for major risks (agricultural risks, agri-business risks, industrial risks, municipalities);

– initial elimination during the underwriting process of cases of inter-network co-insurance overlapping risks. These directives are defined in an internal procedural guide.

The procedures in force for managing overlapping portfolio risks concern:

– identification of the inter-network co-insurance overlapping risks;

– inventories of commitments by site for agri-business risks; in addition high-risk business sectors for which the group insures the property and/or civil liability risks are specifically monitored by the relevant specialist insurance division;

– triennial inventories of commitments for risks of storms, hail, greenhouses, frosts and commercial forestry portfolios, which are used to calculate the exposure of these portfolios to the storm risk.

● ***Protection***

Protection consists of implementing reinsurance coverage which will first be adapted to the total amount of the potential loss and, second, corresponds to the kind of dangers protected. The loss may be human in origin (fire, explosion, accident involving people) and of natural origin (atmospheric event, such as storm, hail, etc.)

In the case of a human risk that affects either a risk overlap insured by the same entity or risks insured by different entities of the group, it is the responsibility of the entities to set the necessary protection limits. The underwriting limits (maximum values insured per risk in property insurance or per person for personal insurance) are used in the context of catastrophic scenarios and compared with losses that have already occurred. Once these amounts have been defined, they are increased by a safety margin. Moreover, specific monitoring is performed to track the adequacy of the protections with the risks underwritten.

In the case of a natural event, a needs analysis consists of an initial study on the basis of the reference loss, which is revalued on the basis of the change in the portfolio and the French construction federation index. At the same time, simulation calculations of the exposure of the portfolios are performed using random check methods that result in the production of a curve showing the change in the potential maximum loss as a function of different scenarios. The results are cross-checked, analysed and discounted every year to allow the group to opt for appropriate reinsurance solutions with a reduced margin of error.

5.1.5 Information on claims filed compared with previous estimates

The development of claims over the last three years is shown in the table below in gross reinsurance values.

	2003	2004	2005
Estimate of the claim charge			
At end of N	4,273	3,751	3,971
At end of N+1	4,227	3,712	
At end of N+2	4,129		
Claims charge	4,129	3,712	3,971
Cumulative claims payments	3,157	2,539	1,673
Reserves for losses to be paid	972	1,173	2,298
Earned premium	5,341	5,190	5,254
Claims and reserves/earned premium	**77.3%**	**71.5%**	**75.6%**

This table covers only the non-life entities. For construction and long-term care risks, the years of occurrence correspond to the underwriting years.

The bonus/penalty over prior years is presented in Note 20 of this booklet.

5.2. Market risks

5.2.1 Interest rate risk

The sensitivity analysis covers the perimeter formed by the financial assets of Groupama SA and its French subsidiaries and represents more than 90% of the total of rate and capital instruments.

At 31 December 2005, the weight of the rate instruments was 68%, 61% of which were classified in the category "assets available for sale" and 7% in the category "assets for trading".

<u>Maturities</u>

The table below shows the group's exposure to interest rate risks. The following points should be specified:

- The data are expressed at market value at 30 December 2005.
- The bonds with a call that can be exercised at the issuer's initiative are assumed to mature on the date of the option (TSDI, etc.)
- The convertible bonds and equity interests are considered to be "without interest rate" like all the other investments (shares, real estate)

	<1 year	1-3 years	3-5 years	5-10 years	>10 years	No rate	TOTAL
Fixed-rate financial assets	0.0%	10.2%	7.7%	18.6%	20.3%	0.0%	56.8%
Variable rate financial assets	1.4%	0.9%	0.5%	0.8%	2.2%	0.0%	5.8%
Without interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	37.4%	37.4%
Derivatives	0.0%	0.0%	0,0%	0.0%	0.0%	0.0%	0.0%
TOTAL	1.4%	11.1%	8.2%	19.4%	22.5%	37.4%	100.0%

Effective interest rates

The effective interest rates for the fixed-rate and variable-rate financial assets at 31 December 2005 were 5.1% and 2.1% respectively.

Sensitivity analysis

The fixed-rate financial assets have a sensitivity to nominal rates of 7.2 (a deformation of 100 basis points results in a change of 7.2% in the fair value of the fixed-rate portfolio). The variable rate financial assets have a sensitivity to real rates of 3.2 (a deformation of 100 basis points results in a change of 3.2% in the fair value of the variable-rate portfolio).

Interactions with the surrender risk and the profit-sharing clauses

- Sensitivity of surrender to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and with the sanction, if this expectation cannot be met, of early surrenders. In addition to the loss of revenue and an increase in benefits, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds), which would themselves generate a drop in the rate of return on the asset.
- However, in addition to the fact that the liabilities that can be surrendered do not represent all the commitments, the sensitivity of surrenders to changes in interest rates can vary depending on the product and policyholders' expectations. The objective of asset/liabilities management is to reduce the volatility of surrender rates, using strategies that take into account the various reserves available and bond management strategies coupled with hedging products. These are used to adjust the yield profile for the assets in the different rate environments possible in order to ensure policyholder satisfaction.

Insurance contract profit-sharing clauses and interest rate risk

The constraints of guaranteed minimum rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through prudential provision mechanisms.

However, in a low rate environment, the companies benefit; from the inertia of the assets and the yield on the bonds in inventory; from any appreciation in the diversification assets that can be revalued; and from reserves such as the profit-sharing funds or unrealized gains. Insurance companies also benefit from the effects induced by products sold in recent years which have lower guaranteed levels.

Asset/liability management

Tracking the profile of liability flows allows a definition for bond management, taking into account the duration and convexity of these liability flows and any sensitivity of these flows to changes in interest rates.

Asset/liability simulations allow an analysis of the behaviour of the liabilities in different rate environments, particularly the ability to meet the remuneration requirements for the insured.

These simulations allow the group to develop strategies designed to reduce the volatility of the differential between the real yield from the asset and the rate expected by the insured. These strategies include calibrating the durations and convexities of the bond portfolios, the portion of variable-rate bonds, the portion of diversification assets, and the features of the hedging products.

Hedging products are used to re-establish the asymmetry between liabilities profiles and those of traditional bond assets in the different rate environments considered.

Use of derivatives

The use of derivatives arises from asset/liability simulations. Derivatives are used to reduce the volatility of the results linked to interest rate sensitivity. The derivatives used by Groupama SA and its subsidiaries are:

- Purchase of caps: over the duration and horizon selected, a cap allows collection of the differential, if it is positive, between the market rate and a strike price, in consideration for the payment of a premium. This mechanism has the advantage of reproducing the behaviour of the liability which, when rates fall, is close to a fixed rate (minimum rate) and, when rates rise, to a variable rate. The cost of this strategy is related to the different parameters that affect the value of the option.
- Interest rate swap: the immunization strategy may also consist of transforming a fixed-rate bond into a variable rate, either on a security in inventory or to synthetically create a variable rate bond for new investments.

Hedging programmes have been set up progressively on behalf of the life companies as of the end of the first half of 2005:

	Notional amount	**Change in fair value**
	(€m)	
Trading derivatives		
Rate swaps	5,257	-73
Caps	103	-38
Hedging derivatives		
Rate swaps	0	0

The choice has been to treat these transactions as trading, i.e. as fair value through income.

Sensitivity analysis on financing debt

The financing debt has a sensitivity ratio of 7.25% on the undated bond placed in 2005 and 2.95% for the fixed portion of the bond issued in the form of redeemable subordinated securities.

5.2.2 Risk of a change in the price of shareholders equity instruments (shares)

At 31 December 2005, the weight of the equity instruments was 23%, 19% of which is classified in the category "assets available for sale"and 4% in the category "assets for trading". Equity instruments include:

- Shares in French and foreign companies listed for trading on regulated markets and managed under management mandates. They may be held directly or within mutual funds (FCP and SICAV)
- Shares in French and foreign companies listed for trading on regulated markets and managed outside management mandates
- Shares in French and foreign companies that are not listed. They may be held directly or in the form of FCPR

Breakdown by activity sectors

Sector	**as %**
Resources	11.4%
Basic industries	9.2%
General industries	10.0%
Cyclical consumer goods	4.0%
Non-cyclical consumer goods	11.3%
Cyclical services	12.9%
Non-cyclical services	3.8%
Public services	1.1%
Finance	22.9%
Information technology	13.3%
Other	0.2%

source: FTSE classification

Breakdown by geographic regions

	as %
Euro zone	80.1%
United States	7.0%
Japan	5.2%
Other (Asia ex. Japan, etc.)	7.8%

The holding of shares of Groupama subsidiaries is generally determined within the context of asset/liability studies in order to be able to bear a market shock over a short-term period, taking into account the objectives for gains necessary to meet the objectives over the period. These studies cover the reserves available elsewhere, such as the profit-sharing funds or unrealized gains.

5.2.3 Liquidity risk

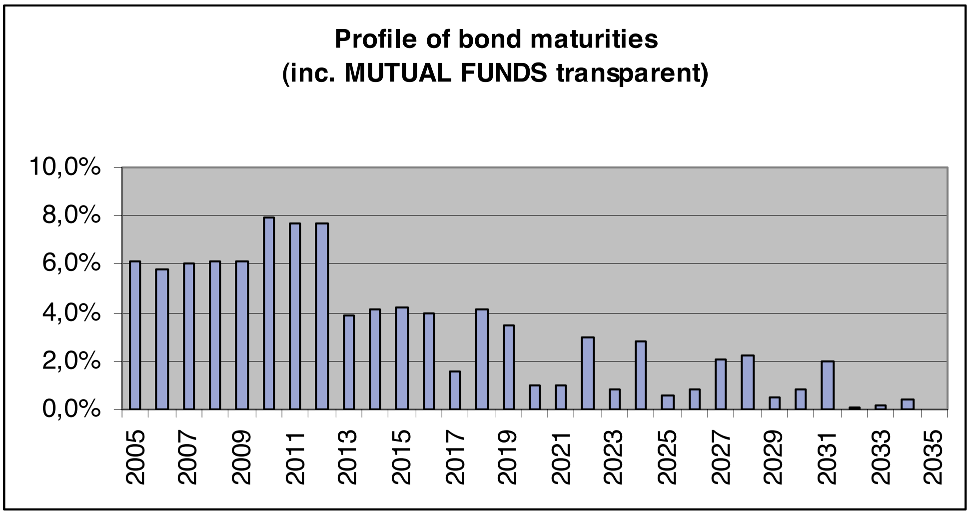
Nature of exposure to liquidity risk

The liquidity risk is analysed overall in the asset/liability approach:

- Identification of a structural cash requirement, corresponding to the cash level to be kept in credit, depending on the liquidity requirements imposed by liabilities, using:
  - Technical cash flow projections in a central scenario
  - Sensitivity scenarios on technical assumptions (production, claims ratio).
- Definition of a reference index for bond management, the results of which support the profile of the liabilities in duration and convexity. This approach is based on validated assumptions of liability outflows and takes into consideration new production.

Maturities

The profile of the annual maturities of the bond portfolios (including mutual funds) is as follows:



Risk management

In addition to the asset/liability approach, the outlines of which were described above, the liquidity ratios in the equity mandates of the Groupama SA subsidiaries have been strengthened in several directions:

- The market value of a security may not exceed:
  - 3% of the capital of the company in question
  - 10% of the float of the company in question
- All the equity portfolios must individually be able to be made liquid (liquidation assumption: 25% of the average daily volume traded on the market during the last three months) under the following rules:
  - 50% in less than two market weeks
  - 75% in less than one month (20 market days)

- 95% in less than three months (60 market days).

At 31 December 2005, all these criteria were met.

A regular verification of these liquidity ratios is performed during each investment committee meeting.

In summary, the equity portfolio may be liquidated:

- 87.4% with a 10 day horizon
- 92.6% with a 20 day horizon (1 trading month)
- 96.8% with a 60 days horizon (3 trading months)

5.2.4 Foreign exchange risk

The assets of the Groupama SA subsidiaries are subject to currency variations on the mutual funds denominated in currencies and the mutual funds denominated in euros based on securities in currencies.

In practice, the portfolios are primarily exposed to the risks:

– Euro – dollar

– Euro – yen

Currency risk as % of equity investments

	% of market value End of December 2005
Euro exposure	92.0%
Non-euro exposure	8.0%

Managing the foreign exchange risk

The foreign exchange risk is hedged nowadays through forward sales of dollars and yen.

The documentation is updated each time the accounts are closed.

Currency derivatives

	Nominal hedged (Euro counter-value)	Unrealised gain (euro)
	at 30/12/05, € m	
Trading derivatives		
Forward sales USD	299.2	77.6
Forward sales JPY	208.0	75.5
Hedging derivatives		0

5.3 Credit risk

5.3.1 Financial investments

Type and amount of exposure to the credit risk

The rating indicated is an average of the ratings published at 31 December 2005 by the three main agencies (S&P, Moodys' and Fitch Ratings)

Ratings in % market value at 31 December 2005

Rating	as %
AAA	50.8%
AA	23.4%
A	17.6%
BBB	4.8%
<BBB	0.1%
NR	3.4%

Concentration of the credit risk

A maximum holding percentage per rating has been implemented in the framework of the management mandates of the Groupama SA subsidiaries. These constraints are monitored monthly by the various investment committees.

The ratios defined for the bond assets are calculated on the market value of the total bond assets of each company (or isolated assets) based on the official rating issued by at least two ratings agencies:

- Investment grade universe (securities with signatures equal to or higher than BBB)
  - AAA: regulatory ratios, which is 5% per issuer, with the exception of the securities issued or guaranteed by a member State of the OECD and CADES securities
  - AA: 3% maximum per issuer
  - A: 1% maximum per issuer
  - BBB: 0.5% maximum per issuer
  - Total BBB issuers may not exceed 10% of the market value of the bond envelope.
- Unrated euro zone universe:
  - 0.5% maximum per issuer, with the exception of securities guaranteed by a member State of the OECD; in this case it is the prudential ratio of this State that applies.
  - The total of unrated issuers (NN) may not exceed 10% of the market value of the bond envelope.
- Non-investment grade universe (high yield):
  - No direct holding in the portfolios is authorized for rate products without ratings and outside the euro zone and the non-investment grade securities known as "high-yield".

Managing the credit risk

The following transactions are systematically covered by guarantee contracts with the banking counterparties in question.

- Forward currency sales made to hedge the foreign exchange risk,
- Rate swaps (rate risk),
- Cap purchases (rate risk).

This systematic collateralization of the hedging operations significantly reduces the counterparty risk related to these over the counter transactions.

5.3.2 Risk of reinsurer insolvency

Cession, which consists of transferring to the reinsurer a portion of the risks accepted by the ceding company, is regularly reviewed to control and limit the credit risk on third party reinsurers. The group security committee examines and approves the list of reinsurers allowed for all external reinsurance ceded.

This list is reviewed in its entirety at least twice a year. During the year, ongoing monitoring is performed to adapt the internal ratings of the accepting companies to the changes that may occur at a reinsurer and that would modify the assessment of its solvency. For any given reinsurance placement, any reinsurer approached for a reinsurance cession outside Groupama must first be on the list of the group security committee.

The approved reinsurers must have a rating compatible with the type of business reinsured, depending on whether they have a short or long accounting run off.

5.4 Operational, legal, regulatory and tax risks

5.4.1 Operational risks

The internal management rules and operational procedures define the manner in which operations must be conducted in performance of the activities of Groupama SA. They are appropriate to each business and each key process. The formalization of the rules and procedures constitutes a guarantee of the permanence of the company's method and expertise over time. These existing rules and procedures cover major operations. They are described in documentation that is regularly updated and is based on a detailed organizational chart and specific delegations of powers.

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the operational holdings of the group's entities. The contracts are distributed among outside insurers for the most significant risks. The principal coverage is the following:

– Employee insurance,
– Civil liability of corporate officers,
– Professional civil liabilities,
– Operating civil liability,
– Property damage insurance (property, offices, equipment, automobile fleets, etc.)

The group's IT unit has a second IT site to ensure operational continuity in the event of losses or failure at the first site.

5.4.2 Legal and regulatory risks

The internal control procedures designed to ensure the conformity of all the operations of Groupama SA are based on the main mechanisms described below.

● ***Application of corporate law and the Commercial Code***

The group's legal department within the administrative division provides legal management for Groupama SA and its insurance subsidiaries and provides legal direction as needed to all the French legal entities of Groupama SA. Within this framework, it ensures the legal safety of its operations and its directors and executives. Internal checks on the effective implementation of administrative legal procedures are based on permanent monitoring tools, entity by entity.

● ***Application of insurance law***

The legal and tax support department within the administrative division of Groupama SA provides information and advice to business departments and to insurance subsidiaries on application of insurance laws in their operational activities or technical support.

● ***Other areas***

Special mechanisms are in place to meet special requirements:

– ethics control designed to prevent insider trading; these responsibilities are borne by a Group Ethics Officer, with the assistance of a person outside the Group, who is responsible for the controls, and an officer within Groupama SA;
– to fight money laundering; the entities are incorporating into their procedures the legal obligations and professional recommendations in this area. The internal control procedures are based on knowledge of the client base, but also on a set of controls performed prior to the transaction, then after the transaction by analyzing the information databases for past transactions. In addition, The Legal Support and Tax Department is responsible for monitoring Group compliance with its obligations to fight money laundering.

5.4.3 Tax risks

The group's tax department has the role of providing information and monitoring regulations for all the entities of the group. It is also regularly questioned about specific technical points and is involved in closing the accounts.

5.5 Monitoring and managing risks related to banking activity

5.5.1 General presentation

This division includes three differentiated activities with very specific types of risk: banking, capital management for third parties and real estate management. The banking sector operates under a regulatory framework organized around the risks described below. The common focus for the companies of the division is monitoring the operational risk.

5.5.2 Banking risks

Risk management is inherent in this activity. Responsibility for risk control, measurement and general supervision is assigned to a dedicated risk control unit.

While the primary responsibility for risks remains with the divisions and businesses that propose the risks, the task of the risk control unit is to ensure that risks taken by the bank are compatible with its risk policies. The unit conducts ongoing risk control, before and after. It regularly transmits its principal findings to the Board of Directors and informs the Board of the measurement methods it has implemented to assess and control the risks.

Risk control is intended to cover all the risks generated by banking activities and to intervene at all levels in the risk chain-from incurring the risk to monitoring it. Its permanent tasks consist of formulating recommendations on risk policies, analyzing the credit portfolio, issuing an opinion on credit files and limits made by the credit committee, guaranteeing the quality and effectiveness of the tracking procedures, defining or validating the risk measurement methods and ensuring exhaustive and reliable identification of risks for the Board of Directors.

- ***Prudential monitoring (solvency)***

Prudential regulations require monitoring the European solvency ratio, which is in the form of a ratio between the level of regulatory equity (Regulation 91-05 and 90-02 of the Banking and Financial Regulatory Committee) and the weighted outstanding amounts at risk (credit risk, market risk) based on defined rules.

- ***The credit risk***

The credit risk is defined as the risk of incurring financial losses because of a debtor's inability to meet its contractual obligations. The credit risk appears in the lending activity, but also in other circumstances when the bank may be confronted with the default of its counterparty in market, investment or even settlement transactions.

- Decision-making procedures

The credit decision-making process is based on a set of delegations. The delegations are classified by amount and degree of risks and on the category of client. Credit proposals must comply with the principles of the general credit policy and specific policies where applicable and, in all cases, with laws and regulations in force. A credit committee chaired by a representative from management and the Board of Directors (as final arbiter) are the ultimate decision-making bodies of the group concerning credit and counterparty risks.

- Monitoring procedures

A monitoring and reporting mechanism is in place and is based on the control teams, whose responsibility is to guarantee conformity with decisions on a permanent basis, the reliability of the reporting data, and the quality of the risk monitoring.

- Impairment procedures

All the loans granted to clients in default are periodically reviewed by the provisions committee to determine any reduction in value that should be applied, based on the terms and conditions for application of the accounting rules used. The proposals of this committee must be validated by the Board of Directors. Impairment is established on the basis of the discounted valuation of probable net recovery flows taking into account the liquidation of the securities held.

- Total limits

The commitment limits per market are defined by the bank's Board of Directors. The limits and outstanding amounts at 31 December 2005 are shown in the table below. This exposure to credit risk is determined without taking into account the effect of the securities received and is equal to the book value of the financial assets recorded on the balance sheet, net of all impairments made.

Market	Limits	Outstanding amounts (€ million) 31/12/2005	31/12/2004
	(€ million)		
Institutions and Group	200	66.86	72.85
Businesses/local authorities	100	69.19	67.35
Individuals	130	111.78	80.06
Small/med. Businesses	40	24.04	20.28
Professional real estate	Not applicable(*)	20.78	21.60
Mutual funds	1,400	1,482.99	786.06
Corporate	700	364.88	316.29
Banks	3,000	2,118.11	1,423.58
Sovereign States	1,000	326.77	455.62

* "run off"activity

- ***Risk division rules***

Prudential supervision (Regulation 93-05 of the Banking and Financial Committee) limits the concentration of commitments by counterparty. This limit is expressed as two criteria:

(i) no outstanding loan may be greater than 25% of the regulatory net assets for one group of beneficiaries and

(ii) (ii) the total of the counterparties exceeding 10% of the regulatory net assets must be less than eight times the regulatory net assets. The outstanding amounts taken into account are weighted under codified rules. Groups, as defined by Regulation 93-05, are considered to be a single counterparty. This is the case for the entities of the Groupama group.

At 31 December 2005, 8 counterparties presented outstanding amounts greater than 10% of the regulatory net assets, while none of them exceeded the 25% ceiling, for an aggregate amount of €161 million.

- ***Supervision of market risks***

This is based on the risk-taking procedures, which are framed by:

– the definition of a set of limits and
– risk tracking on the basis of:
  - Daily calculation of the value and results of the trading positions;
  - Daily monitoring of compliance with the limits notified to each activity, with any overrun being submitted for decision;
  - Regular and independent controls of valuations, and the establishment of reconciliations between the results of the trading room and the accounting results;
  - Control of compliance with the internal rules for backing transactions
  - stress-scenario simulations.

<u>Rate risk</u>

This covers any change in value of a fixed-rate financial instrument due to changes in market interest rates as well as any elements in the future results of a variable-rate financial instrument.

The following limits have been defined for the outstanding amounts in the transaction and investment portfolios, as well as for the associated stop loss. In addition, a stress scenario calculation is performed.

The division operates on the interest swap market solely as part of its hedging strategies.

Based on the level of the outstanding amounts, the division is not currently subject to the prudential supervision ratio for market transactions.

	Limit	31 December 2005
	(€ million)	
Transaction portfolio(*)	10	0
Portfolio available for sale(*)	10	10
Scenario of 40 bp change		- 0.128
Scenario of 200 bp change		- 0.640
Quarterly stop loss	- 0.250	Never reached

(*) excluding shares

Risks related to the change in title deeds

The division does not operate in this type of market.

Counterparty settlement risk

Schedule IV of Regulation 95-02 requires supervision of counterparty settlement events for all transactions relating to the trading portfolio and for transactions initiated by Bank customers for which it is a "del credere"agent. In this respect, no event was recorded in 2005.

Foreign exchange risk

This is the risk that the value of an instrument or of one of the elements in its future results will fluctuate because of changes in foreign currency rates.

The division does not take positions in currencies. Its activity is maintained well below the threshold that requires prudential supervision of the currency risk.

Risk on base product

The division does not operate in this type of market.

- ***Supervision of liquidity***

Transactions on financial instruments generate a liquidity risk, expressing the difficulties the group could have in collecting the funds needed to honour the commitments related to these financial instruments. Given the balance sheet structure of the group, it is not very sensitive to this risk. It is therefore primarily supervised in the framework of the regulatory obligations that require monthly measurements of liquidity based on codified rules (Regulation 88-01 of the Banking Regulatory Committee). The monitoring ratio must always be greater than 100%. Over 2005, the lowest level was 166%.

- ***The effective interest rate (ALM):***

The rate risk related to commercial transactions is driven by the asset/liability unit and managed in a centralized way by the Treasury and Capital Markets department. The rate risk related to shareholders equity and investments is generally managed in the same way.

Position measurements are presented to the monthly Asset/Liability committee by inventory/maturity class/rate category. A "break even"rate for resources is determined and simulations are performed.

- ***Business continuity plan***

Each entity in the division has prepared a Business Continuity Plan (BCP) organized around three mechanisms:

– Activating the crisis unit,

– Back-up of information and IT systems,

– The availability of a backup site.

The BCPs are updated annually. Technical and user installation tests are conducted for the backup sites with the same frequency.

5.5.3 Operational risks

In 2005, the implementation of an operational risk management policy based largely on the provisions of the standard method of the "Basel II" agreements continued. The approach is being gradually deployed in the non-banking subsidiaries, which have each begun to map their operational risks.

CONSOLIDATED FINANCIAL STATEMENTS OF GROUPAMA SA

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars & Guérard
Tour Exaltis
61, avenue Henry Régnault
92075 La Défense Cedex

Report of Independent Auditors on the Consolidated Financial Statements
Year ended 31 December 2006

To the Shareholders,
GROUPAMA SA
8-10 rue d'Astorg
75008 PARIS

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Groupama SA for the year ended December 31, 2006.

The consolidated financial statements have been approved by the Board of Directors . Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2006 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

II – Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter(s):

- Certain consolidated balance sheet items that are specific to insurance and reinsurance business are estimated on the basis of statistical and actuarial data, such as technical reserves, deferred acquisition costs and their amortisation. The methods and assumptions used to calculate the carrying value of these items are described in notes 3.1.2, 3.1.3 and 3.1.4 to the consolidated financial statements.

We have assessed the reasonableness of the assumptions used to calculate these values, particularly with respect to the Group's experience and its regulatory and economic environments. We also assessed the overall consistency of these assumptions.

- The financial assets are classified in various categories on the basis of the criteria described in note 3.2.1 to the consolidated financial statements and in note 6.1 to the consolidated balance sheet, and are valued under the rules applicable to each category described in note 3.2.1 to the consolidated financial statements.

  We have assessed the appropriateness of the impairment tests performed on the basis of the position of the investments and the volatility of the financial markets, and we have assessed the reasonableness of the depreciations made.

- The carrying values of purchase goodwill are tested at each closing for recoverability using the methods described in note 2.4 to the consolidated financial statements.

  We have reviewed the procedures for performing this impairment test and the projections of cash flows and we have assessed the consistency of assumptions used.

- Deferred tax assets are accounted for in accordance with the methods described in note 3.12 to the consolidated financial statements.

  We have assessed the consistency of the assumptions used with the tax projections that emerge from the forecasts drawn up by the Group.

  These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, 15 March 2007

The Independent Auditors

PricewaterhouseCoopers Audit		**Mazars & Guerard**
Michel Laforce	Bénédicte Vignon	Nicolas Robert

PricewaterhouseCoopers Audit	**Mazars & Guérard**
32, rue Guersant	Le Vinci – 4 allée de l'Arche
75017 Paris	92075 La Défense Cedex

Rappport des Commissaires aux Comptes Sur Les Comptes Consolides
Exercice clos le 31 décembre 2006

Aux Actionnaires

GROUPAMA SA
8-10 rue d'Astorg
75008 PARIS

Mesdames, Messieurs,

En exécution de la mission qui nous a été confiée par votre assemblée générale, nous avons procédé au contrôle des comptes consolidés de la société GROUPAMA SA relatifs à l'exercice clos le 31 décembre, tels qu'ils sont joints au présent rapport.

Les comptes consolidés ont été arrêtés par le conseil d'administration. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I – Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en uvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous certifions que les comptes consolidés de l'exercice sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

II – Justification des appréciations

En application des dispositions de l'article L.823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

- Certains postes techniques propres à l'assurance et à la réassurance, à l'actif et au passif des comptes consolidés de votre société, sont estimés sur des bases statistiques et actuarielles, notamment les provisions techniques, les frais d'acquisition reportés et leurs modalités d'amortissement. Les modalités de détermination de ces éléments sont relatées dans les annexes aux comptes consolidés 3.1.2, 3.1.3. et 3.1.4.

  Nous nous sommes assurés du caractère raisonnable des hypothèses retenues dans les modèles de calculs utilisés, au regard notamment de l'expérience du Groupe, de son environnement réglementaire et économique, ainsi que de la cohérence d'ensemble de ces hypothèses.

- Les actifs financiers sont classés dans différentes catégories selon les critères énumérés en annexe aux comptes consolidés 3.2.1. et en note 6.1. sur le bilan consolidé, et sont évalués selon les règles applicables à chaque catégorie décrites en annexe aux comptes consolidés 3.2.1.

  Nous nous sommes assurés du caractère approprié des tests de dépréciation mis en uvre en fonction de la situation des placements et de la volatilité des marchés financiers, et nous avons apprécié le caractère raisonnable des provisions ainsi estimées.

- Le Groupe procède systématiquement, à chaque clôture, à un test de dépréciation des écarts d'acquisition, selon les modalités décrites en annexe aux comptes consolidés 2.4.

  Nous avons examiné les modalités de mise en uvre de ce test de dépréciation ainsi que les prévisions de flux de trésorerie et nous avons vérifié la cohérence d'ensemble des hypothèses utilisées.

- Les actifs d'impôts différés sont comptabilisés selon les modalités décrites en annexe aux comptes consolidés 3.12.

Nous nous sommes assurés que les hypothèses retenues étaient cohérentes avec les projections fiscales issues des prévisions établies par le Groupe.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes consolidés, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III – Vérification spécifique

Nous avons également procédé, conformément aux normes professionnelles applicables en France, à la vérification des informations données dans le rapport sur la gestion du groupe. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Fait à Neuilly-sur-Seine et Paris La Défense, le 15 mars 2007

Les commissaires aux comptes

PricewaterhouseCoopers Audit		**Mazars & Guerard**
Michel Laforce	Bénédicte Vignon	Nicolas Robert

CONSOLIDATED BALANCE SHEET OF GROUPAMA SA
as of 31 December 2006
Assets

		31/12/2006	31/12/2005
		in €m	
Goodwill	Note 2	1,394	1,151
Other intangible assets	Note 3	239	131
Intangible assets		**1,632**	**1,282**
Real estate investments, excluding unit-linked investments	Note 4	3,244	3,083
Owner-occupied properties	Note 5	368	335
Financial investments, excluding unit-linked investments	Note 6	59,244	56,943
Financial investments in unit-linked investments	Note 8	3,618	3,376
Derivative instruments and embedded derivatives treated separately		241	139
Insurance activities investments		**66,715**	**63,876**
Assets used in banking sector activities and investments in other activities	Note 9	**2,410**	**2,193**
Investments in related companies	Note 10	**25**	**31**
Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	Note 11	**1,606**	**1,881**
Other tangible fixed assets	Note 12	150	183
Deferred acquisition costs	Note 13	517	488
Deferred profit-sharing assets	Note 14	64	
Deferred tax assets	Note 15	472	165
Receivables from insurance and reinsurance inwards	Note 16	2,226	1,981
Receivables from outwards reinsurance transactions	Note 17	122	155
Current tax receivables and other tax receivables	Note 18	106	111
Other receivables	Note 19	1,767	1,583
Other assets		**5,425**	**4,666**
Assets available for sale and discontinued activities			
Cash and cash equivalents	Note 20	**736**	**455**
Total		**78,550**	**74,384**

Liabilities

		31/12/2006	31/12/2005
		in €m	
Capital	Note 21	1,187	1,187
Revaluation reserves	Note 21	2,007	1,816
Other reserves	Note 21	1,275	977
Unrealised foreign exch. gains or losses	Note 21	25	13
Consolidated profit	Note 21	600	394
Shareholder's equity (Group share)		5,094	4,387
Minority interests	Note 21	343	252
Total shareholders equity		**5,437**	**4,639**
Contingent liabilities	Note 22	**553**	**607**
Financing debt	Note 24	**2,072**	**1,961**
Operating liabilities related to insurance policies	Note 25	**38,975**	**35,099**
Operating liabilities related to financial contracts	Note 28	**19,842**	**20,868**
Share of liabilities related to deferred profit-sharing	Note 29	**4,081**	**4,385**
Funds from banking sector operations	Note 30	**2,189**	**1,824**
Deferred tax liabilities	Note 31	361	248
Payables owing to unit holders of consolidated mutual funds	Note 32	499	629
Operating liabilities to banking sector companies	Note 33	334	165
Liabilities from insurance or inwards reinsurance activities	Note 34	676	617
Liabilities from outwards reinsurance activities	Note 35	357	394
Current tax payables and other tax payables	Note 36	144	154
Derivative liabilities	Note 37	15	45
Other payables	Note 38	3,015	2,749
Other liabilities		**5,401**	**5,001**
Liabilities related to available for sale or discontinued activities			
Total		**78,550**	**74,384**

2006 CONSOLIDATED OPERATING INCOME STATEMENT OF GROUPAMA SA
as of 31 December 2006

Income statement

		31/12/2006	31/12/2005
		(in €m)	
Premiums written	Note 39	11,197	10,556
Change in unearned premiums		(41)	(181)
Earned premiums		**11,156**	**10,375**
Net banking income, net of cost of risk	Note 39	**168**	**137**
Investment income	Note 40	2,749	2,597
Investment expenses	Note 40	(397)	(373)
Capital gains (losses) from sale of investments net of impairment reversals and amortisations	Note 40	777	949
Change in fair value of investments recorded at fair value through income	Note 40	434	330
Change in impairment on investments	Note 40	2	(14)
Investment income net of expenses		**3,565**	**3,489**
Total income from ordinary operations		**14,890**	**14,001**
Insurance policy servicing expenses	Note 41	(10,801)	(10,509)
Income from reinsurance ceded	Note 42	293	344
Expenses for reinsurance ceded	Note 42	(706)	(607)
Operating expenses for banking	Note 1	(156)	(140)
Policy acquisition costs	Note 44	(1,440)	(1,330)
Administrative costs	Note 45	(665)	(697)
Other income and expenses from current operations	Note 46	(341)	(256)
Total other current income and expenses		**(13,816)**	**(13,195)**
Current operating profit		**1,074**	**806**
Other operating income and expenses	Note 47	(70)	(33)
Operating profit		**1,004**	**773**
Financing expenses	Note 48	(108)	(84)
Share in income of related companies	Note 10	1	2
Corporate income tax	Note 49	(265)	(260)
Net income total		**632**	**431**
Minority interests	Note 21	32	37
Net income (group share)		**600**	**394**

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	Capital	Income (loss)	Consolidated reserve	Revaluation reserves	Unrealised FX gains/ losses	Shareholders equity Group share	Minority interests	Total shareholders equity
					(in €m)			
Shareholders equity as at 31/12/2004	**1,187**	**315**	**674**	**941**	**(3)**	**3,114**	**245**	**3,359**
Appropriation of 2004 profit		(315)	315			0		0
Dividends			(46)			(46)	(36)	(82)
Capital increase						0	3	3
Business combinations						0		0
Effect of transactions with shareholders	**0**	**(315)**	**269**	**0**	**0**	**(46)**	**(33)**	**(79)**
Unrealised foreign exchange gains (losses)					18	18		18
Assets available for sale				2,325		2,325	12	2,337
Shadow accounting				(1,583)		(1,583)	(13)	(1,596)
Deferred taxes			5	145		150	1	151
Actuarial gains (losses) on post-employment benefits			(15)			(15)		(15)
Other			44	(12)	(2)	30	3	33
Profit (loss) for the year		394				394	37	431
Total income and expenses recognised for the year	**0**	**394**	**34**	**875**	**16**	**1,319**	**40**	**1,359**
Total changes for the year	**0**	**79**	**303**	**875**	**16**	**1,273**	**7**	**1,280**
Shareholders equity as at 31/12/2005	**1,187**	**394**	**977**	**1,816**	**13**	**4,387**	**252**	**4,639**
Appropriation of 2005 profit		(394)	394			0		0
Dividends			(88)			(88)	(41)	(129)
Capital increase						0	8	8
Business combinations						0	77	77
Effects of transactions with shareholders	**0**	**(394)**	**306**	**0**	**0**	**(88)**	**44**	**(44)**
Unrealised foreign exchange gains (losses)					14	14	6	20
Assets available for sale				(624)		(624)	(12)	(636)
Shadow accounting				469		469	10	479
Deferred taxes			(3)	339		336	1	337
Actuarial gains (losses) on post-employment benefits			7			7		7
Other			(12)	7	(2)	(7)	10	3
Profit (loss) for the year		600				600	32	632
Total income and expenses recognised for the year	**0**	**600**	**(8)**	**191**	**12**	**795**	**47**	**842**
Total changes for the year	**0**	**206**	**298**	**191**	**12**	**707**	**91**	**798**
Shareholders equity as at 12/31/2006	**1,187**	**600**	**1,275**	**2,007**	**25**	**5,094**	**343**	**5,437**

STATEMENT OF CASH FLOWS (€m)

	31/12/2006	31/12/2005
	(in €m)	
Operating profit before taxes	1,004	773
Gains (losses) on sale of investments	(689)	(551)
Net depreciation charges	51	1
Change in deferred acquisition costs	(25)	(6)
Changes in impairment	(82)	(353)
Net increases in technical reserves related to insurance policies and financial contracts	3,102	3,254
Net increases to other provisions	(47)	22
Change in fair value of investments and financial instruments at fair value through income (excluding cash and equivalents)	(152)	29
Other non-cash items included in operating profit		
Adjustment for items included in Operating Profit that differ from cash flows and reclassified cash flow from financing and investment.		
Change in operating receivables and payables	200	(200)
Change in operating receivables and payables for the banking business	(274)	(212)
Change in securities repurchase agreements	32	11
Cash flows from other assets and liabilities	211	423
Net taxes paid	(157)	(98)
Net cash flows from operating activities	**3,174**	**3,093**
Acquisitions/Disposals of subsidiaries and joint ventures, net of cash acquired	(362)	(18)
Acquisitions/disposals of interests in related companies		
Cash flows from changes in scope of consolidation	(362)	(18)
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(2,510)	(3,480)
Net acquisitions of Real estate investmentss	(166)	(106)
Net acquisitions and/or issues of investments and derivatives from other activities	32	65
Other non-cash items	24	35
Cash flow from acquisitions and issues of investments	(2,620)	(3,486)
Net acquisitions of tangible and intangible assets and non-current operating assets	44	(1)
Cash flows from acquisitions and disposals of tangible and intangible assets	44	(1)
Net cash flows from investing activities	**(2,937)**	**(3,505)**
Dues		
Equity instruments issued	8	5
Equity instruments redeemed		
Transactions on treasury shares	3	(3)
Dividends paid	(131)	(82)
Cash flows from transactions with shareholders and members	(120)	(80)
Cash allocated to financing debt	110	681
Interest paid on financing debt	(108)	(84)
Cash flows related to Group financing	2	597
Net cash flows from financing activities	**(118)**	**517**
Cash and cash equivalents as at 1 January 2006	**313**	**208**
Net cash flows from operating activities	3,174	3,093
Net cash flows from investing activities	(2,937)	(3,505)
Net cash flows from financing activities	(118)	517
Effect of foreign exchange fluctuations on cash	10	
Cash and cash equivalents as at 31 December	**442**	**313**

	31/12/2006	31/12/2005
	(in €m)	
Cash and cash equivalents	455	
Mutual, central bank and postal bank	23	
Operating liabilities to banking sector companies	(165)	
Cash and cash equivalents as at 1 January 2005	**313**	
Cash and cash equivalents	736	
Mutual, central bank and postal bank	40	
Operating liabilities to banking sector companies	(334)	
Cash and cash equivalents as at 31 Dec. 2005	**442**	

NOTES TO THE 2006 CONSOLIDATED FINANCIAL STATEMENTS OF GROUPAMA SA

as of 31 December 2006

1. Significant Events and post-balance sheet events

1.1 Significant Events

1.1.1 Organisation of the Group

Authorisation for an initial public offering of Groupama S.A.

The shareholders' meeting of *Fédération Nationale Groupama* on 24 February 2006 approved in principle an initial public offering of Groupama S.A. to fully or partially finance or refinance Groupama S.A. on the market in view of one or more major acquisitions or to implement a strategic partnership in France and/or abroad.

Pursuant to this authorisation, the shareholders' meeting of Groupama S.A. on 29 June 2006 amended the bylaws of Groupama S.A. so that the Group would be able to react more rapidly in the event of an acquisition opportunity in the market, while at the same time securing majority control in the Mutual for the regional mutuals.

Rationalisation of the Group's financial structure

On 14 December 2006, in its capacity as holding company for equity investment activities, Groupama S.A. acquired all the shares of Groupama International held by the Group's Life companies, which totalled 43.6%. This ownership holding existed for historical reasons and did not have an organisational purpose.

1.1.2 Growth of the Group

Acquisitions in Spain

On 24 January 2006, Groupama Seguros acquired the two subsidiaries of the Azur-GMF group in Spain: Azur Multiramos in non-life (revenue of €34 million in 2005) and Azur Vida (revenue of €10 million in 2005).

Acquisition in Turkey

At the end of a privatisation process in Turkey, early in 2006 Groupama acquired 56.67% of the non-life insurance company Basak Sigorta (€187 million in revenue in 2005) and 41% of the life insurance company Basak Emeklilik (€56 million in revenue in 2005), 38% held by Basak Sigorta, subject to formal approval from the Turkish authorities.

With this acquisition, Groupama became the sixth largest insurer in the Turkish market, which is experiencing one of the fastest growth rates in the world.

Also in Turkey, Groupama is keeping its 36% stake in Günes Sigorta.

Acquisition of a broker in the United Kingdom

On 15 December 2006, Groupama acquired 100% of the broker Carole Nash Insurance Consultants Limited.

With 350 employees in five locations in the northwest of England and Ireland, Carole Nash is among the 30 leading brokers in the United Kingdom, with over 240,000 policyholders. This broker, which has more than €90 million in policies in force, is the leading intermediary in the motorcycle insurance market in England and Ireland and a major player in insuring classic and collector cars.

Partnership with Dexia in lending to local authorities

Groupama and the Franco-Belgian bank Dexia signed a partnership agreement on 14 November 2006 covering the financing of local authorities.

Under the terms of this agreement, Groupama will market financing under the Dexia Crédit Local name to local authorities of fewer than 2,500 inhabitants, with Dexia providing the financial arrangement.

1.1.3 Other developments

Sale of Minster in the United Kingdom

On 24 August 2006, Groupama UK sold of its entire equity stake in Minster Insurance Company Limited. As at 1 January 2003, this company had taken on all of the "run-off" business of the

British subsidiaries, with Groupama Insurance Company Limited taking over operating activities exclusively as at the same date. The purchaser is the investor group BSG Insurance Holdings, composed of the American investment bank Bear Stearns and Caspar Gilroy, a private equity investor.

The sale of Minster Insurance resulted in a capital loss of €7.2 million.

Key data for this entity as of 31 December 2005:

– Total technical reserves	£333 million	€483 million
– Total balance sheet	£426 million	€612 million
– Revenue	£0 million	€0 million

Standard & Poor's and AM Best ratings

On 8 December 2006, Standard & Poor's confirmed its "A" rating on counterparty risk and the financial stability of Groupama S.A. with a stable outlook.

The AM Best credit rating agency also gave Groupama S.A. an "A" rating at year-end 2006.

Awards for the Group's products

The two life insurance policies of Groupama Épargne and Groupama Modulation received the "Quality and Performance" awards in April 2006 in the euro policy category as selected by the *Journal des Finances*. Groupama Modulation had already received several awards in March 2006 from *Revenu and from Gestion de Fortune*.

The 2006 *Dossiers de l'épargne* awarded marks of excellence to the group retirement policies Groupama Dimension Retraite Entreprises, GAN Retraite Entreprises and Dimension Retraite Entreprises as well as the Synergie IFC policy.

Groupama Banque also received three marks of excellence from *Dossiers de l'épargne* for its Astréa 2 Liberté products, including mortgage insurance and securities accounts.

Finally, Groupama Asset Management was honoured with *Trophées du Revenu* in May 2006 , while at the beginning of December 2006, the Groupama Alternatif Equilibre funds received the second highest rating in Tribune/L'EDHEC for its alternative management product.

1.2 Post-balance sheet events

Sale of 15.35% of SCOR share capital

On 21 January 2007, Groupama SA sold a block of 15.35% of SCOR's share capital. This transaction, which was executed as part of the strategy to optimise Groupama's financial management and the allocation of its equity, will result in a capital gain of approximately €150 million in the 2007 consolidated statements. The sale consisted of a private placement with the banks HSBC and UBS. Groupama's residual equity stake in SCOR is 0.67%.

Additional acquisition in Turkey

In November, agreements were signed with the agricultural cooperatives that are the minority shareholders of Basak Sigorta, for the purpose of acquiring their 40.1% equity stake in the insurer's capital. These agreements materialised in the first quarter of 2007. At the same time, an agreement to purchase the shares of the minority shareholders of Basak Groupama Emeklilik (an additional 10% stake) was signed at the beginning of January 2007.

Growth in Greece

On 8 March 2007, Groupama acquired the Greek insurance company Phoenix Metrolife Emporiki Hellenic Insurance Company SA for a total of €95 million. This agreement is subject to statutory approvals.

2. Consolidation principles, methods and scope

2.1. Group perimetre

Groupama S.A. is a French *Société Anonyme* nearly wholly owned, directly or indirectly, by the *Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles* and the *Caisses Spécialisées* ("regional mutuals") which form the mutual division of Groupama. Groupama SA is domiciled in France. Its registered office is at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of share capital at 12 December 2006 was as follows:

- 90.89% by Groupama Holding;
- 8.99% by Groupama Holding 2;
- 0.12% by the former and current agents and employees of Groupama S.A. (directly or through FCPEs – French mutual funds).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes*, are wholly owned by the regional mutuals.

Groupama S.A. is a non-life insurance and reinsurance company, the sole reinsurer for the regional mutuals and the holding company for the capital investment activities of the Groupama group. Its activities are:

- to define and implement the operational strategy of the Groupama group in collaboration with the regional mutuals and in line with the strategies defined by *Fédération Nationale Groupama*;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the reinsurance programme for the entire group;
- to manage direct insurance activity;
- to prepare the consolidated and combined financial statements.

The consolidated financial statements of Groupama S.A. include the reinsurance ceded by the regional mutuals and the business of the subsidiaries.

The combined financial statements relate to the Groupama group, which is composed of all the local mutuals, the regional mutuals, Groupama S.A. and its subsidiaries.

In conducting its activities, the Company is governed by the provisions of the Commercial Code and the Insurance Code under the oversight of the French *Autorité de Contrôle des Assurances et des Mutuelles.*

The relationships between the various entities of the Group are governed by the following:

- within the Groupama S.A. division by capital ties. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain operating autonomy, each of the subsidiaries is subject to the requirements and obligations applicable under Groupama S.A.'s business environment, particularly in terms of control;
- in the mutual division:
    - by an internal reinsurance treaty that binds the regional mutuals to Groupama S.A. This treaty, signed in December 2003 in connection with the businesses acquired by Groupama S.A. at the time of the contribution of the regional mutual reinsurance business granted by the C.C.A.M.A. backdated to 1 January 2003, replaced the general reinsurance regulations that had previously governed the internal reinsurance ties between the regional mutuals and the C.C.A.M.A;
    - by a security and joint liability agreement between all the regional mutuals and Groupama S.A. ("Convention defining the security and joint liability mechanisms of the Caisses de Réassurance Mutuelle Agricole joining the Fédération Nationale GROUPAMA"), which was signed on 17 December 2003, retroactive to 1 January 2003).

2.2. General presentation of the consolidated financial statements

For the purposes of preparing the consolidated financial statements, the accounts of each consolidated entity are prepared in accordance with International Financial Reporting Standards and the interpretations applicable as at 31 December 2006 as approved by the European Union (European

Regulation 1606/2002 of 19 July 2002), the principal applications of which are applied by GROUPAMA as described below.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and applicable interpretations as at 31 December 2006, as approved by the European Union. However, the Group did not opt for early adoption of IFRS 7 concerning disclosures on financial instruments.

The format of the financial statements has been prepared in accordance with the recommendation of the National Accounting Board (*Conseil National de la Comptabilité*–CNC) 2006-R-01 of 30 June 2006 governing the format of financial statements of insurance entities under international accounting standards.

The decisions taken by the Group are based primarily on the summary of the work of the CNC working groups on the specific requirements for implementation of IFRS by insurance entities.

The consolidated subsidiaries, joint ventures and affiliates are consolidated in accordance with IAS 27, IAS 28 and IAS 31.

The Group adopted IFRS for the first time in the financial statements for 2005.

In the notes, all amounts are stated in million of euros unless specified otherwise.

The preparation of the Group's financial statements in accordance with IFRS requires management to make assumptions and estimates which have an impact on the value of the assets, liabilities, income, expenses and notes thereto.

These estimates and assumptions are reviewed on a regular basis. They are based on past experience and other factors, including future events, the occurrence of which seems reasonable under the circumstances.

The actual future results of the transactions for which estimates were necessary may prove to be different from those estimates and result in an adjustment to the financial statements.

The judgments made by management pursuant to the application of IFRS primarily concern:

– Initial valuation and impairment tests performed on intangible assets, particularly goodwill (notes 2.4 and 3.4);
– Evaluation of technical reserves (note 3.1.2);
– Estimate of certain fair values on unlisted investments or real estate assets (notes 3.2.1 and 3.2.2).
– Recognition of deferred taxes as assets (note 3.12);
– Calculation of the provisions for risks and charges, particularly valuation of employee benefits (note 3.10);

2.3. Principles of consolidation

2.3.1. Consolidation scope and policies

A company is included in the consolidation once it, or the sub-group which it heads, on a stand alone basis or with other consolidated businesses, is material in relation to the consolidated financial statements of all companies included in the consolidation. It is assumed that an insurance or banking operational entity must be consolidated once the equity, balance sheet, or earned premiums of this entity represent €30 million of the consolidated equity, or €50 million of the consolidated balance sheet total, or €10 million of the Group's earned premiums.

Mutual funds and property companies are consolidated. Minority pertaining to the mutual funds are disclosed separately as a special financial liability item in the IFRS balance sheet. Under IAS 32, a financial instrument that gives the holder the right to return it to the issuer in exchange for cash is a financial liability. The reverse entry to any change in this liability is taken to the income statement.

- **Consolidating company**

The consolidating company is the company that exclusively or jointly controls other companies, whatever their legal entity status, or which exerts a significant influence on them.

- **Exclusively controlled entities**

Companies exclusively controlled by the Group, whatever their structure, are consolidated. These entities are consolidated once they are controlled. Control is the power to direct the financial and operational policies of the entity in order to obtain the benefits of its activities.

An entity is no longer fully consolidated once the Group no longer exerts effective control over the entity.

Full consolidation consists of:

- integrating in the consolidating company's accounts the items in the accounts of the consolidated companies, after any restatements;
- eliminating transactions and accounts between the fully consolidated company and the other consolidated companies.
- distributing the shareholders equity and the income between the interests of the consolidating company and the interests of the other shareholders or affiliates known as "minority interests";
- **Joint ventures**

When an entity is controlled jointly, it is consolidated using the proportionate consolidation method. Its assets, liabilities, income and expenses are grouped, line by line, with the similar items in the consolidated financial statements of the consolidating entity. Joint control is the sharing of an economic activity under a contractual agreement.

- **Related companies**

Companies over which the Group exerts a significant influence are accounted for using the equity method.

When the consolidating entity holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it is otherwise demonstrated. Conversely, when the consolidating entity holds directly or indirectly less than 20% of the voting rights of the company, it is assumed not to exert a significant influence, unless it can be demonstrated that such influence exists.

The equity method consists of:

- replacing the book value of the shares held by the Group share of shareholders equity including the earnings for the year in accordance with consolidation rules;
- eliminating the transactions and accounts between the equity affiliate and the other consolidated companies.

2.3.2 Change in the scope of consolidation

In comparison with 31 December 2005 and taking into account the transactions presented above, the main changes in the scope of consolidation are as follows:

<u>Newly consolidated companies, acquisitions, formations</u>

France

Increase in the equity stake of Groupama SA in Groupama Banque following the purchase of 20% of the shares. The equity interest rose from 60% to 80% as of 31 December 2006.

Turkey

The companies Basak Sigorta and Basak Emeklilik were acquired in the first half of 2006 and were consolidated with effect from 30 June (the date of effective control). In addition, a holding company, Groupama Investment Bosphorus, was founded in Turkey. Its purpose is in future to hold the investments of the Group in Turkey.

Spain

The companies Azur Multirramos, SA. de Seguros y Reaseguros and Azur Vida, SA. de Seguros y Reaseguros acquired in the first half of 2006 were consolidated with effect from 1 January.

United Kingdom

Acquisition of the broker Carole Nash (see 1.1.2 Growth of the Group)

<u>Sales, deconsolidations</u>

France

The company SCEPAR, which no longer has any activity, has been deconsolidated.

United Kingdom

Sale of Minster Insurance Company Limited (see 1.1.3 Other developments)

Mergers

On 30 May 2006, the company CFP absorbed (with retroactive effect to 1 January) two of its subsidiaries SCIMA and SCIMA II by means of a simplified merger.

2.3.3. Consistency of accounting principles

The Groupama consolidated financial statements are presented consistently for the entity formed by the companies included within the scope of consolidation, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated financial statements (predominance of substance over form, matching of expenses to income, elimination of local tax accounting entries). The consolidated financial statements are prepared using the consolidation methods defined by the Group and comply with:

- International Financial Reporting Standards and interpretations applicable as at 31 December 2006, as approved by the European Union;
- and the valuation methods specified hereinafter.

Restatements under the principles of consistency are made when they are material.

2.3.4. Translation of statements of foreign companies

Balance sheet items are translated to euros at the official exchange rate on the balance sheet date, with the exception of shareholders equity, excluding income, which are translated at historic rates. The Group share of the resulting unrealised foreign exchange gains or losses is recorded under "Unrealised foreign exchange gains or losses" and the remaining share is included in "Minority interests".

Transactions on the income statements are converted at the average rate. The Group share of the difference between earnings converted at the average rate and earnings converted at the closing rate is recorded as "Unrealised foreign exchange gains or losses" and as "Minority interests" for the balance.

2.3.5 Transactions between companies consolidated by GROUPAMA SA

- **Eliminated transactions**

All intercompany transactions are eliminated.

When such transactions affect the consolidated results, 100% of the profits and losses and the capital gains and losses are eliminated, and then allocated between the interests of the consolidating company and the minority interests in the company that recorded the results. In the case of eliminating losses, the Group ensures that the value of the asset transferred is not permanently modified. The elimination of intercompany transactions on assets has the effect of accounting for them at the value they were first recorded in the consolidated balance sheet (consolidated historic cost).

Thus, intercompany transactions on the following must be eliminated:

- reciprocal receivables and payables as well as reciprocal income and expenses;
- notes receivable and notes payable are offset but, if the receivable is discounted, the credit facility granted to the Group is substituted for the note payable;
- transactions affecting commitments received and given;
- reinsurance inwards, ceded and retroceded;
- co-insurance and co-reinsurance operations and pooled management;
- broker and intermediation transactions;
- contractual sharing of revenue of group policies;
- appropriations to provisions for the write-down of equity interests funded by the company holding the securities and, if applicable, appropriations to provisions for risks and charges recognised because of losses suffered by exclusively controlled companies;
- transactions on forward financial instruments;
- gains and losses from the internal transfer of insurance investments;
- intra-Group dividends.

Sale transactions of traded securities followed by the buyback of these same securities are considered to be external transactions.

2.4. Goodwill

First consolidation goodwill corresponds to the difference between the acquisition cost of the shares of consolidated companies and the Group's share of the shareholders equity adjusted on the acquisition date. When not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a special asset item as an intangible asset.

Goodwill is assigned to cash generating units (CGU) of the buyer which are expected to benefit from the combination. A CGU is defined as an identifiable group of assets producing cash flows independently of other assets or groups of assets. In practice, Groupama applied the entity approach.

Goodwill resulting from the acquisition of a foreign entity outside the euro zone is recorded in the local currency of the acquired entity and translated to euros at the closing rate.

For entities acquired during the year, the Group has a twelve month period from the acquisition date to attribute a definitive value to the assets and liabilities acquired. In the absence of any indication of impairment, the recoverable value of these entities in the year they are acquired is considered to be the price paid.

This goodwill is not amortised, but is subject to an impairment test at least once a year. The Group revises the book value of the goodwill if an unfavourable event occurs between two annual tests. An additional impairment is recognised when the recoverable value of the CGU to which the goodwill is assigned is less than its net book value. Recoverable value is defined as the higher of the two following values: fair value or value in use, which corresponds to an approach based on discounted future cash flows.

An impairment of goodwill recognised during a previous year may not be subsequently written back.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost of the company's shares, the identification and valuation of the assets, liabilities and contingent liabilities and the valuation of the cost of the combination is reassessed. If, after this revaluation, the share acquired remains greater than the acquisition cost, this excess is immediately recognised as income.

3. Accounting principles and valuation methods used

3.1 Technical operations

3.1.1. Classification

There are two categories of insurance policies:

- insurance policies and financial contracts with discretionary profit-sharing, which are governed by IFRS 4;
- financial contracts without discretionary profit-sharing, which are governed by IAS 39.

- **Insurance policies**

An insurance policy is a contract under which one party, the insurer, accepts a significant insurance risk from another party, the policyholder, agreeing to indemnify the policyholder if a specified uncertain future event, the insured event, negatively affects the policyholder. An insurance risk is a risk, apart from the financial risk, transferred from the policyholder to the issuer. This risk is significant when an insured event may require an insurer to pay significant additional benefits whatever the scenario, with the exception of scenarios that lack business significance.

The existing accounting practices for insurance policies are maintained, with the exception of the equalisation reserves (see notes 3.1.2.a and 3.1.2.b), provided that the reserves established meet the liability adequacy tests stipulated by international standards (see 3.1.2.c).

- **Financial contracts**

Contracts that do not meet the definition of an insurance policy as described above are classified as financial contracts. There are two categories of financial contracts: financial contracts with and without discretionary profit-sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or date of which is wholly or partially at the insurer's discretion, and the valuation of which is based either on the performance of a set of contracts or a specific contract, or on the profit or loss of the insurer, of a fund or any other entity that issued the contract, or on the realised and/or unrealised return on investments from a portfolio of specified assets held by the issuer.

The accounting methods for financial contracts with discretionary profit-sharing are identical to the methods for insurance policies described above. Financial contracts without discretionary profit-sharing are treated using the valuation procedures described in Note 3.1.3.

If a contract contains both a financial and an insurance component, the financial component is accounted for separately in accordance with IAS 39 if it can be separately valued and if all the obligations related to the financial component could not be considered part of an insurance policy, in application of the provisions of IFRS 4. In all other cases, the entire contract is treated as an insurance policy.

3.1.2 Insurance policies subject to IFRS 4

a. Non-life insurance policies

- **Premiums**

Written premiums represent the gross income premiums, excluding reinsurance tax issues, net of cancellations, of reductions and rebates, of the change in premiums still to be written and of the change in premiums to be cancelled.

Premiums written and adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

- **Policy claims expenses**

Non-life insurance policy servicing expenses essentially include the services and related expenses paid and the change in reserves for claims and other technical reserves.

The services and related expenses relate to the claims settled net of claims receivable collected for the year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment for services.

- **Liabilities related to non-life insurance policies**

- Reserves for unearned premiums

The technical reserves for unearned premiums represent the portion of premiums for the period between the inventory date and the next contract settlement date. They are calculated using the straight line method over the contract term.

- Reserves for outstanding risks

The reserves for outstanding risks are intended to cover the portion of the cost of claims and the related management fees that exceeds the fraction of deferred premiums net of deferred acquisition costs.

- Reserves for outstanding claims

The reserves for outstanding claims represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the year, both declared and undeclared. They include a charge for management fees that is determined on the basis of actual expense rates.

For construction risks, in addition to the reserves for outstanding claims (declared or not yet declared), separate reserves for claims that have not yet appeared are also funded for the ten-year civil liability coverage and the ten-year coverage against structural damage.

Reserves are assessed on the basis of the type of specific risks covered, particularly agricultural and climate risks, and the risks that are highly seasonal in nature.

- Other technical reserves

Actuarial reserves for annuities

The actuarial reserves for annuities represent the present value of the Company's payables for annuities and annuity expenses.

Reserve for increasing risks

This reserve is set aside for periodic premium health and disability insurance policies, for which the risk grows with the age of the policyholders.

Equalisation reserve

No provision is recorded for future risks characterised by low frequency and high unit cost on policies not yet subscribed on the closing date.

- **Deferred acquisition costs**

In non-life insurance, the acquisition costs for unearned premiums are deferred and recorded as assets.

b. Life insurance policies and financial contracts with discretionary profit-sharing

- **Premiums**

Premiums written represent the gross income premiums, excluding reinsurance premiums written tax, net of cancellations, of reductions and rebates, of change in premiums to be written and change in premiums to be cancelled.

- **Policy claims expenses**

The service expenses on life insurance policies and financial contracts with discretionary profit-sharing include:

– all claims once they have been paid to the beneficiary;

– technical interest and profit-sharing that may be included in those claims;

– all costs incurred by the insurance company for the management and payment of claims.

They also include the profit-sharing and the change in life insurance reserves and other technical reserves.

- **Liabilities related to life insurance policies and financial contracts with discretionary profit-sharing**

- Actuarial reserves

Actuarial reserves represent the difference between the present values of the commitments made by the insurer and the policyholder respectively, taking into account the probability that these commitments will be realised. Actuarial reserves are recognised as liabilities at their gross underwriting value before zillmerisation effect.

- Profit-sharing reserve

The profit-sharing reserve consists of a reserve for profit-sharing owed and potentially as a reserve for deferred profit-sharing. This reserve covers both life insurance policies and financial contracts, as well as discretionary and non-discretionary profit-sharing.

The reserve for profit-sharing owed includes the identifiable amounts resulting from regulatory obligations intended for the insurer or the beneficiaries of policies with profit sharing and rebates, to the extent that these amounts have not been credited to the policyholder's account or included in life technical reserves.

The reserve for deferred profit-sharing includes:

– the reserve for unconditional profit-sharing, which is recognised when a difference is recorded between the bases for calculating future rights in the statutory financial statements and the consolidated financial statements;

– the reserve for conditional profit-sharing, which relates to the difference in liabilities between the statutory financial statements and the consolidated financial statements, the payment of which depends on a management decision or the occurrence of an event.

In the specific case of adjustments to the capitalisation reserve in the consolidated financial statements, a reserve for deferred profit-sharing is determined when the asset/ liabilities management assumptions show a probable and sustained recovery in the balance of the capitalisation reserve. The Group has not accrued for profit-sharing commitments when adjusting the capitalisation reserve.

- Application of shadow accounting

For profit sharing contracts, the Group has decided to apply shadow accounting, which is intended to allocate the value of insurance liabilities of deferred acquisition costs and intangible assets related to insurance policies, the effect of unrealised gains and losses on financial assets valued at fair value. The resulting deferred profit-sharing is recorded as a reverse entry to the revaluation reserve or in the income statement, depending on whether these gains and losses have been recognised in this reserve or in the income statement.

Shadow accounting is applied on the basis of a profit-sharing rate that is estimated and applied to unrealised gains and losses. This rate is obtained by applying the regulatory and contractual conditions for calculating profit-sharing observed in recent years.

- Other technical reserves

Reserve for financial contingencies

No reserve for financial contingencies is recorded when the actuarial reserves have been funded on the basis of discount rates at most equal to the forecast yield rates, prudently estimated, of the assets assigned to represent them.

Overall management reserve

The management reserve is constituted when the future margins determined for the purpose of calculating deferred acquisition costs for a homogeneous family of products are negative.

Equalisation reserve

No equalisation reserve is recognised. So-called equalisation reserves intended to cover claims fluctuations are maintained when they are the result of contractual obligations and revert to the policyholder.

- **Deferred acquisition costs**

The variable costs that can be directly allocated to the acquisition of life insurance policies are recorded as assets in the consolidated financial statements. These amounts may not under any circumstances be greater than the present value of future profits from the policies.

These costs are amortised over the average life of the policies based on the rate of emergence of future margins for each generation of policies; future margins are determined using economic assumptions (profit-sharing rate, future rate of return on assets and drop rate). Since these acquisition costs are capitalised, the actuarial reserves appearing on the balance sheet are presented as non-zillmerised.

Every year the probable present value of future margins by homogeneous product family is compared to the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, extraordinary amortisation is recognised in the income statement.

The Group has applied the standard governing shadow accounting for deferred acquisition costs.

c. Liabilities adequacy test

An adequacy test is performed at each accounting closure for liabilities intended to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance policies. Future cash flows resulting from policies take into account their related cover and options. If necessary, and for the purposes of this test, the insurance liabilities are reduced by the deferred acquisition costs and the portfolio values recorded at the time of business combinations or transfers of the related policies.

If there is an insufficiency, the potential losses are recognised in full as a contra entry under income.

d. Unit-linked policies

The technical reserves for unit-linked policies are valued at the market value of the unit-linked contract at the inventory date.

3.1.3. Insurance policies governed by IAS 39

Liabilities relating to significant financial contracts without discretionary profit-sharing must be recognised on the basis of the principle of deposit accounting. Thus the premiums collected and the benefits are recorded on the balance sheet. Management charges and expenses for the contracts are recorded in income. Unearned revenue are spread out over the estimated life of the contract.

The additional costs directly related to management of the investments of a contract are recorded as assets if they can be identified separately and reliably valued, and if it is probable that they will be recovered. This asset, which corresponds to the contractual right acquired by the Group to the profits resulting from the management of the investments, is amortised over the period of management and is symmetrical with recognition of the corresponding profit.

3.1.4. Reinsurance transactions

Reinsurance treaties that include no significant insurance risk are recorded directly on the balance sheet and are included in financial assets and liabilities.

- **Reinsurance assumed**

Inwards reinsurance is recorded treaty by treaty without difference on the basis of an assessment of the business accepted. These transactions are classified using the same rules as described for insurance policies or financial contracts in Note 3.1.1 Classification. In the absence of sufficient information from the reinsurer, estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the reinsurers and retrocessionnaires.

Securities given as collateral are recorded in the statement of commitments given and received.

- **Reinsurance ceded**

Reinsurance cessions are recognised in accordance with the terms of the different treaties. A liabilities deposit is recorded for the amount of the corresponding asset received from outwards reinsurers and retrocessionaires.

Securities from reinsurers (outwards reinsurers and retrocessionnaires) remitted as collateral are recorded in the statement of commitments given and received.

3.1.5. Embedded derivatives

Embedded derivatives are components of compound financial instruments that meet the definition of a derivative product.

They are separate from the host contract and recorded as derivatives when the following three conditions are met:

- the economic features and the risks of the embedded derivative are not closely linked to the economic features and risks of the host contract;
- a separate instrument containing the same conditions as the embedded derivative meets the definition of a derivative;
- the hybrid instrument is not valued at fair value with recognition of the changes in the fair value through the income statement.

When one of these conditions is not met, there is no separation.

3.2 Insurance-sector investments

Investments and any impairment thereon are valued in accordance with IFRS based on the asset class of the investments.

3.2.1. Financial assets

Equities, bonds, loans and receivables, derivatives and bank accounts are considered as financial assets.

- **Classification**

Financial assets are classified in one of the following four categories:

- Assets held for transaction purposes are investments which are held to earn short-term profits. If there have been short-term sales in the past, such assets are also allows classified in this category. Subject to meeting certain criteria, this category also includes financial assets designated as options;
- Assets held to maturity include fixed-term investments that the company expressly intends, and is able, to retain until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above;
- The category of loans and receivables includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market;
- Assets available for sale include by default all other fixed-term financial investments, equities, loans and receivables that are not included in the other categories.

- **Initial recognition**

The Group books its financial assets when it becomes a party to the contractual provisions of these assets.

Purchases and sales of financial investments are recorded on the transaction date.

Financial assets are initially recorded at fair value plus; in the case of an asset that is not at fair value in the income statement, the transaction costs directly chargeable to the acquisition. However, the transaction costs are not included in the acquisition cost of the financial assets when they are not significant.

Repurchase transactions are maintained as assets on the balance sheet.

- **Determination of fair value**

The fair value of the financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.

For assets available for sale and assets held for transactions, the fair value is the listed value on the last listing date of the period or the value estimated using reliable valuation techniques. If the fair value cannot be reliably determined, the investment is recorded at historic cost minus long-term impairment reserves, if any.

For loans and receivables, the fair value is the amortised cost.

- **Valuation rules**

The valuation rules and any impairment must be understood as depending on the classification of the financial instrument in one of the four categories given above.

Assets held for transactions are recorded at fair value at the price as of the balance sheet date in the income statement.

Financial assets held to maturity, unlisted equities for which the fair value cannot be measured reliably, and loans and receivables are recorded at amortised cost or historic cost. The amortised cost is the amount at which the asset was valued at the time of initial recognition, minus repayments of principal, plus or minus the cumulative amortisation of the differences between the initial amount and the amount at maturity (based on the effective interest rate) and corrected for any provisions for impairment.

The differences between the redemption value and the acquisition price are distributed actuarially as expenses (adjustment) or as income (discount) over the residual life of the securities. When several redemption dates are provided, the residual life is determined on the basis of the final redemption date.

For inflation-indexed bonds, the indexing to the general level of prices recorded during the period since the acquisition date or since the end of the previous period is recorded as income or expense for the period, with the balance sheet contra entry in a sub-account attached to the principal account of the bond.

Assets available for sale are valued at fair value and the unrealised gains or losses are recorded in a separate item under shareholders equity.

Investments representing unit-linked policies are valued at fair value.

- **Provisions for impairment**

At each closing date, the Group looks for the existence of objective indications of impairment in its investments. Impairment is assumed in the following cases:

- if there was a provision for impairment for an investment type in the previous published financial statements;
- the financial investment has shown a significant loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of sustained impairment;
- if a large loss in value is observed on the balance sheet date.

The criteria for impairment are based on the volatility of the financial markets on the balance sheet date. In addition, certain securities may be reviewed in relation to a potential need for a specific provision.

For investments valued at amortised cost, the amount of the loss is equal to the difference between the net book value of the assets and the discounted value of the future cash flows expected, determined on the basis of the original effective interest rate of the financial instrument, and corrected for any provisions. The amount of the loss is included in the net profit or loss for the year. The provision may be written back to income.

For investments classified as assets available for sale, the impairment amount is equal to the difference between the acquisition cost and the fair value for the year, minus any loss of value on this asset previously recognised in net profit or loss. When impairment occurs, the loss of value recorded under shareholders equity is transferred to income or loss.

In the case of debt instruments, only the counterparty risk may be accrued. Moreover, when the fair value of an asset subsequently improves, a write-back is made to income in the amount of the provisions recognised. In the case of shareholders equity instruments, there is no write-back of provisions through income. The impairment recorded on a shareholders equity instrument will be reversed to income when the asset in question is sold.

- **Capitalisation reserve**

The capitalisation reserve is eliminated in the consolidated financial statements. It is taxed as described in Note 3.12.

- **De-recognition**

Financial assets are eliminated when the contract rights expire or the Group sells the financial assets. The gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of the securities carried by the mutual funds. The method used for mutual funds is the weighted average cost method.

The gains or losses from sales are recorded on the income statement on the transaction date and represent the difference between the sale price and the net book value of the asset.

3.2.2. Real estate investments

The Group has chosen to record real estate investments using the amortised cost method. They are valued using the component approach.

- **Initial recognition**

Lands and buildings are recorded on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly tied to the transaction.

When a real estate asset includes a portion held to produce rental income and another part used for production or administrative purposes, the asset is treated as a real estate investment only if the latter is not significant.

At the time of the initial accounting, the real estate is subdivided by components and recorded separately.

The amortisation periods for the components held by the Group depend on the nature of the property under consideration and are as follows:

- Building structure (depreciation period between 30 and 120 years),
- closed – covered (depreciation period between 30 and 35 years),
- heavy equipment (depreciation period between 20 and 25 years),
- secondary equipment, fixtures and fittings (depreciation period between 10 and 15 years),
- maintenance (depreciation period: 5 years).

- **Valuation**

The amortised cost of the real estate is the amount at which the real estate has been recorded at the time of initial recognition, minus cumulative depreciation and corrected for any provisions for impairment. Each component is identified by its duration and depreciation rate: the depreciation period for all the components is between 15 and 120 years.

The residual value of the shell component cannot be measured with sufficient reliability, particularly given the uncertainties about the holding horizon; thus this component is amortised on the basis of the acquisition cost.

Rent payments are recorded using the straight line method over the term of the lease agreement.

The realisable value of real estate investments is determined on the basis of the five-year independent appraisal conducted by an expert approved by the *Autorité de Contrôle des Assurances et des*

Mutuelles. During each five-year period, the real estate investment is subject to an annual appraisal certified by the expert.

As the maintenance component is not considered significant, provisions for major repairs (PMR) are eliminated.

- **Subsequent expenses**

Subsequent expenses must be added to the book value of the real estate:

- if it is probable that these expenses will allow the asset to generate economic benefits;
- and these expenses can be reliability valued.

- **Provisions for impairment**

On each balance sheet date, the Group determines whether there are indications of a potential loss of value on the properties recognised at amortised cost. If this is the case, the realisable value of the real estate is calculated as being the higher of two values: the sale price net of sale costs and the value in use. If the realisable value is less than the net book value, the Group recognises a loss of value in the income statement in the amount of the difference between the two values, and the net book value is adjusted to reflect only the realisable value.

When the value of the real estate increases at a later time, the provision for impairment is written back to income.

- **De-recognition**

Gains or losses from the sale of real estate investments are recorded in the income statement on the transaction date and represent the difference between the net sale price and the net book value of the asset.

3.3. Derivatives

3.3.1. General

A derivative is a financial instrument with the following three features:

- its value fluctuates on the basis of the change in a specific variable known as the "underlying asset";
- it requires a net zero or low initial investment compared with other instruments that react in the same way to market changes;
- it is unwound at a future date.

All derivatives are recorded on the balance sheet at cost and are subsequently valued at fair value. The changes in fair value are recorded as income or loss.

3.3.2. Hedging derivatives

The use of hedge accounting is subject to obligations for documentation and periodic demonstration of the efficacy of the hedge.

Hedging derivatives are recorded at fair value with changes on the income statement, except for hedges of cash flows considered as effective, for which the changes in fair value are deferred as shareholders equity until the cash flows hedged are recognised in the income statement.

For a value hedge of a security available for sale, the changes in fair value of the hedged item are recorded as income or loss so that they exactly offset the changes in the hedging derivative.

The ineffective portion of hedges is recorded in the income statement.

3.3.3. Embedded derivatives

The three conditions that require separate accounting between the host contract and the derivative instrument are listed in Note 3.1.5.

3.4 Intangible fixed assets

An intangible fixed asset is an identifiable asset, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

Intangible fixed assets consist primarily of purchased and developed software, portfolio values, the brand name, the value of customer relationships, and the value of networks recognised in business combinations.

Intangible fixed assets with a finite life are amortised. When their values are based on future income from contracts, their depreciation is applied at the same rate as that income is received. In other cases, the straight line method is usually applied over the asset's life.

If the life cannot be determined, intangible fixed assets are not amortised but are instead regularly tested for impairment.

Start-up costs are expensed rather than capitalised.

3.5 Tangible fixed assets

The Group has chosen to value owner-occupied premises using the amortised cost method. These properties are presented on a line separate from real estate investments as assets. The accounting and valuation method is identical to the method described for real estate investments.

Tangible fixed assets other than owner-occupied premises are initially recognised at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for installation and payment discounts.

The depreciation methods reflect the method of economic consumption.

An impairment test is conducted once there is an indication of a loss of value. The loss of value is reversible and corresponds to the surplus between the book value over the realisable value, which is the higher of net fair value of withdrawal costs and the value in use.

3.6 Investments in related companies

Investments in related companies are consolidated using the equity method. At the time of acquisition, the investment is recognised at the acquisition cost and its net book value is subsequently raised or reduced to take into account the Group share of profits or losses.

3.7 Operating receivables and payables, other assets and other liabilities

Operating receivables and other assets are recognised at face value, taking into account any potential transaction costs.

Operating payables and other liabilities are recorded at the fair value of the consideration received in exchange at the origin of the contract, net of transaction costs.

In the absence of a specific IFRIC interpretation, commitments to purchase minority interests are recorded in other liabilities and offset against minority interests and recognised in goodwill. Moreover, the minority interests on the consolidation of mutual funds are included in other liabilities.

3.8 Cash and cash equivalents

Cash and cash equivalents primarily represent the balances in the bank accounts of Group entities.

3.9 Shareholders equity

- **Revaluation reserves**

The revaluation reserve includes the differences resulting from the revaluation at fair value of balance sheet items, particularly:

- the effects of the revaluation of derivative instruments assigned to hedge cash flows and net investments in currencies pursuant to the provisions of IAS 39. These are unrealised gains and losses;
- the effects of the revaluation of financial assets available for sale in accordance with the provisions of IAS 39. These are unrealised gains and losses;
- the cumulative impact of the gain or loss from shadow accounting.
- the cumulative impact of the deferred tax gain or loss generated by the transactions described above;

- **Other reserves**

Other reserves consist of the following elements:

- Retained earnings;
- Group consolidation reserves;
- Other regulated reserves;

– The impact of changes in accounting principles.

- **Unrealised foreign exchange gains and losses**

Unrealised foreign exchange gains or losses result from the consolidation process because of the conversion of the statutory financial statements of foreign subsidiaries prepared in a currency other than the euro.

- **Minority interests**

Minority interests represent the share in the net assets and net earnings of a fully consolidated Group company. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries (concerning the purchase of minority interests and minority interests on consolidated mutual funds, refer to Note 3.7).

3.10 Provisions for risks and charges

Provisions for risks and charges are liabilities for which the due date or the amount is uncertain. A provision must be recognised if the following three conditions are met:

– the company has a current legal or implicit obligation that is the result of a past event;

– it is probable that a disbursement of resources representing economic benefits will be necessary to discharge the obligation;

– it is possible to obtain a reliable estimate of the amount of the provision.

When the impact of the time value of the money is substantial, the amount of the provisions is discounted to the present value of the expected expenditures which the company believes necessary to discharge the obligation.

- **Employee benefits**

- **Pension commitments**

The companies of the Group have different pension schemes. The schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations. The Group has defined benefit schemes and defined contribution schemes. A defined contribution scheme is a pension plan under which the Group pays fixed contributions to an independent entity. In this case, the Group is not bound by any legal or implied obligation forcing it to contribute additional amounts to the scheme in the event the assets are not sufficient to pay all employees the benefits owed for the services rendered during the current and previous years. Pension schemes that are not defined contribution schemes are defined benefit schemes. This is the case, for example, for a scheme that defines the amount of the pension benefit that will be collected by an employee at retirement, which is generally a function of one or more factors, such as age, seniority and salary.

The liabilities recorded in the balance sheet for defined benefit pensions and similar schemes correspond to the discounted value of the obligation linked to the defined benefit schemes at closing, after deducting scheme assets and the adjustment for past service costs not recognised.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recorded directly in shareholders equity.

The costs of past services are immediately recognised in income, unless the changes in the pension scheme are subject to employees working over a defined period (the vesting period). In this case, the costs of past services are amortised using the straight line method over this vesting period.

For defined contribution schemes, the Group pays contributions to pension insurance schemes and is not liable for any other payment commitment. The contributions are recorded as expenses related to employee benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 Financing debt

Financing debt includes subordinated liabilities, financing debt represented by securities, and financing debt to banking institutions.

- **Initial recognition**

Financing debts are recognised when the Group becomes a party to the contractual provisions for such debts. The amount of the financing debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of such debts.

- **Valuation rules**

Financing debt is subsequently valued at amortised cost using the effective interest rate method.

- **De-recognition**

Financing debts are eliminated when the obligation specified in the contract is discharged, cancelled or expires.

3.12 Taxes

Corporate income tax includes all current and deferred taxes. When a tax is payable or receivable and payment is not subject to the execution of future transactions, such tax is classified as current, even if the payment is spread over several years. It appears as an asset or liability on the balance sheet as applicable.

The transactions performed by the Group may have positive or negative tax consequences other than those used to calculate current tax, which leads to deferred tax assets or liabilities.

This is particularly the case when, because of completed transactions that are treated in both statutory financial statements and only in the consolidated financial statements as restatements and eliminations of intercompany profits or losses, differences will appear in the future between the tax income and the accounting income of the company, or between the tax value and the book value of an asset or liability, for example when transactions performed during a year are taxable only in the following year. These differences are classified as timing differences. In addition, the capitalisation reserve is included in the base for calculating deferred taxes.

All deferred tax liabilities must be recognised; however, deferred tax assets are only recognised if it is likely that taxable income (against which these deductible timing differences can be charged) will be available.

3.13 Segment information

A segment is a distinct component of a company that is engaged either in supplying a product or service (a life/non-life/banking segment. or a health and life insurance/property damage and third party liability/banking/holding company segment) or in supplying products or services in a specific economic environment (France/foreign geographic segment), and is exposed to risks and profitability that are different from the risks and profitability of the other segments.

Beginning in 2006, segment information is also included in the income statement under the heading ''Health and life insurance/property and third party liability insurance/banking/holding company''.

A segment is defined as such once most of the income from sales to external clients and once the income, results or assets represents at least 10% of all segments. Segment information is presented at two levels. The first level is organised by geographic segment. The second level is based on the business sector.

3.14 Costs by function

Management fees and commissions related to insurance business are classified on the basis of their function by applying distribution keys defined as a function of the structure and organisation of each of the insurance entities.

Expenses are classified in the following six categories:

- acquisition costs,
- administrative costs,
- claims settlement costs,
- investment expenses,
- other technical expenses,
- non-technical expenses.

4. NOTES TO THE FINANCIAL STATEMENTS

Note 1 Segment information

Note 1.1 Segment information by geographic area

Note 1.1.1 Segment information by geographic area – balance sheet

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Intangible assets	1,038	595	1,633	1,016	265	1,282
Insurance activities investments	61,088	5,627	66,715	58,253	5,623	63,876
Assets used in the banking sector and investments of other activities	2,410		2,410	2,193		2,193
Investments in related companies	1	24	25	1	30	31
Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	1,241	366	1,606	1,381	500	1,881
Other assets	3,725	1,700	5,425	3,267	1,399	4,666
Assets available for sale and discontinued activities						
Cash and cash equivalents	360	376	736	241	214	455
Total consolidated assets	**69,863**	**8,687**	**78,550**	**66,352**	**8,032**	**74,384**
Provisions for risks and charges	457	97	553	514	93	607
Financing debt	2,072		2,072	1,961		1,961
Operating liabilities related to insurance policies	33,874	5,102	38,975	30,085	5,014	35,099
Operating liabilities related to financial contracts	19,144	698	19,842	20,156	712	20,868
Deferred profit sharing liability	4,066	15	4,081	4,334	51	4,385
Funds from banking sector operations	2,189		2,189	1,824		1,824
Other liabilities	4,946	454	5,400	4,598	403	5,001
Liabilities for activities to be sold or discontinued						
Total consolidated liabilities	**66,747**	**6,366**	**73,113**	**63,472**	**6,273**	**69,745**

Note 1.1.2 Segment information by geographic area – income statement

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Earned premiums	8,914	2,243	11,156	8,475	1,900	10,375
Net banking income, net of cost of risk	168		168	137		137
Investment income	2,504	245	2,749	2,382	215	2,597
Investment expenses	(347)	(50)	(397)	(327)	(46)	(373)
Capital gains (losses) from sales of investments net of impairment reversals and amortisations	718	58	777	886	63	949
Change in fair value of financial instruments recorded at fair value through income	434	1	434	306	25	330
Change in impairment on investments	3	(1)	2	(4)	(10)	(14)
Total income from ordinary operations	**12,393**	**2,496**	**14,890**	**11,854**	**2,147**	**14,001**
Insurance policy servicing expenses	(9,073)	(1,727)	(10,801)	(8,994)	(1,516)	(10,509)
Income from reinsurance ceded	183	110	293	311	33	344
Expenses on reinsurance ceded	(574)	(133)	(706)	(539)	(68)	(607)
Banking expenses	(156)		(156)	(140)		(140)
Policy marketing costs	(1,035)	(405)	(1,440)	(1,001)	(328)	(1,330)
Administrative expenses	(528)	(137)	(665)	(582)	(115)	(697)
Other income and expenses from current operations	(288)	(53)	(341)	(234)	(22)	(256)
CURRENT OPERATING PROFIT	**921**	**152**	**1,074**	**676**	**130**	**806**
Other operating income and expenses	(43)	(27)	(70)	(33)	(1)	(33)
OPERATING PROFIT	**878**	**126**	**1,004**	**643**	**130**	**773**
Financing expenses	(108)		(108)	(84)		(84)
Share in income of related companies	1		1	1	1	2
Corporate income tax	(251)	(14)	(265)	(227)	(33)	(260)
Net profit of consolidated entity	**520**	**112**	**632**	**333**	**98**	**431**
Minority interests	38	(7)	32	36	1	37
Net profit (Group share)	**481**	**118**	**600**	**297**	**97**	**394**

Note 1.2 ***Segment information by business sector***

Note 1.2.1 Segment information by business sector – balance sheet

	31/12/2006					31/12/2005				
	Life	**Non-life**	**Banking**	**Intersector eliminations**	**Total**	**Life**	**Non-life**	**Banking**	**Intersector eliminations**	**Total**
					(€m)					
Goodwill	740	633	21		1,394	693	438	20		1,151
Other intangible assets	146	85	8		239	47	71	13		131
Insurance activities investments	54,176	14,712		(2,174)	66,715	50,966	14,843		(1,933)	63,876
Assets used in the banking sector and investments of other activities			2,720	(310)	2,410			2,215	(22)	2,193
Investments in related companies		25			25		31			31
Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	271	1,472		(137)	1,606	256	1,744		(119)	1,881
Other assets	3,220	2,825	184	(804)	5,425	2,689	2,504	157	(684)	4,666
Assets available for sale and discontinued activities										
Cash and cash equivalents	167	570	16	(16)	736	147	308			455
Total consolidated assets	**58,720**	**20,321**	**2,949**	**(3,440)**	**78,550**	**54,798**	**19,939**	**2,405**	**(2,758)**	**74,384**
Provisions for risks and charges	172	372	9		553	198	400	9		607
Financing debt	102	2,167	27	(224)	2,072	103	2,055	27	(224)	1,961
–Operating liabilities related to insurance policies	28,559	10,552		(136)	38,975	24,373	10,845		(119)	35,099
Operating liabilities related to financial contracts	19,842				19,842	20,868				20,868
Deferred profit-sharing liabilities	4,081				4,081	4,385				4,385
Resources for banking sector activities			2,514	(325)	2,189			1,846	(22)	1,824
Other liabilities	2,406	5,613	136	(2,755)	5,400	2,358	4,760	276	(2,393)	5,001
Liabilities for available for sale or discontinued activities										
Total consolidated liabilities	**55,163**	**18,704**	**2,686**	**(3,440)**	**73,113**	**52,285**	**18,060**	**2,158**	**(2,758)**	**69,745**

The balance sheet items of the holding company are included in the non-life segment of the segment information.

Note 1.2.2 Segment information by business sector – life/non-life – income statement

	31/12/2006				31/12/2005			
	Life	**Non-life**	**Banking**	**Total**	**Life**	**Non-life**	**Banking**	**Total**
				(€m)				
Earned premiums	4,484	6,672		11,156	4,161	6,214		10,375
Net banking income, net of cost of risk			168	168			137	137
Investment income	1,859	890		2,749	1,728	869		2,597
Investment expenses	(137)	(260)		(397)	(111)	(263)		(373)
Capital gains (losses) from sales of investments, net of impairment reversals and amortisations	541	236		777	662	287		949
Change in fair value of financial instruments recognised at fair value through income	413	21		434	368	(38)		330
Change in impairment on investments	3	(1)		2	(10)	(4)		(14)
Income from ordinary activities	**7,163**	**7,558**	**168**	**14,890**	**6,799**	**7,065**	**137**	**14,001**
Insurance policy servicing expenses	(6,410)	(4,390)		(10,801)	(6,040)	(4,469)		(10,509)
Income on reinsurance ceded	30	264		293	23	321		344
Expenses on reinsurance ceded	(32)	(674)		(706)	(28)	(579)		(607)
Banking expenses			(156)	(156)			(140)	(140)
Policy marketing costs	(333)	(1,107)		(1,440)	(300)	(1,030)		(1,330)
Administrative costs	(155)	(510)		(665)	(131)	(566)		(697)
Other income and expenses from current operations	(52)	(294)	5	(341)	(86)	(176)	6	(256)
Current operating profit	**211**	**847**	**17**	**1,074**	**237**	**566**	**3**	**806**
Other operating income and expenses		(71)	1	(70)		(33)		(33)
Operating profit	**211**	**776**	**18**	**1,004**	**237**	**533**	**3**	**773**
Financing expenses	(23)	(85)		(108)	(17)	(67)		(84)
Share in income of related companies		1		1		2		2
Corporate income tax	(57)	(190)	(19)	(266)	(77)	(169)	(14)	(260)
Net profit of consolidated entity	**131**	**502**	**(1)**	**632**	**143**	**299**	**(11)**	**431**
Minority interests	3	28		32	4	33		37
Net profit (Group share)	**128**	**474**	**(1)**	**600**	**139**	**266**	**(11)**	**394**

The income and expenses of the holding company's activities are included in the non-life segment of the segment information.

Note 1.2.3 Segment information by business sector – life and health insurance/property damage and third party liability/banking/holding company – income statement

	31/12/2006					31/12/2005				
	Life and health insurance	**Property damage and liability.**	**Banking**	**Holding co.**	**Total**	**Life and health insurance**	**Property damage and liability.**	**Banking**	**Holding co.**	**Total**
					(€m)					
Earned premium	6,036	5,121			11,157	5,562	4,813			10,375
Net banking income, net of cost of risk			168		168			137		137
Investment income	2,124	593		33	2,750	1,977	596		24	2,597
Investment expenses	(188)	(156)		(54)	(398)	(167)	(163)		(44)	(374)
Capital gains (losses) from sales of investments net of impairment reversals and amortisations	586	169		22	777	729	202		18	949
Change in fair value of financial instruments recorded at fair value through income	416	15		3	434	362	(5)		(26)	331
Change in impairment on investments	3			(2)	1	(12)	(2)			(14)
Total income from ordinary operations	**8,977**	**5,742**	**168**	**2**	**14,889**	**8,451**	**5,441**	**137**	**(28)**	**14,001**
Insurance policy servicing expenses	(7,608)	(3,193)			(10,801)	(7,190)	(3,319)			(10,509)
Income on reinsurance ceded	80	213			293	88	256			344
Expenses on reinsurance ceded	(79)	(627)			(706)	(60)	(547)			(607)
Banking expenses			(156)		(156)			(140)		(140)
Policy marketing costs	(561)	(879)			(1,440)	(492)	(838)			(1,330)
Administrative costs	(244)	(421)			(665)	(245)	(445)		(7)	(697)
Other income and expenses from current operations	(118)	(154)	5	(74)	(341)	(107)	(98)	6	(57)	(256)
Current operating profit	**447**	**681**	**17**	**(72)**	**1,073**	**445**	**450**	**3**	**(92)**	**806**
Other operating income and expenses	(23)	(19)	1	(29)	(70)	(18)	(21)		7	(32)
OPERATING PROFIT	**424**	**662**	**18**	**(101)**	**1,003**	**427**	**429**	**3**	**(85)**	**774**
Financing expenses	(30)	(19)		(58)	(107)	(24)	(17)		(43)	(84)
Share in income of related companies		1			1		1			1
Corporate income tax	(137)	(179)	(19)	70	(265)	(139)	(119)	(14)	11	(261)
Net income of consolidated entity	**257**	**465**	**(1)**	**(89)**	**632**	**264**	**294**	**(11)**	**(117)**	**430**
Minority interests	10	22			32	9	27			37
NET PROFIT (GROUP SHARE)	247	**443**	**(1)**	**(89)**	**600**	**255**	**267**	**(11)**	**(117)**	**393**

NOTES ON THE CONSOLIDATED BALANCE SHEET

NOTE 2
GOODWILL

	31/12/2006					31/12/2005
	Gross values	Cumulative amortisation as at 1 Jan 2004	Impact of implementation of IFRS	Impairment	Net values	Net values
			(million of euros)			
Balance brought forward	**2,107**	**(529)**	**(426)**		**1,151**	**1,145**
Changes during the year	**37**			**(15)**	**22**	**6**
Newly consolidated entities:	**223**			**(3)**	**220**	
Turkey	113				113	
Spain	3			(3)		
United Kingdom	107				107	
Deconsolidated						
Balance carried forward	**2,367**	**(529)**	**(426)**	**(18)**	**1,394**	**1,151**

The column "amortisation" reflects the straight line charges based on French accounting principles (Regulation CRC No. 2000-05) applied until 31 December 2003. Beginning on 1 January 2004, in accordance with IFRS, an intangible asset with an indeterminate life is not amortised on a straight line basis, but is instead subjected to impairment tests. Goodwill is included in assets with an indeterminate life and is therefore not amortised.

The application of IFRS for the balance sheet as at 1 January 2004 resulted in impairment of €426 million in the goodwill recorded in the consolidated French financial statements. This impairment, net of amortisations of negative goodwill was recorded in shareholders equity in the opening balance sheet as a change in accounting methods that occurred during the year. It reflects the change in balances due to the tests introduced, which resulted in the recognition in the net IFRS balance of income previously considered not yet earned for accounting purposes based on the former standards (unrealised amounts payable to a shareholder, equalisation provisions, and tax receivables.) The coordination of future cash flows with margin factors already included in the net IFRS position resulted in the automatic impairment of a portion of the intangible assets recorded on the balance sheet in accordance with the former accounting principles.

Income (loss) for the year

United Kingdom: The changes for the year relate to Clinicare, which was acquired by Groupama Insurances Company Limited at the end of 2005.

In accordance with IFRS, the Group had the option of adjusting the fair values of assets and liabilities acquired in the 12 months following the transaction. The initial goodwill was therefore reviewed. The residual goodwill on this transaction stood at zero as at 31 December 2006.

Groupama Transport: At the time of the acquisition agreement for this entity, dated 19 June 2000, an addition to the acquisition price was planned, based on the entity's future performance. It was possible to determine this additional price at the end of 2006, resulting in an addition to goodwill of €19.5 million. A final adjustment depending on the liquidation of the portfolio was considered. A deferred additional price, including an estimation of this adjustment, has been included in the accounts.

Groupama Banque: Groupama S.A. purchased 20% of Groupama Banque's shares during the year. This purchase produced €19 million in goodwill. This additional goodwill was written down to a net value of €8 million.

Acquisitions for the year

Turkey: Two companies were acquired during 2006 for a total price of €211 million. These acquisitions concerned:

– Basak Emeklilik, a life company

– Basak Sigorta, a non-life company.

After revaluation of the assets and liabilities at fair value, the excess value on consolidation was applied to various items in intangible assets, and the remaining balance was included in goodwill.

(exchange rates as at 31 December 2006)	Basak Emeklilik	Basak Sigorta	Groupama Investment Bosphorus	Total balance sheet
		€m		
Value of the distribution network and customer relationships	50			50
Value of the Life portfolio	41			41
Value of the 'Basak Groupama' brand name			21	21
Total 'Other Intangible Assets'	91		21	112
Goodwill(1)	47	66		113

(1) the goodwill amounts cited above are recorded in proportion to the share held in Basak Emeklilik and Basak Sigorta by Groupama, 79% and 56.67% respectively.

In non-life insurance, the portfolio value is not material due to the level of the acquired portfolio's combined ratio.

United Kingdom: Acquisition of the broker Carole Nash on 15 December 2006 produced an initial consolidated goodwill of €107 million. In accordance with IFRS 3, the Group has a period of 12 months to allocate the acquisition price to identifiable assets and liabilities.

Spain: Groupama Seguros acquired the companies Azur Multiramos and Azur Vida in 2006 for a total amount of €61 million. This transaction generated goodwill which was recorded in expenses because it was not material in amount.

Note 2.1 Goodwill by company

	31/12/2006					31/12/2005
	Gross values	**Cumulative amortisation as at 01.01.2004**	**Impact of implementation of IFRS**	**Impairments**	**Net values**	**Net values**
			(€m)			
Total international	**540**	**(53)**	**(6)**	**(7)**	**473**	**259**
Italy	103	(29)			74	75
United Kingdom	60	14	37	(4)	107	6
Turkey	133	(19)			114	
Spain	239	(16)	(42)	(3)	178	178
Portugal	(4)	1	3			
Switzerland	1	(1)				
Luxembourg	6	(1)	(4)			
Hungary	2	(2)				
Total France and foreign	**1,827**	**(476)**	**(420)**	**(11)**	**920**	**892**
Gan Assurances Vie	319	(88)			231	231
Gan Assurances IARD	424	(118)	(110)		196	191
Gan Eurocourtage Vie	98	(27)			71	71
Gan Eurocourtage IARD	295	(55)	(72)		168	168
Gan Prévoyance	127	(35)			92	92
Gan Patrimoine and its subsidiaries	205	(56)	(74)		75	75
Investment, real estate and other insurance companies	359	(97)	(164)	(11)	87	64
Balance carried forward	**2,367**	**(529)**	**(426)**	**(18)**	**1,393**	**1,151**

NOTE 3
OTHER INTANGIBLE ASSETS

	31/12/2006			31/12/2005		
	Intangible assets related to insurance	**Other intangible assets**	**Total**	**Intangible assets related to insurance**	**Other intangible assets**	**Total**
			(€m)			
Gross values brought forward	**46**	**494**	**540**	**51**	**428**	**479**
Increase	2	69	71		115	115
Decrease	(32)	(45)	(77)	(5)	(49)	(54)
Change in scope of consolidation	124	2	126			
Gross values carried forward	**140**	**520**	**660**	**46**	**494**	**540**
Cumulative amortisation brought forward	**(45)**	**(362)**	**(407)**	**(50)**	**(278)**	**(328)**
Increase	(12)	(79)	(91)		(87)	(87)
Decrease	31	47	78	5	3	8
Change in scope of consolidation						
Cumulative amortisation carried forward	**(26)**	**(394)**	**(420)**	**(45)**	**(362)**	**(407)**
Cumulative permanent depreciation brought forward	**0**	**(2)**	**(2)**		**(3)**	**(3)**
Permanent impairment recognised					(1)	(1)
Long-term impairment amortisations		1	1		2	2
Change in scope of consolidation		(1)	(1)			
Cumulative long-term impairment carried forward	**0**	**(2)**	**(2)**		**(2)**	**(2)**
Opening net values	**1**	**130**	**131**	**1**	**147**	**148**
Closing net values	**114**	**124**	**238**	**1**	**130**	**131**

Intangible assets related to insurance activities primarily correspond to portfolio values, values of the distribution networks, and values of customer relationships and brands. The increase in this item during 2006 is largely related (see Note 2 – Goodwill) to the acquisition of the company Basak Emeklilik in Turkey. These items will be amortised in proportion to the growth in margins on policies underlying these portfolio values, values of the distribution networks, and values of customer relationships. The amortised amount during 2006 was €11 million.

In addition, the "BASAK GROUPAMA" brand was valued at year-end 2006 at €21 million (see Note 2).

Other intangible assets primarily include expenses for IT software acquired or created within the Group's various insurance companies.

Note 3.1 Other Intangible Assets – by Geographic Area

	31/12/2006						31/12/2005	
	Intangible assets related to insurance activities		Other intangible assets		Total		Total	
	France	Foreign	France	Foreign	France	Foreign	France	Foreign
	(€m)							
Gross values carried forward	**14**	**126**	**495**	**26**	**509**	**152**	**486**	**54**
Cumulative amortisation carried forward	(14)	(12)	(378)	(16)	(392)	(28)	(361)	(46)
Cumulative long-term impairment carried forward				(2)		(2)	(1)	(1)
Amortisation and provisions	**(14)**	**(12)**	**(378)**	**(18)**	**(392)**	**(30)**	**(362)**	**(47)**
Net book value		**114**	**117**	**8**	**117**	**122**	**124**	**7**

Note 3.2 Other Intangible Assets – by Business Sector

	31.12.2006									31.12.2005		
	Intangible assets related to insurance activities			Other intangible assets			Total			Total		
	Life	Non-life	Banking	Life	Non-life	Banking	Life	Non-life	Banking	Life	Non-life	Banking
	(€m)											
Gross values carried forward	**103**	**37**		**174**	**306**	**40**	**277**	**343**	**40**	**174**	**327**	**38**
Cumulative amortisation carried forward	(12)	(13)	(1)	(118)	(244)	(32)	(130)	(257)	(33)	(124)	(256)	(27)
Cumulative long-term impairment carried forward		(1)	1	(1)	(1)		(1)	(2)	1	(1)	(1)	
Amortisation and provisions	**(12)**	**(14)**		**(119)**	**(245)**	**(32)**	**(131)**	**(259)**	**(32)**	**(125)**	**(257)**	**(27)**
Net book value	**91**	**23**		**55**	**61**	**8**	**146**	**84**	**8**	**49**	**70**	**12**

NOTE 4
REAL ESTATE INVESTMENTS (EXCLUDING UNIT LINKED ITEMS)

	31.12.2006			31.12.2005		
	Real estate	SCI shares	Total	Real estate	SCI shares	Total
			(€m)			
Gross values brought forward	**3,340**	**407**	**3,747**	**3,234**	**454**	**3,688**
Acquisitions	156	71	227	203	15	**218**
Newly consolidated entities:	22		22			
Subsequent expenses						
Transfer from/to owner occupied properties	46		46	(62)		**(62)**
Disposals	(94)	(12)	(106)	(35)	(62)	**(97)**
Gross values carried forward	**3,470**	**466**	**3,936**	**3,340**	**407**	**3,747**
Cumulative amortisation carried forward	**(633)**	**(2)**	**(635)**	**(605)**	**(2)**	**(607)**
Increase	(63)		(63)	(85)		**(85)**
Newly consolidated entities:						
Decrease	19	2	21	57		**57**
Cumulative amortisation carried forward	**(677)**	**0**	**(677)**	**(633)**	**(2)**	**(635)**
Cumulative long-term impairment brought forward	**(28)**	**(1)**	**(29)**	**(81)**	**(1)**	**(82)**
Long-term impairment recognised	(3)	(2)	(5)	(8)		**(8)**
Newly consolidated entities:						
Long-term impairment amortisations	16	2	18	61		**61**
Cumulative long-term impairment carried forward	**(15)**	**(1)**	**(16)**	**(28)**	**(1)**	**(29)**
Net values brought forward	**2,679**	**404**	**3,083**	**2,548**	**451**	**2,999**
Net values carried forward	**2,778**	**465**	**3,243**	**2,679**	**404**	**3,083**
Fair value of real estate investments carried forward	**6,004**	**720**	**6,724**	**4,958**	**675**	**5,633**
Unrealised capital gains	**3,226**	**255**	**3,481**	**2,279**	**271**	**2,550**

The realisation of capital gains on buildings representing commitments in life insurance gives rise to rights in favour of policy beneficiaries and minority shareholders (particularly Silic) as well as tax liabilities.

Note 4.1 Real Estate Investments – by Geographic Area

	31.12.2006						31.12.2005					
	Real estate			**SCI shares**			**Real estate**			**SCI shares**		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**	**France**	**Foreign**	**Total**	**France**	**Foreign**	**Total**
	(€m)											
Gross values	3,351	119	3,470	466		466	3,229	111	3,340	407		407
Cumulative amortisation	(657)	(20)	(677)				(611)	(22)	(633)	(2)		(2)
Long-term impairment	(12)	(3)	(15)	(1)		(1)	(28)		(28)	(1)		(1)
Net values carried forward	**2,682**	**96**	**2,778**	**465**		**465**	**2,590**	**89**	**2,679**	**404**		**404**
Fair value of real estate investments carried forward	**5,776**	**228**	**6,004**	**720**		**720**	**4,773**	**185**	**4,958**	**675**		**675**
Unrealised capital gains	**3,094**	**132**	**3,226**	**255**		**255**	**2,183**	**95**	**2,279**	**271**		**271**

Note 4.2 Real Estate Investments – by Business Sector

	31.12.2006						31.12.2005					
	Real estate			**SCI shares**			**Real estate**			**SCI shares**		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**	**Life**	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
	(€m)											
Gross values	318	3,152	3,470	397	70	467	378	2,961	3,339	335	72	407
Cumulative amortisation	(65)	(611)	(676)				(69)	(563)	(632)	(2)		(2)
Long-term impairment	(1)	(14)	(15)	(1)		(1)		(28)	(28)	(1)		(1)
Net values carried forward	**252**	**2,526**	**2,778**	**396**	**70**	**466**	**309**	**2,370**	**2,679**	**333**	**71**	**404**
Fair value of real estate investments carried forward	**518**	**5,486**	**6,004**	**602**	**118**	**720**	**538**	**4,420**	**4,958**	**567**	**108**	**675**
Unrealised capital gains	**266**	**2,960**	**3,226**	**206**	**48**	**254**	**229**	**2,050**	**2,279**	**234**	**37**	**271**

NOTE 5
OWNER-OCCUPIED PROPERTIES

	31/12/2006	31/12/2005
	(€m)	
Gross values brought forward	**452**	**459**
Acquisitions	7	5
Newly consolidated entities	16	
Disposals	(2)	(17)
Transfer from/to real estate investments	24	5
Gross values carried forward	**497**	**452**
Cumulative amortisation carried forward	**(113)**	**(106)**
Increase	(11)	(54)
Newly consolidated entities:	(1)	
Decrease	1	46
Cumulative amortisation carried forward	**(124)**	**(114)**
Cumulative long-term impairment brought forward	**(4)**	**1**
Long-term impairment recognised	(4)	(5)
Long-term impairment amortisations	3	
Cumulative long-term impairment carried forward	**(5)**	**(4)**
Net values brought forward	**335**	**354**
Net values carried forward	**368**	**335**
Fair value of tangible fixed assets carried forward	**897**	**769**
Unrealised capital gains	**529**	**434**

Note 5.1 Owner-Occupied Properties – by Geographic Area

	31/12/2006			31/12/2005		
	Gross	**Amortisation**	**Net**	**Gross**	**Amortisation**	**Net**
			(€m)			
Owner-occupied properties – excluding leases	440	(117)	323	411	(107)	304
Owner-occupied buildings – leases						
Shares in unlisted real estate companies (occupation)	12		12	12		12
France	**452**	**(117)**	**335**	**423**	**(107)**	**316**
Owner-occupied buildings – excluding leases	44	(11)	33	29	(10)	19
Owner-occupied buildings – leases	1	(1)				
Shares in unlisted real estate companies (occupation)						
Foreign	**45**	**(12)**	**33**	**29**	**(10)**	**19**
Total owner-occupied buildings	**497**	**(129)**	**368**	**452**	**(117)**	**335**

Note 5.2 Owner Occupied Buildings – by Business Sector

	31/12/2006			31/12/2005		
	Gross	**Amortisation**	**Net**	**Gross**	**Amortisation**	**Net**
			(€m)			
Owner-occupied properties, excluding leases	60	(21)	39	60	(17)	43
Owner-occupied buildings – leases						
Shares in unlisted real estate companies (occupation)	5		5	5		5
Life	**65**	**(21)**	**44**	**65**	**(17)**	**48**
Owner-occupied buildings, excluding leases	424	(107)	317	380	(100)	280
Owner-occupied buildings, leases	1	(1)				
Shares in unlisted real estate companies (occupation)	7		7	7		7
Non-life	432	(108)	325	387	(100)	287
Owner-occupied buildings, excluding leases						
Owner-occupied buildings, leases						
Shares in unlisted real estate companies (occupation)						
Banking						
Total occupied buildings	**497**	**(129)**	**368**	**452**	**(117)**	**335**

NOTE 6
FINANCIAL INVESTMENTS EXCLUDING UNIT LINKED ITEMS

	31/12/2006	31/12/2005
	Net values	Net values
	(€m)	
Assets valued at fair value	58,545	56,242
Assets valued at amortised cost	699	700
Total financial investments excluding unit linked items	**59,244**	**56,942**

Note 6.1 Investments valued at fair value (by category) – by geographic area

	31/12/2006								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	France	Foreign	Total	France	Foreign	Total	France	Foreign	Total
					(€m)				
Assets available for sale									
Equities	9,429	375	9,804	12,908	486	13,394	3,479	111	3,590
Bonds	32,111	4,501	36,612	33,899	4,511	38,410	1,788	10	1,798
Other	15	34	49	11	16	27	(4)	(18)	(22)
Total assets available for sale	**41,555**	**4,910**	**46,465**	**46,818**	**5,013**	**51,831**	**5,263**	**103**	**5,366**
Transaction assets									
Equities	2,341	60	2,401	2,341	60	2,401			
Bonds	4,221	90	4,311	4,221	90	4,311			
Other	2	2	2	2					
Total transaction assets	**6,564**	**150**	**6,714**	**6,564**	**150**	**6,714**			
Total investments valued at fair value	**48,119**	**5,060**	**53,179**	**53,382**	**5,163**	**58,545**	**5,263**	**103**	**5,366**

The Group has chosen to apply the fair value option. This amendment reduces the possibilities for utilising the option by limiting application to the following situations:

- hybrid instruments including one or more embedded derivative products;
- group of financial assets and/or liabilities that are managed and the performance of which is valued at fair value.

As at 31 December 2006, the capital gains (losses) that were unrealised but recognised for accounting purposes in shareholders equity (revaluation reserves) as investment assets available for sale and in income as transaction investment assets were €5,366 million and €462 million respectively.

The amount of the provisions for long-term impairment recognised on the investments valued at fair value was €732 million at 31 December 2006, compared with €799 million at 31 December 2005.

	31/12/2005								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	France	Foreign	Total	France	Foreign	Total	France	Foreign	Total
	(€m)								
Assets available for sale									
Equities	8,280	364	8,644	10,617	459	11,076	2,337	95	2,432
Bonds	30,636	4,063	34,699	34,063	4,207	38,270	3,427	144	3,571
Other	15	22	37	15	22	37	0		
Total assets available for sale	**38,931**	**4,449**	**43,380**	**44,695**	**4,688**	**49,383**	**5,764**	**239**	**6,003**
Transaction assets									
Equities	2,293	47	2,340	2,293	47	2,340			
Bonds	4,089	233	4,322	4,089	233	4,322			
Other	2	196	198	2	196	198			
Total transaction assets	**6,384**	**476**	**6,860**	**6,384**	**476**	**6,860**			
Total investments valued at fair value	**45,315**	**4,925**	**50,240**	**51,079**	**5,164**	**56,243**	**5,764**	**239**	**6,003**

Note 6.2 Investments valued at fair value (by category) – by business sector

	31/12/2006								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
					(€m)				
Assets available for sale									
Equities	2,026	7,778	9,804	2,648	10,746	13,394	622	2,968	3,590
Bonds	5,575	31,036	36,611	5,749	32,660	38,409	174	1,624	1,798
Other	41	8	49	26	1	27	(15)	(7)	(22)
Total assets available for sale	**7,642**	**38,822**	**46,464**	**8,423**	**43,407**	**51,830**	**781**	**4,585**	**5,366**
Transaction assets									
Equities	472	1,930	2,402	472	1,930	2,402			
Bonds	1,270	3,040	4,310	1,270	3,040	4,310			
Other	1	1	2	1	1	2			
Total transaction assets	**1,743**	**4,971**	**6,714**	**1,743**	**4,971**	**6,714**			
Total investments valued at fair value	**9,385**	**43,793**	**53,178**	**10,166**	**48,378**	**58,544**	**781**	**4,585**	**5,366**

	31/12/2005								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
					(€m)				
Assets available for sale									
Equities	1,842	6,802	8,644	2,304	8,772	11,076	462	1,970	2,432
Bonds	6,335	28,364	34,699	6,688	31,582	38,270	353	3,218	3,571
Other	15	22	37	15	22	37			
Total assets available for sale	**8,192**	**35,188**	**43,380**	**9,007**	**40,376**	**49,383**	**815**	**5,188**	**6,003**
Transaction assets									
Equities	753	1,587	2,340	753	1,587	2,340			
Bonds	809	3,513	4,322	809	3,513	4,322			
Other	156	42	198	156	42	198			
Total transaction assets	**1,718**	**5,142**	**6,860**	**1,718**	**5,142**	**6,860**			
Total investments valued at fair value	**9,910**	**40,330**	**50,240**	**10,725**	**45,518**	**56,243**	**815**	**5,188**	**6,003**

Note 6.3 Investments valued at fair value (by type)

	31/12/2006								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
					(€m)				
Equities									
Assets available for sale	2,026	7,778	9,804	2,648	10,746	13,394	622	2,968	3,590
Transaction assets	472	1,930	2,402	472	1,930	2,402			0
Total stocks	**2,498**	**9,708**	**12,206**	**3,120**	**12,676**	**15,796**	**622**	**2,968**	**3,590**
Bonds									
Assets available for sale	5,575	31,036	36,611	5,749	32,660	38,409	174	1,624	1,798
Transaction assets	1,270	3,040	4,310	1,270	3,040	4,310			0
Total bonds	**6,845**	**34,076**	**40,921**	**7,019**	**35,700**	**42,719**	**174**	**1,624**	**1,798**
Other									
Assets available for sale	41	8	49	26	1	27	(15)	(7)	(22)
Transaction assets	1	1	2	1	1	2			0
Total other	**42**	**9**	**51**	**27**	**2**	**29**	**(15)**	**(7)**	**(22)**
Total investments valued at fair value	**9,385**	**43,793**	**53,178**	**10,166**	**48,378**	**58,544**	**781**	**4,585**	**5,366**

	31/12/2005								
	Net amortised cost			Fair value			Unrealised gains (losses)		
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total
					(€m)				
Equities									
Assets available for sale	1,842	6,802	8,644	2,304	8,772	11,076	462	1,970	2,432
Transaction assets	753	1,587	2,340	753	1,587	2,340			
Total equities	**2,595**	**8,389**	**10,984**	**3,057**	**10,359**	**13,416**	**462**	**1,970**	**2,432**
Bonds									
Assets available for sale	6,335	28,364	34,699	6,688	31,582	38,270	353	3,218	3,571
Transaction assets	809	3,513	4,322	809	3,513	4,322			
Total bonds	**7,144**	**31,877**	**39,021**	**7,497**	**35,095**	**42,592**	**353**	**3,218**	**3,571**
Other									
Assets available for sale	15	22	37	15	22	37			
Transaction assets	156	42	198	156	42	198			
Total other	**171**	**64**	**235**	**171**	**64**	**235**			
Total investments valued at fair value	**9,910**	**40,330**	**50,240**	**10,725**	**45,518**	**56,243**	**815**	**5,188**	**6,003**

Note 6.4 Investments valued at amortised cost – net value

	31/12/2006			31/12/2005		
	Non-life	**Life**	**Total**	**Non-life**	**Life**	**Total**
			(€m)			
Loans	52	202	254	54	194	248
Deposits	162	81	243	158	66	224
Other	81	121	202	109	119	228
Loans and receivables	**295**	**404**	**699**	**321**	**379**	**700**
Assets valued at amortised cost	**295**	**404**	**699**	**321**	**379**	**700**

The amount of the provisions for long-term impairment recognised on investments valued at amortised cost was €2 million at 31 December 2006 versus €3 million at 31 December 2005.

Note 6.5 Estimate of listed investments

	31/12/2006	**31/12/2005**
	Net values	**Net values**
	(€m)	
Equities	15,542	13,190
Bonds and other fixed-income securities	42,702	42,418
Other investments		
Total investments côtés	**58,243**	**55,608**

The amount of the provisions for long-term impairment recognised on listed investments at fair value was €654 million at 31 December 2006 compared with €722 million at 31 December 2005.

Note 6.6 Estimate of unlisted investments

	31/12/2006	**31/12/2005**
	Net values	**Net values**
	(€m)	
Equities at fair value	254	59
Bonds and other fixed-income securities at fair value	18	174
Other investments at fair value	30	402
Loans at amortised cost	254	248
Other investments at amortised cost	445	452
Total unlisted investments	**1,000**	**1,335**

The amount of the provisions for long-term impairment recognised on unlisted investments was €78 million at 31 December 2006 compared with €77 million at 31 December 2005.

NOTE 7
SIGNIFICANT INVESTMENTS IN UNCONSOLIDATED COMPANIES

	31/12/2006			31/12/2005	
	% of ownership	Acquisition cost net of provision	Fair value	Acquisition cost net of provision	Fair value
			(€m)		
Scor	15.89%	233	418	173	280
Bolloré Investissement	4.31%	59	174	59	116
Société Générale	2.93%	832	1,755	762	1,339
Lagardère	1.71%	92	149	92	158
Veolia Environnement	5.63%	584	1,241	556	884
Locindus	7.74%	16	23	13	19
Eiffage	2.86%	185	192		
French companies		**2,001**	**3,952**	**1,655**	**2,796**
Médiobanca	4.73%	471	692	471	624
Foreign companies		**471**	**692**	**471**	**624**
Total investments in unconsolidated companies		**2,472**	**4,644**	**2,126**	**3,420**

Fair value represents:

- for shares in listed companies, their price on the stock exchange as at the balance sheet date,
- for shares in listed companies, at a value determined by a multi-criteria approach.

The realisation of unrealised capital gains on buildings that represent commitments in Life Insurance gives rise to rights for the beneficiaries of policies and minority shareholders as well as tax liabilities.

NOTE 8
INVESTMENTS REPRESENTING UNIT-LINKED COMMITMENTS

	31/12/2006	31/12/2005
	(€m)	
Variable-income and similar securities		
Bonds	309	498
Shares in equity mutual funds	2,544	2,204
Shares in bond and other mutual funds	765	674
Total investments representing unit-linked commitments	**3,618**	**3,376**

Note 8.1 Investments representing unit-linked commitments – by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Variable-income and similar securities						
Bonds	232	77	309	417	81	498
Shares in equity UCItS	2,463	81	2,544	2,130	74	2,204
Shares in bond and other mutual funds	712	53	765	609	65	674
Unrealised capital gains	**3,407**	**210**	**3,618**	**3,156**	**220**	**3,376**

NOTE 9
ASSETS USED FOR BANKING SECTOR BUSINESS

	31/12/2006			31/12/2005		
	Gross values	Provisions	Net values	Gross values	Provisions	Net values
			(€m)			
Cash, central banks, postal accounts	40		40	23		23
Financial assets at fair value through income	1,016		1,016	50		50
Hedging derivative instruments						
Financial assets available for sale	39		39	13		13
Loans and receivables from credit institutions	639		639	772		772
Customer loans and receivables	535	(16)	519	686	(21)	665
Revaluation variance on rate-hedged portfolios						
Investment assets held to maturity	156		156	670		670
Real estate investments						
Total assets used for banking sector business	**2,426**	**(16)**	**2,410**	**2,214**	**(21)**	**2,193**

In 2006, Banque Finama redeemed assets that were included in the item "held to maturity". The proceeds were then reinvested in investments held for transactional purposes.

NOTE 10
INVESTMENTS IN RELATED COMPANIES

	31/12/2006		31/12/2005	
	Equity value	Share of net profit	Equity value	Share of net profit
		(€m)		
Günes Sigorta	24	30	1	
Socomie	1	1	1	1
Total Investments in related companies	**25**	**1**	**31**	**2**

The equity value of the Günes shares, which represents the restated portion of shareholders equity, fell €6 million between 2005 and 2006, primarily due to a decline in unrealised foreign exchange gains. This situation resulted from an unfavourable change in the value of the Turkish lira versus the euro during the period.

Note 10.1 Significant data

	31/12/2006				31/12/2005			
	Revenue revenue	Net profit	Total assets	Shareholders equity	Revenue	Net profit	Total assets	Shareholders equity
				(€m)				
Günes Sigorta	284	1	215	48	281	4	233	58
Socomie	12	1	7	1	15	1	7	1

NOTE 11
SHARE OF OUTWARDS REINSURERS AND RETROCESSIONNAIRES IN INSURANCE AND FINANCIAL CONTRACT LIABILITIES

	31/12/2006	31/12/2005
	(€m)	
Share of reinsurers in non-life insurance reserves		
Reserves for unearned premiums	102	80
Outstanding claims reserves	1,299	1,624
Other technical reserves	126	120
Total	**1,527**	**1,824**
Share of reinsurers in life insurance reserves		
Life insurance reserves	44	28
Outstanding claims reserves	10	9
Profit-sharing reserves	17	17
Other technical reserves	5	3
Total	**77**	**57**
Share of reinsurers in reserves for financial contracts	**1**	
Total share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	**1,606**	**1,881**

Note 11.1 Share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities – by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	50	52	102	63	17	80
Outstanding claims reserves	1,024	275	1,299	1,160	464	1,624
Other technical reserves	123	3	126	119	1	120
Total	1,198	330	1,527	1,342	482	1,824
Share of reinsurers in life insurance reserves						
Life insurance reserves	13	31	44	13	15	28
Outstanding claims reserves	6	4	10	6	3	9
Profit-sharing reserves	17		17	17		17
Other technical reserves	5		5	3		3
Total	**41**	**36**	**77**	**39**	**18**	**57**
Share of reinsurers in financial contracts	1		1			
Total share of outwards reinsurers and retrocessionnaires in insurance and financial contract liabilities	**1,241**	**366**	**1,606**	**1,381**	**500**	**1,881**

NOTE 12
OTHER TANGIBLE ASSETS

	31/12/2006	31/12/2005
	(€m)	
Other tangible assets	122	155
Other long-term operating assets	29	28
Total	**150**	**183**

Note 12.1 Changes in other tangible assets

	31/12/2006	31/12/2005
	(€m)	
Gross values brought forward	414	262
Acquisitions	84	184
Newly consolidated entities:	15	
Disposals	(76)	(32)
Transfer from/to real estate investments	(66)	
Gross values carried forward	**371**	**414**
Cumulative amortisation carried forward	(256)	(194)
Increase	(35)	(73)
Newly consolidated entities:	(13)	
Decrease	58	11
Cumulative amortisation carried forward	**(246)**	**(256)**
Cumulative long-term impairment brought forward	**(3)**	
Long-term impairment recognised		(3)
Long-term impairment amortisations		
Cumulative long-term impairment carried forward	**(3)**	**(3)**
Net values brought forward	**155**	**68**
Net values carried forward	**122**	**155**
Fair value of tangible fixed assets carried forward	**122**	**155**

Note 12.2 Change in other tangible assets – by geographic area

	31/12/2006			31/12/2005		
	Gross	Amortisation	Net	Gross	Amortisation	Net
			(€m)			
Other tangible assets	271	(183)	88	343	(213)	130
Other long-term operating assets	29	29	28	28		
France	**300**	**(183)**	**117**	**371**	**(213)**	**158**
Other tangible assets	100	(66)	34	71	(46)	25
Other long-term operating assets						
Foreign	**100**	**(66)**	**34**	**71**	**(46)**	**25**
Total other tangible assets	**400**	**(249)**	**151**	**442**	**(259)**	**183**

Note 12.3 Change in other tangible assets – by business sector

	31/12/2006			31/12/2005		
	Gross	Amortisation	Net	Gross	Amortisation	Net
			(€m)			
Other tangible assets	231	(143)	88	273	(147)	126
Other long-term operating assets	29	29	28	28		
Non-life	**260**	**(143)**	**117**	**301**	**(147)**	**154**
Other tangible assets	118	(89)	29	122	(98)	24
Other long-term operating assets						
Life	**118**	**(89)**	**29**	**122**	**(98)**	**24**
Other tangible assets	22	(17)	5	19	(14)	5
Other long-term operating assets						
Banking	**22**	**(17)**	**5**	**19**	**(14)**	**5**
Total other tangible assets	**400**	**(249)**	**151**	**442**	**(259)**	**183**

NOTE 13

DEFERRED ACQUISITION COSTS

	31/12/2006			31/12/2005		
	Gross	Deferred profit sharing	Net	Gross	Deferred profit sharing	Net
			(€m)			
Non-life insurance policies	265		265	244	(10)	234
Life insurance policies and financial contracts with discretionary profit-sharing	280	(28)	252	291	(37)	254
Total deferred acquisition costs	**545**	**(28)**	**517**	**535**	**(47)**	**488**

Note 13.1 Deferred acquisition costs – by geographic area

	31/12/2006			31/12/2005		
	Gross	Deferred profit sharing	Net	Gross	Deferred profit sharing	Net
			(€m)			
Non-life insurance policies	115		115	105		105
Life insurance policies and financial contracts with discretionary profit-sharing	255	(27)	228	262	(35)	227
France	**370**	**(27)**	**343**	**367**	**(35)**	**332**
Non-life insurance policies	150		150	139	(10)	129
Life insurance policies and financial contracts with discretionary profit-sharing	25	(2)	24	29	(2)	27
Foreign	**175**	**(2)**	**174**	**168**	**(12)**	**156**
Total deferred acquisition costs	**545**	**(29)**	**517**	**535**	**(47)**	**488**

NOTE 14

DEFERRED PROFIT SHARING ASSET

	31/12/2006	31/12/2005
	(€m)	
Deferred profit-sharing asset	64	
Total deferred profit-sharing asset	**64**	

In connection with the new mortality tables used to calculate the actuarial provision for French life annuity policies (see Note 25 -: Operating liabilities related to insurance policies), a €64 million profit sharing asset is shown at the balance sheet date of the statements.

Note 14.1 Deferred profit sharing asset – by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Deferred profit-sharing asset	64		64			
Total deferred profit sharing asset	**64**		**64**			

NOTE 15
DEFERRED TAX ASSETS

Note 15.1 Deferred tax assets – by geographic area

	31/12/2006			31/12/2005
	France	Foreign	Total	Total
		(€m)		
Deferred tax assets	419	53	472	165
Total deferred tax assets	**419**	**53**	**472**	**165**

Note 15.2 Deferred tax assets – by business sector

	31/12/2006				31/12/2005
	Life	Non-life	Banking	Total	Total
			(€m)		
Deferred tax liabilities	221	235	16	472	165
Total deferred tax liabilities	**221**	**235**	**16**	**472**	**165**

Note 15.3 Analysis of the major components of deferred taxes

	31/12/2006	31/12/2005
	(€m)	
Deferred taxes resulting from timing differences on adjustments:		
Capitalisation reserves	(247)	(243)
Restatements of AFS & Trading financial instruments (net of deferred profit-sharing)	30	(258)
Acquisition costs for life policies and consolidated total management reserves	(44)	(63)
Consolidation adjustments on technical reserves	(27)	(21)
Other differences on consolidation adjustments	1	31
Deferred acquisition costs for non-life policies	(37)	(34)
Tax differences on technical reserves and other provisions for risks and charges	293	329
Gains on tax suspension	(9)	(11)
Mutual funds valuation differential	29	15
Currency hedging	56	22
Other tax timing differences	26	22
Sub-total of deferred taxes resulting from timing differences	**70**	**(211)**
Capitalisation of operating losses	**42**	**128**
Deferred taxes capitalised	**112**	**(83)**
Including:		
● Assets	472	165
● Liabilities	(361)	(248)

The Group also has off-balance sheet assets for foreign subsidiaries and in the banking sector (Groupama Banque) in France. These assets totalled €151 million.

NOTE 16
RECEIVABLES RESULTING FROM INSURANCE OR ACCEPTED REINSURANCE TRANSACTIONS

	31/12/2006			31/12/2005
	Gross values	Reserves	Net values	Net values
	(€m)			
Receivables resulting from insurance or accepted reinsurance transactions				
Earned premiums not written	733		733	665
Policyholders, intermediaries and other third parties	905	(88)	817	751
Co-insurer and other third party current accounts	296	(10)	286	220
Ceding and retroceding company current accounts	391	(1)	390	345
Total	**2,325**	**(99)**	**2,226**	**1,981**

Note 16.1 Receivables resulting from insurance or accepted reinsurance transactions – by maturity

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
	(€m)							
Receivables resulting from insurance or accepted reinsurance transactions								
Earned premiums not written	740	(7)		733	668	(3)		665
Policyholders, intermediaries and other third parties	814	3		817	751			751
Co-insurer and other third party current accounts	252	35		286	177	43		220
Ceding and retroceding company current accounts	357	33		390	305	40		345
Total	**2,162**	**64**		**2,226**	**1,901**	**80**		**1,981**

NOTE 17
RECEIVABLES FROM REINSURANCE ACTIVITIES

	31/12/2006			31/12/2005
	Gross values	Provisions	Net values	Net values
	(€m)			
Receivables from reinsurance activities				
Outwards reinsurer and retrocessionaire current accounts	126	(38)	88	110
Other receivables from reinsurance transactions	34		34	45
Total	**160**	**(38)**	**122**	**155**

Note 17.1 Receivables from reinsurance activities – by maturity

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Receivables from reinsurance activities								
Outwards reinsurer and retrocessionnaire current accounts	77	11		88	99	11		110
Other receivables from reinsurance transactions	34			34	45			45
Total	**111**	**11**		**122**	**144**	**11**		**155**

NOTE 18
CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

Note 18.1 Current tax receivables and other tax receivables – by maturity

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Current tax receivables and other tax receivables	106			106	111			111

Note 18.2 Current tax receivables and other tax receivables – by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Current tax receivables and other tax receivables	76	31	106	83	28	111

Note 18.3 Current tax receivables and other tax receivables – by business sector

	31/12/2006				31/12/2005			
	Life	Non-life	Banking	Total	Life	Non-life	Banking	Total
				(€m)				
Current tax receivables and other tax receivables	62	43	1	106	64	46	1	111

NOTE 19
OTHER RECEIVABLES

	31/12/2006		31/12/2005	
	Gross values	Provisions	Total	Total
		(€m)		
Interest accrued not due	779		779	791
Employee receivables	21		21	23
Social security agencies	55		55	9
Other debtors	583	(19)	564	498
Other receivables	348		348	262
Total	**1,786**	**(19)**	**1,767**	**1,583**

Note 19.1 Other receivables – by maturity

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Employee receivables	21			21	23			23
Social security agencies	56			56	9			9
Other debtors	532	15	17	564	463	24	11	498
Interest accrued not due	779			779	791			791
Other receivables	311		37	348	262			262
Total	**1,698**	**15**	**54**	**1,767**	**1,548**	**24**	**11**	**1,583**

Note 19.2 Other receivables – by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Interest accrued not due	713	66	779	736	55	791
Employee receivables	18	2	20	21	2	23
Social security agencies	56		56	9		9
Other debtors	455	109	564	466	32	498
Other receivables	326	22	348	239	23	262
Total	**1,568**	**200**	**1,767**	**1,471**	**112**	**1,583**

Note 19.3 Other receivables – by business sector

	31/12/2006				31/12/2005			
	Life	**Non-life**	**Banking**	**Total**	**Life**	**Non-life**	**Banking**	**Total**
				(€m)				
Interest accrued not due	679	100		779	674	117		791
Employee receivables	2	18		20	2	21		23
Social security agencies	46	10		56		9		9
Other debtors	228	311	25	564	225	252	21	498
Other receivables	107	117	124	348	73	88	101	262
Other receivables	**1,062**	**556**	**149**	**1,767**	**974**	**487**	**122**	**1,583**

NOTE 20

DISTRIBUTION OF CASH AND EQUIVALENTS BY BUSINESS SECTOR AND GEOGRAPHIC AREA

	31/12/2006	31/12/2005
	(€m)	
France	360	241
Foreign	376	214
Total	**736**	**455**
Life and mixed entities	167	147
Non-life entities	570	308
Total	**736**	**455**

NOTE 21

SHAREHOLDERS EQUITY AND MINORITY INTERESTS

Note 21.1 Transactions with members

- *Changes in shareholders equity during 2006*

During 2006, no transaction occurred that had an effect on shareholders equity and issue premiums. It should be noted that Groupama S.A.'s Shareholders' Meeting held on 29 June 2006 approved a modification to the articles of association regarding a four for one bonus issue based on the nominal share value.

Note 21.2. Income and expenses recognised during the year

The Statement of Recognised Income and Expense – SORIE, an integral part of the summary statement of changes in shareholders equity, includes, in addition to the net profit for the year, the reserve for unrealised capital gains (losses) on assets available for sale, net of deferred profit-sharing and deferred taxes, as well as the reserves for foreign exchange gains (losses) and the actuarial gains (losses) on post-employment benefits.

- ***Income and expenses recognised during 2006***

	31/12/2006			31/12/2005		
	Group share	**Minority interests**	**Total**	**Group share**	**Minority interests**	**Total**
			(€m)			
Gross unrealised capital gains (losses) on assets available for sale	(624)	(12)	(636)	2,325	12	2,337
Shadow accounting	469	10	479	(1,583)	(13)	(1,596)
Deferred taxes	336	1	337	150	1	151
Actuarial gains (losses) on post-employment benefits	7		7	(15)		(15)
Unrealised foreign exchange gains (losses)	14	6	20	18		18
Other	(7)	10	3	30	3	33
Net profit (loss) for the year	600	32	632	394	37	431
Total	**795**	**47**	**842**	**1,319**	**40**	**1,359**

- ***Reserves related to changes in fair value recorded in shareholders equity***

The reconciliation between unrealised capital gains (losses) on investment assets available for sale and the corresponding reserves in shareholders equity is broken down as follows:

	31/12/2006	**31/12/2005**
	(€m)	
Unrealised capital gains (losses) on assets available for sale	5,366	6,003
Shadow accounting	(3,490)	(3,969)
Cash flow hedge and other changes	(7)	(25)
Deferred taxes	140	(200)
Share of minority interests	(2)	7
Unrealised net capital gains (losses), Group share	**2,007**	**1,816**

The deferred tax amount shown in the table above corresponds to the application of 1) a short-term and long-term tax rate on the unrealised gains on financial instruments classified as "assets available for sale"; and 2) a short-term tax rate on deferred profit-sharing ("shadow accounting"). Under the new rules for long-term capital gains (losses) applicable as at 1 January 2006, the unrealised capital gains on "strategic" equity interests are exempt for the calculation of the deferred tax up to a maximum percentage of costs and expenses (i.e., an effective rate of 1.72%).

NOTE 22
PROVISIONS FOR RISKS AND CHARGES

	31/12/2006					31/12/2005
	Balance brought forward	Increases	Amortisations	Other transfers	Balance carried forward	Balance carried forward
			(€m)			
Provision for pensions and similar obligations	274	80	(101)	5	258	274
Other risks and charges[1]	333	54	(94)	2	295	333
Total provisions for risks and charges	**607**	**134**	**(195)**	**7**	**553**	**607**

(1) The details of this item are not provided because this information could cause serious harm to the Group in view of current litigation.

NOTE 23

INFORMATION REGARDING EMPLOYEE BENEFITS – DEFINED BENEFIT PLANS

Note 23.1 Net actuarial debt carried forward

	Post-employment benefits		Other long term benefits		Total	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
			(€m)			
Actuarial debt brought forward	**454**	**395**	**25**	**23**	**479**	**418**
Cost of past services	6	6	2	1	8	7
Services paid	(9)	(4)			(9)	(4)
Interest on actuarial debt	17	18	1	1	18	19
Actuarial gains (losses) (actual variations)	(6)	26	(2)	(1)	(8)	25
Actuarial gains (losses) (hypothetical variations)		8		1		9
Changes in the plan						
Change in scope of consolidation	6				6	
Changes in exchange rates	6	7			6	7
Other		(2)				(2)
Actuarial debt carried forward (A)	**474**	**454**	**26**	**25**	**500**	**479**
Fair value of hedging assets carried forward	**225**	**188**			**225**	**188**
Return on hedging assets	14	13			14	13
Services paid	(11)	(8)			(11)	(8)
Contributions received	8	7			8	7
Actuarial gains (losses)	1	20			1	20
Change in scope of consolidation						
Changes in exchange rates	5	5			5	5
Other						
Fair value of hedging assets carried forward (B)	**242**	**225**			**242**	**225**
Net actuarial debt carried forward (A)-(B)	**232**	**229**	**26**	**25**	**258**	**254**

Note 23.2 Changes in the provision for risks and charges recorded in the balance sheet

	Post-employment benefits		Other long term benefits		Total	
	31/12/2006	**31/12/2005**	**31/12/2006**	**31/12/2005**	**31/12/2006**	**31/12/2005**
			(€m)			
Provision for risks and charges brought forward	**254**	**227**	**20**	**18**	**274**	**245**
Change in discounted commitment	(14)	6	2	1	(12)	7
Actuarial differences affecting shareholders equity	(7)	14			(7)	14
Services paid for by employer	(9)	(4)			(9)	(4)
Reclassifications	1	9	4	1	5	10
Change in scope of consolidation	6				6	0
Changes in exchange rates	1	2			1	2
Other					0	0
Provision for risks and charges carried forward	**232**	**254**	**26**	**20**	**258**	**274**

The amount of provisions written back in this note pertains solely to post-employment benefits (retirement payments) and other long term benefits (such as employee awards and special anniversary leave).

Note 23.3 Annual retirement expenses recorded in the balance sheet

	31/12/2006	**31/12/2005**
	(€m)	
Cost of past services	6	6
Services paid for by the employer	9	4
Interest on actuarial debt	17	18
Return expected from hedging assets	(14)	(13)
Sorie Option	7	(14)
Change in plan		
Effects of exchange rate changes	1	2
Other		
Annual retirement expenses	**26**	**3**

Note 23.4 Information pertaining to employee benefits – distribution of hedging assets

	31/12/2006	**31/12/2005**
	(€m)	
Equities	147	131
Bonds	92	91
General euro funds		
Other	3	3
Fair value of assets carried forward	**242**	**225**

Note 23.5 Principal actuarial assumptions

	31/12/2006	31/12/2005
Discount rate	4.5%	from 3.80% to 4.00%
Yield expected from plan assets	7.0%	6.7%
Expected salary increases	from 2.0% to 3.0%	from 2.80% to 3.20%
Turnover rate in employees by age range:		
– from 18 to 34:	from 2% to 20%	from 2% to 20%
– from 35 to 44:	from 2% to 15%	from 2% to 15%
– from 45 to 54:	from 1% to 10%	from 1% to 10%
– from 55 and over:	0%	0%

Note 23.6 Breakdown of personnel expenses

	31/12/2006	31/12/2005
	(€m)	
Salaries	587	534
Social security expenses	248	224
Post-employment benefits		
Defined contribution plans		
Defined benefit plans	4	10
Termination benefits	26	3
Anniversary days and employee awards	2	3
Other employee benefits		11
Annual salary expenses	**867**	**785**

The changes in personnel expenses are largely attributable to changes in the scope of consolidation.

NOTE 24
FINANCING DEBT

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Subordinated debt			1,245	1,245			1,245	1,245
of which subordinated debt of insurance companies			1,245	1,245			1,245	1,245
of which subordinated debt of banking companies								
Financing debt represented by securities								
Financing debt with banking-sector companies		199	628	827		188	528	716
Total financing debt		**199**	**1,874**	**2,072**		**188**	**1,773**	**1,961**

Note 24.1 Breakdown by currency and rate

	31/12/2006			
	Currencies		Rates	
	Euro zone	Non-Euro zone	Fixed rate	Variable rate
		(€m)		
Subordinated debt	1,245		745	500
Financing debt represented by securities				
Financing debt with banking-sector companies	827		525	302
Total	**2,072**		**1,270**	**802**

The "subordinated debt" item represents:

- ● first, a bond issued in July 1999 by Caisse Centrale des Assurances Mutuelles Agricoles in two tranches (one variable rate tranche for €500 million, the other a fixed-rate tranche for €250 million) that was assumed by Groupama S.A. during the contribution transactions completed on 1 January 2003 in the form of redeemable subordinated securities (titres subordonnés remboursables-TSR). This thirty-year bond offers the issuer the option of early redemption as of the tenth year. The total amount of these TSRs was €750 million, and they were listed at 31 December 2006 at 101.8% for the variable portion and 103.4% for the fixed portion;
- ● and second, a fixed-rate perpetual subordinated bond issued by Groupama S.A. in July 2005 for the amount of €495 million. This bond includes a "10-year call" that allows the issuer to redeem the bond early as from the tenth year. The contractual clauses of this debt instrument cause it to be recorded as financial debt in the financial statements. As at 31 December, it was quoted at 94.2%.

NOTE 25
OPERATING LIABILITIES RELATED TO INSURANCE POLICIES

	31/12/2006	31/12/2005
	(€m)	
Non-life insurance reserves		
Reserves for unearned premiums	1,623	1,469
Outstanding claims reserves	9,417	9,856
Other technical reserves	2,285	2,245
Total	**13,326**	**13,570**
Life insurance reserves		
Life insurance reserves	20,707	17,442
Outstanding claims reserves	474	418
Profit-sharing reserves	770	733
Other technical reserves	191	124
Total	**22,142**	**18,717**
Life insurance reserves for unit-linked contracts	**3,508**	**2,812**
Operating liabilities related to insurance policies:	**38,975**	**35,099**

Life insurance reserves

For French life insurance and capitalisation policies, the Group used the new mortality tables published by decree in August 2006 to calculate the actuarial reserves for existing and pending life annuities. These tables reflect an updated estimate of the French population's mortality probability.

– For policies not subject to Regulation L441, the impact of the changes in the table is estimated at €154 million. After taking into account the deferred profit sharing based on the changes in the table, and amortisations to prior year technical reserves as a result of changing mortality data, the effect of the changes in the table on the financial statements was limited.

– For policies subject to Regulation L441, a test was effected to demonstrate the adequacy of the return on assets dedicated to covering the underwriting liabilities based on the new tables. In 2006, this test led to the conclusion that no further reserves were necessary in the financial statements for the effect of the change in the tables.

Note 25.1 Breakdown by geographic area

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Reinsurance gross technical reserves						
Life insurance reserves	18,844	1,862	20,707	15,844	1,598	17,442
Outstanding claims reserves	434	40	474	395	23	418
Profit-sharing reserves	740	30	770	707	26	733
Other technical reserves	178	13	191	119	5	124
Total Life Insurance	**20,196**	**1,945**	**22,142**	**17,065**	**1,652**	**18,717**
Reserves for unearned premiums	765	858	1,623	764	704	1,468
Outstanding claims reserves	7,292	2,125	9,417	7,443	2,414	9,857
Other technical reserves	2,228	57	2,285	2,193	52	2,245
Total Non-life insurance	**10,285**	**3,041**	**13,326**	**10,400**	**3,170**	**13,570**
Life insurance reserves for unit-linked contracts	3,392	115	3,508	2,620	192	2,812
Total Gross technical reserves	**33,874**	**5,102**	**38,975**	**30,085**	**5,014**	**35,099**
Share of reinsurers in the technical reserves	**1,239**	**366**	**1,605**	**1,381**	**500**	**1,881**
Net grand total	**32,634**	**4,736**	**37,370**	**28,704**	**4,514**	**33,218**

Note 25.2 Breakdown of technical reserves for insurance policies by main categories

	31/12/2006			31/12/2005		
	Gross life insurance reserves	**Gross outstanding claims reserves**	**Total**	**Gross life insurance reserves**	**Gross outstanding claims reserves**	**Total**
			(€m)			
Life: single-premium policies						
Capitalisation	574	31	604	608	36	644
Individual insurance	3,118	66	3,184	2,834	76	2,910
Group policies	247	9	255	129	2	131
Other	1,746	14	1,760	1,678	13	1,691
Total reserves for single-premium policies	**5,683**	**120**	**5,803**	**5,249**	**127**	**5,376**
Life: periodic-premium policies						
Capitalisation	281	11	292	116	5	121
Individual insurance	6,139	92	6,232	5,866	87	5,953
Group policies	6,257	185	6,442	5,556	147	5,703
Other	714	7	721	598	6	604
Total reserves for periodic premium policies	**13,391**	**295**	**13,686**	**12,136**	**245**	**12,381**
Acceptances	**1,632**	**59**	**1,691**	**57**	**46**	**103**
Total Life reserves	**20,706**	**474**	**21,180**	**17,442**	**418**	**17,860**

The implementation of a rider during the first half of 2006 that introduced a significant risk element in the item "Group policies" resulted in a €1,477 million transfer from accepted actuarial reserves in the category "reserves for financial contracts with discretionary profit sharing" to "insurance policies" as at 31 December 2006.

	31/12/2006			31/12/2005		
	Gross reserve for unearned premiums	**Gross outstanding claims reserves**	**Total**	**Gross reserve for unearned premiums**	**Gross outstanding claims reserves**	**Total**
			(€m)			
Non-life insurance						
Motor	647	2,269	2,916	584	2,170	2,754
Bodily injuries	55	383	438	49	386	435
Property damage	468	1,139	1,606	441	1,128	1,569
General third party liability	51	1,136	1,186	48	1,190	1,238
Marine, aviation, transport	35	588	622	44	754	798
Other	212	966	1,178	140	1,177	1,317
Acceptances	156	2,937	3,093	162	3,052	3,214
Total Non-Life Reserves	**1,623**	**9,418**	**11,041**	**1,468**	**9,857**	**11,325**

NOTE 26
CHANGES IN RESERVES FOR CLAIMS DURING THE YEAR
Gross values

	31/12/2006	31/12/2005
	(€m)	
Reserves for claims brought forward	**9,858**	**9,158**
Transfers in portfolio and changes in scope of consolidation	**(314)**	
Claims expense for the current year	4,595	3,971
Claims expense for prior years	(368)	(241)
Total claims expense	**4,227**	**3,730**
Claims payments for the current year	(2,070)	(1,673)
Claims payments for prior years	(2,260)	(1,859)
Total payments	**(4,330)**	**(3,532)**
Exchange rate variation	**(24)**	**80**
Total reserves for claims carried forward	**9,417**	**9,436**

Reserves for claims at the beginning of 2006 were increased by reserves for combined entities. The amount as at 31 December totalled €422 million. This amount was not shown in this table in prior years.

The amount recorded in ''Changes in scope of consolidation'' involves the following entities:

– Basak Sigorta: €109 million

– Azur: €38 million

– Minster Insurances: (€461) million (for a total of €483 million in technical reserves)

Note 26.1 Changes in reserves for claims during the year – by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Reserves for claims brought forward	**7,445**	**2,413**	**9,858**	**6,801**	**2,357**	**9,158**
Transfers in portfolio and changes in scope of consolidation	**3**	**(317)**	**(314)**			
Claims expense for the current year	3,287	1,308	4,595	2,733	1,237	3,970
Claims expense for prior years	(203)	(165)	(368)	(70)	(171)	(241)
Total claims expense	**3,084**	**1,143**	**4,227**	**2,663**	**1,066**	**3,729**
Claims payments for the current year	(1,465)	(605)	(2,070)	(1,170)	(503)	(1,673)
Claims payments for prior years	(1,733)	(525)	(2,258)	(1,317)	(542)	(1,859)
Total payments	**(3,198)**	**(1,130)**	**(4,328)**	**(2,487)**	**(1,045)**	**(3,532)**
Exchange rate variation	**(39)**	**15**	**(24)**	**42**	**38**	**80**
Total reserves for claims carried forward	**7,295**	**2,124**	**9,417**	**7,019**	**2,416**	**9,435**

Note 26.2 Impact of gross claims

	2003	2004	2005	2006
		(€m)		
Estimate of the claim expense				
At end of N	4,934	4,534	4,675	4,858
At end of N+1	4,874	4,427	4,622	
At end of N+2	4,802	4,297		
At end of N+3	4,750			
Claims expense	**4,750**	**4,297**	**4,622**	**4,858**
Cumulative claims payments	**3,987**	**3,481**	**3,303**	**2,244**
Outstanding claims reserves	**763**	**816**	**1,319**	**2,616**
Earned premiums	**6,377**	**6,389**	**6,512**	**6,709**
Claims and Reserves/Earned Premium	**74.5%**	**67.3%**	**71.0%**	**72.4%**

NOTE 27

IMPACT OF THE DISCOUNT IN THE ACTUARIAL RESERVES FOR ANNUITIES AND CHANGE IN THE ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES

Note 27.1 Impact of the discount on actuarial reserves for annuities

Gross values

	31/12/2006	31/12/2005
	(€m)	
Outstanding claims reserves carried forward (net of recoveries)	**1,535**	**904**
Outstanding claims reserves (net of recoveries) carried forward before change in discount rate	**1,585**	**861**
Outstanding claims reserves carried forward (net of recoveries) excluding technical interest	2,087	1,342
Technical interest	(502)	(481)
Impact of change in discount rate	(50)	43

Outwards reinsurance share

	31/12/2006	31/12/2005
	(€m)	
Share of reinsurers in outstanding claims reserves (net of recoveries) brought forward	**79**	**45**
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries) before change in discount rate	**81**	**42**
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries) ex. technical interest	101	62
Technical interest	(20)	(20)
Impact of change in discount rate	(2)	3

The 2006 opening actuarial reserves for annuities were increased by reserves for combined entities. The amount as at 31 December 2005 totalled €662 million, solely for entities based in France, as a gross amount. The assigned portion as at 31 December 2005 totalled €45 million, of which €40 million was for France and €5 million for foreign countries.

These amounts were not shown in this table in prior years.

Note 27.2 Impact of discounting on actuarial reserves by geographic area

Gross values

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
	(€m)					
Outstanding claims reserves carried forward (net of recoveries)	**1,529**	**6**	**1,535**	**899**	**5**	904
Outstanding claims reserves carried forward (net of recoveries) before change in discount rate	1,579	6	1,585	856	5	861
Outstanding claims reserves carried forward (net of recoveries) excluding technical interest	2,082	5	2,087	1,338	4	1,342
Technical interest	(503)	1	(502)	(482)	1	(481)
Impact of change in discount rate	(50)		(50)	43		43

Outwards reinsurance share

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
	(€m)					
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries)	**74**	**5**	**79**	**40**	**5**	45
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries) before change in discount rate	76	5	81	37	5	42
Share of reinsurers in outstanding claims reserves carried forward (net of recoveries) ex. technical interest	97	4	101	58	4	62
Technical interest	(21)	1	(20)	(21)	1	(20)
Impact of change in discount rate	(2)		(2)	3		3

Note 27.3 Changes in actuarial reserves for life insurance policies and investments

	31/12/2006	31/12/2005
	(€m)	
Actuarial reserves brought forward	**36,702**	**34,458**
Premiums for the year	3,588	3,488
Portfolio transfer in /changes in consolidation scope	206	
Interest credited	620	464
Profit-sharing	1,129	1,047
Policies at term	(836)	(943)
Surrenders	(1,608)	(1,570)
Annuity arrears	(371)	(344)
Death benefits	(307)	(297)
Other changes	106	399
Total closing actuarial reserves	**39,229**	**36,702**

Note 27.4 Changes in actuarial reserves for life insurance policies and investments by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Actuarial reserves brought forward	**34,437**	**2,265**	**36,702**	**32,251**	**2,207**	**34,458**
Premiums for the year	3,216	372	3,588	3,141	347	3,488
Portfolio transfers in	16	191	207			
Interest credited	544	76	620	389	75	464
Profit-sharing	1,110	18	1,128	1,036	11	1,047
Policies at term	(709)	(127)	(836)	(829)	(114)	(943)
Surrenders	(1,363)	(246)	(1,608)	(1,350)	(220)	(1,570)
Annuity arrears	(359)	(12)	(371)	(331)	(13)	(344)
Death benefits	(302)	(5)	(307)	(297)	(297)	
Other changes	150	(44)	106	427	(28)	399
Total actuarial reserves carried forward	**36,741**	**2,488**	**39,229**	**34,438**	**2,265**	**36,702**

NOTE 28
OPERATING LIABILITIES RELATED TO FINANCIAL CONTRACTS

	31/12/2006	31/12/2005
	(€m)	
Reserves on financial contracts with discretionary profit-sharing		
Life technical reserves	18,509	19,220
Reserves on unit-linked contracts	52	8
Outstanding claims reserves	270	238
Profit-sharing reserves	861	697
Other technical reserves		9
Total	**19,692**	**20,172**
Reserves on financial contracts without discretionary profit-sharing		
Life technical reserves	14	39
Reserves on unit-linked contracts	136	656
Outstanding claims reserves		1
Profit-sharing reserves		
Other technical reserves		
Total	**151**	**696**
Total reserves related to financial contracts Liabilities related to financial contracts	**19,842**	**20,868**

Note 28.1 Operating liabilities related to financial contracts (excluding unit linked) by geographic area

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Technical reserves before reinsurance						
Life financial contract reserves	17,897	626	18,524	18,593	666	19,259
Outstanding claims reserves	269	1	270	236	3	239
Profit sharing reserves	858	3	861	691	6	697
Other technical reserves					9	9
Total Life Insurance	**19,024**	**630**	**19,654**	**19,520**	**684**	**20,204**
Total Gross technical reserves	**19,024**	**630**	**19,654**	**19,520**	**684**	**20,204**
Share of reinsurers in technical reserves						
Total Operating liabilities related to financial contracts net of reinsurance	**19,024**	**630**	**19,654**	**19,520**	**684**	**20,204**

Note 28.2 Breakdown of financial contracts by major categories

	31/12/2006			31/12/2005		
	Life financial contract reserves	**Gross outstanding claims reserves**	**Total**	**Life financial contract reserves**	**Gross outstanding claims reserves**	**Total**
			(€m)			
Life business: single-premium contracts						
Savings business	808	14	822	798	22	820
Individual insurance	16,134	202	16,336	14,595	156	14,751
Group policies	8		8	11		11
Other						
Total reserves for single-premium contracts	**16,950**	**216**	**17,166**	**15,404**	**178**	**15,582**
Life business: periodic-premium policies						
Savings	354		354	515	1	516
Individual insurance	699	25	725	866	32	898
Group policies	520	26	546	1,016	25	1,041
Other		3	3	29	3	32
Total reserves for periodic premium contracts	**1,574**	**54**	**1,628**	**2,426**	**61**	**2,487**
Acceptance reinsurance				**1,429**		**1,429**
Total Life Reserves	**18,524**	**270**	**18,794**	**19,259**	**239**	**19,499**

NOTE 29
DEFERRED PROFIT SHARING LIABILITY

	31/12/2006	31/12/2005
	Total	**Total**
	(€m)	
Reserve for deferred profit-sharing on insurance policies	2,128	2,235
Reserve for deferred profit-sharing on financial contracts	1,953	2,150
Total deferred profit sharing liability	**4,081**	**4,385**

For the principal entities, the rate for deferred profit sharing used for accounting purposes fell within a range between 63.1% and 86.6% in 2006, versus 67.2% and 87.6% in 2005.

Note 29.1 Deferred profit sharing liability by geographic area

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Reserve for deferred profit-sharing on insurance policies	2,116	12	2,128	2,189	46	2,235
Reserve for deferred profit-sharing on financial contracts	1,949	4	1,953	2,145	5	2,150
Total deferred profit sharing liability	**4,066**	**15**	**4,081**	**4,334**	**51**	**4,385**

NOTE 30
FUNDS FROM BANKING SECTOR OPERATIONS

	31/12/2006	31/12/2005
	(€m)	
Central banks, postal accounts		
Financial liabilities at fair value through income	734	1
Hedging derivative instruments		
Debt to credit institutions	145	713
Debt to clients	1,190	930
Debt represented by securities	120	180
Revaluation variance on rate-hedged portfolios		
Total funds from banking sector operations	**2,189**	**1,824**

The change in amounts is primarily due to the transfer of securities "Held to maturity" for the purposes of a transaction oriented strategy. The item "issue of certificates of deposit" appears as an offset to "issue of certificates of deposit transaction" recorded in financial liabilities at fair value through income.

NOTE 31
DEFERRED TAX LIABILITIES

Note 31.1 Deferred tax liabilities – by geographic area

	31/12/2006			31/12/2005
	France	Foreign	Total	Total
	(€m)			
Deferred tax liabilities	314	47	361	248
Total deferred tax liabilities	**314**	**47**	**361**	**248**

Note 31.2 Deferred tax liabilities – by business sector

	31/12/2006				31/12/2005
	Life	Non-life	Banking	Total	Total
	(€m)				
Deferred tax liabilities	81	280		361	248
Total deferred tax liabilities	**81**	**280**		**361**	**248**

NOTE 32
DEBTS TO UNIT HOLDERS OF CONSOLIDATED MUTUAL FUNDS

	31/12/2006			31/12/2005		
	Insurance	Banking	Total	Insurance	Banking	Total
	(€m)					
Debts to unit holders of consolidated mutual funds	499		499	629		629
Total	**499**		**499**	**629**		**629**

NOTE 33
OPERATING DEBT TO BANKING INSTITUTIONS

Note 33.1 Operating debt to banking institutions – by maturity

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Operating debt to banking institutions	299	35		334	144	21		165
Total	**299**	**35**		**334**	**144**	**21**		**165**

Note 33.2 Operating debt to banking institutions – by currency and rate

	31/12/2006			
	Currencies		Rates	
	Euro zone	Non-Euro zone	Fixed rate	Variable rate
		(€m)		
Operating debt to banking institutions	334		334	
Total	**334**		**334**	

NOTE 34
LIABILITIES FROM INSURANCE OR INWARDS REINSURANCE ACTIVITIES

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Liabilities from insurance or acceptance reinsurance activities								
Policyholders, intermediaries and other third parties	570			570	491			491
Co-insurers	58	9		67	69	9		78
Outwards reinsurer and retrocessionnaire current accounts	29	10		39	36	12		48
Deposits received from reinsurers								
Total	**657**	**19**		**676**	**596**	**21**		**617**

NOTE 35
LIABILITIES FROM OUTWARDS REINSURANCE ACTIVITIES

	31/12/2006				31/12/2005			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
				(€m)				
Liabilities from outwards reinsurance activities								
Outwards reinsurer and retrocessionnaire current accounts	245	40		285	247	47		294
Other liabilities from reinsurance activities	62	10		72	89	11		100
Total	**307**	**50**		**357**	**336**	**58**		**394**

NOTE 36
CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES –

	31/12/2006				31/12/2005			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
				(€m)				
Current taxes payable and other tax liabilities	144			144	154			154
Total	**144**			**144**	**154**			**154**

NOTE 37
DERIVATIVE INSTRUMENTS LIABILITIES

	31/12/2006			31/12/2005		
	Insurance	Banking	Total	Insurance	Banking	Total
			(€m)			
Derivative instrument liabilities	15		15	45		45
Total	**15**		**15**	**45**		**45**

NOTE 38

OTHER LIABILITIES

Note 38.1 Other liabilities – by business sector

	31/12/2006			31/12/2005		
	Insurance	Banking	Total	Insurance	Banking	Total
			(€m)			
Personnel creditors	157	10	167	147	9	156
Social security agencies	87	7	94	100	5	105
Other loans, deposits and guarantees received	1,528		1,528	1,071		1,071
Other creditors	773	8	781	958	8	966
Other liabilities	366	79	445	224	227	451
Total	**2,911**	**104**	**3,015**	**2,500**	**249**	**2,749**

The item "Other loans, deposits and guarantees received" includes an amount of €490 million corresponding to drawdowns on Groupama S.A.'s credit facility.

Note 38.2 Other liabilities – by maturity

	31/12/2006				31/12/2005			
	<1 year	1 to 5 years	>5 years	Total	<1 year	1 to 5 years	>5 years	Total
				(€m)				
Personnel creditors	158	8	1	167	148	7	1	156
Social security agencies	94			94	105			105
Other loans, deposits and guarantees received	1,420	51	57	1,528	1,033	36	2	1,071
Other creditors	691	7	83	781	808	151	7	966
Other liabilities	445			445	451			451
Total	**2,808**	**66**	**141**	**3,015**	**2,545**	**194**	**10**	**2,749**

Note 38.3 Other liabilities by currency and rate

	31/12/2006			
	Currencies		Rates	
	Euro zone	Non-Euro zone	Fixed rate	Variable rate
		(€m)		
Personnel creditors	167		167	
Social security agencies	93		93	
Other loans, deposits and guarantees received	1,524	4	715	813
Other creditors	146	636	248	534
Other liabilities	445		445	
Total	**2,375**	**640**	**1,668**	**1,347**

NOTES ON THE CONSOLIDATED INCOME STATEMENT

NOTE 39

ANALYSIS OF REVENUE BY MAJOR CATEGORIES

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Life business: Single-premium policies						
Savings business	82	138	220	62	142	204
Individual insurance	1,868	66	1,933	2,018	54	2,071
Group policies	3	32	35	3	14	18
Unit linked policies	716	3	719	321	21	342
Other	44		44	52		52
Total single-premium contracts	**2,712**	**240**	**2,952**	**2,456**	**231**	**2,687**
Life business: periodic-premium contracts						
Savings business	46	40	86	51	37	88
Individual insurance	642	85	727	640	86	726
Group policies	501	58	560	451	53	504
Unit linked policies	5	17	22	6	19	25
Other	13		13	10		10
Total periodic premium policies	**1,206**	**200**	**1,407**	**1,158**	**195**	**1,353**
Acceptance reinsurance	**125**		**125**	**121**		**121**
Total life	**4,044**	**440**	**4,484**	**3,735**	**426**	**4,161**
Non-life insurance						
Motor	659	911	1,570	707	845	1,552
Bodily injury	735	77	812	685	71	757
Property damage	811	461	1,272	820	399	1,219
General third party liability	130	68	198	129	61	190
Marine, aviation, transport	265	31	297	242	27	269
Other	333	299	632	343	147	490
Inwards reinsurance	**1,925**	**7**	**1,933**	**1,917**	**2**	**1,919**
Total non-life	**4,858**	**1,855**	**6,713**	**4,843**	**1,552**	**6,395**
Total life and non-life	**8,902**	**2,295**	**11,197**	**8,578**	**1,978**	**10,556**
Banking activities						
Banking	149		149	97		97
Asset management	130		130	107		107
Other	3		3	2		2
Total banking	**282**		**282**	**206**		**206**
Total	**9,184**	**2,295**	**11,479**	**8,784**	**1,978**	**10,762**

Banking revenue shown in the consolidated statements correspond to banking income before taking into account refinancing costs.

Note 39.1 Analysis of revenue by life/non-life and geographic area.

	31/12/2006					31/12/2005				
	Life	Non-life	Investment activities	Total	Share as %	Life	Non-life	Investment activities	Total	Share as %
					(€m)					
France	**4,044**	**4,858**	**282**	**9,184**	**80%**	**3,735**	**4,843**	**206**	**8,784**	**82%**
EEC (ex- France)	**377**	**1,693**		**2,070**	**18%**	**366**	**1,513**		**1,879**	**17%**
UK		605		605	5%		504		504	5%
Italy	175	368		543	5%	191	353		544	5%
Spain	86	704		790	7%	66	641		707	7%
Portugal	116	16		132	1%	109	15		124	1%
Other countries	**63**	**163**		**226**	**2%**	**60**	**39**		**99**	**1%**
Total	**4,485**	**6,713**	**282**	**11,480**	**100%**	**4,161**	**6,395**	**206**	**10,762**	**100%**

Total Insurance revenue totalled €11,198 million as at 31 December 2006 compared with €10,556 million at 31 December 2005. The growth in revenue from other countries was primarily attributable to consolidation of the Turkish companies which generated revenue of €157 million.

Note 39.2 Analysis of revenue by life and health insurance/ property and liability insurance/ banking/holding company activities by geographic area

	31/12/2006					31/12/2005				
	Life and health insurance	Property and liability insurance	Investment activities	Total	Share as %	Life and health insurance	Property and liability insurance	Investment activities	Total	Share as %
					(€m)					
France	**5,333**	**3,569**	**282**	**9,184**	**80%**	**4,956**	**3,622**	**206**	**8,784**	**82%**
EEC (ex- France)	**641**	**1,429**	**0**	**2,070**	**18%**	**543**	**1,336**	**0**	**1,879**	**17%**
UK	152	453		605	5%	74	430		504	5%
Italy	221	321		542	5%	235	309		544	5%
Spain	141	649		790	7%	115	592		707	7%
Portugal	127	6		133	1%	119	5		124	1%
Other countries	**78**	**148**		**226**	**2%**	**60**	**39**		**99**	**1%**
Total	**6,052**	**5,146**	**282**	**11,480**	**100%**	**5,559**	**4,997**	**206**	**10,762**	**100%**

Note 39.3 Analysis of banking activities contributing to revenue

	31/12/2006			31/12/2005		
	Groupama Banque	Other companies	Total	Groupama Banque	Other companies	Total
			(€m)			
Interest and related income	21	55	76	16	27	43
Commissions (income)	17	163	180	13	136	149
Gains on financial instruments at fair value through income		21	21	8	5	13
Gains on financial assets available for sale			0			0
Income from other activities		5	5		1	1
Banking activities contributing to revenue	**38**	**244**	**282**	**37**	**169**	**206**

NOTE 40
INVESTMENT INCOME NET OF MANAGEMENT EXPENSES
Note 40.1 By geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
Investment income	**2,504**	**245**	**2,749**	**2,382**	**215**	**2,597**
Interest on deposits and investment income	1,932	240	2,172	1,856	205	2,061
Gains on foreign exchange transactions	10		10	20	5	25
Income on price differences on redemptions to be received (adjustments)	187	1	188	137	1	138
Revenue from property	375	4	379	369	4	373
Other investment income						
Investment expenses	**(347)**	**(50)**	**(397)**	**(327)**	**(46)**	**(373)**
Interest received from reinsurers	(2)	(2)	(4)	(2)		(2)
Losses on foreign exchange transactions	(21)	(5)	(25)	(13)	(6)	(19)
Amortisation of price differences on redemptions (adjustements)	(75)	(13)	(88)	(74)	(11)	(85)
Amortisation of real estate	(72)		(72)	(85)	(2)	(87)
Management expenses	(178)	(30)	(208)	(154)	(26)	(180)
Capital gains (losses) from sale of investments, net of amortisations and impairment	**718**	**58**	**777**	**886**	**63**	**949**
Held for transactions	41	2	43	58	3	61
Available for sale	630	55	685	775	57	832
Held to maturity						
Other	48	1	49	53	3	56
Change in fair value of financial instruments recognised at fair value through income	**434**	**1**	**434**	**306**	**25**	**330**
Held for transactions	55	(3)	52	155	5	161
Derivatives	100		100	(189)		(189)
Adjustments on unit-listed contracts	278	4	282	340	19	359
Change in impairment on financial instruments	**3**	**(1)**	**2**	**(4)**	**(10)**	**(14)**
Held for sale	(2)	(1)	(3)	(7)	(10)	(17)
Held to maturity						
Receivables and loans	5		5	3		3
Investment income net of management expenses	**3,311**	**254**	**3,565**	**3,242**	**247**	**3,489**

Note 40.2 By business sector

	31/12/2006			31/12/2005		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
			(€m)			
Investment income	**1,859**	**890**	**2,749**	**1,728**	**869**	**2,597**
Interest on deposits and investment income	1,630	542	2,172	1,547	514	2,061
Gains on foreign exchange transactions	2	8	10	5	19	25
Income from differences on redemption prices to be received (adjustements)	168	20	188	121	17	138
Revenue from property	59	320	379	54	319	373
Other investment income						
Investment expenses	**(137)**	**(260)**	**(397)**	**(111)**	**(263)**	**(373)**
Interest received from reinsurers	(2)	(2)	(4)		(2)	(2)
Losses on foreign exchange transactions	(7)	(18)	(25)	(6)	(13)	(19)
Amortisation of differences in redemption prices (adjustments)	(57)	(31)	(88)	(56)	(28)	(85)
Amortisation on real estate	(3)	(69)	(72)	(6)	(82)	(87)
Management expenses	(69)	(139)	(208)	(42)	(138)	(180)
Capital gains (losses) from sale of investments, net of amortisations and impairment	**541**	**236**	**777**	**662**	**287**	**949**
Held for transactions	27	16	43	39	22	61
Held for sale	483	202	685	599	233	832
Held to maturity						
Other	31	18	49	24	32	56
Change in fair value of financial instruments recognised at fair value through income	**413**	**21**	**434**	**369**	**(38)**	**330**
Held for transactions	51		52	172	(12)	161
Derivatives	80	21	100	(163)	(26)	(189)
Adjustments on unit-listed contracts	282		282	359		359
Change in impairment on financial instruments	3	(1)	2	(10)	(5)	(14)
Available for sale	(1)	(2)	(3)	(10)	(7)	(17)
Held to maturity						
Receivables and loans	4	1	5		3	3
Investment income net of management expenses	**2,678**	**886**	**3,565**	**2,638**	**851**	**3,489**

Note 40.3 Investment income net of management expenses (revenue breakdown by type of asset)

	31/12/2006					31/12/2005				
	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total
					(€m)					
Property	380	50			430	374	56			430
Stocks and shares	320	542	2		864	207	359	218		784
Bonds	1,775	18	(76)		1,717	1,846	25	(207)		1,664
Equity mutual funds	29	61	119		209	49	92	140		281
Bond mutual funds	27	19	17		63	51	20	41		112
Interest on cash deposits	137				137	11				11
Other investment income	81	87	91	2	261	59	397	(220)	(14)	222
Investment income	**2,749**	**777**	**153**	**2**	**3,681**	**2,597**	**949**	**(28)**	**(14)**	**3,504**
Internal and external management expenses	(227)				(227)	(187)				(187)
Other investment expenses	(170)				(170)	(186)				(186)
Investment expenses	**(397)**				**(397)**	**(373)**				**(373)**
Investment income, net of expenses	**2,352**	**777**	**153**	**2**	**3,284**	**2,224**	**949**	**(28)**	**(14)**	**3,131**
Capital gains value of Unit linked policies			365		365			389		389
Capital losses value of Unit linked policies			(83)		(83)			(30)		(30)
Investment income net of management expenses	**2,352**	**777**	**435**	**2**	**3,566**	**2,224**	**949**	**331**	**(14)**	**3,490**

A new presentation of investment income net of management expenses has been adopted. It entails allocating expenses relating to minority interests in the consolidation of mutual funds with investment income net of expenses by type of asset.

Note 40.4 Investment income net of management expenses (breakdown of non-life revenue by type of asset) – non-life

	31/12/2006					31/12/2005				
	Revenue & expenses	**Income from sales**	**Change in fair value**	**Change in provisions**	**Total**	**Revenue & expenses**	**Income from sales**	**Change in fair value**	**Change in provisions**	**Total**
					(€m)					
Property	321	18			339	319	29			348
Stocks and shares	72	152	1		225	51	84	218		353
Bonds	383		(8)		375	430	2	(215)		217
Equity mutual funds	9	25	11		45	14	11	15		40
Bond mutual funds	11	9	7		27	7	5	2		14
Interest on cash deposits	69				69	14				14
Other investment income	25	32	11	(1)	67	35	156	(57)	(4)	130
Investment income	**890**	**236**	**22**	**(1)**	**1,147**	**870**	**287**	**(37)**	**(4)**	**1,116**
Internal and external management expenses	(130)				(130)	(133)				(133)
Other investment expenses	(129)				(129)	(131)				(131)
Investment expenses	**(259)**	**0**	**0**	**0**	**(259)**	**(264)**				**(264)**
Investment income, net of expenses	**631**	**236**	**22**	**(1)**	**888**	**606**	**287**	**(37)**	**(4)**	**852**
Capital gains value of Unit linked policies										
Capital losses value of Unit linked policies										
Investment income net of management expenses	**631**	**236**	**22**	**(1)**	**888**	**606**	**287**	**(37)**	**(4)**	**852**

Note 40.5 Investment income net of management expenses (breakdown of life income by type of asset) – life

	31/12/2006					31/12/2005				
	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total	Revenue & expenses	Income from sales	Change in fair value	Change in provisions	Total
					(€m)					
Property	59	31			90	54	27			81
Stocks and shares	248	390	2		640	157	276			433
Bonds	1,392	18	(67)		1,343	1,415	22	8		1,445
Equity mutual funds	20	36	107		163	36	81	124		241
Bond mutual funds	16	11	10		37	44	15	40		99
Interest on cash deposits	68				68	(3)				(3)
Other investment income	56	55	79	3	193	24	241	(163)	(10)	92
Investment income	**1,859**	**541**	**131**	**3**	**2,534**	**1,727**	**662**	**9**	**(10)**	**2,388**
Internal and external management expenses	(96)				(96)	(54)				(54)
Other investment expenses	(42)				(42)	(55)				(55)
Investment expenses	**(138)**				**(138)**	**(109)**				**(109)**
Investment income, net of expenses	**1,721**	**541**	**131**	**3**	**2,396**	**1,618**	**662**	**9**	**(10)**	**2,279**
Capital gains value of Unit linked policies			365		365			389		389
Capital losses value of Unit linked policies			(83)		(83)			(30)		(30)
Investment income net of management expenses	**1,721**	**541**	**413**	**3**	**2,678**	**1,618**	**662**	**368**	**(10)**	**2,638**

NOTE 41
CLAIMS EXPENSES

Note 41.1 Claims expenses – by geographic area

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Claims						
Paid to policyholders	(6,066)	(1,691)	(7,757)	(6,074)	(1,455)	(7,528)
Change in technical reserves						
Outstanding claims reserve	(6)	(30)	(37)	(202)	35	(166)
Actuarial reserves	(670)	31	(639)	(757)	(62)	(820)
Unit-linked reserves	(256)	35	(220)	(107)	(23)	(131)
Profit-sharing	(1,812)	(63)	(1,876)	(1,683)	(10)	(1,693)
Other technical reserves	(263)	(8)	(271)	(170)	(1)	(171)
Total claims expenses	**(9,073)**	**(1,727)**	**(10,801)**	**(8,994)**	**(1,516)**	**(10,509)**

Note 41.2 Claims expenses – by business sector

	31/12/2006			31/12/2005		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
			(€m)			
Claims						
Paid to policy holders	(3,362)	(4,396)	(7,757)	(3,244)	(4,284)	(7,528)
Change in technical reserves						
Outstanding claims reserve	(89)	53	(37)	(29)	(137)	(166)
Actuarial reserves	(639)		(639)	(820)		(820)
Unit-linked reserves	(220)		(220)	(131)		(131)
Profit-sharing	(1,866)	(10)	(1,876)	(1,669)	(24)	(1,693)
Other technical reserves	(234)	(38)	(271)	(147)	(23)	(171)
Total claims expenses paid out	**(6,410)**	**(4,390)**	**(10,801)**	**(6,040)**	**(4,469)**	**(10,509)**

NOTE 42
EXPENSES AND INCOME NET OF REINSURANCE CESSIONS

Note 42.1 Expenses and income net of outwards reinsurance – by geographic area

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Acquisition and administrative expenses	31	31	62	25	13	38
Claims charge	121	77	198	270	22	292
Change in technical reserves	29	3	32	6	(1)	4
Profit sharing	1		1	9		10
Change in the equalization reserve						
Income from outwards reinsurance	**182**	**111**	**293**	**310**	**34**	**344**
Premiums ceded	(573)	(133)	(706)	(539)	(68)	(607)
Expenses net of outwards reinsurance	**(573)**	**(133)**	**(706)**	**(539)**	**(68)**	**(607)**
Income and expenses net of outwards reinsurance	**(391)**	**(22)**	**(413)**	**(229)**	**(34)**	**(263)**

Note 42.2 Expenses and income net of outwards reinsurance – by business sector

	31/12/2006			31/12/2005		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
			(€m)			
Acquisition and administrative expenses	6	57	62	5	34	38
Claims charge	14	184	197	11	281	292
Change in technical provisions	4	28	32	(3)	8	5
Profit sharing	6	(5)	2	10	(1)	9
Change in the equalisation reserve						
Income from outwards reinsurance	**30**	**264**	**293**	**23**	**321**	**344**
Premiums ceded	(32)	(674)	(706)	(28)	(579)	(607)
Expenses net of outwards reinsurance	**(32)**	**(674)**	**(706)**	**(28)**	**(579)**	**(607)**
Income and expenses net of outwards reinsurance	**(3)**	**(410)**	**(413)**	**(5)**	**(258)**	**(263)**

NOTE 43

OPERATING EXPENSES

Note 43.1 Operating expenses – by geographic area

	31/12/2006			31/12/2005		
	France	Foreign	Total	France	Foreign	Total
			(€m)			
External expenses	(677)	(163)	(840)	(638)	(97)	(735)
Taxes	(147)	(3)	(150)	(142)	(2)	(144)
Personnel expenses	(686)	(150)	(836)	(678)	(137)	(815)
Commissions	(979)	(343)	(1,322)	(967)	(298)	(1,265)
Appropriations for provisions (net of amortisations)	(116)	(17)	(133)	(118)	(11)	(129)
Other expenses	29	(13)	16	16	(6)	10
Total operating expenses by nature	**(2,576)**	**(689)**	**(3,265)**	**(2,527)**	**(551)**	**(3,078)**
Claims handling expenses	(302)	(75)	(377)	(313)	(72)	(385)
Acquisition costs	(1,037)	(403)	(1,440)	(1,003)	(327)	(1,330)
Administrative expenses	(529)	(136)	(665)	(582)	(115)	(697)
Other operating expenses	(362)	(34)	(396)	(311)	(25)	(336)
Investment management expenses	(92)	(3)	(95)	(77)	(4)	(81)
Other non-technical expenses	(98)	(38)	(136)	(101)	(8)	(109)
Banking operating expenses	(156)		(156)	(140)		(140)
Total operating expenses by function	**(2,576)**	**(689)**	**(3,265)**	**(2,527)**	**(551)**	**(3,078)**

Note 43.2 Operating expenses – by business sector

	31/12/2006			31/12/2005		
	Insurance	**Banking**	**Total**	**Insurance**	**Banking**	**Total**
			(€m)			
External expenses	(775)	(65)	(840)	(680)	(55)	(735)
Taxes	(144)	(6)	(150)	(139)	(5)	(144)
Personnel expenses	(751)	(85)	(836)	(738)	(77)	(815)
Commissions	(1,322)		(1,322)	(1,265)		(1,265)
Appropriations for amortisation and provisions (net of amortisations)	(124)	(9)	(133)	(118)	(11)	(129)
Other expenses	27	(10)	17	21	(11)	10
Total expenses by nature	**(3,089)**	**(175)**	**(3,264)**	**(2,919)**	**(159)**	**(3,078)**
Claims management expenses	(377)		(377)	(385)		(385)
Acquisition costs	(1,440)		(1,440)	(1,330)		(1,330)
Administrative expenses	(665)		(665)	(697)		(697)
Other operating expenses	(396)		(396)	(336)		(336)
Investment management expenses	(94)		(94)	(81)		(81)
Other non-technical expenses	(117)	(19)	(136)	(90)	(19)	(109)
Banking operating expenses		(156)	(156)		(140)	(140)
Total operating expenses by function	**(3,089)**	**(175)**	**(3,264)**	**(2,919)**	**(159)**	**(3,078)**

NOTE 44
POLICY ACQUISITION COSTS

Note 44.1 Policy acquisition costs by geographic area

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Commissions	(659)	(322)	(981)	(618)	(261)	(879)
Change in deferred acquisition costs	1	(2)	(1)	2	(1)	
Other expenses	(377)	(81)	(458)	(385)	(66)	(451)
Total acquisition costs	**(1,035)**	**(405)**	**(1,440)**	**(1,001)**	**(328)**	**(1,330)**

Note 44.2 Policy acquisition costs by business sector

	31/12/2006			31/12/2005		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
			(€m)			
Commissions	(168)	(813)	(981)	(147)	(732)	(879)
Change in deferred acquisition costs	(12)	11	(1)	(5)	5	
Other expenses	(153)	(305)	(458)	(148)	(303)	(451)
Total acquisition costs	**(333)**	**(1,107)**	**(1,440)**	**(300)**	**(1,030)**	**(1,330)**

NOTE 45

ADMINISTRATIVE EXPENSES

Note 45.1 Administrative expenses by geographic area

	31/12/2006			31/12/2005		
	France	**Foreign**	**Total**	**France**	**Foreign**	**Total**
			(€m)			
Commissions	(268)	(39)	(307)	(278)	(35)	(313)
Other expenses	(261)	(97)	(358)	(304)	(80)	(384)
Total administrative expenses	**(528)**	**(137)**	**(665)**	**(582)**	**(115)**	**(697)**

Note 45.2 Administrative expenses by business sector

	31/12/2006			31/12/2005		
	Life	**Non-life**	**Total**	**Life**	**Non-life**	**Total**
			(€m)			
Commissions	(44)	(262)	(307)	(51)	(262)	(313)
Other expenses	(111)	(247)	(358)	(80)	(304)	(384)
Total administrative expenses	**(155)**	**(510)**	**(665)**	**(131)**	**(566)**	**(697)**

NOTE 46
OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

	31/12/2006	31/12/2005
	(€m)	
Commissions and other operating expenses, Life	(86)	(125)
Other operating income, Life	19	17
Transfer of operating expenses and capitalised production, Life	25	26
Total other operating income and expenses, Life	**(42)**	**(82)**
Non-life commissions and other operating expenses	(282)	(226)
Other Non-life operating income	121	112
Transfer of Non-life operating expenses and capitalised production	(11)	7
Total other operating income and expenses, Non-life	**(172)**	**(107)**
Other non-operating expenses	(169)	(109)
Other non-operating income	41	42
Total other non-operating income and expenses	**(128)**	**(67)**
Total other operating income and expenses	**(341)**	**(256)**

NOTE 47
OTHER EXTRAORDINARY OPERATING INCOME AND EXPENSES

	31/12/2006	31/12/2005
	(€m)	
Extraordinary income	69	43
Extraordinary expenses	(122)	(76)
Allocation to the provision for goodwill	(18)	
Total other extraordinary operating income and expenses	**(70)**	**(33)**

NOTE 48
FINANCING EXPENSES

	31/12/2006	31/12/2005
	(€m)	
Interest expenses on loans and debt	(89)	(68)
Interest expenses on repurchases	(21)	(17)
Interest income and expenses – Other	2	1
Total financing expenses	**(108)**	**(84)**

NOTE 49
BREAKDOWN OF TAX EXPENSE

Note 49.1 Breakdown of tax expenses – by geographic area

	31/12/2006			31/12/2005
	France	Foreign	Total	Total
		(€m)		
Current taxes	(127)	(14)	(141)	(20)
Deferred taxes	(124)		(124)	(240)
Total tax expense	**(251)**	**(14)**	**(265)**	**(260)**

Note 49.2 Breakdown of tax expenses – by business sector

	31/12/2006				31/12/2005
	Life	Non-life	Banking	Total	Total
			(€m)		
Current taxes	(63)	(60)	(18)	(141)	(20)
Deferred taxes	6	(130)	(1)	(125)	(240)
Total tax expense	**(57)**	**(190)**	**(19)**	**(265)**	(260)

Note 49.3 Reconciliation between total accounting tax expense and theoretical tax expense calculations

	31/12/2006	31/12/2005
	(€m)	
Theoretical tax expense	(309)	(238)
Impact of expenses or income defined as non-deductible or non-taxable	25	(64)
Impact of differences in tax rate	4	(2)
Tax credit and various charges		(1)
Charges of prior deficits	19	64
Losses for the year not activated	(14)	(12)
Deferred tax assets not accounted for		
Other differences	9	(7)
Effective tax expense	**(265)**	**(260)**

Profit taxes generated a total expense of €265 million as at 31 December 2006 compared to an expense of €260 million as at year end 2005. The consolidated income tax expense rose less than the consolidated net income before taxes primarily because of partial utilisation of the accumulated tax loss carry forwards from the UK operating subsidiary. The effective tax rate was therefore 29.6% compared to 37.6% as at year end 2005.

OTHER INFORMATION

NOTE 50
RELATED PARTIES

In accordance with IAS 24, parties are considered to be related if one party can control the other party or exercise significant influence over the other party in financial or operational decision-making.

The criteria of this definition are primarily applied to the regional mutuals of the Groupama group. They indirectly hold the capital of Groupama SA.

In 2006, Groupama SA primarily completed the following transactions with the network of regional mutuals.

Internal reinsurance

The reinsurance of the regional mutuals with Groupama S.A. is intended, through internal pooling of risks, to give each mutual, within its territory, subscription capacities equivalent to those held by a single company covering the entire territory. It also limits the use of outside reinsurance to the needs that would be the same as those of such a company.

- ***Internal reinsurance procedures***

In order to achieve this objective, the reinsurance of the regional mutuals is conducted within a common framework set by general regulations and not by individual reinsurance treaties. These general reinsurance regulations are based on a number of basic principles:

- exclusive reinsurance obligation with Groupama S.A.;
- the reinsurance conditions defined by the general regulations are developed within cooperative bodies composed of Groupama S.A. and all the mutuals and they are valid for all the regional mutuals;
- general sharing among the mutuals and their internal reinsurer: all risks without exception are ceded, primarily with a portion retained;
- retrocession to the regional mutuals by Groupama S.A. of a portion of the general result of its reinsurance inwards, which reduces the group's need to cede reinsurance to third parties and involves all the mutuals in balancing the reinsurance ceded with Groupama S.A.

- ***Classification of risks***

Most of the risks insured are classified in three main families, based on the nature of the cover required, which is a function of the volatility:

- basic risks: these risks include the risks of individuals and professionals, such as motor, civil liability, personal insurance, fire, and excluding natural risks or very specific risks such as construction, buildings, etc.; these risks represent more than 83% of the revenue of the regional mutuals;
- atmospheric risks: these are the risks of storms, hail and snow on building and traditional crop insurance (hail, storms, freezing); they form only 6% of revenue;
- major risks: major risks include civil liability risks, fire, machine breakage and business operating losses and represent 3% of revenue.

All the risks classified in the same family are assigned at the same level and adapted to their shared underwriting characteristics.

The risks that do not fall within these three groups (approximately 8% of the revenue of the regional mutuals) because they are new or because of their specific features are handled appropriately, based if possible on the principles applicable to the risk family which they most resemble.

- ***Retrocession***

Insurance ceded by the mutuals to a central reinsurer do not deplete the capacities for pooling and retention within the group. Given their level of equity, the mutuals have the capacity to bear a portion of the risk offset nationally, and protected by outside reinsurance. They become in turn the reinsurer of Groupama S.A.

This allows the total results of the highest risks of reinsurance inwards to be shared between Groupama S.A. and the mutuals, and lowers the thresholds for ceding risks to third party reinsurers.

The reinsurance inwards for basic risks of Groupama S.A. share is not, therefore, affected by the retrocession.

However, a significant percentage (15 to 40% depending on the risks), of the other main reinsurance inwards is retroceded, including the following:

– basic risk excess losses
– share and excess of the annual loss for atmospheric risks and natural disasters
– the share and excess of losses for major risks.

- ***Amounts involved in 2006***

It should be noted that non-life premiums earned, policy servicing expenses, acquisition costs and administrative expenses include reinsurance inwards, with respect to Groupama SA, from the regional mutuals under the internal reinsurance treaty.

The amounts accepted for these different transactions break down as follows:

	31/12/2006	**31/12/2005**
– Earned premiums, non-life	€1,697 million	€1,659 million
– Policy servicing expenses	€(985) million	€(1,098) million
– Acquisition costs	€(151) million	€ (148) million
– Administrative costs	€(151) million	€(148) million

As at 31 December 2006, the total result from reinsurance retroceded was €3 million.

	31/12/2006	**31/12/2005**
– Expenses on reinsurance ceded	€(65) million	€(58) million
– Income on reinsurance ceded	€68 million	€66 million

Groupama Vie

The relations between Groupama Vie and the Regional Mutuals are governed by identical bilateral agreements. One agreement covers individual life, and another group insurance.

- ***Individual life agreement***

The purpose of this agreement is the distribution and management by the Regional Mutual of the individual life insurance products (which include the products subscribed by participation in a voluntary group policy) from Groupama Vie.

With regard to distribution, Groupama Vie sets the marketing, subscription and pricing rules for the products as well as the contract documents and the PR and advertising. The Regional Mutual is responsible for the sales relation with the customer.

At the management level, the Regional Mutual is charged with covering all administrative functions, including medical management, within certain limits including amounts, and in accordance with the conditions defined by Groupama Vie.

The Regional Mutual is required to comply with a number of ethical rules, particularly governing the treatment of health cases and the prevention of money laundering.

Groupama Vie is authorized to conduct on-site audits of documents and conditions under which the marketing and management functions are exercised.

The distribution and management of the Regional Mutual attract charges on the basis of three elements: for all products, a mark-up on premiums and, for certain products, a fee on the outstanding amount (savings and pension products), and a fee based on the regional underwriting result (provident products) designed to ensure the interest of the Regional Mutual in the quality of its management.

The premium earned by Groupama Vie under this agreement totalled €1771.8 million in 2006. Fees earned by the Regional Mutuals amounted to €94.9 million.

- ***Group insurance agreement***

The purpose of this agreement is the distribution and management by the Regional Mutual of group insurance policies from Groupama Vie.

Groupama SA, which provides technical support to Groupama Vie, is also a party to this agreement.

At the distribution level, Groupama SA, through a delegation from Groupama Vie, sets the rules for marketing, subscription, and rates for the products as well as the contract documents and communications media. The Regional Mutual is responsible for the commercial relationship with the customers.

With regard to administration, the Regional Mutual is charged with performing all administrative functions for life insurance policies, including medical management, with the exception of certain actions which, because of the type or amount, are performed directly by Groupama SA.

The administration of pension policies and life insurance benefits on these policies is outsourced to Groupama SA.

Groupama SA, is authorized by Groupama Vie to conduct on-site audits of documents and conditions under which the marketing and management functions are performed by the Regional Mutual.

The Regional Mutual's distribution and management attract charges on the basis of several elements: mark-up on premiums, mark-up on outstanding amounts for certain products, fees based on regional net profit on all death risks, which is designed to ensure the Regional Mutual monitors the quality of its management. As an incentive for the development of group insurance, the Regional Mutual benefits from a share of the profits from policies managed nationally based on type.

Groupama Vie posted revenue under this agreement of €59.4 million in 2006. The fees earned by the Regional Mutuals amounted to €6.1 million.

NOTE 51
EMPLOYEES OF THE CONSOLIDATED COMPANIES

	31/12/2006			31/12/2005
	Insurance	**Banking**	**Total**	**Total**
		(€m)		
France	9,631	943	10,574	10,460
United Kingdom	1,207		1,207	767
Spain	875		875	764
Italy	396		396	397
Hungary	240		240	253
Other EU countries	114		114	108
Turkey	501		501	
Non-EU countries	29		29	30
Total average number of employees of the consolidated companies	**12,993**	**943**	**13,936**	**12,779**

This table shows the employees at year end. In previous years, the number of employees used to be presented as an average. The comparative figures for the year ended 31 December 2005 have been restated accordingly to ease comparison.

The increase in the number of employees primarily reflects the following newly consolidated companies:

– Basak Sigorta and Basak Emeklilik, with 360 and 141 employees respectively, representing a total of 501 employees;

– Carole Nash, with a total of 328 employees;

– Azur Multiramos and Azur Vida, with a total of 46 employees.

NOTE 52
COMMITMENTS GIVEN AND RECEIVED
Note 52.1 Commitments given and received- banking

	31/12/2006	31/12/2005
	(€m)	
Financing commitments received		
Guarantee commitments received	22	4
Securities commitments receivable	90	105
Total banking commitments received	**112**	**109**
Commitments received on currency transactions	6	25
Other commitments received	22	3
Total of other banking commitments received	**28**	**28**
Financing commitments given	48	37
Guarantee commitments given	111	78
Commitments on securities to be delivered	10	5
Total banking commitments given	**169**	**121**
Commitments given on currency transactions	24	32
Commitments given on financial instrument transactions		46
Total of other banking commitments given	**24**	**78**

Forward currency sale transactions are now allocated to notional instruments and are no longer presented in this table.

The amounts for 2005 were €2,552 million for commitments received on currency transactions and €2,553 million for commitments given on currency transactions.

Note 52.2 Commitments given and received-insurance and reinsurance

	31/12/2006	31/12/2005
	(€m)	
Endorsements, securities and guarantees received	120	119
Other commitments received	952	1,545
Total commitments received, ex. reinsurance	**1,072**	**1,664**
Reinsurance commitments received	**605**	**519**
Endorsements, securities and guarantees given	632	714
Other commitments on securities, assets or income	592	307
Other commitments given	151	255
Total commitments given, ex. reinsurance	**1,375**	**1,276**
Reinsurance commitments given	**2,524**	**2,364**
Securities belonging to provident institutions	**3**	**3**
Other assets held on behalf of third parties		

NOTE 53

SENSITIVITY NOTES

As a multi-line insurer, Groupama is subject to various types of insurance risks, with equally variable time horizons. The Group is also exposed to market risks because of its financial investment activities, particularly the risks linked to interest rates, equity markets, the liquidity of its assets, and currency risks. The credit risk is also specifically monitored by the Group for both its insurance and its financial investment activities. In addition, the Group is subject to operational, regulatory, legal and tax risks like all companies in other business sectors.

1 Organisation of internal risk management in the group

Risk management in the Group is organised on three levels, reflecting the organisation of Groupama.

- ***Regional mutuals***

The regional mutuals are autonomous legal entities which implement their own internal control system and manage their risks. The reinsurance of the regional mutuals is carried by Groupama SA under the conditions defined in the Reinsurance Convention. For the risks related to the distribution of banking products and life insurance, the regional mutuals apply the risk management procedures defined by Groupama Banque and Groupama Vie.

- ***Groupama S.A. and its subsidiaries***

Risks related to the insurance activities are monitored by the business departments specialising in the area in question; reinsurance risks are managed by the reinsurance and management department (see section 2 Insurance risk). The investment department is responsible for managing the risks related to assets and asset/liability management (see section 3 Market risks).

The Board of Directors of Groupama SA has established an audit and accounts committee; the principal missions of this committee are to review the consistency of the internal control procedures, to monitor risks, ensure ethical compliance, review internal audit work, and prepare the annual report on internal control.

- ***Group***

The Group general audit and actuarial department conducts a general economic and financial audit of the main entities of the Group on a three-year basis, in addition to the operational audits conducted within the entities. The audit plan of the Group general audit and actuarial department is approved by the Managing Director of Groupama SA. It is also presented annually to the audit and accounts committee of Groupama SA.

The mission of the group internal control and risk management department is coordinate and direct risk management within the group; this department is also present within each regional mutual and each subsidiary of Groupama SA. The internal control department is responsible for directing the deployment of internal control procedures within Group companies and for implementing Group-wide action plans to manage risks.

In addition, the Group management control department is responsible for ongoing monitoring of results and achievement of the Group's objectives. Each regional mutual and each subsidiary of Groupama SA also have a management control department.

2 Insurance risk

2.1 Prudential supervision

Pursuant to European directives, Groupama is subject to regulations for covering the solvency margin, both at the corporate level for each of the insurance companies and at the level of the combined group.

At 31 December 2006, the principal insurance companies had a solvency margin on average four times over the minimum requirement, both in life and non-life.

Solvency is periodically monitored by each of the companies and by the Group's finance department. The adjusted solvency margin, calculated at the level of the Groupama combined consolidation, stands at three times over the margin requirement.

2.2 *Objectives for managing the risks resulting from insurance policies and methods to limit risks*

The Group's insurance business exposes it to risks primarily related to product design, underwriting, claims management, valuation of reserves, and reinsurance.

- ***Product design***

The insurance divisions of Groupama S.A. ensure that the product line is adapted to the Group's strategy. Life and non-life insurance products are designed by the business units of Groupama SA on behalf of the Group's companies. Product design is the result of market and profitability studies performed with actuarial tools to control margins. The work performed by the specialist insurance teams includes the development of the general conditions, the exclusion clauses for the products, underwriting conditions and rates. The regional mutuals and subsidiaries of Groupama SA are then responsible for marketing and managing the products. The products are marketed and managed by the entities of the Gan and Groupama S.A. sales networks.

- ***Underwriting and claims management***

Assignment of powers for underwriting and claims are defined in all companies of the Group. Risks are accepted or refused at every level, based on underwriting guidelines that include the Group's underwriting and commercial policies. Underwriting in particular is secured through a cross managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined on a standard basis throughout the Group, and are regularly updated in procedural specifications governing the management of bodily injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold. In addition, claims settlement activity is safeguarded by an internal control procedure.

The Group's insurance business is explicitly or implicitly monitored using analytic procedures, such as regular analysis of the results of each entity and monitoring underwriting statistics and claims rates by entity. The most significant and most complex risks are individually monitored by the specialist divisions and the entities concerned. Finally, the specialist divisions also act to warn and advise the entities.

- ***Valuation of reserves***

The rules for reserving claims and the funding tables for life and non-life disability payments are defined within the insurance divisions in guidelines that are harmonised for all Group entities. Reserves are valued by the claims managers within the operational entities and, if necessary, are supplemented by reserves for losses that have occurred but have not yet been declared.

The application of reserve rules is continually monitored, both before and after the fact, by teams dedicated to this task, in addition to the reviews that are conducted by the local supervisory authorities.

- ***Reinsurance***

Reinsurance is organised on two levels. The internal reinsurance performed by Groupama S.A. for all Group entities is designed to optimise retentions for each entity. The external reinsurance defines the optimum reinsurance structure for the Group and the level of risk coverage on the bases of computer models. External reinsurance contracts are renegotiated and renewed each year by Groupama S.A. on behalf of the entire Group. Moreover selection rules defined in the security and reinsurance committee, which is composed of the external reinsurance division of Groupama S.A. and several of its subsidiaries, which are based on the ratings from ratings agencies, are designed to control the solvency risk from reinsurers.

These risks are controlled using internal control procedures, which are described in the report on the financial security law.

2.3 Terms and conditions of the insurance policies which have a material impact on the amount, maturities, and uncertainty of the insurer's future cash flows

- ***Breakdown of the technical reserves of non-life insurance policies by major risks***

The Group offers a broad range of non-life insurance products designed for individuals and businesses.

	Reserves for unearned premiums	Reserves for claims payable	31/12/2006
		(€m)	
Motor	647	2,269	2,916
Property damage	468	1,139	1,606
Civil liability	51	1,136	1,186
Marine, aviation, transport	35	588	622
Bodily injury	55	383	438
Other risks	212	966	1,178
Inwards	156	2 937	3,093
Total gross reserves, before reinsurance	**1,623**	**9,418**	**11,041**
Portion reinsured	102	1,299	1,401
Total reserves, net of reinsurance	**1,521**	**8,119**	**9,640**

The motor, personal, professional and agricultural property damage policies offered by the Group are generally one-year contracts with tacit renewal, which include civil liability coverage.

- ***Breakdown of technical reserves for life insurance policies by major risks***

The Group offers a full line of life insurance products: this offer is intended for individuals in the form of individualised policies and for businesses in the form of group contracts.

	Provisions Life insurance reserves	Reserves for claims payable	31/12/2006
		(€m)	
Personal insurance	9,257	158	9 416
Group contracts	6,504	194	6 697
Capitalisation	855	42	896
Other risks	2 460	21	2 481
Inwards	1 632	59	1 691
Total reserves, before reinsurance	**20,706**	**474**	**21,180**
Portion reinsured	44	10	54
Total reserves, net of reinsurance	**20,662**	**464**	**21,126**

The main personal insurance policies in euros offered to our customers are death benefit policies, mixed insurance policies, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group contracts offered by the Group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with guaranteed point value.

Most of the contracts in unit-linked contract offered by the Group are multi-vehicle contracts with an arbitrage clause with commercial terms.

- ***Specific features of certain life insurance policies***
  - Discretionary profit-sharing clause

    Certain life insurance, savings and retirement products offered by the Group contain a discretionary profit-sharing clause. The profit-sharing, the amount of which is left to the insurer's discretion, allows policyholders to participate in the results of the financial management and the technical results of the insurance company.
  - Early redemption options

    Most of the savings and retirement products may be surrendered by the policyholders at a value defined by the policy before maturity. For some products, redemption penalties are applied in the event of early redemption and allow the insurer to cover a portion of the acquisition costs incurred at the time the policy was signed.

2.4 Information on the sensitivity of the results and equity to changes in the variables that significantly affect them

The mortality risk and the interest rate risk are the main variables that can have a significant impact on the calculation of the technical reserves, which can generate a substantial change in income and shareholders equity.

- ***Mortality risk***

In life insurance, the payment of benefits depends on the death or the survival of the insured. It is the occurrence of one or the other of these events that gives the right to payment of a benefit. The probability that these events will occur is known through mortality tables that show the number of persons alive at each age in the human life, based on a given number of persons at birth. On the basis of statistics on mortality for men and women, different mortality tables have been constructed and are regularly revised to take demographic changes into account.

For France, the Group uses the generational mortality tables (known as TPG), or tables with annuity forecasts with age differences (TPRV), which are both forecasting tables used to define rates for annuity contracts constructed using data from the French INSEE. They take into account the observed trend in decline in mortality.

As at 31 December 2006, the amount of the technical reserves for annuities currently being paid was €4,384 million.

	France	**International**	**31/12/2006**
		(€m)	
Life annuity technical reserves	2,743	106	2,849
Non-life annuity technical reserves	1,529	6	1,535
Total	**4,272**	**112**	**4,384**

In life insurance, the percentage of immediate lifetime annuities and the percentage of immediate temporary annuities represent 99% and 1% respectively.

In the international segment, the tables used comply with legal requirements.

In the other portfolios, the mortality risk concerns the whole life and deferred capital products. However, the percentage of these products in the Group's total portfolio remains marginal.

- ***Interest rate risk***

The calculation of technical reserves in life insurance and certain technical reserves in non-life insurance is also based on the use of an interest rate known as the ''technical interest rate'', the terms of which in France are set by the Insurance Code. The Code determines a maximum level by reference to the average rate for government borrowings (the T.M.E.), which is used to set rates for contracts and calculate the insurer's commitments to policyholders. The terms and conditions vary based on the type of contract and the duration of the commitments.

As at 31 December 2006, the breakdown of technical reserves based on fixed-rate, variable rate (i.e. tied to the market rate) or no rate commitments was as follows:

	France	International	31/12/2006
		(€m)	
Fixed-rate guaranteed commitments	33,941	2,488	36,429
Variable-rate guaranteed commitments	4,329	6	4,335
Unit-linked and other products without rate commitment	3,512	184	3,696
Total	**41,782**	**2,678**	**44,460**

9.7% of the portfolio is variable rate. This variable rate is a function of an index. In France, in most cases, the index used as the reference for life insurance policies is the A passbook rate. The T.M.E. is used for non-life insurance policies.

In France, the guaranteed fixed rates fall within a range of 2% to 4.50% for most of the actuarial reserves.

As at 31 December 2006, the amount of the discount contained in the MP for non-life annuities, before reinsurance, was €502 million. The amount of the discount contained in the provision for increasing risks on *dépendance* policies, before reinsurance, was €213 million.

2.5 Concentrations of insurance risk

At the time of a claim, a major concern for the Group is the risk of facing a cumulative concentration of risks and therefore an accumulation of the indemnities to be paid.

There are two types of overlapping risks:

- the risk of underwriting overlaps in which the insurance policies are underwritten by one or more entities of the Group for the same risk;
- the risk of claim overlaps in which the insurance policies are underwritten by one or more entities of the Group on different risks, which may be affected by claims resulting from the same loss event, or the same initial cause.

- ***Identification***

Overlapping risks can be identified at the time of underwriting or during ongoing management of the portfolio.

A major role in the process of identifying overlaps during underwriting is assumed by the Group, through risk inspections, verification of the absence of overlapping co insurance or inter-network insurance lines, identification of overlapping commitments by site.

In addition, the underwriting procedures for certain risk categories help to control overlapping risks at the time of underwriting. The procedures applicable to property damage underwriting include:

- a verification of overlapping geographic risks during underwriting for major risks (agricultural risks, agri-business risks, industrial risks, municipalities);
- initial elimination during the underwriting process of cases of inter-network co-insurance overlapping risks. These directives are defined in internal procedural guidelines.

The procedures in force for managing overlapping portfolio risks cover:

- identification of the inter-network co-insurance overlapping risks;
- statements of commitments by site for agri-business risks; in addition high-risk business sectors for which the Group insures the property and/or civil liability risks are specifically monitored by the relevant specialist insurance division;
- three-year statements of commitments for risks of storms, hail, frost and commercial forestry, which are used to calculate the exposure of these portfolios to storm risk.

- ***Protection***

Protection consists of implementing reinsurance coverage which will first be adapted to the total amount of the potential loss and, second, corresponds to the kind of risk covered. The loss may be human in origin (e.g. fire, explosion, accident involving people) and of natural origin (atmospheric event, such as storm, hail, etc.).

In the case of a human risk that affects either a risk overlap insured by the same entity or risks insured by different entities of the Group, it is the responsibility of the entities to set the necessary coverage limits. The underwriting limits (maximum values insured per risk in property insurance or per person for personal insurance) are used in the context of catastrophic scenarios and compared with losses that have already occurred. Once these amounts have been defined, they are increased by a safety margin. Moreover, specific monitoring is performed to track the adequacy of the coverage with the risks underwritten.

In the case of a natural event, a needs analysis consists of an initial study on the basis of the reference loss, which is re-evaluated on the basis of the change in the portfolio and the French construction federation index. At the same time, simulation calculations of the exposure of the portfolios are performed using stochastic methods that result in the production of a curve showing the change in the potential maximum loss as a function of different scenarios. The results are cross-checked, analysed and discounted every year to allow the Group to opt for appropriate reinsurance solutions with a reduced margin of error.

3. Market risks

3.1 Interest rate risk

The sensitivity analysis covers the financial assets of Groupama S.A. and its French subsidiaries, and represents more than 90% of the total of interest rate and equity instruments.

The proportion of interest rate instruments was 66% at net book value (57% in market value), 59% of which was classified as "assets available for sale" and 7% as "assets held for trading" at 31 December 2006.

- ***Maturities***

The table below shows the Group's exposure to interest rate risks. The following points should be specified:

- data are expressed at market value at 29 December 2006;
- bonds with a call that can be exercised at the issuer's initiative are assumed to mature on the date of the option (e.g. TSDI, etc.);
- convertible bonds and equity interests are considered to be "without interest rate" like all other investments (e.g. equities and real estate).

	<1 year	**1-3 years**	**3-5 years**	**5-10 years**	**>10 years**	**No rate**	**TOTAL**
Fixed-rate financial assets	0.0%	5.7%	6.9%	17.2%	22.5%	0.0%	52.3%
Variable rate financial assets	0.0%	2.3%	0.5%	0.5%	2.4%	0.0%	5.6%
Without interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	42.0%	42.0%
Derivatives	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
Total	0.0%	8.0%	7.4%	17.7%	24.8%	42.0%	100.0%

- ***Effective interest rates***

The effective interest rates for the fixed-rate and variable rate financial assets at year end 2006 were 5.0% and 1.5% respectively.

- ***Sensitivity analysis***

The fixed-rate financial assets have a sensitivity to nominal rates of 7.5 (a change of 100 basis points results in a change of 7.5% in the fair value of the fixed-rate portfolio). The variable rate financial assets have a sensitivity to real rates of 3.5 (a change of 100 basis points results in a change of 3.5% in the fair value of the variable-rate portfolio).

- ***Interactions with the redemption risk and profit-sharing clauses***

– Sensitivity of redemption behaviours to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and, if this expectation cannot be met, the sanction of early redemptions. In addition to the loss of revenue and an increase in benefits, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds), which would themselves generate a drop in the rate of return on the asset.

– However, in addition to the fact that the liabilities that can be redeemed do not represent all the commitments, the sensitivity of redemptions to changes in interest rates can vary depending on the product and policyholders' expectations. The objective of asset/liabilities management is to reduce the volatility of redemption rates, using strategies that take into account the various reserves available and bond management strategies coupled with hedging products. These are used to adjust the yield profile for the assets in the different potential interest rate environments in order to ensure policyholder satisfaction.

- ***Insurance policy profit-sharing clauses and interest rate risk***

The constraints of guaranteed minimum interest rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through prudential provision mechanisms.

However, in a low interest rate environment, the companies benefit from the carry of the assets and the yield on the bonds held; from any appreciation in the diversification assets that can be revalued; and from reserves such as profit sharing reservesor unrealised gains. Insurance companies also benefit from the effects induced by products sold in recent years which have lower guaranteed levels.

- ***Assetlliability management***

Tracking the profile of liability flows allows bond management to be defined, taking into account the duration and convexity of these liability flows and any sensitivity of these flows to changes in interest rates. Asset/liability simulations allow an analysis of the behaviour of the liabilities in different rate environments, particularly the ability to meet the remuneration requirements for the insured.

These simulations allow the Group to develop strategies designed to reduce the volatility of the differential between the real yield from the asset and the rate expected by the policyholder. These strategies include calibrating the durations and convexities of the bond portfolios, the portion of variable- rate bonds, the portion of diversification assets, and the features of the hedging products.

Hedging products are used to re-establish the asymmetry between liabilities profiles and those of traditional bond assets in the different rate environments considered.

- ***Use of derivatives***

The use of derivatives arises from asset/liability simulations. Derivatives are used to reduce the sensitivity of earnings to interest rate fluctuations. The derivatives used by Groupama S.A. and its subsidiaries are:

– Purchase of caps: over the duration and horizon selected, a cap allows collection of the differential, if it is positive, between the market rate and a strike price, in consideration for the payment of a premium. This mechanism has the advantage of reproducing the behaviour of the debt instrument which, when rates fall, is close to a fixed rate (minimum rate) and, when rates rise, to a variable rate. The cost of this strategy is a function of the different criteria that affect the value of the option;

– Interest rate swap: the hedging strategy may also consist of transforming a fixed-rate bond into a variable rate, either on a security held or to synthetically create a variable rate bond for new investments.

Hedging programmes were gradually implemented on behalf of the life insurance companies as from 2005. The programmes were completed and expanded in 2006.

	Notional amount	Fair value
	in EUR million	
Trading derivatives Interest-rate swaps	5,055	-22
Caps	9,460	60
Hedging derivatives Interest-rate swaps	0	0

The choice has been to treat these transactions as trading, i.e. as fair value through income.

- ***Sensitivity analysis on financing debt***

The financing debt has a sensitivity ratio of 6.7% on the perpetual subordinated debt placed in 2005 and 2.2% for the fixed portion of the bond issued in the form of redeemable subordinated securities.

3.2 Risk of variation in the price of equity instruments (stocks)

The weight of equity instruments was 29% in net book value (37% in market value), 23% of which were classified as "assets available for sale" and 6% as "assets held for trading". Equity instruments include:

- Equities in French and foreign companies listed for trading on regulated markets and managed under management mandates. They may be held directly or within mutual funds(FCP and SICAV);
- Equities in French and foreign companies listed for trading on regulated markets and managed outside management mandates;
- Equities in French and foreign companies that are not listed. They may be held directly or in the form of FCPR.

Breakdown by business sector

Sector	As %
Consumer goods	12.1%
Industries	19.5%
Raw materials	5.9%
Energy	8.8%
Health	3.7%
Services to municipalities	6.7%
Consumer services	12.5%
Finance	22.4%
Information technology	4.2%
Telecommunications	4.1%
Other	0.0%

Breakdown by geographic region

	As %
Euro zone	82.5%
United States	6.5%
Japan	2.4%
Other (Asia ex. Japan, etc.)	8.7%

The holding of shares of stock in Groupama subsidiaries is generally determined within the context of asset/liability studies in order to tolerate a market shock over a short-term period, taking into account the objectives for gains necessary to meet the objectives over the period. These studies cover the reserves available elsewhere, such as the profit-sharing funds or unrealised gains.

3.3 Liquidity risk

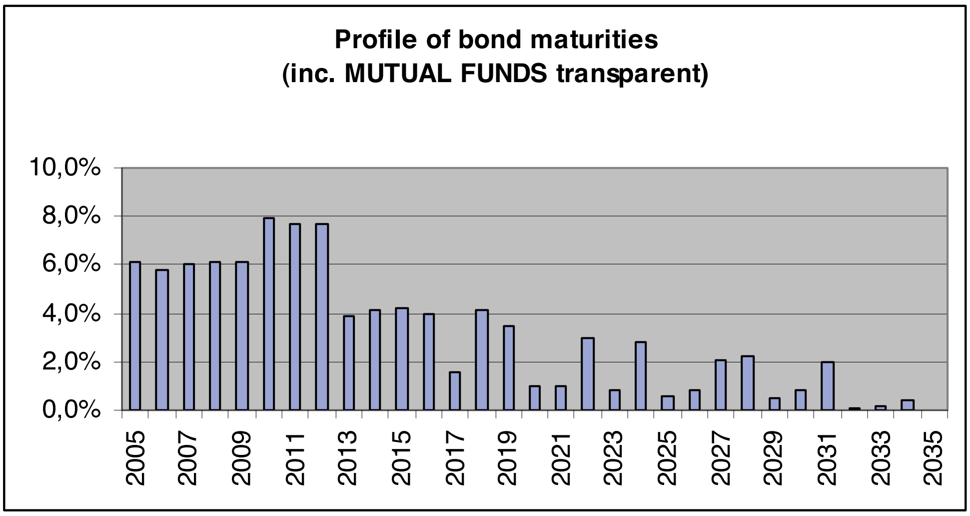
- ***Nature of exposure to liquidity risk***

The overall liquidity risk is analysed using the asset/liability approach:

- identification of a structural cash requirement, which is the level of cash to be held as an asset, based on the liquidity requirements imposed by liabilities, using:
  - technical cash flow projections in a central scenario;
  - sensitivity scenarios on technical assumptions (production, claims ratio);
- definition of a reference index for bond management, the results of which support the duration and convexity profile of the liabilities. This approach is based on validated assumptions of liability outflows and takes into consideration new business written.

- ***Maturities***

The profile of the annual maturities of the bond portfolios (including transparent mutual funds) is as follows:



- ***Risk management***

In addition to the asset/liability approach, the outlines of which have been described above, the liquidity ratios in the equity mandates of the Groupama S.A. subsidiaries have been strengthened in several directions:

- the market value of a security may not exceed:
  - 3% of the capital of the company in question;
  - 10% of the float of the company in question;
- All equity portfolios must individually be able to be made liquid (liquidation assumption: 25% of the average daily volume traded on the market during the last three months) under the following rules:
  - 50% in less than two market weeks;
  - 75% in less than one month (20 market days);
  - 95% in less than three months (60 market days).

At the end of December 2006, all these criteria were satisfied overall.

A regular verification of these liquidity ratios is performed during each investment committee meeting.

In summary, the equity portfolio may be liquidated:

- 90.5% within 10 days;

- 94.9% within 20 days (1 market month);
- 98.4% within 60 days (3 market months).

3.4 Exchange rate risk

The assets of the Groupama S.A. subsidiaries are subject to currency fluctuations on mutual funds denominated in foreign currencies and mutual funds denominated in euros based on securities in foreign currencies.

In practice, the portfolios are primarily exposed to the following risks:

Euro – dollar

Euro – yen

- ***Managing foreign exchange risk***

The foreign exchange risk is today hedged through forward sales of dollars and yen.

The documentation is updated each time the accounts are closed.

Currency derivatives

at 29/12/06, in EUR m	Nominal hedged (Euro equivalent - value)	Unrealised gain (euro)
Trading derivatives		
Forward sales USD	265.8	69.7
Forward sales JPY	230.2	97.7
Hedging derivatives	0	0

4 Credit risk

4.1 Financial investments

- ***Type and amount of the exposure to credit risk***

The rating indicated is an average of the ratings published at year-end 2006 by the three main agencies (S&P, Moodys' and Fitch Ratings).

Ratings as % of market value at year-end 2006

	As %
AAA	53.9%
AA	20.4%
A	19.4%
BBB	3.4%
<BBB	0.0%
NR	2.9%

- ***Concentration of credit risk***

A maximum holding percentage per rating has been implemented under the management mandates of the Groupama S.A. subsidiaries. These constraints are monitored monthly by the various investment committees.

The ratios defined for bonds held are calculated on the market value of the total bond assets of each company (or isolated assets) based on the official rating issued by at least two ratings agencies:

- Investment grade environment (securities with ratings at least BBB):
  - AAA: regulatory ratios, which is 5% per issuer, with the exception of securities issued or guaranteed by a member State of the OECD and CADES securities;
  - AA: 3% maximum per issuer;

- A: 1% maximum per issuer;
- BBB: 0.5% maximum per issuer;
- the total of BBB issuers may not exceed 10% of the market value of the bond portfolio;

- Unrated euro zone environment:
  - 0.5% maximum per issuer, with the exception of securities guaranteed by a member State of the OECD; in this case the prudential ratio of that State applies;
  - the total of unrated issuers may not exceed 10% of the market value of the bond envelope;
- Non-investment grade environment (high yield):
  - no direct holding in the portfolios is authorized for interest rate products without credit ratings and outside the euro zone and the non-investment grade securities known as "high-yield".

- ***Managing credit risk***

The following transactions are systematically covered by guarantee contracts with the banking counterparties in question:

- forward currency sales made to hedge the foreign exchange risk;
- interest rate swaps (rate risk);
- cap purchases (rate risk).

This systematic collateralisation of the hedging transactions significantly reduces the counterparty risk related to these over the counter transactions.

4.2 Risk of reinsurer insolvency

Reinsurance outward consists of ceding to the reinsurer a portion of the risks accepted by the ceding company. They are regularly reviewed to monitor and limit the credit risk on third-party reinsurers. The Group security committee examines and approves the list of reinsurers accepted for all external reinsurance ceded.

This list is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings of the reinsurers to changes that may occur to them that would modify their solvency assessment. For any given reinsurance placement, any reinsurer approached for a reinsurance cession outside Groupama must first be on the list of the Group security committee.

Approved reinsurers must have a rating compatible with the type of business reinsured, depending on whether they have a short or long accounting run off.

5 Operational, legal, regulatory and tax risks

5.1 Operational risks

Internal management rules and operational procedures define the manner in which operations must be conducted in the performance of the activities of Groupama S.A. They are appropriate to each business and each key process. The formalization of the rules and procedures constitutes a guarantee of the permanence of the company's methods and expertise over time. The existing rules and procedures cover major operations. They are described in documentation that is regularly updated and is based on a detailed organizational chart and specific delegations of powers.

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the holdings of the regional mutuals, Groupama SA and its subsidiaries. The contracts are distributed among internal insurers and external insurers for the most significant risks. The principal coverage is the following:

– employee insurance,

– civil liability of corporate officers,

– professional civil liabilities,

– operating civil liability,

– property damage insurance (property, offices, equipment, car fleets, etc.).

The Group's IT department has a second IT site to ensure operational continuity in the event of losses or failure at the first site.

5.2 Legal and regulatory risks

The internal control procedures designed to ensure the conformity of all Groupama S.A. operations are based on the main mechanisms described below.

- ***Compliance with company law and the French Commercial Code***

The Group's legal department within the administrative division provides legal management for Groupama S.A. and its insurance subsidiaries and provides legal direction as needed to all the French legal entities of Groupama S.A. Within this framework, it ensures the legal protection of its operations and its directors and executives. Internal checks on the effective implementation of administrative legal procedures are based on ongoing monitoring systems on an individual entity basis.

- ***Compliance with insurance law***

The legal and tax department within the administrative division of Groupama S.A. provides information and advice to the business departments and to insurance subsidiaries on compliance with insurance laws in their operational activities or technical support.

- ***Other areas***

Special procedures are in place to meet special requirements:

– ethical control to prevent insider trading; this responsibility is performed by a Group Ethics Officer with the assistance of a person outside the Group, who is responsible for the controls, and an agent at Groupama SA;

– to prevent money laundering; the entities are incorporating into their procedures the legal obligations and professional recommendations in this area. The internal control procedures are based on knowledge of the customer base, but also on a set of controls performed prior to the transaction, then after the transaction by analysing the information databases for past transactions. In addition, the Legal and Tax Department is responsible for monitoring Group compliance with its obligations to prevent money laundering.

5.3 Tax risks

The role of the Group's tax department is to provide information and monitor regulations for all the entities of the Group. It is also regularly questioned about specific technical points and is involved in closing the accounts.

6 Monitoring and Managing of Banking Risks

6.1 General description

This division includes three differentiated activities with very specific types of risk: the banking activity conducted by two institutions presented below, capital management for third parties, and property management. The banking sector operates under a regulatory framework organized around the risks described below. The common focus for the companies of the division is monitoring the operational risk.

The Group's two banks are Banque Finama, wholly owned by Groupama SA, which is the Group bank and manages its holdings, and Groupama Banque, 80% held by Groupama SA and 20% Société Générale, which holds a limited license from the CECEI and is a bank for the personal needs of consumers and professionals.

6.2 Banking risks

Risk management is inherent in this activity. Responsibility for risk control, measurement and general supervision is assigned to a dedicated risk department.

While the primary responsibility for risks remains with the divisions and businesses that propose the risks, the task of the risk control department is to ensure that risks taken by the bank are compatible with its risk policies. The department conducts ongoing risk control, before and after transactions. It regularly transmits its principal findings to the Management Board and informs the Board of the measurement methods it has implemented to assess and control the risks.

Risk control is intended to cover all the risks generated by the banking activities and to intervene at all levels in the risk chain. Its permanent tasks consist of formulating recommendations on risk policies, analysing the credit portfolio, issuing an opinion on credit files, and setting limits for risks, guaranteeing the quality and effectiveness of the tracking procedures, defining or validating the risk measurement methods, and ensuring exhaustive and reliable identification of risks for the Management Board.

- ***Prudential supervision (solvency)***

Prudential regulations require monitoring the European solvency ratio, which is in the form of a ratio between the level of regulatory equity (Regulation 91-05 and 90-02 of the Banking and Financial Regulatory Committee) and the weighted outstanding amounts at risk (credit risk, market risk) based on defined rules. For Groupama Banque, the Secretary of the Banking Commission imposes a minimum ratio of 10% instead of the regulatory 8%, as long as the bank has not reached the financial breakeven point.

- ***Credit risk***

Credit risk is defined as the risk of incurring financial losses because of a debtor's inability to pay its contractual liabilities. Credit risk appears in the lending business, but also in other circumstances when the bank may be confronted with the default of its counterparty in market, investment or even settlement transactions.

- ***Decision-making procedures***

The credit decision-making process is based on a set of delegations. The delegations are classified by amount and degree of risks and the customer category. Credit proposals must comply with the principles of the general credit policy and specific policies where applicable and, in all cases, with laws and regulations in force. For Banque Finama, a credit committee chaired by the Chairman of the Management Board or the Managing Director and, as the final resort, the Management Board, are the ultimate decision-making bodies of the bank for credit and counterparty risks. For Groupama Banque, consumer loans are made using scoring rules from which only the directors may deviate based on the powers delegated by the Management Board; consumer real estate loans are made by different organizational levels based on the amount of the loan, with the possibility of granting exceptions to the rules in force for the Director of risks and two members of the Management Board, who are the responsible officers recognised by the CECEI.

- ***Oversight procedures***

An oversight and reporting mechanism is in place and is based on the control teams, whose responsibility is to ensure permanent conformity with decisions, the reliability of reporting data, and the quality of risk monitoring.

- ***Impairment procedures***

For Banque Finama, all loans made to customers in default are periodically reviewed by the provisions committee to determine any reduction in value that should be applied, based on the terms and conditions for application of the accounting rules used. The proposals of this committee must be validated by the Management Board. Impairment is established on the basis of the discounted valuation of the probable net recoverable amount, taking into account the liquidation of the securities held.

For Groupama Banque, doubtful receivables on consumer loans are accrued on a general basis at a rate of 40% and doubtful loans at 60%. For revolving consumer credits, the rates are 60% and 70% respectively. Certain loans are subject to special review. As collections are made, the profits or losses are recognised in terms of the amounts accrued.

● ***Total limits***

At Banque Finama, the commitment limits per market are defined by the bank's Management Board. As at 31 December 2006, the limits and outstanding amounts are shown in the table below. This exposure to credit risk is determined without taking into account the effect of the securities received and is equal to the book value of the financial assets recorded on the balance sheet, net of all impairments made.

Market (Banque Finama only)	**Limits**	**Outstanding amounts**	
		31/12/2006	**31/12/2005**
		(€m)	
Institutions and Group	200	72	67
Businesses/local authorities	150	91	69
Individuals	150	109	112
SME	40	23	24
Professional real estate	Not applicable*	17	21
Mutual funds	2,500	2,193	1,483
Corporate	700	625	365
Banks	4,500	3,956	2,118
Sovereign States	1,000	227	327

* Run off activity.

The commitments of Groupama Banque are presented in the table below. Receivables owing from credit institutions consist of cash investments, and the off-balance sheet commitments are for general hedging transactions performed to manage assets and liabilities. Trade receivables essentially consist of cash loans (€144 million) and housing loans (€11 million); the off-balance sheet commitments represent offers for consumer loans issued, unused revolving credit reserves, and offers of housing loans. This exposure to the credit risk is equal to the book value of the financial assets recorded on and off the balance sheet, net of any impairment taken.

Market (Groupama Banque only)	**Outstanding amounts**	
	31/12/2006	**31/12/2005**
	(€m)	
Credit institutions		
Receivables recorded	670	567
Off-balance sheet commitments	193	326
Individuals		
Receivables	155	125
Off-balance sheet commitments	22	5

● ***Risk division rules***

Prudential supervision (Regulation 93-05 of the Banking and Financial Committee) limits the concentration of commitments by counterparty. This limit is expressed by two components (i) no outstanding amount may be greater than 25% of the regulatory net assets on one group of beneficiaries, and (ii) the aggregate on counterparties exceeding 10% of the regulatory net assets must be less than eight times the regulatory equity. The outstanding amounts taken into account are weighted under codified rules. Groups, as defined by Regulation 93-05, are considered to be a single counterparty. This is the case for the entities of the Groupama Group.

As at 31 December 2006, eight counterparties presented outstanding amounts greater than 10% of the regulatory net assets, while none of them exceeded the 25% ceiling, for an aggregate amount of €161 million.

At Groupama Banque, the only two counterparties concerned are Société Générale and Banque Finama for the replacement of the surplus of deposits over loans.

● ***Monitoring market risks***

Only Banque Finama is involved in monitoring these risks since it holds a general authorization from the CECEI.

Groupama Banque has no market activity and does not take proprietary positions. In the context of managing assets and liabilities, it may, however, use interest rate instruments to conduct transactions to hedge interest rate risk.

This is based on the risk-taking procedures, which are framed by:

– the definition of a set of limits;
– risk tracking on the basis of:
  - daily calculation of the sensitivity and results of the trading positions;
  - daily monitoring of compliance with the limits notified to each activity, with any overrun being submitted for decision;
  - regular and independent controls of valuations, and the establishment of reconciliations between the results of the trading room and the accounting results;
  - control of compliance with the internal rules for endorsing transactions;
  - stress-scenario simulations.

- ***Interest-rate risk***

This covers any change in value of a fixed-rate financial instrument due to changes in market interest rates as well as any elements of the future results of a variable-rate financial instrument.

The following limits have been defined for the outstanding amounts in the transaction and investment portfolios, as well as for the associated stop loss. In addition, a stress scenario calculation is performed.

Based on the level of outstanding amounts, only Banque Finama, within the Group's banking division, is subject to prudential supervision of market transactions.

Banque Finama	**Limit**	**31 December 2006**
Long securities transaction portfolio	100 Bund contracts	0
Short securities transaction portfolio	50 Euribor contracts	-4
Portfolio available for sale*	280 Euribor contracts	13
Scenario for a change of 40 bp in the portfolios above		€34,000
Scenario for change of 200 bp in the portfolios above		€171,900
Stop loss	from €250,000 to €500,000 depending on portfolio	Never reached

It should be noted that, within the banking division, Groupama Banque has no market activity and does not take a proprietary position.

Risks related to the change in title deeds

The division does not operate in this type of market.

Counterparty settlement risk

Schedule IV of Regulation 95-02 requires supervision of counterparty settlement events for all transactions relating to the trading portfolio and for transactions initiated by Bank customers for which it is a "del credere" agent. In this respect, no event was recorded in 2006.

Exchange rate risks

This is the risk that the value of an instrument or of one of the elements of its future results will fluctuate because of changes in foreign currency rates.

The division does not take positions in foreign currencies. Its activity is maintained well below the threshold that requires prudential supervision of currency risk.

Risk on base product

The division does not operate in this type of market.

- ***Supervision of liquidity***

Transactions on financial instruments generate a liquidity risk, expressing the difficulties the Group could have in collecting the funds needed to honour the commitments related to these financial instruments. Given the balance sheet structure of the Group, it is not very sensitive to this risk. It is therefore primarily monitored within the framework of the regulatory obligations that require monthly measurements of liquidity based on codified rules (Regulation 88-01 of the French Banking Regulatory Committee). The monitoring ratio must always be greater than 100%. Over 2006, the lowest level was 179%.

For Groupama Banque, the liquidity position is monitored through the liquidity gap and through changes in the regulatory liquidity ratio, and currently does not require more detailed monitoring. As in previous years, Groupama Banque continues to have a strong cash surplus.

- ***Effective interest rate (ALM)***

At Banque Finama, the interest rate risk related to commercial transactions is monitored by the asset/liability department and is centrally managed by the Treasury and Capital Markets department. The interest-rate risk related to equity and investments is generally managed in the same way.

Position measurements are presented to the monthly Asset/Liability committee meeting by inventory/maturity class/rate category. A "break even" rate for resources is determined and simulations are performed.

In the context of managing assets-liabilities, it may however use rate instruments to conduct transactions to hedge interest rate risks. The liquidity and interest rate positions of Groupama Banque are managed in compliance with banking regulations and within limits that have been set by the shareholders and attached to the ALM charter. These limits are periodically reviewed, at least once a year, based on changes in the bank's activity and balance sheet. At year-end 2006, the sensitivity of the bank to a change of 1% in the rate curve was €1.2 million, which is less than its authorized limit of €1.5 million.

- ***Business continuity plan***

Each entity in the division has prepared a Business Continuity Plan (BCP) organized around three mechanisms:

- activating the crisis cell,
- back-up of information and IT systems,
- the availability of a backup site.

The BCPs are updated annually. Technical and user installation tests are conducted for the backup sites with the same frequency.

6.3 Operational risks

For the Group's two banks in 2006, the implementation of an operational risk management policy based primarily on the provisions of the standard method of the "Basel II" accords was continued with the installation of an ad hoc software application. The approach is being gradually deployed in the non-banking subsidiaries, which have each begun to map their operational risks.

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LIST OF CONSOLIDATED ENTITIES

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
			31/12/2006			31/12/2005		
GIE GROUPAMA SI	GIE	France	88.38	88.34	FC:	88.42	88.36	FC:
GIE LOGISTIQUE	GIE	France	100.00	99.99	FC:	100.00	99.99	FC:
GROUPAMA S.A.	Holding	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA INTERNATIONAL	Holding	France	100.00	100.00	FC:	100.00	100.00	FC:
GAN ASSURANCES VIE	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GAN PATRIMOINE	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
CAISSE FRATERNELLE D'ÉPARGNE	Insurance	France	99.94	99.94	FC:	99.93	99.93	FC:
CAISSE FRATERNELLE VIE	Insurance	France	99.72	99.72	FC:	99.72	99.72	FC:
ASSUVIE	Insurance	France	50.00	50.00	FC:	50.00	50.00	FC:
GAN EUROCOURTAGE VIE	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GAN PRÉVOYANCE	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA VIE	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA ASSURANCE CRÉDIT	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA TRANSPORT	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
SCEPAR	Participations	France	—	—	—	100.00	100.00	FC:
MUTUAIDE ASSISTANCE	Assistance	France	100.00	100.00	FC:	100.00	100.00	FC:
GAN ASSURANCES IARD	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GAN OUTRE MER IARD	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA PROTECTION JURIDIQUE	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
GAN EUROCOURTAGE IARD	Insurance	France	100.00	100.00	FC:	100.00	100.00	FC:
COFINTEX LUXEMBOURG	Reinsurance	Luxembourg	100.00	100.00	FC:	100.00	100.00	FC:
RAMPART	Reinsurance	United States	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA ITALIA VITA	Insurance	Italy	100.00	100.00	FC:	100.00	100.00	FC:
LUXLIFE	Insurance	Luxembourg	85.00	85.00	FC:	85.00	85.00	FC:
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	100.00	FC:	100.00	100.00	FC:
ZENITH VIE	Insurance	Switzerland	82.00	82.00	FC:	82.00	82.00	FC:
GUNES SIGORTA	Insurance	Turkey	36.00	36.00	EM:	36.00	36.00	EM:
BASAK SIGORTA ANONIM SIRKETI	Insurance	Turkey	56.67	56.67	FC:	—	—	
EMEKLILIK SIGORTA ANONIM SIRKETI	Insurance	Turkey	79.00	75.10	FC:	—	—	
GROUPAMA Investment BOSPHORUS	Holding	Turkey	100.00	100.00	FC:	—	—	
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA SEGUROS Espagne	Insurance	Spain	100.00	100.00	FC:	100.00	100.00	FC:
GAN UK HOLDING LTD	Holding	UK	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA INSURANCE CY LTD	Insurance	UK	100.00	100.00	FC:	100.00	100.00	FC:
CAROLE NASH	Insurance	UK	100.00	100.00	FC:	—	—	
CLINICARE	Insurance	UK	100.00	100.00	FC:	100.00	100.00	FC:
MINSTER INSURANCE CY LTD	Insurance	UK	—	—	—	100.00	100.00	FC:
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA SEGUROS PORTUGAL	Insurance	Portugal	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA ASSET MANAGEMENT	Gest. Portef	France	99.98	99.98	FC:	99.98	99.98	FC:
GROUPAMA ALTERNATIVE ASSET	Gest. Portef	France	100.00	99.98	FC:	100.00	99.98	FC:
FINAMA PRIVATE EQUITY	Gest. Portef	France	100.00	100.00	FC:	100.00	100.00	FC:
BANQUE FINAMA	Banking	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA BANQUE	Banking	France	80.00	80.00	FC:	60.00	60.00	FC:
GROUPAMA ÉPARGNE SALARIALE	Gest. Portef	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA IMMOBILIER	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
SILIC	Real estate	France	39.69	39.69	FC:	39.91	39.91	FC:
SEPAC	Real estate	France	100.00	39.69	FC:	100.00	40.02	FC:
COMPAGNIE FONCIÈRE PARISIENNE	Real estate	France	95.59	95.29	FC:	95.29	95.29	FC:
SCIMA	Real estate	France	—	—	—	100.00	95.29	FC:
SCIMA 2	Real estate	France	—	—	—	100.00	95.29	FC:
SCI DÉFENSE ASTORG	Real estate	France	100.00	95.29	FC:	100.00	95.29	FC:

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
				31/12/2006			31/12/2005	
GAN FONCIER II	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
IXELLOR	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
79 CHAMPS ELYSÉES	Real estate	France	91.21	91.21	FC:	91.21	91.21	FC:
33 MONTAIGNE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
CNF	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
RENNES VAUGIRARD	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
SCIFMA	Real estate	France	78.93	78.93	FC:	78.93	78.93	FC:
SCI TOUR GAN	Real estate	France	100.00	100.00	FC:	100	100	FC:

A: Aggregation FC: Full consolidation EM: Equity method

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
				31/12/2006			31/12/2005	
SCIFMA	Real estate	France	78.93	78.93	FC:	78.93	78.93	FC:
SCI TOUR GAN	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
GAN SAINT-LAZARE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
VIEILLE VOIE DE PARAY	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
SCI GAN FONCIER	Real estate	France	100.00	99.00	FC:	100.00	99.00	FC:
ACTIPAR SA	Real estate	France	100.00	95.29	FC:	100.00	95.29	FC:
SAFRAGAN	Real estate	France	90.00	85.76	FC:	90.00	85.76	FC:
261 RASPAIL	Real estate	France	100.00	95.29	FC:	100.00	95.29	FC:
SOCOMIE	Real estate	France	100.00	39.69	EM:	100.00	40.02	EM:
IMMOPREF	Real estate	France	100.00	100.00	FC:	—	—	
19 GÉNÉRAL MANGIN	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
28 COURS ALBERT 1er	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
5/7 PERCIER	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
ATLANTIS	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
FORGAN	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
174 PRES SAINTGERMAIN	Real estate	France	21.85	21.85	EM:	21.85	21.81	EM:
10 PORT ROYAL	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
102 MALESHERBES	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
12 VICTOIRE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
14 MADELEINE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
150 RENNES	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
204 PEREIRE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
3 ROSSINI	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
38 LE PELETIER	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
43 CAUMARTIN	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
5/7 MONCEY	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
60 CLAUDE BERNARD	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
9 REINE BLANCHE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
9 VICTOIRE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
CÉLESTE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
CHAMALIÈRES EUROPE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
CHASSENEUIL	Real estate	France	—	—	—	50.00	50.00	FC:
DOMAINE DE NALYS	Real estate	France	69.57	69.57	FC:	60.57	69.10	FC:
DOMAINE DE FARES	Real estate	France	31.25	31.25	EM:	31.25	31.25	EM:
GOUBET PETIT	Real estate	France	66.66	66.66	FC:	66.66	8.33	FC:
GROUPAMA LES MASSUES	Real estate	France	75.07	75.07	FC:	75.07	75.07	FC:
CAP DE FOUSTE (SCI)	Real estate	France	61.31	61.31	FC:	61.31	61.31	FC:
DOMAINE CAP DE FOUSTE (SARL)	Real estate	France	59.74	59.74	FC:	59.74	59.74	FC:
GROUPAMA PIPACT	Real estate	France	31.91	31.91	EM:	31.91	31.91	EM:
SCA CHATEAU D'AGASSAC	Real estate	France	25.00	25.00	EM:	25.00	25.00	EM:
SCIMA GFA	Real estate	France	44.00	44.00	EM:	44.00	44.00	EM:
HAUSSMANN LAFFITTE IMMOBILIER	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
LABORIE MARCENAT	Real estate	France	64.52	64.52	FC:	64.52	64.52	FC:
LES FRÈRES LUMIÈRE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
99 MALESHERBES	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
6 MESSINE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
PARIS FALGUIÈRE	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
LES GÉMEAUX	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
VILLA DES PINS	Real estate	France	100.00	100.00	FC:	100.00	100.00	FC:
FRANCE-GAN SI.	Mutual Funds	France	92.75	92.61	FC:	92.5	92.5	FC:
HAVRE OBLIG.FCP	Mutual Funds	France	100.00	99.85	FC:	99.95	99.95	FC:

A: Aggregation FC: Full consolidation EM: Equity method

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
			31/12/2006			31/12/2005		
FRANCE-GAN SI.	Mutual Funds	France	92.75	88.94	FC:	92.50	92.50	FC:
FRANCE-GAN SI.	Mutual Funds	France	71.36	71.36	FC:	—	—	—
HAVRE OBLIGATIONS FCP	Mutual Funds	France	100.00	100.00	FC:	99.95	99.95	FC:
GROUPAMA OBLIGATIONS MONDE LT I	Mutual Funds	France	77.55	77.55	FC:	78.17	78.17	FC:
GROUPAMA CONVERTIBLES FCP I	Mutual Funds	France	86.05	86.04	FC:	78.24	78.24	FC:
GROUPAMA JAPAN STOCK I	Mutual Funds	France	93.76	93.76	FC:	85.29	85.29	FC:
GROUPAMA ETAT CT D	Mutual Funds	France	84.00	84.00	FC:	82.47	82.47	FC:
GROUPAMA AAEXA FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
GROUPAMA ACT.INTERNATIONALES	Mutual Funds	France	97.76	97.76	FC:	87.87	87.87	FC:
GROUPAMA OBLIG EURO CR. MT I D	Mutual Funds	France	95.86	95.86	FC:	95.39	95.39	FC:
GROUPAMA OBLIG EURO CR. MT I C	Mutual Funds	France	48.46	48.46	FC:	45.96	45.96	EM:
GROUPAMA EURO STOCK	Mutual Funds	France	84.50	84.50	FC:	64.91	64.91	FC:
GROUPAMA INDEX INFLATION LT I D	Mutual Funds	France	100.00	100.00	FC:	99.88	99.88	FC:
GROUPAMA INDEX INFLATION LT I C	Mutual Funds	France	36.25	36.25	EM:	37.14	37.14	EM:
ASTORG EURO SPREAD FCP	Mutual Funds	France	100.00	100.00	EM:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 10 FCP	Mutual Funds	France	99.93	99.93	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 9 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 8 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 7 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 6 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 5 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 4 FCP	Mutual Funds	France	83.33	83.33	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 3 FCP	Mutual Funds	France	83.33	83.33	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 2 FCP	Mutual Funds	France	83.33	83.33	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 1 FCP	Mutual Funds	France	83.33	83.33	FC:	100.00	100.00	FC:
WASHINGTON INTER NOURRI 1 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON INTER NOURRI 2 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON INTER NOURRI 3 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTO INTER NOURRI 0 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHING.ACT.EUROP. FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 11 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 12 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 13 FCP	Mutual Funds	France	100.00	99.98	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 14 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 15 FCP	Mutual Funds	France	100.00	99.98	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 16 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 17 FCP	Mutual Funds	France	100.00	99.99	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 18 FCP	Mutual Funds	France	100.00	100.00	FC:	100.00	100.00	FC:
WASHINGTON EURO NOURRI 19 FCP	Mutual Funds	France	100.00	100.00	FC:	—	—	—
WASHINGTON EURO NOURRI 20 FCP	Mutual Funds	France	100.00	100.00	FC:	—	—	—
WASHINGTON EURO NOURRI 21 FCP	Mutual Funds	France	100.00	100.00	FC:	—	—	—
WASHINGTON EURO NOURRI 22 FCP	Mutual Funds	France	100.00	100.00	FC:	—	—	—

A: Aggregation FC: Full consolidation EM: Equity method

Certain real estate entities are consolidated using the equity method under a "simplified" process. This consists of reclassifying on the balance sheet the value of the units and the financing current account in the item "real estate investments" and reclassifying in the income statement the dividends or share in the results of the companies on the line "Income from property". The net book value of the units in question amounted to 19 million as at 31 December 2006.

ADDITIONAL INFORMATION RELATING TO THE FINANCIAL STATEMENTS PROVIDED AT AMF'S REQUEST

Groupama SA wishes to point out that the absence of this information from the annex to the consolidated accounts for the financial year 2005 is due to the fact that it was considered to be non-significant.

Nevertheless, in answer to AMF's request, we set out below the following further information.

1. Transition or the consolidated IFRS Balance Sheet and Income Statement of Groupama SA as of 31 Décembre 2004 from the French standards to IFRS

Summary of impacts on the income statement 2004 of the consolidated accounts of Groupama SA pursuant to the transition to IFRS standards

The net income (Group share) of the Group in 2004 in the consolidated accounts of Groupama SA stands at €316 million according to IFRS standards versus €258 millions according to French standards.

This variation results from the application of the following standards :

	(in millions of euros)
Net Income (Group share) of the group in 2004 under French standards	258
Standard IAS 32/39 – Financial instruments	125
Standard IFRS 4 – Shadow accounting	-98
Standard IFRS 4 – Equalisation provisions	-15
Standard IAS 12 – Deferred taxes	-151
Standard IAS 27/28 – Consolidation perimeter	83
Standard IFRS 1/3 – Regrouping of businesses	107
Standard IAS 19 – Employee benefits	11
Standard IAS 16/40 – Real Estate	0
Other standards	-5
Net Income (Group Share) of the Group 2004 converted into IFRS standards	316

Balance sheet – Assets

	French Gaap consolidated	**Adjustments IFRS financial year**	**IFRS consolidated conversion**
		(in millions of euros)	
Intangible Assets	1 616	-323	1 293
Insurance activity investments	53 137	3 863	57 000
Uses from banking sector investment	1 898	0	1 897
Reinsurers portion in the technical provision	1 875	0	1 875
Trade receivables	3 364	-31	3 333
Other assets	1 624	346	1 970
Cash	431	0	431
Total Assets	63 945	3 854	67 799

Balance sheet – Liabilities

	French Gaap consolidated	Adjustments IFRS financial year	IFRS consolidated conversion
	(in millions of euros)		
Group shareholders equity	2 611	504	3 114
Minority Interests	268	-23	245
Total Shareholders equity	2 878	481	3 359
Provisions for risks and charges	508	59	567
Financing debt	1 280	0	1 280
Liabilities relating to insurance policies	32 927	-165	32 762
Liabilities relating to financial contracts	20 180	8	20 188
Liabilities relating to contracts	53 108	-157	52 950
Passive Deferred Profit Sharing	15	2 489	2 505
Ressources from banking sector operations	1 685	0	1 685
Operations liabilities	4 277	72	4 349
Other liabilities	193	910	1 103
Total Liabilities	63 945	3 854	67 799

Compared to the consolidated Balance Sheet of Groupama SA established under French standards, the differences of the total assets and liabilities results from the various reclassifications implemented in order to present the balance sheet in the form recommended for financial statement by the CNC (n° 2005-R-01 du 24 mars 2005).

Income statement

	French Gaap consolidated	Adjustments IFRS financial year	IFRS consolidated conversion
	(in millions of euros)		
Premiums earned	10 138	-6	10 132
Net banking income	164	-60	105
Investment income net of management expenses	2 519	451	2 970
Other current income and charges	-12 206	-316	-12 522
Current income from ordinary business	615	70	685
Other operating incomes and expenses	-131	50	-81
Goodwill amortisation	-107	107	0
Operating result	378	227	605
Financial expenses	-81	-5	-86
Share in the results of associates	2	2	4
Income tax	-24	-154	-178
Net income of the consolidated global entity	274	71	345
Minority Interests	-16	-14	-30
Net income (Group share)	258	57	315

Transitional table of changes in consolidated shareholders equity of Groupama SA as of 31 December 2004.

	1 January 2004	Financial year income	Share capital increase	Perimeter change	Change of method	Convertion spread	Others	31 December 2004
				(In million of euros)				
Shareholders equity in French standards	2 382	258		-5		-3	-22	2 610
Standard IAS 32/39 – Financial instruments	1 643	125			1 691			3 459
Standard IFRS 4 – Shadow accounting	-1 339	-98			-1 072			-2 510
Standard IFRS 4 – Equalisation provisions	186							
Standard IAS 27/28 – Consolidation perimeter	-244	-15						172
Standard IFRS 1/3 – Regrouping of businesses	-426	83	-6	-7	-5			-179
Standard IAS 12 – Deferred taxes		107						-320
Standard IAS 19 – Employee benefits	245							
Standard IAS 16/40 – Real Estate	-86	-151			-129			-35
Other standards	-23	11						-75
	18	0						-23
		-6			3			15
Shareholders equity in IFRS standards	2 355	315	-6	-12	487	-3	-22	3 114

Explanations in figures of the main differences by shareholders equity by standard

The Shareholders Equity (Group Share) as at 31 Décember 2004 stood at €3 114 million under IFRS standards versus €2 610 million under French standards.

This evolution mainly results from :

- positive impacts on financial instruments in particular related to the change in fair value of the investments + 3 459 M€
- accounting for the deferred profit sharing following the application of « shadom accounting » - 2 510 M€
- cancellation of equalization provisions + 172 M€
- the impact of the consolidation of real estate companies - 177 M€
- goodwill depreciation - 320 M€
- recording of net deferred taxes - 35 M€
- accounting for the employment and pensions commitment pursuant to standard IAS 19 - 75 M€
- other standards - 10 M€

2. Standards and interpretations whose application is not yet compulsory

The standard « IFRS 7 – Financial instruments : requested information » was published on 18 August 2005 and enters into force on 1st January 2007. It partially replaces standard « IAS 32 – requested information and presentation ». The aim of this new standard is the provision of information to assist the end-users of financial statements to evaluate the importance of financial instruments in the context of the financial situation of an entity and its performance. This information should also allow end-users to evaluate the nature and extent of risks resulting from the use of financial instruments, as well as the methods used to monitor these.

The IAS 1 amendments relating to informations on capital were also published on 18 August 2005 and enter into force on 1st January 2007. They impose an obligation to publish in the form of an annex certain information relating to the objectives, procedures and process used by the entity to manage its capital and comply with external regulatory constraints.

The IFRS 7 standard and the amendments to IAS 1 relate to additional information to provide in the annex to the consolidated accounts. Nevertheless, they have no impact on the results or the financial situation of the Group.

In the context of the convergence of the IFRS and FASB references, standard « IFRS 8 – Operational segments » was published on the 30 November 2006 and enters into force on 1er January 2009. This new standard requires the provision of information in relation to operational sectors, similar to that used by the Management in its decision making relating to the allocation of resources and performance evaluation.

« IFRIC 10 – Intermediate financial information and asset depreciation » was published on the 20 July 2006 and must be adopted at the European level in June 2007. This interpretation does not allow a goodwill amortisation or amortisation of equity instruments classified as assets available foe sale, provided for during an intermediate period, namely provided for in a subsequent intermediary or annual period. This new interpretation is in accordance with the Group's principles and should not have an impact on the Group's consolidated accounts.

The Group does not apply in anticipation the following interpretations whose impact on the consolidated accounts is considered to be non-significant:

– IFRIC 7 – Applying the Restatement Approach to Financial Reporting under IAS 29
– IFRIC 8 – Scope of Application of IFRS 2
– IFRIC 9 – Reassessment of Embedded Derivatives
– IFRIC 11 – Group and Treasury Share Transactions

3. Liability Adequacy Test

The treatment of this point is set out in the accounting methods and principles of the annex to the 2006 consolidated accounts, note 3.1.2 c) Liability Adequacy Test.

Such a test is performed at each accounting closure and at the level of each consolidated entity.

If there is an insufficiency, the potential losses are recognised in full as a contra entry under income. The adequacy tests carried out in 2006 proved satisfactory and led to the conclusion that there was no need for an additional technical reserve.

4. Shadow accounting and deferred profit sharing

In accordance with the option offered by IFRS 4 and the accounting methods and principles described at point 3.1.2. b) – « Application of shadow accounting » of the annex to the 2006 consolidated accounts, Groupama SA applied the shadow accounting principle to insurance policies and investment contracts with discretionary profit sharing, so-called « contrats participatifs », in its consolidated accounts.

As a result a deferred profit-sharing is calculated for each relevant entity and recorded in the operating liabilities related to insurance policies and investment contracts on the basis of latent losses or gains recorded at the date of closure.

If there is a global latent loss of the relevant entity's asset portfolio, the Group would record an activ deferred profit sharing limited to the entities' capacity to allocate future or potential profit-sharing.

Shadow accounting is subject to taxation. A deferred tax impact is determined applying the tax rate in force in the country.

5. Analysis of the notes portfolio by issuer

The table below sets out the notes portfolio by issuer and excluding derivatives.

Notes Portfolio	**31/12/06**		**31/12/05**	
	in €M	**in %**	**in €M**	**in %**
Sovereign Notes and other public sector issuers	22 278	58.4%	22 179	58.1%
Private Sector Notes – Financial Sector	9 418	24.7%	8 893	23.2%
Private Sector Notes – Non-Financial Sector	4 522	11.9%	5 509	14.4%
Convertible Notes	327	0.9%	190	0.5%
Various Liquidities	1 575	4.1%	1 380	3.6%
Total France	38 120	100.0%	38 152	100.0%
Notes held by foreign subsidiaries	4 600		4 440	
Total Groupama SA	42 720		42 592	

This presentation adds to the analysis of credit risks (by rating) set out in 53 – « Sensitivity Analyses » in the consolidated accounts of Groupama SA as of 31 December 2006.

6. Employee benefits – Breakdown per geographical area of the debt and actuarial assumptions

Geographical break-down of the actuarial debt as of 31 December 2006

	France	UK	Others	Total
		(In millions of Euros)		
Actuarial Debt	184	300	16	500
Fair Value of Reserve Assets	6	234	2	242
Net Actuarial Debt	178	66	14	258

Main actuarial assumptions by geographical area

	France	UK	Others
	(In millions of Euros)		
Actualisation rate	4.5%	5.3%	4%
Rate of return of the assets in the regime	4.125%	7%	5%
Rate of expected increases of salaries/pensions	2 to 3%	2.75%	3%
Turn-over:			
– 18 to 34 years	2 to 20%	NA	NS
– 35 to 44 years	2 to 15%	NA	NS
– 45 to 54 years	1 to 10%	NA	NS
– 55 years and more	0%	NA	NS

Only the turn-over rates if the area « France » are material.

SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., HSBC Bank plc, Natixis and Société Générale (the **Joint Lead Managers**) have, pursuant to an underwriting agreement (the **Underwriting Agreement**) dated 19 October 2007, agreed on a several basis (*conjointement mais non solidairement*) with the Issuer, subject to satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at the issue price of 100.00 per cent., of their principal amount, less a commission. The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Underwriting 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 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 therefore. 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 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 Underwriting 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 40 days after the later of the commencement of the offering and the Closing Date 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 provision 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 Republic of France and that it has not offered or sold, and will not offer or sell directly or indirectly any Notes in the Republic of France, and has not distributed and will not distribute or cause to be distributed in the Republic of France 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, D. 411-1 and following of the French *Code monétaire et financier*.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Joint Lead Managers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Prospectus or any other document relating to the Notes in the Republic of Italy, except:

(i) to professional investors (*operatori qualificati*) (the **Professional Investors**), as defined in Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1 July 1998, as amended (**Regulation No. 11522**); or

(ii) in any other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended (**Regulation No. 11971**).

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 11522 and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**) and any other applicable laws and regulations;

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement and limitation which may be imposed by CONSOB or the Bank of Italy.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Joint Lead Manager has represented and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000 and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

GENERAL INFORMATION

1. For the purpose of the listing of the Notes on Euronext Paris S.A., and pursuant to articles L.412-1 and L.621-8 of the French *Code monétaire et financier*, the *Autorité des marchés financiers (***AMF**) has approved this Prospectus by the issue of a *visa* no. 07-362 of 17 October 2007.

2. The Notes have been accepted for clearance through Euroclear France, Clearstream, Luxembourg and Euroclear with the Common Code number of 032641148. The International Securities Identification Number (ISIN) for the Notes is FR0010533414.

   The address of Euroclear France is 115 rue Réaumur, 75081 Paris Cedex 02, France and the address of Clearstream, Luxembourg is 42 avenue John Fitzgerald Kennedy, L-1855 Luxembourg, Grand-Duchy of Luxembourg. The address of Euroclear is 1 boulevard du Roi Albert II, 1210 Bruxelles, Belgium

3. The estimate of the total expenses related to admission to trading is €8,000.

4. The legal notice relating to the listing of the Notes on the Eurolist of Euronext Paris SA will be published in the *Bulletin des Annonces Légales Obligatoires* (BALO) dated 22 October 2007.

5. The issue of the Notes was authorised pursuant to a resolution of the *Conseil d'Administration* (Board of Directors) of the Issuer adopted on 21 February 2007 and a decision of Mr. Jean Azéma, the *Directeur Général* of the Issuer made on 15 October 2007.

6. There has been no material adverse change in the financial or trading position of the Issuer or the Group since 31 December 2006.

7. There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2006.

8. At the date hereof, there are no interests including conflicting ones that are material to the issue of the Notes.

9. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

10. For so long as any of the Notes are outstanding, copies of the following documents may be obtained free of charge during normal business hours at the specified office of the Fiscal and Paying Agent and at the registered office of the Issuer in Paris:

    (a) the Agency Agreement;

    (b) the most recently published annual, audited, non-consolidated and consolidated financial statements of the Issuer;

    (c) the most recent annual audited combined financial statements of the Combined Regulatory Group;

    (d) the *statuts* of the Issuer; and

    (e) copies of the Prospectus together with any supplement to this Prospectus.

    As of the date of issue of the Notes, the Issuer is not required to and does not publish interim non-consolidated or consolidated financial statements and the Combined Regulatory Group is not required to and does not publish interim combined financial statements.

11. This Prospectus will be published on the website of the AMF (*www.amf-france.org*) and of the Issuer (*www.groupama.com*).

12. The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of France in connection with the issue and performance of the Notes.

13. There are no material contracts not entered into in the ordinary course of the Issuer's business, which could result in any member of the Issuer's group (meaning the Issuer and its subsidiaries taken as a whole) 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.

14. PriceWaterhouseCoopers Audit and Mazars & Guérard (both entities duly authorised as *Commissaires aux Comptes* and are members of the *compagnie nationale des commissaires aux comptes*) have audited and rendered unqualified audit reports on the non-consolidated and consolidated financial statements of the Issuer and on the combined financial statements of the Combined Regulatory Group for each of the financial years ended 31 December 2005 and 2006.
15. The actuarial yield (*taux actuariel*) of the Notes may not be calculated because the Notes are undated.
16. The Notes have been assigned a rating of A- by Standard & Poor's Ratings Services.

VISA OF THE AUTORITE DES MARCHES FINANCIERS

Autorité des marchés financiers

In accordance with articles L.412-1 and L.621-8 of the French Code *monétaire et financier* and with the General Regulations (Réglement général) of the Autorité des marchés financiers (**AMF**), in particular articles 211-1 to 216-1, the AMF has granted to this Prospectus the visa No. 07-362 on 17 October 2007. This Prospectus was prepared by the Issuer and its signatories assume responsibility for it. In accordance with article L.621-8-1-I of the French Code monétaire et financier, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it or the opportuness of the issue of the Notes.

La notice légale sera publiée au Bulletin des Annonces Légales Obligatoires (BALO) du 22 Octobre 2007.

REGISTERED OFFICE OF THE ISSUER

Groupama SA

8-10, rue d'Astorg
75008 Paris
France

JOINT LEAD MANAGERS

ABN AMRO Bank N.V.
250 Bishopsgate
London EC2M 4AA
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

NATIXIS
45, rue Saint-Dominique
75007 Paris
France

SOCIETE GENERALE
29, boulevard Haussmann
75009 Paris
France

FISCAL AGENT, PAYING AGENT AND AGENT BANK

Société Générale
32, rue du Champ de Tir
43312 Nantes
France

AUDITORS OF THE ISSUER

PriceWaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly sur Seine
France

Mazars & Guérard
4, allée de l'Arche
92075 La Défense Cedex
France

LEGAL ADVISERS

To the Issuer as to French law

Latham & Watkins
53, quai d'Orsay
75007 Paris
France

To the Joint Lead Managers as to French law

Allen & Overy LLP
26, boulevard des Capucines
75009 Paris
France

imprima — C96738