## GROUPAMA SA

# REGISTRATION DOCUMENT 2013

INCLUDING THE ANNUAL FINANCIAL REPORT

Groupama

# Contents

2013

# GROUPAMA SA

## REGISTRATION DOCUMENT

### INCLUDING THE ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This Registration Document was filed with the AMF on 29 April 2014, in compliance with Article 212-13 of its General Rules. It may be used in support of a financial transaction if it is supplemented by a transaction memorandum approved by the AMF. This document was prepared by the issuer and is binding on its signatories.

This Registration Document includes all aspects of the Annual Report mentioned under Section I of Article L.451-1-2 of the French Monetary and Finance Code as well as Article 222-3 of the General Rules of the AMF. A table of concordance for the documents mentioned in Article 222-3 of the General Rules of the AMF and the corresponding sections of this Registration Document is provided on page 354.

Copies of this Registration Document are available free of charge from Groupama, 8-10 rue d'Astorg, 75008 Paris, Tel: +33 (0) 1 44 56 77 77, as well as on the Groupama website (www.groupama.com) and on the website of the Autorité des Marchés Financiers (www.amf-france.org).

*This is a free translation into English of the French registration document filed with the Autorité des Marchés Financiers (AMF) and which is provided solely for the convenience of English readers.*

# 1 OVERVIEW OF THE GROUP

CONTENTS

# 1.1 HISTORY OF THE COMPANY

The creation of Groupama is the result of a one hundred year old story. The starting point was the Act of 4 July 1900, which allowed the birth, then the subsequent organisation of the agricultural mutual insurance movement in France.

The Agricultural Mutual Insurance Companies (Assurances Mutuelles Agricoles) were created to protect and serve the farmers who at that time represented 80% of the nation's wealth. In the 20th century, they became the leading European agricultural insurer (source: internal).

The Agricultural Mutual Insurance Companies very quickly realised the need to re-invent themselves and to open themselves up 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 mutual insurance.

In 1963, the Agricultural Mutual Insurance Companies opened up their business to the entire non-life insurance segment.

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 their mutual.

In 1998, at the conclusion of a privatisation procedure competing against major international groups, Groupama acquired Gan, a group with business lines complementary to those of Groupama. The new combination resulted in the creation of one of the leading French multi-line insurers.

In 2001, in a desire to extend its services 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 customers (Groupama Banque). Groupama plans to become a global player in financial Insurance-Banking.

In 2001 as well, the Board of Directors of the Central Mutual approved a structure consolidating the regional mutuals.

A number of mergers and acquisitions 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 introduced banking services to Groupama's members. The Group also obtained a non-life insurance licence for China.

Moreover, the Group's national entities were restructured so that they were adapted to the Group's growth strategy. The Fédération Nationale Groupama was created, and Groupama SA became the exclusive reinsurer of the regional mutuals following the dissolution of the Central Mutual, 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 6th-largest insurer in Turkey (source: Foreign Economic Relations Division, 2006 data), as well as the British broker Carole Nash.

In 2007, the Group's international development intensified with the purchase of the Nuova Tirrena insurance company, which held some 2% of the Italian non-life insurance market, strengthening the Group's subsidiary in Italy. In the United Kingdom, the Group acquired two new brokers (Bollington Group and Lark group).

In 2007 and 2008, Groupama made strong advances in Central and Eastern Europe by acquiring the Greek insurer Phoenix Metrolife and Romanian insurance companies BT Asigurari and Asiban, and by strengthening its positions in Turkey, through the purchase of insurance companies Güven Sigorta and Güven Hayat. Groupama also entered into a strategic partnership with OTP Bank, the leading independent bank in Central Europe, resulting in distribution agreements in nine countries and the acquisition of OTP's insurance operations (OTP Garancia), the leading company in Hungary, as well as its insurance subsidiaries in Bulgaria, Romania and Slovakia.

Groupama also acquired a 35% stake in STAR, the leading company in the Tunisian insurance market.

With a view to gaining an urban customer base and new distribution channels in France, in mid-2008 Groupama launched "Amaguiz.com", a new brand intended for web sales only.

In 2009, Groupama signed a partnership agreement with Banque Postale for the distribution of non-life products via a joint venture and using the networks of Banque Postale.

The creation of Groupama Gan Vie, through the merger/takeover of Groupama Vie and Gan Eurocourtage Vie by Gan Assurances Vie and through the transfer of the portfolios of Gan Patrimoine and Gan Prévoyance, has consolidated the Group's activities into a single company in France.

The Group's French banking businesses have also been pooled through the merger of Groupama Banque and Banque Finama.

On the international level, the Group merged its Italian, Hungarian, Romanian and Turkish subsidiaries in order to strengthen its positions on all those markets.

In 2010, the Group implemented a large number of partnerships in various areas.

In the bancassurance market, the partnership agreement signed with Banque Postale in 2009 resulted in the creation of a joint enterprise, Banque Postale Assurances IARD, which is held 65% by Banque Postale and 35% by Groupama. At the end of 2010, this company launched its non-life insurance products (motor, home, legal protection) via remote-selling channels (internet and telephone), then progressively through the Banque Postale's network of offices beginning in 2011.

In December 2010, Groupama and the AVIC group (Aviation Industry Corporation of China) signed an agreement on the creation of a joint venture to expand activities in the non-life insurance segment in the People's Republic of China. Already active in Sichuan province since 2003, Groupama intends to accelerate its development on a market, the rapid expansion of which should make it a major growth centre for the Group.

1
2
3
4
5
6
7

1
2
3
4
5
6
7

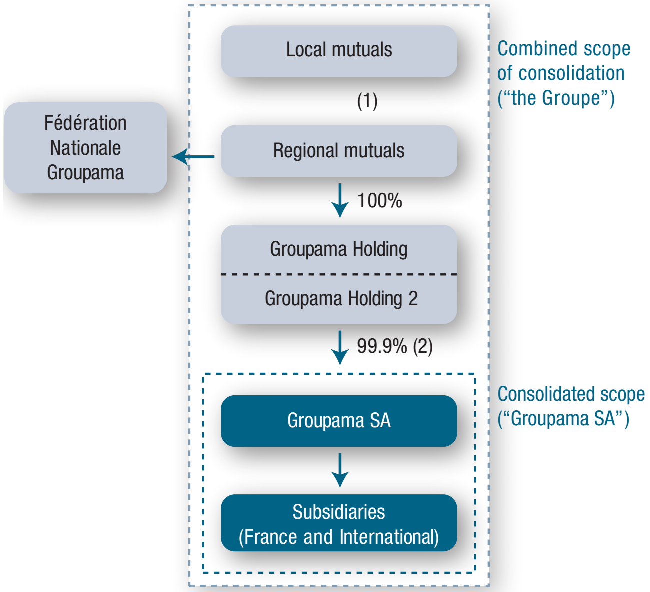
The major events of 2011 included the Eurozone debt crisis, particularly in Greece, and significant worsening of the financial markets, which impacted the financial position of Groupama.

In this context, the Group implemented measures in 2012 to strengthen the solvency margin while reducing its balance sheet's sensitivity to financial market fluctuations. Groupama thus adjusted its business scope by selling Gan Eurocourtage's property and casualty business, Gan Eurocourtage's marine business in France, the Spanish subsidiary, and the non-life insurance subsidiary in the United Kingdom in 2012.

In 2013, the Group finalised the adjustment of its scope with the disposal of 100% of the capital of Groupama Private Equity in January and the disposal of its 51% stake in the British brokerage firm Bollington in March. In April, Groupama reinforced its partnership with the Chinese group AVIC to support the strong growth of Groupama AVIC Insurance on the agricultural insurance market and the rural sector in China.

In addition, the law of 26 July 2013 on the separation and regulation of banking activities established Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals (hereinafter the Groupama network).

## 1.2 ORGANISATION OF THE GROUP AND GROUPAMA SA




*(1) Since regional and local mutuals are mutual insurance companies, companies without share capital, there is no capital relationship between them. Local mutuals are members of a regional mutual from which they get reinsurance.*

*(2) 90.96% held by Groupama Holding and 8.99% held by Groupama Holding 2.*

### 1.2.1 GENERAL ORGANISATION

The Group has a governance method which empowers everyone involved within the organisation. Members elect their representatives at local level (47,000 elected), and they in turn elect their representatives at regional and national levels. The Board members, who are all policyholders of the mutual insurance company, control all the Boards of Directors of the entities within the mutual insurance group. They select the Managers who handle operating activities. The elected representatives thus participate in all of the Group's decision-making bodies, whether local mutual (3,400), regional (9 regional mutuals in Metropolitan France, 2 overseas mutuals and 2 specialist mutuals) or national through the federations and the Boards of Directors of Groupama SA and its subsidiaries.

There are therefore two scopes within Groupama:

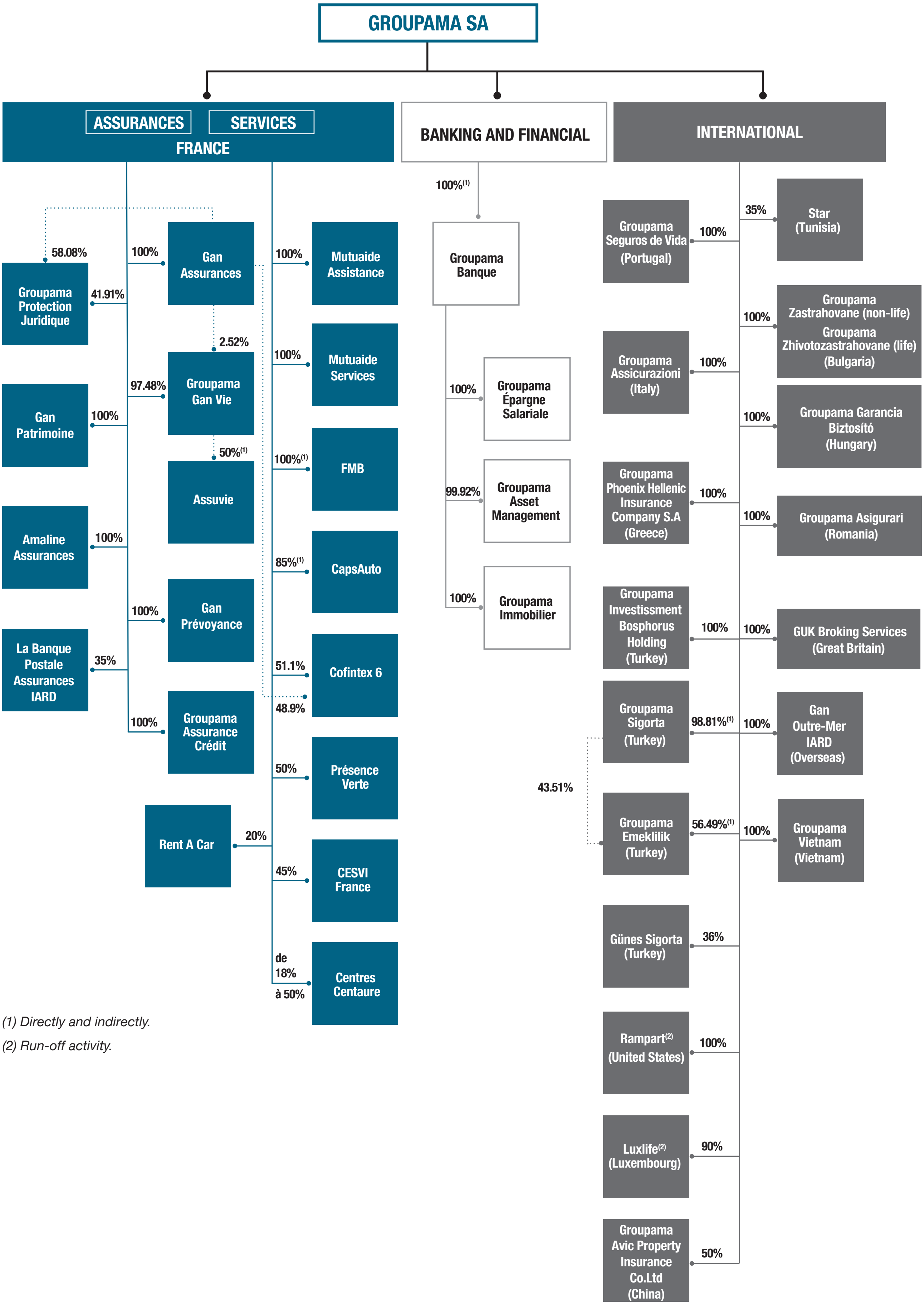
- the combined scope, which includes all the entities of the Group and all of the activities of the regional mutuals;
- the consolidated scope in which Groupama SA is the parent holding company. Its business lines include, in addition to the activities of the subsidiaries, approximately 40% of the activities of the regional mutuals, which is captured by the internal reinsurance mechanism.

Since 2003, Groupama has had three central organisational entities:

- the Fédération Nationale, comprised of the Groupama regional mutuals. Its duties are to define the overall strategies of the mutual insurance group and check their application, act as an agricultural trade organisation at national level, and promote mutual-insurance principles within the Group;
- Groupama SA, which directs the operating activities of the Group and its subsidiaries, is the reinsurer for the regional mutuals and has become the central body of the Groupama network since the law of 26 July 2013 on the separation and regulation of banking activities;
- Groupama Holding: the function of this intermediate entity is to ensure the financial control of Groupama SA by the regional mutuals, by combining all their equity interests.

The entities share the same Chairman and the same executive management to ensure greater consistency.

## 1.2.2 GROUPAMA SA




(1) Directly and indirectly.

(2) Run-off activity.

Groupama SA, a French *société anonyme,* is 99.95% owned by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the specialist mutuals ("regional mutuals") through Groupama Holding and Groupama Holding 2. The remaining portion of its share capital (0.05%) is owned by former or current agents and employees of Groupama SA.

As at 31 December 2013, the breakdown of share capital and voting rights (including double voting rights) is the following:

- 90.96% held by Groupama Holding;
- 8.99% held by Groupama Holding 2;
- 0.05% held 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 central body of the Groupama network, the sole reinsurer for the regional mutuals and the holding company of the Groupama group. Its main missions are as follows:

- to ensure the cohesion and proper operation of the Groupama network's organisations;
- to exercise administrative, technical and financial control over the organisation and management of the Groupama network's organisations;
- 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 external reinsurance programme for the entire Group;
- to manage direct insurance business;
- 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 French Insurance Code, and is under the oversight of the French Prudential Control Authority (ACPR).

### 1.2.3 TIES BETWEEN THE VARIOUS ENTITIES OF THE GROUP

Entities within the Groupama SA division are bound by capital ownership. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain amount of 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 Insurance Division, they are governed:

- by an internal reinsurance treaty that binds the regional mutuals to Groupama SA;
- by a security and joint liability agreement between all the regional mutuals and Groupama SA ("agreement defining the security and joint solidarity mechanisms of the Caisses de Réassurance Mutuelle Agricole that are members of Fédération Nationale Groupama"). This agreement is described more precisely in Note 44, Related Parties, of the consolidated accounts and is the subject of a special report from the statutory auditors on regulated agreements and commitments (see section 3.9).

CONTENTS

# 1.3 KEY FIGURES

## 1.3.1 CONSOLIDATED SCOPE GROUPAMA SA

The following table shows financial disclosures and ratios from the Groupama SA consolidated accounts for the fiscal years ending 31 December 2011, 2012 and 2013. In accordance with EC Regulation no 1606/2002 of 19 July 2002 on the application of international financial reporting standards, the Groupama SA consolidated accounts were prepared in accordance with the IFRS as adopted by the European Union.

| *(in millions of euros)* | 2013 (7) | 2012 (6) | 2011 |
|---|---|---|---|
| **Revenues (1)** | **10,423** | **11,031** | **14,185** |
| of which France insurance | 7,508 | 8,036 | 9,622 |
| of which International insurance | 2,646 | 2,726 | 4,292 |
| of which financial and banking activities | 268 | 269 | 271 |
| **Combined ratio (2) Property and casualty insurance** | **102.0%** | **102.0%** | **96.5%** |
| **Economic operating income (3)** | **(75)** | **(101)** | **254** |
| **Net income (Group share)** | **135** | **(622)** | **(1,812)** |
| **Financial structure and soundness** | | | |
| Shareholders' equity (Group share) | 3,816 | 3,655 | 2,933 |
| Total balance sheet | 91,397 | 87,946 | 89,388 |
| Debt ratio (4) | 42.2% | 42.4% | 41.3% |
| Return on equity (ROE) (5) | 6.3% | N/A | N/A |

*(1) Insurance premiums written and income from financial businesses.*
*(2) See glossary in this registration document (page 352).*
*(3) Economic operating income equals net income adjusted for realised capital gains and losses, increases and write-backs to long-term impairment provisions and unrealised capital gains and losses on financial assets recognised at fair value (all such items are net of profit sharing and tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).*
*(4) Debt excluding cash of holdings, as a share of book value of capital excluding re-evaluation reserve (including subordinated liabilities and minority interests).*
*(5) Net income (Group share) over average shareholders' equity (see glossary in this registration document – page 353).*
*(6) In 2012, Groupama adjusted its business scope by selling Gan Eurocourtage's property and casualty business, Gan Eurocourtage's maritime business in France, its Spanish subsidiary, and its non-life insurance subsidiary in the United Kingdom.*
*(7) In 2013, disposal of Groupama Private Equity.*

## 1.3.2 COMBINED SCOPE GROUPAMA

The following table shows financial disclosures and ratios from the Group's combined financial statements. The combined financial statements were prepared in accordance with the IFRS as adopted by the European Union. It provides a view of the entire scope of consolidation of the mutuals, including the Groupama SA capital ownership scope of consolidation.

| *(in millions of euros)* | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Revenues [(1)]** | **13,669** | **14,197** | **17,239** |
| of which France insurance | 10,757 | 11,204 | 12,678 |
| of which International insurance | 2,646 | 2,726 | 4,292 |
| of which financial and banking activities | 266 | 267 | 269 |
| **Combined ratio [(2)] Property and casualty insurance** | **101.6%** | **102.0%** | **97.4%** |
| **Economic operating income [(3)]** | **16** | **(78)** | **309** |
| **Net income (Group share)** | **283** | **(589)** | **(1,762)** |
| **Financial structure and soundness** | | | |
| Shareholders' equity (Group share) | 6,654 | 6,280 | 5,264 |
| Total balance sheet | 98,559 | 94,753 | 95,872 |
| Debt ratio [(4)] | 27.8% | 28.5% | 29.1% |
| Return on equity (ROE) [(5)] | 6.1% | N/A | N/A |
| **Solvency margin [(6)]** | **200%** | **179%** | **107%** |
| **Rating** | | | |
| Standard & Poor's | no rating | no rating | BBB- |
| Fitch Ratings | BBB- | BB+ | BBB |

*(1) Insurance premiums issued and income from financial businesses.*
*(2) See glossary in this registration document (page 352).*
*(3) Economic operating income equals net income adjusted for realised capital gains and losses, increases and write-backs to long-term impairment provisions and unrealised capital gains and losses on financial assets recognised at fair value (all such items are net of profit sharing and tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).*
*(4) Debt excluding cash of holdings, as a share of book value of capital excluding re-evaluation reserve (including subordinated liabilities and minority interests).*
*(5) Net income (Group share) over average shareholders' equity (see glossary in this registration document – page 353).*
*(6) 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.*

On 6 March 2013, Fitch Ratings upgraded Groupama SA's insurer financial strength rating to "BBB-" from "BB+". The outlook associated with the ratings of Groupama SA and its subsidiaries is stable.

On 30 October 2013, Fitch Ratings upgraded the rating of Groupama SA's undated deeply subordinated bonds to "BB-" from "B-", following the resumption of the coupon payment on 22 October 2013. Groupama's other ratings are not affected.

On 11 February 2014, Fitch Ratings upgraded the insurer financial strength rating of Groupama SA and its subsidiaries to "BBB" from "BBB-" and assigned a positive outlook to this rating. The agency also upgraded the rating for subordinated debts issued by Groupama SA to "BB" from "BB-".

### 1.3.3 CONSOLIDATED SCOPE/COMBINED SCOPE DATA RECONCILIATION

#### REVENUES

| *(in millions of euros)* | 2013 | 2012 |
|---|---|---|
| **Consolidated revenues** | **10,423** | **11,031** |
| Revenues of regional mutuals | 5,319 | 5,180 |
| Internal transactions: | | |
| ■ Groupama SA | (2,069) | (2,008) |
| ■ Groupama Gan Vie | (2) | (4) |
| ■ Groupama Asset Management | (2) | (2) |
| **Combined revenues** | **13,669** | **14,197** |

#### NET INCOME

| *(in millions of euros)* | 2013 | 2012 |
|---|---|---|
| **Consolidated net income** | **135** | **(622)** |
| Net income – regional mutuals | 151 | 45 |
| Net income – Groupama SA | (2) | (11) |
| Net income – holdings | (1) | (1) |
| **Combined net income** | **283** | **(589)** |

## 1.4 STRATEGY

In a market environment undergoing profound changes, Groupama is implementing its new strategic plan with a shared ambition: to be insurers who create confidence. Confidence and trust are at the heart of Groupama's strategy and at the heart of the every business line of the insurer.

### A STRATEGIC PLAN SHARED AT THE GROUP LEVEL

The strategic plan highlights four key challenges for the Group:

- being technically profitable across all of its business lines;
- finding growth areas and increasing its market share in business areas with high added value, such as protection;
- refocusing the Group's savings strategy in insurance and banking;
- strenghthening a solid solvency margin.

The aim of this strategic plan is to direct the Group's actions for the next five years.

It is constructed in line with Groupama's identity: a group with agricultural, mutualist, independent, multi-line and international roots.

The strategic plan is deployed in compliance with the Group's values of proximity, commitment, performance and solidarity.

### A REFERENCE STANDARD AND ACTION PLANS TO MEET CHALLENGES

To meet the four challenges, action plans will start to be implemented within the entities and networks from 1 January 2014. These action plans will be shared by all employees, with a view to developing a common culture of results.

Four areas structure the reference standard of the action plans: the customer, technical control, efficiency and employees.

- The customer, at the heart of the Group's concerns

  The customer is at the heart of the Group's concerns. Actions involving the customer revolve around two themes: increasing customer satisfaction and retaining target customers.

  The indicators tracking the rate of customers who are very satisfied and the rate of customers with a single Groupama product or service will allow for the monitoring of the proper implementation of the various customer-focused actions taken by the Group.

1 2 3 4 5 6 7

❯ Technical control, a key component of the strategic plan's success

Improving technical control across all business lines is a key strategic priority based on two themes:

- market share increases in business areas with high added value, in particular:
  - Individual Protection,
  - Professional Risks, by capitalising on the assets that are the image of the Gan brand and Groupama's institutional network,
  - markets with potential still unexploited by the Group, in France and abroad, particularly high-growth markets;
- profitable growth in both Non-Life and Life insurance.

❯ Efficiency, a vital lever for improving the Group's performance

Through efficiency, the Group's operating costs can be controlled, while offering good quality of service for customers. In order to improve the Group's efficiency, efforts are made at the level of each entity and at the Group level.

The area of efficiency is broken down into two major types of actions:

- optimising the efficiency of distribution networks;
- increasing operational efficiency in order to simplify operating processes without negatively affecting the necessary controls.

❯ Human resources, players in the Group's strategy

In order to ensure that the strategic plan's implementation is a collective success, efforts are being made to mobilise and engage employees:

- development and adaptation of employee skills are reinforced to promote professionalism, mobility as well as personal fulfilment;
- the roles of leadership and management are emphasised;
- employees are associated with improved economic performance, which incorporates the need to control payroll to better guide it for the sake of performance;
- in the current environment marked by profound changes, it is essential to continue to think about the development of business lines and skills that are necessary and to identify potential, particularly in order to prepare the leaders of tomorrow;
- lastly, it is vital to maintain and develop the quality of life at work, particularly through high-quality social dialogue.

The level of employee pride in belonging to the Group will make it possible to assess the general involvement of employees.

### IMPLEMENTATION OF THE STRATEGIC ACTION PLANS

The reference standard for the action plans in the four areas is deployed in each of the Group's entities through detailed action plans. Their implementation allows the Group to make progress on its core business in order to reinforce its fundamentals and its solvency margin on core equity.

# 1.5 HUMAN RESOURCES

## 1.5.1 SOCIAL POLICY

In order to guide its strategy and improvement its performance, Groupama invests in its people and develops a human resources policy based on social responsibility and the commitment of its 33,552 employees.

On 31 December 2013, Groupama SA and its subsidiaries had 16,009 employees (9,469 in France/Overseas Departments and Territories and 6,540 abroad).

As part of the Group's organisation, the Group's Human Resources Department manages and coordinates corporate policies and programmes, in support of the Group's strategy, and leads the HR functional chain according to the scheme established for the distribution of responsibilities between Group HRD and HRD of the companies. Each company in the scope of consolidation of Groupama SA manages its human resources and its social policy as locally as possible, in line with the action principles and overall strategy defined by the Group.

In 2013, the companies included in the scope of consolidation hired 1,490 employees under permanent contracts, including 425 in France, to strengthen their sales networks and customer relations platforms and to renew their management and advisory teams as well as the auditing, internal control, and steering functions: 25.6% of the new employees are under 26 years of age, 2% are 50 and over and 26% are from the conversion of fixed-term contracts into permanent contracts. Note that 97 employees were transferred within the Group.

In 2013, the Group organised its third Groupama Gan Jobmeetings, which allowed nearly 750 pre-selected candidates to meet with the HR teams of the Group's companies in Paris, Nantes, Bordeaux, Toulouse, Lyon, Strasbourg, Lille, Dijon, Saint-Brieuc and Angers. The recruitment site groupama-gan-recrute.com registered more than 680,000 visits and nearly 120,000 applications in one year.

In the same period, departures (excluding sales of businesses) in companies of the consolidated scope involved 2,363 employees who left, including 964 in France among whom 8% retired, 22% resigned, 19% were laid off, 30% left under voluntary departure plans, 2% died, 5% left during their probation period, 9% were transferred and 5% breached their contract.

Outside France, 1,399 employees under permanent contracts left: 1% retired, 28% resigned, 21% were laid off, 49% breached their contract and 1% left for other reasons.

Most companies of the consolidated scope initiated in recent months actions to reduce their operating expenses and staff in connection with programmes to improve their economic situation. These programs were supplemented by the implementation of voluntary departure plans brought to completion at Gan Assurances, Groupama SA, Groupama Banque, Groupama Supports & Services and Gan Prévoyance.

◄ CONTENTS ►

The driving force behind the performance of the employees and companies of the Group, in 2013, mobility was involved in more than 2,000 cases out of more than 5,000 internal applicants in France.

The Mouvy intranet, the internal online recruitment site open to all employees of the Group in France, recorded 5,350 applicants. Since 2010, a Group agreement has governed inter-company transfers within the Group.

The investment for training within the scope of consolidation in France in 2012 amounted to 3.9% of payroll (for exempt expenses only). This investment affected two out of every three employees in all professional categories. It constitutes a major benefit for the development of business and managerial skills. In 2013, two e-learning programmes on Solvency II and the CNIL were created and opened to all employees.

The operation of the Group, which is made up of reasonably sized companies, is built around a management model based on listening, local presence and support, particularly expressed through initiatives aiming to improve customer service efficiency while promoting employees' quality of life.

In France, entities within the consolidated scope continued with the roll-out of programmes dedicated to Managers whose objective is to expand Managers' vision of the Group and its changes, particularly through researching balanced performance/quality of work life. These programmes have been enriched with an additional component devoted to risk control.

As part of developing the Group's strategic plan, the Ambitions Groupama seminars allowed 900 Group Senior and Executive Managers to talk about and work on managerial values, operational efficiency and profitable development.

In order to identify and build the loyalty of the talents needed to manage the Group's strategy, the "Groupama Talents" application was gradually rolled out to all categories of employees. Groupama SA and four other subsidiaries of the consolidated scope have already rolled it out to all of their employees. Personnel reviews were conducted in each company. Furthermore, 98 future Managers, selected by the Technical Careers Committee, participated in the "Objective Executives" programme to prepare them to hold strategic positions.

In France, companies within the consolidated scope are mostly regulated by the Collective Insurance Companies Agreement (covering 80% of employees), with other companies regulated by agreements covering their own business lines (banking, support, etc.). Contractual provisions are supplemented by inter-company or company agreements, especially with regard to the organisation and duration of work as well as pension and protection systems. At the Group level, social dialogue is managed in France within the Group Committee and the Social Dialogue Commission, a negotiating body, and at the European level within the European Works Council.

Regarding the collective wages policy, profit-sharing measures are in place in all Group companies in France. To this end, more than €4,626,012 (1,775 beneficiaries) and €7,133,671 (6,567 beneficiaries) respectively were paid out in 2013.

All of the Group's collective employee shareholding plans (FCPE) were consolidated in 2012 into five new funds that meet governance and socially responsible investment (SRI) criteria and simplify the choices of employees.

The Group's identity is built on its values of proximity, commitment, performance, and solidarity. It is committed as an insurer, as an agricultural trade association and as an employer.

As such, within the framework of the triennial review of the Group agreement of 28 October 2008 on diversity and equal opportunity within Groupama, at the end of 2011 the social partners of the Group unanimously signed an amendment to broaden the agreement to the themes of "equal family rights", "equal parental rights", "reconciliation of family life/work life" and "professional gender equality between women and men", with the effect of, in particular, aligning the contractual rights of employees married to employees to staff in civil or common-law unions.

Groupama has also undertaken new operational initiatives for:

- training on the promotion of diversity and the prevention of discrimination;
- participation in "diversity" recruitment forums;
- inclusion of people with disabilities, particularly by participating in the people, particularly by participating in the week for employment of persons with disabilities.

In 2013, 19 employees (permanent contract, fixed-term contract) with disabilities were recruited in the French companies of the consolidated scope.

Over nine years, more than 1,000 disabled employees have been recruited (permanent and fixed-term contracts, training contracts or as temporary workers) by the Group's French companies in the framework of this long-term commitment.

The Group extended its work concerning equal access to employment for men and women. In France in 2013, within the scope of consolidation, 71% of managerial promotions concerned women, bringing the ratio of women Managers to 47%.

As part of the implementation of the Group agreement of 28 February 2011 on quality of work life, the Group has developed actions to prevent, treat, and eliminate or, otherwise, reduce any noted problems related to psychosocial risks.

With this in view:

- Group indicators (for example, work time, staff movements, training, workplace/commuting accidents, etc.) are monitored each year;
- prevention actions are carried out in the Company (awareness, training, support for employees in case of public incivility, etc.);
- regulation mechanisms are put into place, including a psychological counselling centre open to all employees;
- a joint committee of exchanges and recommendations to examine the issue of "quality of the working environment" of structural and transverse projects with the Group companies.

Since 2012, 17 of the Group's companies in France (or 83% of employees) have thus carried out a diagnostic analysis of psychosocial risks with an authorised outside organisation.

Following the 3rd edition of the opinion poll conducted with Ipsos in April 2012, the Group and its companies implemented action plans in 2013 to respond to the expectations expressed in various areas. 244 actions were carried out in the following areas: well-being at work, management, commitment, pathways and talent, recognition and remuneration. The 4th survey will take place from 31 March to 11 April 2014.

Groupama also offers to all its employees a social and human long-term plan, which is consistent with its values and within the framework now established by the Code of Ethics that all the businesses now apply.

## 1.5.2 GROUP CONSOLIDATED WORKFORCE (FRANCE AND INTERNATIONAL)

The consolidated scope contains around thirty companies with a total workforce of 16,009 employees.

*The following table corresponds to Note 45 of the notes to the consolidated financial statements for the 2013 fiscal year, as audited by the statutory auditors.*

| | 2013 | | | 2012 | 2011 |
|---|---|---|---|---|---|
| **Registered workforce** | **Insurance** | **Finance** | **Total** | **Total** | **Total** |
| France | 8,512 | 957 | 9,469 | 10,123 | 11,640 |
| Great Britain | 323 | | 323 | 556 | 1,553 |
| Spain | | | 0 | 0 | 1,101 |
| Italy | 831 | | 831 | 832 | 850 |
| Hungary | 2,341 | | 2,341 | 2,427 | 2,617 |
| Greece | 331 | | 331 | 332 | 364 |
| Romania | 1,858 | | 1,858 | 2,044 | 2,204 |
| Other EU | 260 | | 260 | 270 | 483 |
| Outside EU | 598 | | 598 | 558 | 1,012 |
| **TOTAL** | **15,054** | **957** | **16,011** | **17,142** | **21,824** |

The workforce in France decreased because of the voluntary departure plans offered to employees.

The workforce in the United Kingdom decreased because of the change in consolidation method for Bollington, whose staff still appeared within the scope of consolidated entities as at 31 December 2012.

| **Registered workforce** | **2013** | **2012** | **2011** |
|---|---|---|---|
| Groupama SA | 1,375 | 1,573 | 1,722 |
| Registered offices and after-sales services of subsidiaries with a customer/network relationship (1) | 1,563 | 1,733 | 2,606 |
| Sales forces of subsidiaries with customer/network relationship (1) | 1,618 | 1,916 | 2,210 |
| France insurance/bank and services subsidiaries (2) | 2,966 | 2,774 | 2,842 |
| including Groupama Banque | *607* | *667* | *755* |
| Financial and real estate subsidiaries (3) | 440 | 499 | 550 |
| Support companies (Groupama Supports & Services) | 1,507 | 1,628 | 1,710 |
| **Subtotal France** | **9,469** | **10,123** | **11,640** |
| **International** | **6,540** | **7,019** | **10,184** |
| **TOTAL** | **16,009** | **17,142** | **21,824** |

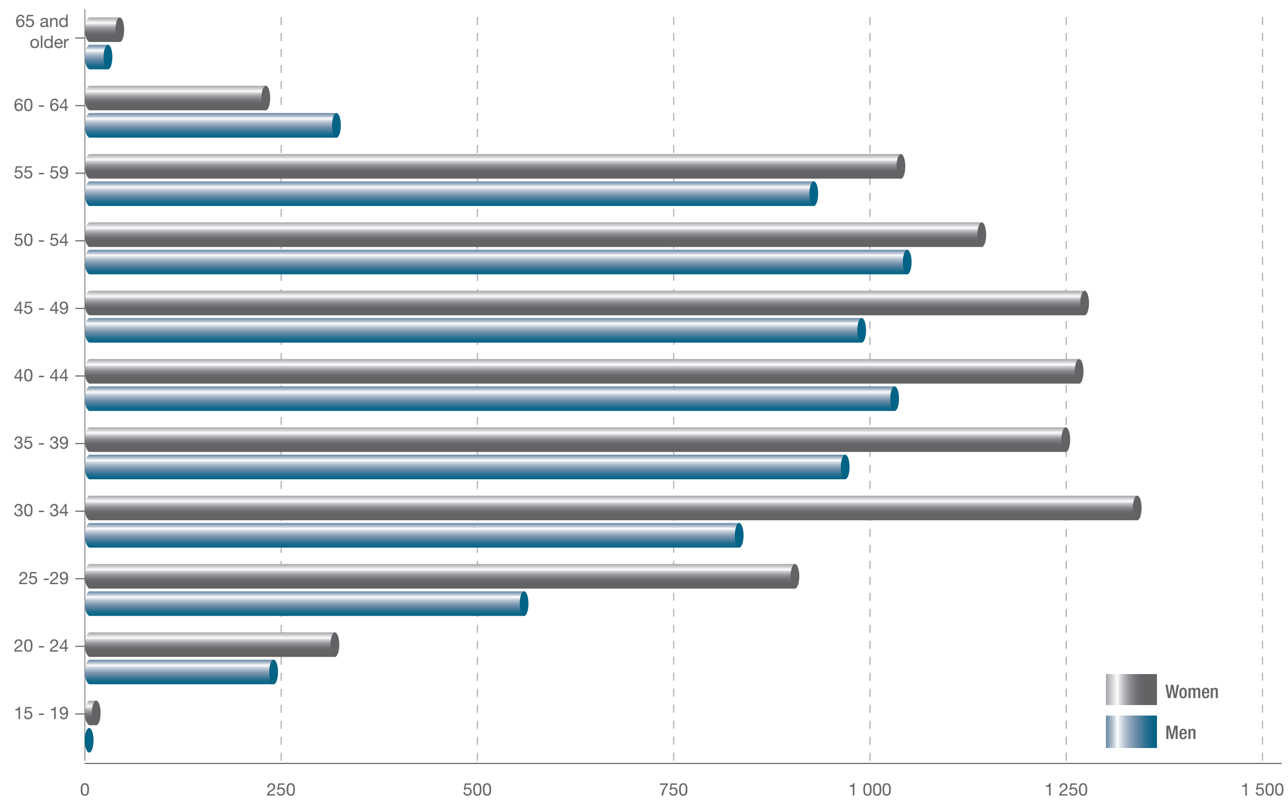
*(1) Gan Assurances, Gan Eurocourtage (for 2011), Gan Patrimoine, Gan Prévoyance, Gan Outre-Mer IARD.*
*(2) Groupama Gan Vie, Groupama Banque, Groupama Épargne Salariale, Groupama Assurance-Crédit, Amaline, Groupama Protection Juridique, Mutuaide.*
*(3) Groupama Asset Management, Groupama Private Equity (for 2012 and 2011), Groupama Immobilier, real estate activities.*

| Breakdown by gender | | Breakdown by policy type | | Breakdown by status type | |
|---|---|---|---|---|---|
| Men | Women | Permanent contract | Fixed-term contract | NA | C |
| 44% | 56% | 96% | 4% | 65% | 35% |

CONTENTS



The age pyramid is broken down as follows:




## 1.5.3 PROFIT SHARING AND STOCK OPTIONS

Groupama SA awarded no stock subscription or purchase options to officers or employees in fiscal year 2013. As of the date of filing of this registration document, there were no stock subscription or purchase options capable of being exercised.

Each company Board member holds at least one company share, in accordance with Article 12 of the bylaws.

## 1.5.4 COMMITMENTS TO PERSONNEL

### 1.5.4.1 Retirement schemes

The Group's companies have different retirement schemes. These 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.

Usually, entities within the consolidated scope use the services of Groupama Gan Vie – the Group's life insurance company. Reserves are then recognised in the consolidated financial statements to cover this commitment. Sums received are invested in appropriate investments.

### 1.5.4.2 Other long-term benefits

The Group also has recognised reserves in its financial statements for other long-term benefits to Group employees, *i.e.:*

- retirement benefits;
- seniority bonuses;
- anniversary days;
- time-saving accounts.

## 1.6 GROUPAMA CORPORATE SOCIAL RESPONSIBILITY POLICY (CSR)

*The main Corporate Social Responsibility indicators are presented in the report of the Board of Directors appearing in section 5.1.13 of this registration document.*

Responding to societal issues – to economic, social and environmental expectations – fits perfectly into Groupama's history, always driven by its action principles – local relationships, solidarity, responsibility and performance – to serve customer satisfaction. The Group perceives the CSR approach as a factor of innovation, operational efficiency and reinforcement of the quality of the relationship with external and internal audiences.

Groupama has established an ambitious, cross-function CSR strategy for 2013-2015. It is implemented and coordinated by the CSR Department/Groupama Health Foundation, within the General Secretary of Groupama SA.

The strategy is based on five pillars, broken down into Group objectives to be achieved by 2015:

- Marketing CSR offerings

  A pioneering group with strong brands, Groupama develops insurance and financial products responding to the major issues of society, such as incentives for responsible behaviours, management of sustainable social protection (retirement, health), problems related to the aging of the population (assistance, long-term care) and asset management incorporating environmental, social and governance criteria (Responsible Investment by Groupama Asset Management). In line with its offerings, a prevention policy is developed – property and personal security, health, prevention of climate risks, etc. – and adapted into local actions at close as possible to our individual, professional, corporate and local authority customers. Today, Groupama is committed to going further in the consideration of environmental and social factors in the design of its insurance, banking and asset management offerings through product innovation.

- Committing to the fight against rare diseases with the Fondation Groupama pour la Santé

  As France's leading individual health insurer (source: L'Argus de l'Assurance, 2012 ranking), Groupama has spent more than 10 years, through the Fondation Groupama pour la Santé, contributing to the fight against rare diseases, one of the three major national public health causes. The Foundation has three missions: disseminating information about rare diseases, breaking the isolation of the sick and assisting in research. Since its creation, the Foundation has supported 27 researchers and provided nearly €8 million in funding for association projects. By 2015, the Group wishes to emphasise its support for research – including medico-social research – and further mobilise its elected representatives and employees around this commitment.

- Acting to develop territories and civil society

  Proximity is at the heart of Groupama's operations, through its decentralised organisation and its businesses firmly established in the regions. They permit an ongoing dialogue between elected representatives, customers, employees and stakeholders. Beyond the local prevention actions, the Group's companies are fully committed, particularly through partnerships, to support for the development of economic initiative in the territories and to very many solidarity actions.

- Being a responsible employer

  For several years, Groupama has made many responsible employer commitments falling under social issues of CSR, such as professional equality, non-discrimination and promotion of diversity, employment of workers with disabilities and the quality of life at work, while reinforcing the commitment of employees. This dynamic continues at both the Group and business level. The biannual Group poll will be conducted in 2014.

- Acting in favour of the environment

  We have initiated actions to emphasise the reduction of our environment footprint. We would thus like to continue our efforts and strive for Group quantified objectives in decreasing our $CO_2$ emissions from energy consumption, travel and paper consumption.

  Aware of its responsibility in terms of indirect impacts, Groupama has developed actions that support the eco-responsibility of customers and suppliers for several years, through its insurance offerings, its prevention and awareness actions, its SRI products and its purchase contracts.

# THE GROUP'S BUSINESS LINES

2

◄ CONTENTS ►

# 2.1 GROUPAMA, A MULTI-LINE AND MULTI-CHANNEL INSURER

As 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 throughout its history was extended to benefit all socio-economic players: individuals, professionals, companies and local authorities. Today, Groupama is a major player on the insurance market in France (7th largest French multi-line insurer, source Argus de l'Assurance), in property and casualty insurance and in life and health insurance, banking services and financial businesses.

At the end of 2013, Groupama benefits from dense, complementary distribution networks over the entire French territory: 7,600 sales representatives employed by Groupama's regional mutuals, 950 general agents and 280 representatives for Gan Assurances, the network of 350 Gan Patrimoine agents and the network of 750 Gan Prévoyance in-house advisors.

Groupama has also been operating through direct sales channels following the 2008 launch of Amaguiz.com, a brand exclusively dedicated to direct insurance sales via the Internet.

On the national market, the Group relies on the following three brands: Groupama, Gan and Amaguiz, each offering their own specific line of products and services.

Internationally, the Group is present in 11 countries, mainly in Europe and with growth areas in Asia.

## 2.1.1 STRUCTURE OF CONSOLIDATED PREMIUM INCOME

At the end of 2013, Groupama SA reported total consolidated premium income of €10,423 million, including €10,154 million in insurance premiums and €268 million originating from asset management and other financial businesses.

Approximately 74% of Groupama SA's insurance business is carried out in France, amounting to €7.5 billion as at 31 December 2013.

The table below presents the breakdown of consolidated premium income by business lines in France and abroad.

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 31.12.2011 *pro forma* | 31.12.2011 | Change 2013/2012 (1) |
|---|---|---|---|---|---|
| France property and casualty insurance | 3,076 | 3,086 | 2,924 | 3,919 | +4.9% |
| France life and health insurance | 4,426 | 4,944 | 5,694 | 5,694 | -10.5% |
| **Subtotal France** | **7,502** | **8,030** | **8,618** | **9,614** | **-4.8%** |
| International property and casualty insurance | 1,889 | 1,995 | 2,001 | 3,194 | -3.9% |
| International life and health insurance | 757 | 731 | 808 | 1,099 | 5.1% |
| **Subtotal International** | **2,646** | **2,726** | **2,809** | **4,293** | **-1.5%** |
| Discontinued operations (France and international) | 6 | 6 | 8 | 8 | -6.2% |
| Financial and banking activities | 268 | 269 | 271 | 271 | 5.0% |
| **TOTAL GROUPAMA SA** | **10,423** | **11,031** | **11,706** | **14,186** | **-3.7%** |

*(1) At constant scope of consolidation, exchange rate and accounting methods.*

The details of the premium income by business segments appear in "Note 33 – Analysis of insurance premium income by major categories" in section 6 – "Financial Statements" of this registration document.

## 2.1.2 FRENCH NETWORKS

The table below presents the breakdown of consolidated premium income by distribution network in France.

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 31.12.2011 |
|---|---|---|---|
| Groupama SA | 2,199 | 2,226 | 1,983 |
| Groupama Gan Vie | 3,669 | 4,180 | 4,968 |
| Gan Assurances | 1,390 | 1,368 | 1,303 |
| Amaline Assurances | 52 | 49 | 39 |
| Other specialist Group companies (1) | 193 | 206 | 137 |
| Gan Eurocourtage (2) (3) | - | - | 1,184 |
| **Subtotal France insurance (4)** | **7,502** | **8,030** | **9,614** |
| Discontinued operations (5) | 6 | 6 | 8 |
| Financial and banking activities | 268 | 269 | 271 |

*(1) Groupama Assurance-Crédit, Mutuaide Assistance, Groupama Protection Juridique, Caisse Fraternelle Épargne and Caisse Fraternelle Vie.*
*(2) Gan Eurocourtage took over Groupama Transport with retroactive effect on 1rst January 2011.*
*(3) Sale of Gan Eurocourtage's property and casualty insurance on 1rst October 2012 and sale of the maritime business on 3 December 2012.*
*(4) Excluding discontinued activities.*
*(5) See chapter 5.1.*

### 2.1.2.1 The Groupama network

The Groupama network includes local and regional mutuals.

The local mutuals form the basis of Groupama's network of mutuals, allowing a close relationship to be established with policyholders. Policyholders automatically become members of a local mutual, which gives them the right to participate in the General Meeting, be heard, elect their representatives to the Board of Directors and be candidates for the Board.

Local mutuals are reinsured with regional mutuals according to a specific reinsurance mechanism by which the regional mutual takes the place of the local mutuals within its district in fulfilling their insurance commitments towards members.

The regional mutuals are insurance companies that, under the supervision of Groupama SA, the central body with which they are reinsured, are responsible for their management, pricing and product policy and, as part of the Group's strategy, their sales policy.

At the end of 2013, the Groupama network had 9 regional mutuals in metropolitan France, 2 overseas mutuals and 2 specialist mutuals.

### 2.1.2.2 The Gan networks

Backed by more than 950 general agents and 280 representatives, Gan Assurances is France's fourth-largest insurance network (2012 ranking – L'Argus de l'Assurance).

The Gan Eurocourtage network offers social protection solutions for business leaders and their employees, working in close collaboration with 600 broker partners.

Gan Prévoyance has a network of 750 sales representatives.

Gan Patrimoine offers its products through a network of more than 350 agents.

### 2.1.2.3 Direct sales channels

"Amaguiz.com" is the brand dedicated to the Group's innovation. At the end of 2013, Amaguiz.com is one of France's leading players (2012 ranking – FFSA) in online direct insurance sales to individuals (auto, home, health, protection and dogs/cats) with more than 210,000 policies in the portfolio.

2013 was marked by innovation with the launch of the new website, focused on the user and interactivity, accessible from any mobile device, and the roll-out of the new "Pay As You Drive" policy, which represents more than 20% of the portfolio. Amaguiz was awarded the Label of Excellence for its health policy in 2013, particularly with its two major innovations, the Eco-option and the double bonus.

### 2.1.2.4 Partnerships

In 2009, Groupama signed a partnership agreement with La Banque Postale resulting in the creation of a joint venture, La Banque Postale Assurances IARD, 65% of which is held by La Banque Postale. This company began distributing non-life insurance products at the end of 2010 via distance-selling channels (internet and telephone), through La Banque Postale's network of offices. The commercial arrangement has clearly yielded results, with a portfolio of more than 860,000 contracts at the end of 2013.

◄ CONTENTS ►

### 2.1.3 INTERNATIONAL NETWORKS

Groupama offers a wide range of non-life insurance and life insurance products abroad, in 11 countries, mainly in Europe. Products on these markets are distributed by various distribution networks, particularly exclusive agents, salespeople, brokers, banking networks and partnerships.

Starting in the mid-2000s, the Group established banking partnerships, sometimes exclusive, allowing it to have its development in new markets supported by historical players, particularly the exclusive agreement with OTP Bank regarding several countries in Central and Eastern Europe. In addition to bancassurance partnerships, the international subsidiaries have developed exclusive and non-exclusive distribution agreements with partners such as leasing companies, car distribution networks, or farming cooperatives, like in Turkey, where the Group signed an exclusive agreement with the farming cooperative TKK in 2008. During the 1st half of 2013, Groupama Assicurazioni signed several bancassurance agreements with independent regional banking institutes of medium size located in north-central Italy.

At the end of 2010, Groupama and the AVIC group (Aviation Industry Corporation of China) signed an agreement on the creation of a joint venture to expand activities in the non-life insurance segment in the People's Republic of China. The joint venture Groupama AVIC has established networks for sales and service for individuals and companies in the provinces where it holds licences. In November 2012, it obtained the qualification to provide complete coverage in non-life insurance on the Chinese market. In 2013, Groupama and the AVIC group signed a second partnership agreement in the field of insurance to support the strong growth of Groupama AVIC Insurance on the agricultural market and the rural sector in China.

## 2.2 INSURANCE IN FRANCE

### 2.2.1 ECONOMIC ENVIRONMENT AND MARKET TRENDS

In France, after two consecutive years of contraction, the insurance sector was revived in 2013, increasing +4% to €189 billion in premium income. This general market trend was supported by life and health insurance, which represents 73% of premium income for 2013.

Premium income in life and health insurance increased +5% to €139 billion, driven by the recovery of life insurance up +6% to €120 billion at the end of 2013. Benefits and redemptions on life insurance policies were down 9% over 2013. Net inflows were therefore positive again (premiums greater than pay-outs) in life insurance at €11 billion after negative net inflows in 2012. Life insurance assets continued to grow, amounting to €1,463 billion in 2013, up +5%. In health insurance, premium income grew +4% to €19.5 billion. Health insurer expenditures also continued to grow (+4% between 2012 and 2013).

Premium income in property and casualty insurance increased by +2% to €50 billion. Changes in the volume of insurable items and strong competition weighed on premium growth. Premium income grew by +1.5% in motor insurance and +3% in multi-risk home. Claims increased by +3% to €37 billion: the increase in weather events weighed on the loss ratio, the increase in costs outweighed the increase in motor insurance and home insurance claims frequency, and 2013 was the fifth consecutive year of increased theft frequency.

### 2.2.2 COMPETITION AND POSITIONING

On the mature insurance market in France, many insurance companies offer products comparable to Groupama's products, sometimes through the same marketing techniques. The Group is in competition with insurance companies, mutuals and bancassurance companies and may face competition on the savings market from Asset Managers, independent asset management advisors and other financial institutions.

The difference primarily lies in the following criteria:

- the size, power and quality of the distribution networks, particularly in advice;
- the range of products offered, their quality and the capacity for innovation;
- prices;
- service quality;
- financial management performance;
- brand reputation and awareness;
- attractiveness of products for customers.

Premium income of Groupama SA in France totalled €7.5 billion in 2013. The Group is the 7th-largest French multi-line insurer (combined scope). The table below shows Groupama's ranking in France:

| France ranking | 2013 | 2012 |
|---|---|---|
| Insurance (1) | 7 | 8 |
| P&C (2) | 5 | 4 |
| L&H (2) | 9 | 9 |

*(1) Source: Argus de L'Assurance –2012 data and FFSA – 2011 data.*
*(2) Source: Argus de L'Assurance.*

## 2.2.3 PROPERTY AND CASUALTY INSURANCE

Groupama SA generated €3.1 billion in premium income in property and casualty insurance in France (41% of premium income generated in France) at 31 December 2013.

### 2.2.3.1 Motor insurance

The Group holds 4th place on the French market (source: L'Argus de L'Assurance, 2012 ranking) and insures nearly 3,900,000 passenger vehicles (excluding fleets) at the end of 2013. Groupama SA's premium income (excluding fleets) increased by +3.0%.

The Group offers a complete, innovative range of products and services with competitive prices responding to the major consumer trends and including an original value-added offering of services with the CapsAuto network of repairers as well as a unique prevention offering through the Centres Centaure, for policyholders and their children, also accessible to all drivers.

### 2.2.3.2 Multi-risk home insurance

The Group holds 2nd place on this market in France (source: L'Argus de L'Assurance, 2012 ranking) with more than 3.5 million homes insured [(1)]. Groupama SA's premium income increased +6.4% in a highly competitive, challenging market environment.

This growth is largely due to strong price positioning, densification of its urban network, introduction of online subscriptions at groupama.fr, the development of offers on Amaguiz.com, the roll-out of the distribution partnership with La Banque Postale and continued product innovation.

### 2.2.3.3 Construction

As the construction market's 6th-largest insurer, the Group generated €96 million in premium income as at 31 December 2013, driven primarily by multi-risk policies (Non-Life, Civil Liability and Ten-Year Civil Liability) and distributed through the employee and agent networks.

### 2.2.3.4 Services

#### (a) Assistance, remote surveillance, remote alarms

Offered by Mutuaide Assistance, which has operations in all assistance businesses (car breakdown assistance, medical repatriation, travel insurance, home care), this business places the Group in 6th position on this market in France (source: L'Argus de l'Assurance, 2012 ranking).

The remote surveillance services provided by Activeille (property security) are gaining market share, notably through the development of an innovative offer on Amaguiz.com and the development of new partnerships. Présence Verte (personal security) confirmed its number 1 position in the remote alarms market.

#### (b) Individual service – Fourmi Verte

After several years supported by the dynamics of the Borloo law and in a gloomy economic environment, Fourmi Verte succeeded in introducing some new technologies (website, customer and service provider extranet) in order to industrialise the management chain while continuing to satisfy the thousands of customers who put their trust in it each year.

#### (c) Legal Protection

Groupama SA is the leader in France (source: Tribune de l'Assurance, 2011 data) in the market of legal protection, cover managed by the regional mutuals on the one hand and Groupama Protection Juridique on the other. Through this cover, Groupama provides support to policyholders, whether individual or professional, facing situations of conflict, by assisting them in asserting their rights and by assuming the corresponding expenses. The operating performance of Groupama Protection Juridique is based on the satisfaction of its customers, controlled by its quality insurance system certified ISO 9002 by BVQI.

#### (d) Credit insurance

Groupama Assurance Crédit is the Group specialist in matters of credit insurance and surety. Its products are marketed by the regional mutuals, Gan Assurances agents, and specialist brokers. Its premium income totalled €37 million at 31 December 2013.

### 2.2.3.5 Agricultural insurance

The Group, a leading player in agricultural insurance in France, continues to provide answers in insurance, either new or adjusted to all changes observed on the market. For farm equipment, the Titane Pro policy offers tailored covers. In property damage/TPL agricultural insurance, the Group rolled out the "Reference" offer, covering property damage, professional liability, operating losses and livestock mortality. This insurance combines essential covers for protecting the farmer and more specialised covers adapted to new agricultural practices: diversification, contractualisation, etc.

In climate multi-risk insurance, the Group held more than 85,000 policies in the portfolio at the end of 2013. Groupama supported its policyholders during this year, characterised by a succession of major events that particularly affected farmers.

*(1) Number of policies insured directly or indirectly (through the reinsurance agreement).*

#### 2.2.3.6 Professional insurance

This category includes craftspeople, traders, professionals, and company executives. Largely dominated by the networks of general agents, followed by the mutuals and the brokers, this is a highly coveted and profitable market. The Group has a comprehensive, updated range and diagnostic tools permitting risk analysis and advice as close as possible to customers.

#### 2.2.3.7 Insurance for local authorities

As the leading insurer of local authorities and organisations, Groupama offers insurance policies and services that are designed for the long term and develops innovative solutions for municipalities.

The Group highlights its prevention and advice services adapted to today's risks: road safety, crisis management, prevention of climate risks, etc. In climate risk prevention for local authorities, the roll-out of the Groupama – Prédict service, which now sends ultra-localised alerts by Internet and SMS thanks to personalised, anticipated information, continued in 2013. The Group established the mayor's "e-guide" and its Apple and Android applications to inform elected representatives about risks and how to best control them.

#### 2.2.3.8 Commercial insurance

In a difficult economic environment where insurable material is contracting, the Group has maintained its premium income and its involvement alongside companies. In addition to the agri-food sector, where Groupama remains the leading insurer, Groupama is strengthening its presence alongside SMEs/SMIs which benefit from a very comprehensive offering including "foundation" covers for property and casualty, credit insurance, group insurance, employee savings, legal protection, as well as retirement savings and unemployment protection for business leaders.

### 2.2.4 LIFE AND HEALTH INSURANCE

Groupama SA generated premium income in life and health insurance of €4.4 billion (59% of premium income generated in France) at 31 December 2013.

#### 2.2.4.1 Individual health insurance

The Group has confirmed its position as top individual health insurer, a position recognised for many years (source: L'Argus de L'Assurance, 2012 ranking), with a portfolio of 1.3 million policies as at 31 December 2013.

2013 was mainly a year of commitments in actions intended to facilitate access to health care for customers and members and to improve the services available to them. The Group thus adjusted its Groupama Santé Active offering to take household budgetary constraints into account. Partnerships with health care professionals were strengthened, thanks to the territory-wide ramp-up of a network of hearing aid specialists and the continued development of dental and optical partner services, via Sévéance, a resource pooling EIG, created with Pro BTP. In addition, Groupama is gradually putting in place the "Optique Solidaire" system intended for policyholders over age 60 with modest incomes, allowing them to purchase quality optical equipment at a reduced price.

The appropriateness of its products and services for policyholders' needs allowed Groupama to be distinguished by Dossiers de l'Épargne once again: the label of excellence was awarded to its Groupama Santé Active offering.

#### 2.2.4.2 Individual savings/pensions

As at 31 December 2013, Groupama SA generated €1.9 billion in premium income in individual savings/pensions, with a share of unit-linked products in individual savings of 28%, a sharp increase compared with 2012.

In 2013, the Group offered savings solutions for policyholders in an environment of low rates, particularly with the marketing of new offerings like structured products, unit-linked products combining performance and security (Zen, Porphyre, Topaze and Mahogany) and an expanded range of sustainable funds (Flexible Allocation, Europe Actions Immobilier, Actions Emergentes, etc.).

#### 2.2.4.3 Protection

On the individual protection insurance market, the Group continues to be the leading player in an increasingly competitive market. In everyday accident, the Group holds a 12.3% market share, placing it 2nd on this market (source: FFSA, 2012 data) with a portfolio of €85 million with 550,000 policies, up +13% compared with 2012. In 2013, Groupama was awarded the label of excellence by Dossiers de l'Épargne for its everyday accident offering.

#### 2.2.4.4 Group insurance

Groupama SA generated €1.4 billion in group insurance premium income at the end of 2013.

Innovative products adapted to the market's expectations were designed in 2013, particularly the launch in June of the "Essentiel" health range, a response to the National Interprofessional Agreement (ANI), making Groupama the first insurer with a position on this market. In September, the Group started marketing a new Article 83/Madelin retirement offering, a true asset management tool for businesses and business leaders. Innovative services were put in place, such as remote reporting of premiums and online payment by bank card for companies (very small enterprises) and majority Managers in health and protection.

This year, our health and protection products were again widely praised by the profession, a sign of recognition of the quality of our policies and services. The Dossiers de l'Épargne labels of excellence rewarded our policies for creative employees and majority Managers.

#### 2.2.4.5 Employee savings

Groupama Épargne Salariale is the Group subsidiary dedicated to employee savings. Its products are predominantly distributed by the regional mutuals, Gan Assurances and Gan Prévoyance. Securities under management by Groupama Asset Management totalled €932 million at end-2013.

In 2013, nearly 1,500 new customers signed up from French companies, making the Group one of the market's most dynamic players.

Products designed by Groupama Épargne Salariale were again awarded the Label of Excellence by Dossiers de l'Épargne.

# 2.3 INTERNATIONAL INSURANCE

Groupama SA generated international premium income of €2.6 billion in 2013, which represents 26% of the Group's insurance premium income. Premiums written reached €1.9 billion (71% of the total) in property and casualty insurance and €0.7 billion (29% of the total) in life and health insurance.

The Group is present in 11 countries, mainly in Europe and with growth areas in Asia.

The table below presents Groupama's rankings in the major countries where the Group is present:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Ranking** | **Non-life** | **Life** | **Non-life** | **Life** |
| Italy (1) | 8 | 24 | 8 | 23 |
| Turkey (2) | 8 | 10 | 8 | 10 |
| Hungary (3) | 4 | 4 | 3 | 6 |
| Romania (4) | 4 | 9 | 4 | 9 |
| Greece (5) | 12 | 9 | 9 | 9 |

*(1) Source: IVASS.*
*(2) Source: TSB/Insurance Association of Turkey.*
*(3) Source: MABISZ.*
*(4) Source: ASF (ex. CSA).*
*(5) Source: HAIC – Hellenic Association of Insurance Companies.*

The table below presents the geographical breakdown of consolidated premium incomes abroad:

| **Premium income** *(in millions of euros)* | **31.12.2013** | **31.12.2012** | **31.12.2011** | **Change 2013/2012 (4)** |
|---|---|---|---|---|
| **International insurance** | **2,646** | **2,727** | **4,293** | **-1.5%** |
| Italy | 1,419 | 1,490 | 1,565 | -4.7% |
| Turkey | 429 | 398 | 383 | +18.0% |
| Greece | 152 | 167 | 190 | -8.8% |
| Portugal | 54 | 69 | 70 | -21.8% |
| CEEC (1) | 487 | 493 | 515 | 0.0% |
| Other countries | 105 | 110 | 102 | -4.4% |
| Great Britain (2) | - | - | 525 | NA |
| Spain (3) | - | - | 943 | NA |

*(1) Central and Eastern European countries (Hungary, Romania, Bulgaria, Slovakia as from 2012).*
*(2) Sale of Groupama Insurances Company Limited in 2012.*
*(3) Sale of Groupama Seguros Spain in 2012.*
*(4) At constant scope of consolidation, exchange rate and accounting methods.*

## 2.3.1 ITALY

The Italian market was down -4% in non-life insurance but recovered good attractiveness in life insurance with a growth of +23% as at 30 September 2013.

Groupama Assicurazioni posted premium income of €1,419 million at 31 December 2013, primarily through a network of general agents throughout the country.

In a highly competitive environment, premium income in property and casualty insurance reached €1,055 million as at 31 December 2013, including 80% from motor insurance. Groupama Assicurazioni launched new products in non-life insurance, adapted to the needs of customers in a time of economic crisis, both in home insurance and motor insurance. In life and health insurance, premium income totalled €365 million as at 31 December 2013.

◄ CONTENTS ►

## 2.3.2 TURKEY

The development of insurance on the Turkish market remains steady with an increase of 21.7% in non-life insurance and 25.5% in life insurance as at 31 December 2013.

Groupama Sigorta and Groupama Emeklilik generated premium income of €429 million as at 31 December 2013 by relying on a highly diversified distribution network of more than 2,300 agents, partnerships, brokers and banking partners throughout the territory. At 31 December 2013, property and casualty insurance represented €348 million in premium income, and life and health insurance €81 million.

In 2013, the Group launched new services in motor insurance allowing policyholders to enjoy benefits in the repair networks and by launching a smartphone application for the assistance service.

## 2.3.3 GREECE

The Greek insurance market remained greatly impacted by the economic crisis, with a decrease of -6% in non-life insurance and -15% in life insurance as at 30 November 2013.

The €152 million in premium income as at 31 December 2013 was generated mainly by brokers and exclusive branches.

Premium income in property and casualty insurance, in a highly competitive market suffering the effects of the economic crisis, was €92 million and represented 60% of the business. In life and health insurance, Groupama Phoenix generated premium income of €60 million.

## 2.3.4 PORTUGAL

The Portuguese market contracted in non-life insurance by another -3%, while in life insurance, the market was up +34% as at 31 December 2013.

Groupama Seguros is ranked 11th on the health insurance market and 19th on the Portuguese life insurance market (source APS, August 2013 data).

In Portugal, Groupama Seguros offers multi-line insurance products distributed by networks of agents and intermediaries (bancassurance, brokers). At 31 December 2013, its premium income totalled €54 million.

Premium income in life and health insurance amounted to €46 million, which represented 85% of the business, while premium income in property and casualty insurance was €8 million.

## 2.3.5 CENTRAL AND EASTERN EUROPEAN COUNTRIES (CEEC)

Groupama's premium income for countries in Central and Eastern Europe totalled €487 million at 31 December 2013. The Group holds dominant positions in Hungary and Romania.

### 2.3.5.1 Hungary

The Hungarian market was up +2.3% in non-life insurance and +8.5% in life insurance as at 31 December 2013.

Groupama Garancia Biztosito generated premium income of €315 million as at 31 December 2013 by relying on a highly diversified distribution network of agencies, banking partnerships, 400 brokers and online sign-up sites. At 31 December 2013, life and health insurance represented €181 million, and property and casualty insurance €134 million. In 2013, new products were marketed, particularly in life insurance, and the performance of the funds was recognised with three "MoneyMoon Awards".

### 2.3.5.2 Romania

The Romanian market was down -8% in life insurance and up +1% in non-life insurance at 30 November 2013.

Groupama Asigurari posted premium income of €165 million at 31 December 2013, driven evenly by bancassurance, brokers, independent agents and the direct network. Property and casualty insurance constitutes the bulk of business with premium income of €154 million. New products and services were rolled out in 2013, particularly in motor insurance and health insurance.

The Company received the PRIMM award in 2013 for its life insurance products and the Piata Financiara award for its non-life insurance products.

### 2.3.5.3 Bulgaria

At the end of 2013, premium income from the Bulgarian subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane amounted to €8 million, including €5 million in life and health insurance.

## 2.3.6 OVERSEAS REGIONS

Gan Outre-Mer remains one of the major insurance players both in the Antilles (Guadeloupe, Martinique) and in the Pacific (New Caledonia, French Polynesia, Wallis and Futuna), with premium income of €105 million at 31 December 2013, including €97 million from property and casualty insurance.

## 2.3.7 CHINA/VIETNAM

In China, the Group continues its partnership signed in 2010 with the AVIC group (Aviation Industry Corporation of China). In 2013, Groupama and the AVIC group signed a second partnership agreement in the field of insurance to support the strong growth of Groupama AVIC Insurance on the agricultural insurance market and the rural sector in China. The Groupama Avic joint venture continued its very steady development over 2013 and ranks 1st among foreign non-life insurers on the Chinese market with premium income of €184 million [(1)].

In Vietnam, the Group is present on the non-life insurance market. Despite strong growth in 2013 and a significant breakthrough in the Transport Insurance sector, premium income currently remains marginal.

*(1) Entity accounted for under the equity method in the consolidated financial statements of Groupama SA*

# 2.4 FINANCIAL AND BANKING BUSINESSES

## 2.4.1 GROUPAMA BANQUE

Groupama Banque offers a range of products and banking services to individuals, companies and professionals and to companies of the Group; it is also developing a private banking business. It is the parent company of the asset management subsidiaries of the Group.

Groupama Banque's premium income as at 31 December 2013 totalled €142 million. In a bleak economic and financial environment in 2013, Groupama Banque continued its development with several significant successes: the levels of outstanding deposits and loans are balanced and exceeded €1.5 billion at the end of the year. Groupama Banque had more than 540,000 customers at the end of 2013. To improve the quality of service for the Group's customers, Groupama Banque halved the time it takes to receive a loan and place bank savings by establishing new tools for the Group's sales representatives. Customer satisfaction measured in year-end surveys remained greater than the average ratings of other banks.

Seven Labels of Excellence were awarded by Dossiers de l'Épargne to Groupama Banque for the quality of its offering, which was enriched by a range of share-based savings plans (PEA) accessible to private customers.

## 2.4.2 GROUPAMA ASSET MANAGEMENT

Groupama Asset Management, a subsidiary dedicated to asset management, is ranked 8th among French management companies in the AFG ranking.

Groupama Asset Management posted premium income of €121 million at 31 December 2013. The assets under management at the end of 2013 totalled €84.5 billion, including 16% on behalf of external customers. The Department of Investment Solutions, established in 2012 and bringing together specialists in ALM, provides customers with a comprehensive support service such as allocation advice.

Regarding SRI, in line with the Group's policy and values, Groupama Asset Management incorporates ESG (environmental, social and governance) criteria into its overall management in order to better asset the risk portion of investments.

The quality of management of the range of funds was again recognised this year during the Trophées du Revenu by receiving the bronze award in the category of European bond funds over three years.

## 2.4.3 GROUPAMA IMMOBILIER

The core activities of Groupama Immobilier are based on appreciation of properties under management, the administrative and financial management of leases and an advisory role for companies of the Group and for third parties.

Groupama Immobilier is ISO 9001-2000 certified for all its property management activities.

At the end of 2013, the real estate assets of Groupama SA and its French subsidiaries represented a total value of €3.4 billion, consisting of commercial real estate (71%) and residential real estate (26%), mainly in Paris and its immediate suburbs, as well as forests (3%).

# CORPORATE GOVERNANCE AND INTERNAL CONTROL

# 3

◄ CONTENTS ►

# 3.1 MEMBERSHIP OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

## 3.1.1 BOARD OF DIRECTORS AS AT 31 DECEMBER 2013

**Chairman:**

Jean-Yves Dagès

**Vice-Chairman:**

- Jean-Louis Pivard

**Directors:**

*Representing the controlling shareholder:*

- Jean-Marie Bayeul
- Michel Baylet
- Annie Bocquet
- Daniel Collay
- Amaury Cornut Chauvinc
- Michel L'Hostis
- François Schmitt

*Independent members:*

- Caroline Grégoire Sainte Marie
- Bruno Rostain
- Odile Roujol [(1)]

*Employee representatives:*

- Maria Frigara
- Brigitte Homo

**Works Council representative:**

- Rémi Paris

**Secretary of the Board:**

- Astrid Panosyan

*(1) During its meeting on 1 August 2013, the Board of Directors co-opted Odile Roujol to replace Anne Bouverot. This appointment will be submitted to the General Meeting on 11 June 2014 for ratification.*



1
2
3
4
5
6
7

## 3.1.2 TERMS HELD BY THE DIRECTORS

As far as the Company is aware, the other terms held by the Directors during the past five years are those listed below:

### JEAN-YVES DAGÈS

Date of birth: 21 July 1958

**BUSINESS ADDRESS**

GROUPAMA D'OC
14, RUE VIDAILHAN
BP 93105
31131 BALMA CEDEX

**Main role in the Company**

Jean-Yves Dagès has been Chairman of the Board of Directors since 14 December 2012 and a Director since 3 August 2011. His terms expire at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2014.

He was a member of the Audit and Risk Management Committee from 3 August 2011 to 14 December 2012.

**Main position outside the Company**

- Farmer

**Professional experience/Management expertise**

- Chairman of Fédération Nationale Groupama
- Chairman of Groupama d'Oc

**Current terms of office**

*Served within the Group in France*

| | | |
|---|---|---|
| **Groupama Holding** | › Chairman of the Board of Directors | Since 14 December 2012 |
| | › Director | Since 21 September 2011 |
| **Groupama Holding 2** | › Chairman of the Board of Directors | Since 14 December 2012 |
| | › Director | Since 21 September 2011 |

**Terms held from 2009 to 2013 no longer held by Mr Dagès**

*Served within the Group in France*

| | |
|---|---|
| **Centaure Midi-Pyrénées** | › Permanent Representative of Groupama d'Oc, Director (end of term 13 June 2012) |
| **Banque Finama** | › Permanent Representative of Misso, member of the Supervisory Board (end of term 1 October 2009) |
| **Gan Assurances** | › Chairman of the Board of Directors (end of term 13 February 2013) |
| **Groupama Asset Management** | › Director (end of term 13 October 2011) |
| **Groupama Assurance-Crédit** | › Permanent Representative of Groupama d'Oc, Director (end of term 13 October 2011) |
| **Groupama Banque** | › Member of the Supervisory Board (end of term 1 October 2009), then Permanent Representative of Misso, Director (end of term 13 October 2011) |
| **Groupama Holding** | › Vice-Chairman of the Board of Directors (end of term 14 December 2012) |
| **Groupama Holding 2** | › Vice-Chairman of the Board of Directors (end of term 14 December 2012) |
| **Groupama Immobilier** | › Director (end of term 29 January 2013) |
| **Groupama SA** | › Vice-Chairman of the Board of Directors (end of term 14 December 2012) |

## JEAN-LOUIS PIVARD

Date of birth: 27 May 1958

**BUSINESS ADDRESS**

GROUPAMA RHÔNE-ALPES AUVERGNE
50, RUE DE SAINT CYR
69251 LYON CEDEX 9

### Main role in the Company

Jean-Louis Pivard has been a Director since 25 April 2012 and Vice-Chairman of the Board of Directors since 14 December 2012. His terms expire at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2014.

After serving as a member of the Agreements Committee from 30 May to 14 December 2012, he has been a member of the Audit and Risk Management Committee since 14 December 2012.

### Main position outside the Company

- Farmer

### Professional experience/Management expertise

- Vice-Chairman and Treasurer of Fédération Nationale Groupama
- Chairman of Groupama Rhône-Alpes Auvergne

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Gan Assurances** | › Chairman of the Board of Directors | Since 13 February 2013 |
| | › Director | Since 7 March 2007 |
| **Groupama Holding** | › Director | Since 18 April 2012 |
| **Groupama Holding 2** | › Director | Since 18 April 2012 |
| **SCI du Château de Cap de Fouste** | › Member of the Supervisory Board | Since 21 June 2013 |
| **SCI du Domaine de Nalys** | › Director | Since 8 March 2013 |

### Terms held from 2009 to 2013 no longer held by Mr Pivard

*Served within the Group in France*

| | |
|---|---|
| **Gan Assurances Vie** | › Director (end of term 17 December 2009) |
| **Gan Patrimoine** | › Chairman of the Board of Directors (end of term 13 February 2013) |
| **Groupama Gan Vie** | › Director (end of term 14 December 2012) |
| **Groupama Immobilier** | › Director (end of term 29 January 2013) |

## JEAN-MARIE BAYEUL

Date of birth: 25 August 1949

**BUSINESS ADDRESS**

GROUPAMA CENTRE-MANCHE
35, QUAI DE JUILLET
BP 169
14010 CAEN CEDEX 1

### Main role in the Company

Jean-Marie Bayeul has been a Director since 26 August 2009. His term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2014.

After serving as a member of the Compensation and Appointments Committee from 26 August 2009 to 14 December 2012, he has been a member of the Audit and Risk Management Committee since 14 December 2012.

### Main position outside the Company

- Director of the OPA (Agricultural Trade Association)

### Professional experience/Management expertise

- Vice-Chairman and Secretary of Fédération Nationale Groupama
- Chairman of Groupama Centre-Manche

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Groupama Assurance-Crédit** | › Chairman of the Board of Directors | Since 13 October 2011 |
| | › Director | Since 7 October 2009 |
| **Groupama Holding** | › Director | Since 16 September 2009 |
| **Groupama Holding 2** | › Director | Since 20 October 2009 |
| **SCA du Château d'Agassac** | › Member of the Management Board | Since 18 June 2010 |

### Terms held from 2009 to 2013 no longer held by Mr Bayeul

*Served within the Group in France*

| | |
|---|---|
| **Gan Patrimoine** | › Director (end of term 1 January 2013) |
| **Groupama Transport** | › Chairman of the Board of Directors (end of term 31 December 2011) |

## MICHEL BAYLET

Date of birth: 29 September 1954

**BUSINESS ADDRESS**

GROUPAMA CENTRE-ATLANTIQUE
2, AVENUE DE LIMOGES
BP 8527
79044 NIORT CEDEX 9

### Main role in the Company

Michel Baylet has been a Director since 29 June 2006. His term was renewed at the General Meeting on 27 May 2009 and expires at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2014.

After serving as a member of the Audit and Risk Management Committee from 30 May 2007 to 14 December 2012, he has been a member of the Compensation and Appointments Committee since 14 December 2012.

### Main position outside the Company

- Farmer

### Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Centre-Atlantique

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Centaure Centre-Atlantique** | › Director | Since 14 June 2007 |
| **Gan Prévoyance** | › Chairman of the Board of Directors | Since 11 July 2006 |
| **Groupama Holding** | › Director | Since 29 June 2006 |
| **Groupama Holding 2** | › Director | Since 29 June 2006 |
| **SCA du Château d'Agassac** | › Chairman of the Management Board | Since 28 January 2008 |
| **SCI du Château de Cap de Fouste** | › Member of the Supervisory Board | Since 27 June 2008 |
| **SCI du Domaine de Nalys** | › Director | Since 24 January 2008 |

### Terms held from 2009 to 2013 no longer held by Mr Baylet

*Served within the Group in France*

| | |
|---|---|
| **Gan Patrimoine** | › Chairman of the Board of Directors (end of term 31 December 2009), then Director (end of term 13 February 2013) |
| **Groupama Holding** | › Vice-Chairman of the Board of Directors (end of term 23 May 2012) |
| **Groupama Holding 2** | › Vice-Chairman of the Board of Directors (end of term 23 May 2012) |
| **Groupama SA** | › Vice-Chairman of the Board of Directors (end of term 26 October 2011) |

## ANNIE BOCQUET

Date of birth: 23 August 1950

**BUSINESS ADDRESS**

GROUPAMA NORD-EST
2, RUE LÉON PATOUX
CS 90010
51686 REIMS CEDEX 2

### Main role in the Company

Annie Bocquet has been a Director since 30 June 2008. Her term was renewed at the General Meeting on 27 May 2009 and expires at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2014.

She has been a member of the Compensation and Appointments Committee since 30 June 2008.

### Main position outside the Company

- Farmer (retired)

### Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Nord-Est

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Groupama Banque** | › Chairman of the Board of Directors | Since 1 October 2009 |
| **Groupama Holding** | › Vice-Chairman of the Board of Directors | Since 14 December 2012 |
| | › Director | Since 27 August 2008 |
| **Groupama Holding 2** | › Vice-Chairman of the Board of Directors | Since 14 December 2012 |
| | › Director | Since 27 August 2008 |

### Terms held from 2009 to 2013 no longer held by Ms Bocquet

*Served within the Group in France*

| | |
|---|---|
| **Banque Finama** | › Chairman of the Supervisory Board (end of term 1 October 2009) |
| **Groupama Asset Management** | › Vice-Chairman of the Board of Directors (end of term 14 February 2013) |
| **Groupama Banque** | › Chairman of the Supervisory Board (end of term 1 October 2009) |
| **Groupama Immobilier** | › Vice-Chairman of the Board of Directors (end of term 29 January 2013) |

*Served within the Group abroad*

| | |
|---|---|
| **Groupama Assicurazioni Spa** | › Director (end of term 18 September 2009) |
| **Groupama Vita Spa** | › Director (end of term 18 September 2009) |
| **Nuova Tirrena** | › Director (end of term 18 September 2009) |

1 2 3 4 5 6 7

## DANIEL COLLAY

Date of birth: 17 January 1961

**BUSINESS ADDRESS**

GROUPAMA PARIS VAL DE LOIRE
161, AVENUE PAUL VAILLANT COUTURIER
94250 GENTILLY

### Main role in the Company

Daniel Collay has been a Director since 30 May 2012. His term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2014.

He has been a member of the Agreements Committee since 14 December 2012, then became Chairman on 18 September 2013.

### Main position outside the Company

- Farmer

### Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Paris Val de Loire

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Groupama Holding** | Director | Since 23 May 2012 |
| **Groupama Holding 2** | Director | Since 23 May 2012 |
| **Mutuaide Assistance** | Chairman of the Board of Directors | Since 14 February 2013 |
| **SCA du Château d'Agassac** | Member of the Management Board | Since 8 February 2013 |
| **SCI du Château de Cap de Fouste** | Member of the Supervisory Board | Since 16 April 2013 |
| **SCI du Domaine de Nalys** | Director | Since 8 March 2013 |

### Terms held from 2009 to 2013 no longer held by Mr Collay

*Served within the Group in France*

| | |
|---|---|
| **Gan Prévoyance** | Director (end of term 1 January 2013) |
| **Groupama Gan Vie** | Director (end of term 14 December 2012) |

## AMAURY CORNUT-CHAUVINC

Date of birth: 17 January 1953

**BUSINESS ADDRESS**

GROUPAMA MÉDITERRANÉE
MAISON DE L'AGRICULTURE
BÂTIMENT 2
PLACE CHAPTAL
34261 MONTPELLIER CEDEX 2

### Main role in the Company

Amaury Cornut-Chauvinc has been a Director since 30 May 2007. His term was renewed at the General Meeting on 27 May 2009 and expires at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2014.

He has been a member of the Audit and Risk Management Committee since 30 June 2008.

### Main position outside the Company

- Farmer

### Professional experience/Management expertise

- Deputy Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Méditerranée

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Groupama Gan Vie** | › Chairman of the Board of Directors | Since 17 December 2009 |
| **Groupama Holding** | › Director | Since 17 October 2007 |
| **Groupama Holding 2** | › Director | Since 17 October 2007 |
| **SCA du Château d'Agassac** | › Representative of Groupama SA, member of the Management Board | Since 8 February 2013 |
| **SCI du Château de Cap de Fouste** | › Chairman of the Supervisory Board | Since 7 June 2011 |
| | › Member of the Supervisory Board | Since 14 June 2007 |
| **SCI du Domaine de Nalys** | › Chairman of the Board of Directors | Since 6 December 2011 |
| | › Director | Since 1 June 1999 |

*Served outside the Group in France*

| | | |
|---|---|---|
| **Paysan du Midi** | › Director | Since 6 June 2007 |

### Terms held from 2009 to 2013 no longer held by Mr Cornut-Chauvinc

*Served within the Group in France*

| | |
|---|---|
| **Gan Eurocourtage IARD** | › Chairman of the Board of Directors (end of term 2 September 2009) |
| **Gan Eurocourtage Vie** | › Chairman of the Board of Directors (end of term 31 December 2009) |
| **Groupama Assurance-Crédit** | › Permanent Representative of Groupama Sud, Director (end of term 7 October 2009) |
| **Mutuaide Assistance** | › Chairman of the Board of Directors (end of term 1 January 2009) |
| **SCA du Château d'Agassac** | › Member of the Management Board (end of term 8 February 2013) |

*Served within the Group abroad*

| | |
|---|---|
| **Groupama Insurance Company Limited** | › Director (end of term 8 September 2009) |

*Served outside the Group in France*

| | |
|---|---|
| **Cave de Tain l'Hermitage** | › Chairman of the Board of Directors (end of term 13 December 2010) |
| **Société du Journal Midi Libre** | › Permanent Representative of Groupama Sud, member of the Supervisory Board (end of term 31 December 2011) |

## CAROLINE GRÉGOIRE SAINTE MARIE

Date of birth: 27 October 1957

### Main role in the Company

Caroline Grégoire Sainte Marie has been an Independent Director since 25 May 2011. Her term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2016.

She has been a member of the Compensation and Appointments Committee since 22 June 2011 and became Chairman on 24 October 2011. She has also been a member of the Audit and Risk Management Committee since 25 May 2011.

### Main position outside the Company

- Company Director

### Professional experience/Management expertise

2009 to 2011: Chairman of Frans Bonhomme (SAS)

2007 to 2009: Chief Executive Officer of Tarmac, France and Belgium

1997 to 2007: Lafarge

- 2004 to 2007: Chief Executive Officer of Lafarge Ciment Germany, Director of Mergers-Acquisitions of the Cement Branch
- 1997 to 2004: Financial and Legal Officer of the Specialist Metals Sector

1994 to 1997: Financial Officer of Albert Roussel Pharma, Germany

1983 to 1997: Various positions in the Management and Finance Control Department of Hoechst Pharma

### Current terms of office

*Served outside the Group in France*

| | | |
|---|---|---|
| **Safran*** | Non-voting Director | Since 21 April 2011 |
| **Eramet*** | Director | Since 25 May 2012 |

Served outside the Group abroad

| | | |
|---|---|---|
| **FLSmidth*** | Director | Since 30 March 2012 |

* *Listed company.*

### Terms held from 2009 to 2013 no longer held by Ms Grégoire Sainte Marie

*Served outside the Group in France*

| | |
|---|---|
| **Bonhom Management** | Non-shareholding Manager (end of term 1 September 2011) |
| **Bonhom SAS** | Chief Executive Officer (end of term 29 April 2011) |
| **Frans Bonhomme** | Chairman (end of term 1 September 2011) |
| **Tarmac France** | Chairman & Chief Executive Officer (end of term 30 June 2009) |

*Served outside the Group abroad*

| | |
|---|---|
| **Tarmac Belgique** | Chairman & Chief Executive Officer (end of term 30 June 2009) |

## MICHEL L'HOSTIS

Date of birth: 25 September 1955

**BUSINESS ADDRESS**

GROUPAMA LOIRE BRETAGNE
23, BOULEVARD DE SOLFÉRINO
CS 51209
35012 RENNES CEDEX

### Main role in the Company

Michel L'Hostis has been a Director since 17 January 2013. His term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2014.

He has been a member of the Agreements Committee since 17 January 2013.

### Main position outside the Company

- Farmer

### Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Loire Bretagne

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Gan Patrimoine** | Chairman of the Board of Directors | Since 13 February 2013 |
| **Groupama Holding** | Director | Since 20 February 2013 |
| **Groupama Holding 2** | Director | Since 20 February 2013 |

### Terms held from 2009 to 2013 no longer held by Mr L'Hostis

*Served within the Group in France*

| | |
|---|---|
| **Gan Eurocourtage** | Director (end of term 31 December 2012) |
| **Gan Eurocourtage Vie** | Director (end of term 31 December 2009) |
| **Groupama Gan Vie** | Director (end of term 15 February 2013) |
| **Groupama Vie** | Director (end of term 31 December 2009) |

## BRUNO ROSTAIN

Date of birth: 18 April 1956

**BUSINESS ADDRESS**

BLACKFIN CAPITAL PARTNERS
127, AVENUE DES CHAMPS-ELYSÉES
75008 PARIS, FRANCE

### Main role in the Company

Bruno Rostain has been an Independent Director since 2 August 2012. His term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2016.

He has been Chairman of the Audit and Risk Management Committee since 2 August 2012.

### Main position outside the Company

- Chief Executive Officer of Blackfin Capital Partners

### Professional experience/Management expertise

Since 2009: Chief Executive Officer of Blackfin Capital Partners

1991 to 2008: Aviva

- 2003 to 2008: Chairman of the Executive Board of Aviva France – Chairman of SEV and Aviva Direct – Chairman of Aviva Assurances and Aviva Vie
- 1999 to 2003: Deputy General Manager, then Chief Executive Officer of Aviva Vie (Commercial Union, Abeille, and Norwich Union, which became Aviva in 2002)
- 1998 to 1999: On assignment at Commercial Union Life of America, USA
- 1995 to 1998: Chief Executive Officer of Commercial Union Assurances
- 1992 to 1995: Director of the Brokerage Enterprise Division of Abeilles Assurances
- 1991 to 1992: Director of the Office of the Chairman and CEO, Victoire group

1989 to 1991: Ministry of Foreign Trade – Technical Adviser to the cabinet of Jean-Marie Rausch

1987 to 1989: Ministry of Agriculture – Representative to the Directorate Generate of Food

1985 to 1987: Regional Directorate of Industry and Research of Lorraine – Division head in charge of energy and mines

### Current terms of office

*Served outside the Group in France*

| | | |
|---|---|---|
| **Blackfin Capital Partners** | › Chief Executive Officer | Since 19 March 2009 |
| **Chiarezza SAS** | › Chairman | Since 25 January 2012 |
| **Compamut** | › Chairman | Since 12 December 2012 |
| **Finanzen France SAS** | › Chairman | Since 31 July 2013 |
| **Hestis SAS** | › Chairman | Since 5 November 2013 |
| **HSBC Assurances Vie** | › Director | Since 22 October 2009 |
| **KBO SAS** | › Chairman | Since 1 March 2013 |
| **Mister Assur SAS** | › Chairman | Since 17 July 2012 |
| **Société Financière du Porte Monnaie Électronique Interbancaires (SFPMEI)** | › Director | Since 6 December 2010 |

### Terms held from 2009 to 2013 no longer held by Mr Rostain

*Served outside the Group in France*

| | |
|---|---|
| **Owliance** | › Director (end of term 31 October 2012) |

## ODILE ROUJOL

Date of birth: 14 January 1968

**BUSINESS ADDRESS**

ORANGE VILLAGE
BÂTIMENT A
1, AVENUE NELSON MANDELA
94745 ARCUEIL CEDEX

### Main role in the Company

Odile Roujol has been an Independent Director since 1 August 2013. Her term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2013.

She has been a member of the Agreements Committee since 1 August 2013.

### Main position outside the Company

- Director of Client Strategy and Data, Orange France

### Professional experience/Management expertise

Since 2009: Orange group

- since November 2013: Director of Client Strategy and Data, Orange France
- April 2010 to October 2013: Brand and Communication Director, France
- 2009 to 2010: Customer Marketing Director for Orange's general public businesses in France

1996 to 2009: L'Oréal group

- 2006 to 2009: Chief Executive Officer of Lancôme International
- 2005 to 2006: Deputy Chief Executive Officer of Lancôme International
- 2003 to 2005: Deputy Chief Executive Officer – Deputy General Manager Senior-Vice President Marketing, Lancôme USA
- 2001 to 2002: Chief Executive Officer for France, Lancôme
- 1999 to 2001: International Marketing Director for care and cosmetics, Lancôme
- 1996 to 1998: Makeup Director, Lancôme

1992 to 1995: Brand Manager then Makeup Director – Yves Saint Laurent Parfums

1989 to 1992: Brand Manager – Bourjois

### Current terms of office

None

### Terms held from 2009 to 2013 no longer held by Ms Roujol

None

## FRANÇOIS SCHMITT

Date of birth: 6 March 1963

**BUSINESS ADDRESS**

GROUPAMA GRAND EST
101, ROUTE DE HAUSBERGEN
BP 30014 -SCHILTIGHEIM
67012 STRASBOURG CEDEX 1

### Main role in the Company

François Schmitt has been a Director since 30 June 2008. His term was renewed at the General Meeting on 27 May 2009 and expires at the close of the General Meeting convened to approve the financial statements for the year ending 31 December 2014.

After serving as a member of the Agreements Committee from 30 June 2008 to 26 August 2009, he has been a member of the Compensation and Appointments Committee since 26 August 2009.

### Main position outside the Company

- Farmer

### Professional experience/Management expertise

- Deputy Chairman of Fédération Nationale Groupama
- Chairman of Groupama Grand Est

### Current terms of office

*Served within the Group in France*

| | | |
|---|---|---|
| **Groupama Holding** | Director | Since 27 August 2008 |
| **Groupama Holding 2** | Director | Since 27 August 2008 |
| **SCI du Château de Cap de Fouste** | Member of the Supervisory Board | Since 10 June 2009 |
| **SCI du Domaine de Nalys** | Director | Since 10 December 2008 |

*Served within the Group abroad*

| | | |
|---|---|---|
| **Groupama Assicurazioni Spa** | Chairman of the Board of Directors | Since 30 January 2013 |

### Terms held from 2009 to 2013 no longer held by Mr Schmitt

*Served within the Group in France*

| | |
|---|---|
| **Groupama Vie** | Director (end of term 31 December 2009) |
| **Mutuaide Assistance** | Chairman of the Board of Directors (end of term 14 February 2013) |

*Served outside the Group in France*

| | |
|---|---|
| **SICLAÉ** | Member of the Supervisory Board (end of term 31 December 2012) |

## MARIA FRIGARA

Date of birth: 1 October 1954

BUSINESS ADDRESS
GROUPAMA SA
IMMEUBLE LE DIAMANT
14-16, RUE DE LA RÉPUBLIQUE
92800 PUTEAUX

### Main role in the Company

Maria Frigara has been a Director representing the employees of Groupama SA since 28 February 2012. Her term expires after the elections to be held in 2016.

### Main position outside the Company

None

### Professional experience/Management expertise

- Assistant in the Human Resources Department

### Current terms of office

None

### Terms held from 2009 to 2013 no longer held by Ms Frigara

None

## BRIGITTE HOMO

Date of birth: 6 November 1958

**BUSINESS ADDRESS**

GROUPAMA
5-7, RUE DU CENTRE
93199 NOISY LE GRAND

### Main role in the Company

Brigitte Homo has been a Director representing the employees of Groupama SA since 1 December 2010. She was re-elected on 28 February 2012. Her term expires after the elections to be held in 2016.

### Main position outside the Company

None

### Professional experience/Management expertise

- Coordination – French Insurance Department

### Current terms of office

None

### Terms held from 2009 to 2013 no longer held by Ms Homo

None

## 3.1.3 EXECUTIVE MANAGEMENT

The Company is managed by a CEO by resolution of the Company's 18 December 2003 Meeting of the Board to separate the roles of the Chairman and the CEO and, as of 14 December 2011, a Deputy Chief Executive Officer appointed by the Board of Directors at the proposal of the CEO.

Thierry Martel, Chief Executive Officer, and Christian Collin, Deputy Chief Executive Officer, are vested with the broadest powers to act on behalf of the Company under any and all circumstances. They exercise their authority within the limit of the corporate purpose and subject to the authority expressly granted to General Meetings and the Board of Directors and within the limits set by the bylaws and the Board of Directors (see section 3.2.1.4).

As far as the Company is aware, the other terms of office held by the Chief Executive Officer and the Deputy Chief Executive Officer are those listed below:

**THIERRY MARTEL**

Date of birth: 25 October 1963

**BUSINESS ADDRESS**

GROUPAMA SA
8-10, RUE D'ASTORG
75008 PARIS, FRANCE

**Main role in the Company**

Thierry Martel was appointed Chief Executive Officer of Groupama SA on 24 October 2011. His term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2014.

**Roles outside the Company**

- Chief Executive Officer of Fédération Nationale Groupama
- Chairman of Fédération Française des Sociétés d'Assurance Mutuelles (FFSAM)

**Professional experience/Management expertise**

- January 2010 to November 2011: Chief Executive Officer of Assurance & Banque France
- September 2008 to December 2010: Chief Executive Officer of Assurance France in charge of insurance and services to individuals, businesses and local communities and the Gan Assurances profit centre
- November 2006 to September 2008: General Manager of Individual Insurance and Services, in charge of the private, farming and professional markets
- March 2005 to October 2006: General Manager of Personal Insurance at Groupama SA
- November 2003 to February 2005: Auditing Manager overseeing Group Actuarial Affairs at Groupama SA
- April 1999 to October 2003: Director of Insurance at Groupama Grand Est
- September 1995 to March 1999: Resource Director at Groupama Grand Est
- December 1990 to August 1995: Groupama Assurance Internationale: head of the Logistics and Organisation Department in charge of legal and technical due diligence in M&A transactions
- April 1988 to December 1990: Insurance commissioner/auditor in the Insurance Department of the Ministry of Economy and Finance
- September 1987 to April 1988: temporary transfer to serve as Finance Inspector at the Office of the Inspector General of Finance

Graduated from the École Polytechnique in July 1985.

Graduated from the Institut d'Études Politiques de Paris in July 1987 (Economics/Finance Division – majoring in finance and tax affairs).

Certified member of the Institut des Actuaires Français

| Current terms of office | | |
|---|---|---|
| *Served within the Group in France* | | |
| **Groupama Holding** | › Non-Director Chief Executive Officer | Since 26 October 2011 |
| **Groupama Holding 2** | › Non-Director Chief Executive Officer | Since 14 December 2012 |
| *Served outside the Group in France* | | |
| **La Banque Postale Assurances IARD** | › Director | Since 10 December 2009 |
| | › Vice-Chairman of the Board of Directors | Since 8 December 2011 |

| Terms held from 2009 to 2013 no longer held by Mr Martel | |
|---|---|
| *Served within the Group in France* | |
| **Amaline Assurances** | › Chairman of the Board of Directors (end of term 21 March 2012) |
| **Gan Patrimoine** | › Non-Director Chief Executive Officer (end of term 9 January 2012) |
| **Groupama Banque** | › Permanent Representative of Groupama SA, Director (end of term 13 October 2011) then Vice-Chairman of the Board of Directors (end of term 9 February 2012) |
| **Groupama Gan Vie** | › Non-Director Chief Executive Officer (from 26 September to 28 November 2012) |
| **Groupama Holding 2** | › Non-Director Chief Executive Officer (from 26 October 2011 to 19 September 2012) |
| **Groupama Vie** | › Non-Director Chief Executive Officer (end of term 31 December 2009) |
| **SGPS** | › Manager (end of term 12 June 2013) |
| *Served outside the Group in France* | |
| **Cegid group*** | › Director (end of term 20 December 2011) |
| **Société Générale*** | › Director (end of term 30 August 2013) |

* *Listed company.*

## CHRISTIAN COLLIN

Date of birth: 11 May 1954

**BUSINESS ADDRESS**

GROUPAMA SA
8-10, RUE D'ASTORG
75008 PARIS, FRANCE

### Main role in the Company

Christian Collin was appointed Chief Executive Officer of Groupama SA on 24 October 2011. His term expires at the close of the General Meeting convened to approve the financial statements for the year ended 31 December 2014.

### Main position outside the Company

- None

### Professional experience/Management expertise

Since 2000: Groupama group

- 2010 to October 2011: General Manager of Finance and Risk at Groupama
- 2005 to 2009: General Secretary – Group Strategy and HR Director. As of 2007, he also carried out roles in the Innovation Department and in early 2008, the Ethics and Sustainable Development Departments, as well as the M&A Department.
- 2002 to 2005: General Secretary of Groupama
- 2000 to 2002: Group Legal, Tax and Logistics Director in charge of the Gan restructuring and the Groupama SA/Gan SA merger

1980 to 2000: Gan group

- 1998 to 2000: following the Gan privatisation, served as Financial, Legal and Tax Director and Director of Strategic Marketing, Quality and Communications at Gan SA
- 1996 to 1998: Strategy and Finance Director in charge of the Gan restructuring plan
- 1991 to 1996: General Secretary at Gan
- 1986 to 1991: Head of General Affairs at Gan
- 1980 to 1986: Head of the Organisation Department at Gan Incendie Accidents

1978 to 1980: Banque de Développement Économique de Tunisie – Representative

1977 to 1978: Groupe Lafarge – Representative of the Financial Department of Ciments Lafarge

Graduated from ESCP Europe (1977)

| Current terms of office | | |
|---|---|---|
| *Served within the Group in France* | | |
| **Groupama Holding** | › Deputy Chief Executive Officer | Since 26 October 2011 |
| **Groupama Holding 2** | › Deputy Chief Executive Officer | Since 14 December 2012 |
| *Served outside the Group in France* | | |
| **La Banque Postale Assurances IARD** | › Director | Since 10 December 2009 |
| **Gimar Finance & Compagnie** | › Permanent Representative of Groupama Investissements, member of the Supervisory Board | Since 6 December 2004 |
| *Served outside the Group abroad* | | |
| **Mediobanca*** | › Director | Since 27 June 2012 |
| **STAR*** | › Director | Since 16 October 2008 |

| Terms held from 2009 to 2013 no longer held by Mr Collin | |
|---|---|
| *Served within the Group in France* | |
| **Cofintex 17** | › Chairman (end of term 22 December 2009) |
| **Compagnie Foncière Parisienne** | › Chairman of the Board of Directors (end of term 5 October 2011) |
| **Groupama Asset Management** | › Chairman of the Board of Directors (end of term 13 October 2011) then Permanent Representative of Gan Prévoyance, Director (end of term 4 May 2012) |
| **Groupama Banque** | › Vice-Chairman of the Board of Directors (end of term 13 October 2011) then Permanent Representative of Groupama SA, Director (end of term 9 February 2012) |
| **Groupama Holding 2** | › Deputy Chief Executive Officer (26 October 2011 to 19 September 2012), then Non-Director Chief Executive Officer (19 September to 14 December 2012) |
| **Groupama Immobilier** | › Chairman of the Board of Directors (end of term 12 October 2011) |
| **Groupama Private Equity** | › Chairman of the Board of Directors (end of term 6 December 2011) |
| **Silic*** | › Permanent Representative of Groupama SA, Director (end of term 22 June 2012) |
| *Served outside the Group in France* | |
| **Cegid Group*** | › Director (end of term 20 December 2011) |

* *Listed company.*

### 3.1.4 STEERING COMMITTEE

The Steering Committee assists Groupama SA's Executive Management in carrying out its duties in managing the Company. It develops, proposes and implements the strategy of Groupama SA in accordance with the Group's general guidelines set by Fédération Nationale Groupama. It runs the French and international subsidiaries.

As the entity that prepares and approves the operating decisions that are the responsibility of Groupama SA, it sets the major priorities for the work of the various departments of Groupama SA and monitors the implementation of these decisions.

The committee is made up of 13 members and brings together representatives of Groupama SA's major departments to meet with the Chief Executive Officer and the Deputy Chief Executive Officer on a bi-monthly basis.

### 3.1.5 GROUP EXECUTIVE COMMITTEE

The Group Executive Committee participates in the preparation and operational monitoring of the Group's strategy. It implements strategy in the Group and ensures the operational coordination of all the entities' business lines.

The Group Executive Committee is made up of the Chief Executive Officers of the regional mutuals and the Senior Managers of Groupama SA. It is chaired by the Company's Chief Executive Officer. It meets monthly and may meet more often if the situation requires.

There are specialised Operating Committees (COMOP) – business lines, development, operational processes, information technology, finance, human resources and communication – whose members include the appropriate executives from the Group's entities. 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 guidelines.

### 3.1.6 RELATIONS WITHIN THE MANAGEMENT BODIES

As far as the Company is aware, there are no family ties among the members of the Company's Board of Directors as well as with the members of the Executive Management.

As far as the Company is aware, during the past five years: (i) no member of the Company's Board of Directors has been sentenced for fraud (ii) no member of the Board of Directors has been involved in any bankruptcy or placed in receivership or liquidation, and (iii) no official public charges and/or sanctions have been issued against such persons by statutory or regulatory authorities (including by designated professional agencies).

Furthermore, as far as the Company is aware, no Director has been prevented by any court of law from acting as a member of an administrative, management or supervisory body of any issuer or from participating in the management or the conduct of the business of any issuer in the past five years.

There is no arrangement or agreement entered into with the principal shareholders, nor with customers or suppliers under which any member of the Board of Directors or of the Company's Executive Management would have been selected.

There are no restrictions accepted by the members of the Board of Directors concerning the sale of any interests owned by them in the equity of the Company.

### 3.1.7 CONFLICTS OF INTEREST IN THE MANAGEMENT BODIES

In order to review the occurrence of any conflicts of interest between the duties of the people referred to in point 3.1 and their respective private and/or professional interests, an Agreements Committee has been established, the role and operation of which are described in 3.2.2.3.

Note that the Internal Regulations, in their Article 4.2.4, recall the Director's duties of loyalty and the rules for prevention of conflicts of interest.

To date, the committee has not identified any conflicts of interest.

### 3.1.8 LACK OF SERVICE AGREEMENTS

As at the date of filing of this registration document, there were no service agreement tying the members of the Company's administrative and management bodies or any of its subsidiaries.

*Sections 3.2., 3.3. and 3.4. below are the Chairman's report, drafted pursuant to Article L. 225-37 of the Commercial Code and Article R. 336-1 of the Insurance Code. This report, which was approved by the Groupama SA Board of Directors in its meeting of 19 February 2014, is based on the information compiled under the authority of the Groupama SA Executive Management. It describes the Groupama SA corporate governance, the rules adopted to calculate the compensation and other benefits granted to the corporate officers, the internal control system in effect in the Company at the end of 2013 and the Group's internal control system established by Groupama SA as a consolidating entity (subsidiaries) and a combining entity (subsidiaries and regional mutuals).*

# 3.2 DISCLOSURES ON CORPORATE GOVERNANCE

2013 was marked by the publication of the law of 26 July 2013 on the separation and regulation of banking activities, Article 51 of which, codified in Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code, designated Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals and reinsurer of the regional mutuals of the Groupama group.

In this capacity, Groupama SA is particularly responsible for ensuring the cohesion and proper operation of the network's organisations, exercising administrative, technical and financial control over the organisation and management of the network's organisations, setting the network's strategic guidelines, issuing any appropriate instructions in this regard and ensuring their actual implementation and, in particular, taking all necessary measures to ensure the solvency and compliance with the commitments of each of the network's organisations as well as of the entire Group.

This new system affects the Company's corporate governance and the mode of operation of its relations with the network's organisations constituting, with its subsidiaries, the Groupama group.

## 3.2.1 BOARD OF DIRECTORS

### 3.2.1.1 Membership

The Company is administered by a Board of Directors made up of 14 members, including:

- 12 Directors appointed by the General Meeting:
  - 9 Directors who are Chairmen of Groupama metropolitan regional mutuals, representing the controlling shareholder,
  - 3 Independent Directors as defined by the AFEP-MEDEF task force and repeated in the Internal Regulations of the Board of Directors (see appendix 4 of section 7.1.3.4);
- 2 Directors elected by the employees.

During fiscal year 2013, its membership was modified following the co-opting of:

- Mr Michel L'Hostis to replace Mr Jean-Luc Baucherel on 17 January 2013. The ratification of his appointment occurred during the Combined General Meeting on 12 June 2013;
- Ms Odile Roujol to replace Ms Anne Bouverot, on 1 August 2013. The ratification of Ms Roujol's appointment will occur during the Combined General Meeting on 11 June 2014 (see Fifth resolution).

The average age of Directors is 56.

The proportion of female Directors is 25% excluding the two Directors elected by the employees (35.7% including them).

The General Meeting did not use the authority provided for in Article 18 of the bylaws, to appoint non-voting Directors.

### 3.2.1.2 Duration and expiry of terms of office

The duration of the terms of office of the Directors appointed by the General Meeting is six years. These terms of office will expire, with regard to Directors representing the majority shareholder, during the 2015 Annual General Meeting and, with regard to the Independent Directors, during the 2014 Annual General Meeting for Ms Odile Roujol and during the 2017 Annual General Meeting for Ms Caroline Grégoire Sainte Marie and Mr Bruno Rostain.

The terms of the two Directors elected by the Company's employees, for a period of four years, will expire in the first half of 2016.

### 3.2.1.3 Responsibilities of the Board of Directors

The Board of Directors sets the guidelines for the Company's business, makes certain they are implemented and oversees the functions performed by the management. Subject to the powers expressly assigned to the General Meetings and up to the limit of the corporate purpose, it deals with any issues involving the smooth running of the Company and settles matters concerning it through its deliberations. In addition, it performs any audits or controls it deems timely.

In accordance with its corporate governance practices from mutualism, the Board of Directors elected to separate the duties of Chairman from those of Chief Executive Officer. Executive functions will thus be entrusted to a CEO who will be assisted by a Deputy Chief Executive Officer, and neither will serve as Directors.

### 3.2.1.4 Responsibilities of the Chairman of the Board of Directors

The Chairman of the Board of Directors will organise and lead the work of the Board of Directors, on which he reports to the General Meeting. He will ensure the successful functioning of the corporate bodies and specifically ensure that the Directors are capable of fulfilling their duties.

### 3.2.1.5 Authority reserved for the Board of Directors

Under the bylaws of the Company, some operations must be subject to prior approval by the Board:

- amendments and the annual implementation of the reinsurance agreement with the regional mutuals and the agreement governing security and solidarity plans;
- any issues of transferable securities, irrespective of the type, that may result in a change in the share capital;
- any significant operations that may affect the Group's strategy and its business scope.

A proposal will be made to the Extraordinary General Meeting of 11 June 2014 to amend Article 14 of the bylaws in particular, following the establishment, by law 2013-672 of 26 July 2013 on the separation and regulation of banking activities, of Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals, in order to eliminate the qualified two-thirds majority required for the Board of Directors to take the following decisions:

- resorting, by a vote by secret ballot, to the solidarity fund pursuant to the agreement on security and solidarity plans (a presentation of this agreement appears in section 3.7 below entitled "Related party transactions");
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA.

However, the decision to terminate the reinsurance agreement at the initiative of Groupama SA must be made by a two-thirds majority of the members present or represented.

Certain operations are also subject to approval by the Board of Directors if they exceed a unit amount set by the Board of Directors.

Since 15 December 2011, the unit amount of operations beyond which the Chief Executive Officer and/or the Deputy Chief Executive Officer must obtain prior authorisation from the Board of Directors is as follows:

- above €100 million per security and in total consolidated holdings of Groupama SA, excluding buy/sell transactions: purchase (including by way of capital increase) any shares;
- above €100 million: dispose of any entities or company securities;
- above €20 million: purchase any entities or company securities endowing it with at least a blocking minority by any means (purchase, contribution, exchange, etc.);
- above €50 million: take out any loans, excluding cash operations conducted with companies that have equity ties to Groupama SA, either directly or indirectly;
- above €25 million: buy, sell or exchange any insurance investment or operating real estate assets (properties and shares or shares in real estate companies);
- above €10 million: grant any pledges on corporate property.

Note that before this date, no limit was set for securities.

Furthermore, the Group would like to reduce its share exposure under the forthcoming Solvency II standard, and therefore the Groupama SA Board of Directors has expressed the need in light of the financial and stock market volatility to enjoy maximum flexibility in this regard. Therefore, at its 15 December 2011 Meeting, the Board of Directors resolved not to set an authorisation threshold on the disposal of shares; however, it has been stipulated in this instance that in excess of €400 million, the Executive Management undertakes to solicit the consent of the Chairman and two members of the Audit and Risk Management Committee.

### 3.2.1.6 Code of Corporate Governance

Although Groupama SA is an unlisted company, it applies the Code of Corporate Governance in effect in France resulting from the AFEP-MEDEF recommendations. However, it does not apply some of its recommendations mainly because of the closed structure of its capital. Groupama SA's capital is now nearly 100% directly or indirectly held by the Groupama agricultural insurance and mutual reinsurance regional mutuals, and the Company has abandoned its planned public offering of capital. In 2013, the main exemptions from the recommendations from the Code of Corporate Governance in force were as follows:

- the duration of the term of office of Directors appointed by the General Meeting of the shareholders is not 4 years but 6; given the current situation, Groupama considers the maximum term provided by law to be most appropriate for the structure of its capital;
- the number of Independent Directors represents only 25% of the total number of Directors making up the Board of Directors (excluding Directors elected by the employees) and not one-third, the percentage recommended for companies having a controlling shareholder. However, the Company believes that this number, as things stand now, is appropriate given the Company's decision not to publicly offer its capital and sufficient in relation to the technical skills and the outside perspective that they provide as part of the work of the Board of Directors and also given that it allows each of the Independent Directors to be Chairman of one of the three committees of the Board of Directors; However, note in this regard that following the replacement of one of the three Independent Directors during fiscal year 2013, one of the Directors representing the controlling shareholder was temporarily appointed chair of the Agreements Committee in order to allow the new Director to become familiar with the Group's structure and operations. This Independent Director is therefore expected to become chair of the Agreements Committee in the first half of 2014;
- the proportion of independent members within the Audit and Risk Management Committee is 40% compared with the recommended two-thirds at least; this membership is meant to be more in line with the structure of the shareholding controlled almost completely by the Groupama regional mutuals; note that the Chairman of the committee is an Independent Director and that he has confirmed financial and insurance expertise;

- the Compensation and Appointments Committee does not have a majority of Independent Directors; the current membership of the committee reflects the presence of the controlling shareholder. This committee was also chaired by an Independent Director. Moreover, the Company did not want include a Director representing the employees on the Compensation and Appointments Committee, believing that this body is not the most appropriate for employee expression, which is strongly developed elsewhere within the Group.

Lastly, note that the employment contract of the Chief Executive Officer and the Deputy Chief Executive Officer was suspended, given their seniority as employees within Groupama before their appointment, for 21 and 32 years respectively for Mr Martel and Mr Collin.

### 3.2.1.7 Work of the Board in 2013

The Board of Directors met 10 times during fiscal year 2013 (including the Board of Directors seminar, which met in November following a half-day Board meeting), compared with 17 times during fiscal year 2012 and 14 times in 2011. After two years in which this increase in the frequency of Board of Directors meetings was a direct result of the impact of the economic and financial crisis on Groupama's accounts and the need for the Board of Directors to decide on appropriate recovery measures and be regularly informed by the Executive Management of their progress, the Board of Directors returned to a normal working pace in 2013.

The attendance rate of the members of the Board of Directors was 97% (compared with 94% in 2012), *i.e.* a high rate of mobilisation of Directors. The General Secretary of the Group carried out the duties of Secretary of the Board.

In 2013, the Board deliberated mainly on the following issues:

- the separate, consolidated and combined half-year and annual financial statements and the various reports required by the regulations;
- financial transactions: portfolio transfer of the transport branch of Groupama SA to its Italian subsidiary Groupama Assicurazioni, the capital increase of the Chinese joint subsidiary, the planned issue of bonds of the Company, endorsements, securities and guarantees, hedging share, real estate or currency risk;
- adaptation of the Group risk policy brought about by changes in the market's environment, the scope and strategy of the Group;
- modification of the General Reinsurance Regulations between Groupama SA and the regional mutuals;
- the reinsurance policy for 2014;
- adjustment of the asset risk limit measures;
- provisional audit plan for 2014;
- governance with:
  - implementation of the legal provisions on the central body, resulting in an amendment to Article 2 "Purpose" and Article 14 "Authority of the Board of Directors" of the bylaws that will be proposed to the Company's shareholders during the joint Ordinary and Extraordinary General Meeting of 11 June 2014, an adjustment of the Internal Regulations of the Board of Directors and the amendment of the agreement on security and solidarity plans in order to adapt it to Groupama SA's new duties as a central body defined by Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code. In this respect, recall that this agreement was primarily intended to guarantee the security of the management and the economic and financial balance of all of the regional mutuals and Groupama SA and to organise the solidarity among them,
  - evaluation of the operation of the Board of Directors,
  - co-opting of a new Independent Director to replace an Independent Director who resigned,
  - status and compensation of Managers or corporate officers;
- customer protection questionnaire from the Prudential Control Authority (ACPR);
- funding for major programmes for 2014 and sport sponsoring;
- report on gender equality.

Lastly, the Board of Directors acknowledged the work of the Board's three committees and reviewed certain matters on an informational basis:

- performance indicators of the Group's businesses and particularly the key management indicators;
- monitoring of measures to improve and reduce overhead expenses;
- strategic standard of action plans;
- a progress report on the Operational Strategy Planning of the regional mutuals, the forecasts of 2013 combined results and the 2014 budget;
- examination on a half-yearly basis of the balance sheet the asset management policy strategies, which notably provided a status update on the asset allocation policy with the continuation of the reduction of equity proportion in the total investment assets and, in particular, strategic shareholdings, and on Groupama SA financing;
- for risk management: major Group risks, discussions with the Prudential Control Authority (ACPR) on the non-life partial internal model in the context of Solvency II, a progress report on the Group's preparation for the planned implementation of the Solvency II standard;
- a status update on the overall financial balance, the organisation of operational functions and distribution, and the strategic prospects of Groupama Gan Vie;
- an update on Groupama Gan Vie's unclaimed policies;
- the 2013 action plans of the French subsidiaries Gan Assurances, Gan Patrimoine, Gan Prévoyance and Amaline Assurances;
- the Group's strategy in Romania;
- the 2013 forecasts and action plans of the major insurance subsidiaries abroad (Italy, Romania, Hungary and Turkey);
- establishment of quota share reinsurance for a subsidiary of the Group;
- the balance sheet and the guidelines of the human resources policy, as well as the management of talent within the Group;
- the strategic areas for CSR and the Groupama Health Foundation for 2014-2016;
- the financial environment and regulatory changes and their impacts on the Group.

In 2013, the Board of Directors also organised, on the proposal of the Compensation and Appointments Committee, three training sessions for Directors: the first devoted to recent developments in corporate governance, the operational efficiency of a Board and the liability scheme for Directors, the second devoted to accounting and financial peculiarities for insurance companies and analysis of their performance, and the third devoted to the application of pillar I of the new Solvency II standard, which will come into force on 1 January 2016.

The 2013 financial statements were closed on 19 February 2014 by the Board of Directors, which also prepared the draft management report to which this report is appended and the text of draft resolutions to be presented to the General Meeting of shareholders on 11 June 2014. The 2013 financial statements were presented beforehand, for an opinion, to the Audit and Risk Management Committee, which examined them on 17 February 2014.

#### 3.2.1.8 Internal Regulations of the Board of Directors

In its 10 January 2005 Meeting, the Board of Directors adopted unanimously a set of Internal Regulations designed to specify its operating methods to supplement the Company's legal, regulatory and statutory provisions and to spell out the rights and obligations of the Board members.

These regulations have been updated several times and include provisions on preventing conflicts of interest in the taking of interests in unlisted companies doing business with the Group and an Appendix 4 on the independence criteria for Directors as set out in the recommendations in the AFEP-MEDEF Code of Corporate Governance.

In 2011, the Internal Regulations were amended in order to deal with the consequences of expanding the responsibilities of the Audit and Accounts Committee to risk management (see 3.2.2.1 below).

In 2013, the Internal Regulations were amended in order to the address the consequences of establishing Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals (Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code), by distinguishing decisions of the Board of Directors from decisions in the conduct of business remaining the responsibility of the Executive Management, and to incorporate the changes in governance having occurred within the Group and adapt them to the AFEP-MEDEF Corporate Governance Code, which was revised in June 2013.

These regulations are included in full in chapter 7, section 7.1.3.

### 3.2.2 COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to Article 14 of the bylaws, the Board may decide on the creation of committees in charge of studying issues submitted by it or its Chairman for review and to seek an opinion. In this context, under the Internal Regulations of the Groupama SA Board of Directors, the Board shall be assisted by technical committees in performing its responsibilities.

The committees of the Board of Directors have no power themselves, and their responsibilities neither reduce nor limit the powers of the Board. They are responsible for enlightening the Board of Directors in certain areas. It is up to the committees to report the findings of their work to the Board of Directors in the form of minutes, proposals, information or recommendations.

In accordance with Article R. 225-29, paragraph 2, of the French Commercial Code, the Board of Directors decided to create an Audit and Risk Management Committee, a Compensation and Appointments Committee and an Agreements Committee within it. The Board of Directors is responsible for ensuring the proper operation of the committees.

The provisions related to the organisation and operation of each of these committees are attached to the Internal Regulations (chapter 7, section 7.1.3).

#### 3.2.2.1 Audit and Risk Management Committee

In anticipation of the transposition of the 8th European Directive, applied at the end of 2008, Groupama created an Audit and Accounts Committee in February 2005.

In April 2011, Groupama SA's Board of Directors made the choice to expand the responsibilities of the Audit Committee to risk management, hence its name of Audit and Risk Management Committee.

##### (a) Membership

In 2013, the Audit and Risk Management Committee was made up of five members appointed by the Board of Directors, including:

- 3 Directors representing the controlling shareholder: Jean-Marie Bayeul, Chairman of the Groupama Centre Manche regional mutual, Amaury Cornut-Chauvinc, Chairman of the Groupama Méditerranée regional mutual, and Jean-Louis Pivard, Chairman of the Groupama Rhône-Alpes Auvergne regional mutual;
- 2 Independent Directors: Caroline Grégoire Sainte Marie and Bruno Rostain.

The Audit and Risk Management Committee has been chaired by an Independent Director, Bruno Rostain, since 2 August 2012.

It should be noted that the Executive Management of Groupama SA does not participate in the work of the Audit and Risk Management Committee except by special invitation and that it is represented by the Group Chief Financial Officer, accompanied by his Senior Accountant, the Investment Director depending on the topics examined and the Group General Audit and Risk Manager, as well as by the General Secretary, who is also the secretary of the committee, accompanied by the Legal Director.

##### (b) Responsibilities

The Audit and Risk Management Committee has the following main responsibilities:

- examining the combined/consolidated/parent company draft half-annual and annual financial statements as well as the references and scope of consolidation;
- ensuring that the internal data collection and control procedures guarantee the quality and reliability of the Company's accounts;
- examining the performance of the statutory auditors' responsibilities and the amount of fees paid to them and to ensure compliance with the rules guaranteeing their independence;
- examining the financial investment policy and the asset/liabilities management;

- examining projects for external growth and disposals;
- monitoring the risk management policy, procedures and systems.

At its meeting on 12 December 2013, the Company's Board of Directors, thanks to the implementation of the legal provisions on the central body, established by the law of 26 July 2013 on the separation and regulation of banking activities, particularly reviewed all of the duties of the Board of Directors and the committees. In this context, it expanded the committee's duty to the prior review of forecasts and the monitoring of the actual results.

### (c) 2013 activity

In 2013, the Audit and Risk Management Committee returned to a normal working pace. It met eight times, compared with fourteen times in 2012.

The attendance rate was 100% compared with 92% in 2012.

In 2013, the Audit and Risk Management Committee focused its work on the following main topics:

#### Monitoring the Group's financial position and implementation of recovery measures

- the committee monitored the Group's profitability and solvency recovery measures on a quarterly basis;
- the committee examined, in three meetings, the financial investment policy on the 2012 and 2013 retrospective component and the guidelines for fiscal year 2014, which particularly allowed the committee to regularly monitor the progress of the programme to reduce the risks of the balance sheet asset portfolios, keeping in mind that the operations decided upon to reduce the business scope were carried out over fiscal year 2012, the last of which were finalised in the first quarter of 2013. A special update was also provided on the 2012 balance sheet and the prospects for the management of strategic securities;
- the committee was made aware of the forecasts of Groupama's 2013 combined results, and an update on the 2013 forecasts and the action plans of the Group's major international subsidiaries was also presented to it;
- for the purposes of ongoing monitoring by the Board of Directors, the committee validated the Group's key management indicators in relation to its major challenges;
- a status update was provided on Groupama Gan Vie, particularly through a review of its overall financial balance;
- the committee was consulted on the establishment of quota share reinsurance for a subsidiary of the Group;
- the committee provided a status update on the Groupama SA's cash position as at 31 December 2012 and a forecast for 2013-2015;
- the committee examined the Company's planned bond issue to support the unit-linked offerings of Groupama Gan Vie;

#### Legal monitoring of annual and semi-annual financial statements

- the Audit and Risk Management Committee reviewed the 2012 annual and 2013 semi-annual combined, consolidated and parent company financial statements before they were presented to the Board of Directors and submitted to the Board its opinion on the financial statements as well as the call price of the Groupama SA share;
- in doing so, it provided the Board its opinion on the management report, the Solvency report and the investment policy, the Chairman's report on internal control and the reinsurance report for 2012;
- it also devoted two meetings during the year specifically to examining the principles, rules and options chosen to close both the annual and half-year financial statements so as to prevent and anticipate any difficulties with the closure of the books;
- it gave its opinion on draft press releases relating to the annual and semi-annual financial statements and was consulted on the draft 2012 registration document, which was registered with the Autorité des Marchés Financiers (AMF) on 25 April 2013 under number D. 13-0427.

#### Risk monitoring

- the committee monitored the Group's major risks on a half-yearly basis;
- the committee was consulted on an updating of the Group risk policy defined as part of Pillar 2 of Solvency II, which had been approved by the Board of Directors in 2010, in order to take into account changes in the market environment, scope and strategy of the Group;
- the committee, which had been consulted in 2012 on a proposed system for limiting primary and secondary risks for the Group, by asset category, was informed of an updating of the system;
- it also acknowledged the performance of the audit programme of the 3rd four-month period of 2012, the first half of 2013 and the 2014 draft audit plan, as well as the reports on major litigation under way within the Group, anti-money laundering and financing of terrorism activities and the reinsurance policy for 2013 and the prospects for renewing the external reinsurance programme for 2014;
- it reviewed Groupama SA's off-balance sheet commitments.

#### Follow-up of statutory auditors' responsibilities

- the committee examined the budget for fees of the statutory auditors for fiscal year 2012 and noted that it was lower overall for legal audit assignments on the accounts of the scope of consolidation and higher for assignments and due diligence directly associated with the statutory auditing service, mainly related to the disposals of Gan Eurocourtage's brokerage and transport portfolios in 2012;
- the statutory auditors presented to the Audit and Risk Management Committee their strategic audit plan, which describes their responsibilities, the areas of particular attention and their audit approach in response to the identified risks;
- the committee approved the proposal for renewal of the term of office of EXA as statutory auditor of Groupama Indian Ocean and the appointment of a second statutory auditor, a member of the Group of Groupama SA statutory auditors, in accordance with the recommendation of the charter of statutory auditors applicable to the scope of the regional mutuals;
- it is further noted that at every meeting, the committee heard the statutory auditors without management being present;

#### Follow-up on certain financial transactions or projects

- it was informed about the renewal of the annual authorisation for the Company to issue bonds, the authorisation to use forward financial instruments to hedge the portfolio against equity, real estate, and currency risks and the renewal of the annual authorisation given to the executive management regarding endorsements, securities and guarantees;

- the committee was informed of a planned capital increase of the Chinese joint subsidiary Groupama-Avic brought about by a capital requirement to cover the solvency margin, related to the development of the subsidiary, and was consulted on the impact of new regulations of the Chinese insurance supervisory authority (CIRC) during the year on the authorised capital increase of the Chinese joint subsidiary;
- it reviewed the performance indicators of the Group's companies on a quarterly basis;
- it reviewed the credit risk management indicators at each meeting.

### 3.2.2.2 Compensation and Appointments Committee

#### (a) Membership

The Compensation and Appointments Committee is made up of 4 members, including:

- 3 Directors representing the controlling shareholder: Annie Bocquet, Chairman of Groupama Nord Est, Michel Baylet, Chairman of Groupama Centre-Atlantique and François Schmitt, Chairman of Groupama Grand Est;
- 1 Independent Director: Caroline Grégoire Sainte Marie, Chairman of the committee.

The Chairman of Groupama SA does not attend Committee meetings. The General Secretary of Groupama SA represents the Company and performs the duties of secretary of the committee.

#### (b) Responsibilities

The responsibilities of the Compensation and Appointments Committee, which are included in the Internal Regulations of the Board of Directors, are listed below:

- to propose to the Board of Directors any questions relating to the personal status of the corporate officers, specifically compensation, retirement and any allocation of options for the subscription or purchase of Company shares, as well as provisions for the departure of members of the Company's management bodies;
- to make any proposals regarding the compensation of corporate officers and the allocation and distribution of Directors' fees;
- to assess the conditions, amount, and distribution of any options for the subscription or purchase of shares;
- to define the rules for setting the variable portion of the compensation of corporate officers and ensure the consistency of these rules with the annual assessment of the performance of the corporate officers and with the Group's medium-term strategies;
- to evaluate all compensation and benefits received by Directors, as applicable, from other companies of the Group, including retirement benefits and benefits of any kind;
- to organise a procedure to select future Independent Directors and to perform its own studies on potential candidates before any measure has been taken with regard to the latter;
- to verify annually the individual status of each Director with regard to the classification of Independent Director and communicate the conclusions of its examination to the Board of Directors;
- to perform annually tasks involving evaluation of the Board of Directors' operating methods and to communicate the conclusions of these tasks to the Board of Directors.

#### (c) 2013 activity

During 2013, the Compensation and Appointments Committee met six times, including two exceptional meetings. Each time, the committee presented a report on its activities to the Board of Directors. The attendance rate was 100%.

In 2013, the committee focused its work on the following main topics:

##### Status and compensation of corporate officers

- the committee proposed 2012 fixed and variable compensation for the Chief Executive Officer and the Deputy Chief Executive Officer;
- it examined the draft reference documents and 2012 management report of Groupama SA relating to the compensation of Managers and corporate officers and corporate governance;
- it proposed the quantitative and qualitative objectives affecting the variable compensation of the Chief Executive Officer and the Deputy Chief Executive Officer for fiscal year 2014 and proposed a multi-year compensation system based on quantitative performance criteria over three years.

##### Directors' fee policy

- with the return to a less steady working pace, the committee proposed a reduction of the overall Directors' fees to be distributed as from 2014;
- the committee examined the implementation of the 21% non-discharging deduction at source applicable to Directors' fees.

##### Verification of independence

- the committee verified the independent status of the outside Directors of the Board of Directors with regard to the criteria set out in the AFEP-MEDEF Corporate Governance Code, included in the Company's Internal Regulations.

##### Director training

- the committee examined the results of the assessment of 2013 training and proposed a training programme for 2014 meeting the expectations expressed by the Directors.

##### Review of applications

- the committee issued proposals on the profile sought for the replacement of an Independent Director, launched a call for tenders for specialised firms, examined the candidates proposed by the selected firm and proposed a candidate to the Board.

##### Operating methods of the Board of Directors and committees and changes in governance

- the committee examined the draft questionnaire on the evaluation of the work of the Board and the committees for fiscal year 2013;
- it examined the application of the AFEP-MEDEF recommendations on corporate governance and Directors' compensation to the reading of benchmarks on a set of companies;
- it examined the main changes in the AFEP-MEDEF Code of June 2013 and particularly the "say on pay" scheme recommended by the Code and proposed its establishment.

#### Groupama SA process for selecting executives

- the committee examined the process put in place by Groupama SA for selecting its senior executives and developing succession plans. The committee was particularly attentive to the training of female executives with high potential in order to promote gender equality in leadership positions.

## 3.2.2.3 The Agreements Committee

### (a) Membership

The Agreements Committee is made up of 3 members, including:

- 2 Directors representing the controlling shareholder: Daniel Collay, Chairman of Groupama Paris Val de Loire regional mutual, and Michel L'Hostis, Chairman of the Groupama Loire Bretagne regional mutual;
- 1 Independent Director: Anne Bouverot until 1 August 2013, then Ms Odile Roujol.

The Agreements Committee was chaired by an Independent Director, Ms Anne Bouverot, from 18 October 2011 to 1 August 2013. Since then, it has been chaired by a Director representing the controlling shareholder, Mr Daniel Collay, appointed on 18 September 2013. This is a temporary situation, as Ms Odile Roujol has been approached to chair the committee during the first half of 2014.

Along with the Legal Director, the General Secretary assisted the committee in its work continuously, in addition to serving as Committee Secretary.

### (b) Responsibilities

The responsibilities of the Agreements Committee, which are included in the Internal Regulations of the Groupama SA Board of Directors, are listed below:

- to prevent any potential conflict of interest between the regional mutuals and Groupama SA and its subsidiaries, which is likely to result from their business relationships. Within this context, the committee will analyse any agreement and addendum to these agreements, entered into between the regional mutuals and Groupama SA and its subsidiaries, according to defined significance thresholds:
  - to ensure their legal security,
  - and specifically to ensure that the conditions of compensation or distribution of the risks between the entities of the Mutual Insurance Division and the entities of the division made up of Groupama SA and its subsidiaries are consistent with the corporate interest of Groupama SA;
- to analyse the regulated agreements;
- to analyse the conditions for applying the reinsurance agreement between Groupama SA and its regional mutuals.

### (c) 2013 activity

During fiscal year 2013, the Agreements Committee met four times: February, September, October, and December. On each occasion, it presented a report on its activities to the Board of Directors. The attendance rate was 100% (compared with 90.91% in 2012).

Within the context of the business relations between Groupama SA and the regional mutuals, the Agreements Committee has primarily been consulted or informed about:

- the modification of the General Reinsurance Regulations in force that govern the operating methods of Internal Reinsurance between the regional mutuals and the reinsurer Groupama SA (see more specifically section 3.7 – Related party transactions);
- the modification of the agreement on security and solidarity plans currently primarily intended to guarantee the security of the management and the economic and financial balance of all of the regional mutuals and Groupama SA and to organise the solidarity among them. This agreement was adjusted in order to adapt it to Groupama SA's new duties as a central body defined by Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code;
- the annual Groupama Banque marketing agreement, which supplements the general agreement on the points requiring periodic updating such as production targets of the regional mutuals for fiscal year 2014, their compensation and quality objectives and a description of the supplementary resources provided by Groupama Banque to its networks were examined in October 2013;
- the business relations existing between the regional mutuals and the subsidiaries, on the one hand, in the field of the activity of the Group's asset management company, Groupama Asset Management, and management under mandate of property and forests mainly on behalf of the Group, Groupama Immobilier, in February 2013 and, on the other hand, the billing system for the IT, Logistics And Purchasing Departments of GIE Groupama Supports & Services in October 2013;
- Groupama SA's financial support of the Group's major national programmes with the review (in February 2013) of the final 2012 results, as well as the detailed 2014 framework (in October 2013). This measure is aimed primarily at harmonising information technology (mergers/takeovers, development of common management systems) and monitoring the regional mutuals in their efforts to develop the private banking business line, particularly in savings and loans;
- financial monitoring of sport sponsorship actions deployed by the regional mutuals for the 2013/2014 season, which is a function of the media coverage and contributes to Groupama's brand awareness on a national level (in October 2013), with the understanding that the objective is to not renew the football sponsorship agreements at their contractual end dates;
- the portion of the draft Groupama SA 2012 registration document (in February 2013), which is dedicated to transactions with related parties and sets out the organisational and operating structure for economic relations between Groupama SA and its subsidiaries and the regional mutuals, specifically the justification for a mechanism of financial support for the regional mutuals in implementing Groupama SA's major national programmes.

Lastly, the committee also examined the declaratory status of agreements entered into by the Directors, finding that none were cited in the statutory auditors' special report or in the summary list of regulatory agreements to be included in this report.

1
2
3
4
5
6
7

### 3.2.2.4 Membership of the committees

Since 18 September 2013, the membership of the committees of the Board of Directors was as follows:

| Committee | Members |
|---|---|
| Audit and Risk Management Committee | Bruno Rostain, Chairman |
| | Jean-Marie Bayeul |
| | Amaury Cornut-Chauvinc |
| | Caroline Grégoire Sainte Marie |
| | Jean-Louis Pivard |
| Compensation and Appointments Committee | Caroline Grégoire Sainte Marie, Chairman |
| | Michel Baylet |
| | Annie Bocquet |
| | François Schmitt |
| Agreements Committee | Daniel Collay, Chairman* |
| | Michel L'Hostis |
| | Odile Roujol |

* *Mr Collay was appointed Chairman of the Agreements Committee at its meeting of 18 September 2013.*

## 3.2.3 EVALUATION OF THE BOARD OF DIRECTORS

Every year since 2005, Groupama SA has evaluated the operations of its Board of Directors and committees and, in this context, contracts for an outside evaluation every three years, in accordance with the recommendations of the AFEP-MEDEF Code.

After two evaluations carried out by an external firm successively in 2011 and 2012, Groupama SA performed an internal evaluation in 2013 on the basis of a questionnaire validated by the Compensation and Appointments Committee at its meeting of 26 November 2013 then presented to the Directors during the meeting of the Board of Directors of 12 December 2013.

All of the Directors who responded felt that the operation of the Board of Directors met their expectations, and a very large majority of them believed that it improved compared with 2012. Under the auspices of the Chairman, the working atmosphere is considered calm and confident, conducive to discussion quality and freedom of judgement and speech.

The nature and quality of the contacts between the Chairman, the Directors and the Executive Management as well as the integration of new Independent Directors with complementary skills and experience contributed to the observed improvement.

Significant efforts were undertaken to enrich the agendas of the specialised committees and the Board of Directors, in terms of quality and transparency of the information transmitted and in the very conduct of meetings in order to promote discussion, which are now fully recognised by the Directors. The decision-making process was also significantly improved.

The training modules organised in 2013 on governance, financial statements and prudential principles met the expectations of the Directors.

The Directors were satisfied overall with the operation of the corporate bodies of Groupama SA and aware of the significant progress made.

The actions for improvement intended to strengthen the collective performance of the Board will particularly focus on:

- strategic thinking and operational challenges;
- reinforcement of the monitoring of decisions taken by the Board of Directors;
- continuation of the effort to train Directors on the challenges of pillars 2 and 3 of Solvency II and new technologies serving the insurance industry.

# 3.3 COMPENSATION PAID TO AND EQUITY INTERESTS OWNED BY MANAGEMENT

In accordance with the recommendations of the Corporate Governance Code for listed companies revised in June 2013, calculation of the compensation of corporate officers is the responsibility of the Board of Directors and is based on the proposals of the Compensation and Appointments Committee.

Items contributing to the compensation of each corporate officer are reported in accordance with the standardised presentation format recommended by said Code.

## 3.3.1 COMPENSATION AND BENEFITS PAID TO THE CORPORATE OFFICERS OF GROUPAMA SA

### 3.3.1.1 Compensation paid to the members of the Board of Directors

The system of Directors' fees established by the Board of Directors as part of the overall allowance authorised by the General Meeting involves paying Directors' fees to all Groupama SA Directors, except for the Chairman of the Board, who receives compensation for his duties, and the Directors elected by the employees. Thus, during the fiscal year, 8 Directors representing the majority shareholder and 3 Independent Directors received Directors' fees.

Directors' fees received by each Director for participating in the work of the Board of Directors and as compensation for their general responsibility comprise a fixed portion and a variable portion, paid in accordance with their attendance. Participation in the work of the Board's committees also gives rise to payment of fixed and variable Directors' fees.

These Directors' fees are paid quarterly.

For fiscal year 2013, as part of the overall allowance maintained at €1,045,100, the meeting of Groupama SA's Board of Directors on 13 December 2012 decided on a 10% reduction of the fixed and variable amounts for the work of the Board of Directors and the committees and established the following distribution:

- for participation on the Board of Directors: €22,050 for the annual fixed portion and €2,745 per session for the variable portion paid based on attendance;
- for participation in the Board's specialised committees: €4,590 for the annual fixed portion per committee and €2,745 per meeting for the variable portion paid based on attendance.

Then, at its meeting on 20 February 2013, the Board of Directors decided that a 50% reduction would be applied to Directors' fees paid for additional exceptional meetings of the Board of Directors or the specialised committees attended remotely, *i.e.* €1,372.50 per meeting, keeping in mind that no compensation is provided in the event of remote participation in meetings of the Board of Directors and the committees scheduled in advance on the annual calendar.

Under these circumstances, and given the attendance of the Directors in 2013, the variable portion of the Directors' fees paid by Groupama SA tied to the attendance record outweighs the fixed portion.

Moreover, in 2013 certain Groupama SA Directors received attendance fees as members of the Board of Directors of the holding company, Groupama Holding, the breakdown of which is summarised in the following table.

## DIRECTORS' FEES *(FIGURES IN EUROS)*

(Gross amounts before tax levy and social security contributions*)

| | Directors' fees paid in 2013 | | | Directors' fees paid in 2012 | | |
|---|---|---|---|---|---|---|
| **Members of the Board of Directors** | **By Groupama SA** | **By Groupama Holding** | **Total** | **By Groupama SA** | **By Groupama Holding** | **Total** |
| Jean Baligand (until 11 April 2012) | - | - | - | 60,550 | 12,300 | 72,850 |
| Jean-Luc Baucherel (until 14 December 2012) | - | - | - | - | - | - |
| Jean-Marie Bayeul | 81,588 | 47,025 | 128,613 | 74,656 | 55,059 | 129,715 |
| Michel Baylet | 75,030 | 47,025 | 122,055 | 91,432 | 60,319 | 151,751 |
| Annie Bocquet | 63,898 | 41,535 | 105,433 | 74,656 | 74,972 | 149,628 |
| Anne Bouverot (2) (until 1 August 2013) | 57,453 | - | 57,453 | 82,424 | - | 82,424 |
| Daniel Collay (appointed 30 May 2012) | 66,033 | 47,025 | 113,058 | 14,848 | 33,636 | 48,484 |
| Amaury Cornut-Chauvinc | 89,976 | 65,025 | 155,001 | 88,382 | 74,972 | 163,354 |
| Jean-Yves Dagès (4) | 34,311 | - | 34,311 | 103,632 | 66,676 | 170,308 |
| Marie-Ange Debon (2) (until 29 May 2012) | - | - | - | 70,733 | - | 70,733 |
| François Desnoues (until 10 May 2012) | - | - | - | 47,342 | 18,433 | 65,775 |
| Henri Durand (1) (until 28 February 2012) | - | - | - | - | - | - |
| Maria Frigara (1) (since 28 February 2012) | - | - | - | - | - | - |
| Caroline Grégoire Sainte Marie (2) | 106,665 | - | 106,665 | 129,700 | - | 129,700 |
| Michel Habig (until 30 May 2012) | - | - | - | 43,783 | - | 43,783 |
| Brigitte Homo (1) | - | - | - | - | - | - |
| Frédéric Lemoine (2) (until 15 March 2012) | - | - | - | 69,700 | - | 69,700 |
| Michel L'Hostis (appointed 17 January 2013) | 41,940 | 47,025 | 88,965 | - | - | - |
| Jean-Louis Pivard (appointed 25 April 2012) | 68,472 | 65,025 | 133,497 | 21,981 | 42,813 | 64,794 |
| Bruno Rostain (2) (appointed 2 August 2012) | 74,573 | - | 74,573 | 8,029 | - | 8,029 |
| Odile Roujol (2) (appointed 1 August 2013) | 4,583 | - | 4,583 | - | - | - |
| François Schmitt | 64,202 | 65,025 | 129,227 | 71,606 | 55,059 | 126,665 |
| Philippe Vassor (2) (until 2 August 2012) | - | - | - | 96,675 | - | 96,675 |
| Jérôme Zanettacci (until 30 May 2012) | - | - | - | 43,783 | - | 43,783 |
| Groupama Regional Mutuals (3) | - | 489,655 | 489,655 | - | 455,755 | 455,755 |
| **TOTAL (5)** | **828,724** | **914,365** | **1,743,089** | **1,193,912** | **949,995** | **2,143,906** |

* *Gross amounts before 21% tax levy and 15.5% social security contributions.*
(1) *Employee Directors for a period of four years; they do not receive compensation for their term of office.*
(2) *Independent Directors appointed by the General Meeting for a period of six years.*
(3) *Directors' fees – Chief Executive Officers of regional entities – are paid directly to their respective regional mutuals.*
(4) *In 2013, Mr Dagès received Directors' fees for fiscal year 2012 in his capacity as Director. Beginning in 2013, as Chairman, he no longer receives Directors' fees.*
(5) *Directors' fees due for 2012 by Groupama SA amounted to €1,036,724. The difference with the Directors' fees paid during the year (€1,193,912) comes from the offset of the fourth quarter, which is paid at the beginning of the following year.*

## 3.3.2 COMPENSATION AND BENEFITS PAID TO DIRECTORS AND OFFICERS

### 3.3.2.1 Compensation

#### (a) Chairman

The compensation of the Chairman of Groupama SA is set by the Groupama SA Board of Directors on the recommendation of the Compensation and Appointments Committee. It comprises:

- gross annual compensation paid monthly over twelve months;
- rights to replacement income at the time of his departure representing 13.6% of his gross annual compensation, a plan identical to that of his predecessors;
- housing provided by the Company and associated benefits reported as benefits in kind.

The Chairman of the Board of Directors proposed that his compensation be reduced by 10% in 2012, *i.e.,* gross annual compensation of €259,200. This compensation remained unchanged in 2013.

## SUMMARY TABLE OF COMPENSATION, OPTIONS AND STOCKS AWARDED *(FIGURES IN EUROS)*

| Jean-Yves Dagès (Chairman of the Board of Directors) | FY 2013 | FY 2012 |
|---|---|---|
| Compensation due during the year *(detailed in the following table)* | 318,579 | 14,022 |
| Value of options awarded during the year | Not applicable | Not applicable |
| Value of restricted stock awarded during the year | Not applicable | Not applicable |
| **TOTAL** | **318,579** | **14,022** |

## SUMMARY TABLE OF COMPENSATION *(FIGURES IN EUROS)*

| | FY 2013 | | FY 2012 | |
|---|---|---|---|---|
| Jean-Yves Dagès (Chairman of the Board of Directors) | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed compensation [(1)] | 259,200 | 271,543 | 12,343 | 0 |
| Variable compensation | Not applicable | Not applicable | Not applicable | Not applicable |
| Extraordinary compensation | Not applicable | Not applicable | Not applicable | Not applicable |
| Directors' fee | Not applicable | Not applicable | Not applicable | Not applicable |
| Benefits in kind [(2)] | 59,379 | 61,058 | 1,679 | 0 |
| **TOTAL** | **318,579** | **332,601** | **14,022** | **0** |

*(1) The 2012 compensation was paid in January 2013. The amount corresponds to the proportion of compensation for 2012 out of an annual compensation of €259,200.*
*(2) The benefit in kind paid in 2013 corresponds to the retirement contribution due on the 2012 compensation (€1,679), the retirement contribution for 2013 (€35,251) and a housing benefit in kind (€24,128).*

### (b) Executive Management

The tables below show the compensation of the Chief Executive Officer and the Deputy Chief Executive Officer, corporate officers since the end of 2011.

Note that the 2013 variable compensation is calculated based on a target figure (100% of their respective fixed compensation) from quantitative criteria (60%) based on the achievement of key performance indicators (growth of Group combined non-life insurance premium income, share of unit-linked in the individual savings inflows, Group non-life insurance combined ratio, Group solvency margin as at 31 December of the year) and qualitative criteria (40%) with regard to strategic objectives set at the end of the previous year. The quantitative criteria, qualitative criteria and amounts are set by the Groupama SA Board of Directors on the recommendation of the Compensation and Appointments Committee.

### Chief Executive Officer

## SUMMARY TABLE OF COMPENSATION, OPTIONS AND STOCKS AWARDED *(FIGURES IN EUROS)*

| Thierry Martel | FY 2013 | FY 2012 |
|---|---|---|
| Compensation due during the year *(detailed in the following table)* | 995,430 | 981,806 |
| Value of options awarded during the year | Not applicable | Not applicable |
| Value of restricted stock awarded during the year | Not applicable | Not applicable |
| **TOTAL** | **995,430** | **981,806** |

1
2
3
4
5
6
7

## SUMMARY TABLE OF COMPENSATION *(FIGURES IN EUROS)*

| | FY 2013 | | FY 2012 | |
|---|---|---|---|---|
| **Thierry Martel (Chief Executive Officer)** | **Amounts due** | **Amounts paid** | **Amounts due** | **Amounts paid** |
| Fixed compensation | 600,000 | 600,000 | 600,000 | 600,000 |
| Variable compensation (1) | 337,653 | 345,200 | 345,200 | 46,000 |
| Extraordinary compensation | Not applicable | Not applicable | Not applicable | Not applicable |
| Directors' fee | Not applicable | Not applicable | Not applicable | Not applicable |
| Benefits in kind (2) | 57,777 | 57,777 | 36,606 | 36,606 |
| **TOTAL** | **995,430** | **1,002,977** | **981,806** | **682,606** |

*(1) The variable compensation paid in 2012 corresponds to the amount allocated for the term of office for fiscal year 2011 (i.e., since 24 October 2011) after 50% abatement in accordance with Executive Management's decision as part of the cost-cutting plan. This payment was made in March 2012.*
*(2) Protection, healthcare, social insurance cover for company senior executives and Managers and vehicle benefits.*

### Deputy Chief Executive Officer

## SUMMARY TABLE OF COMPENSATION, OPTIONS AND STOCKS AWARDED *(FIGURES IN EUROS)*

| **Christian Collin (Deputy Chief Executive Officer)** | **FY 2013** | **FY 2012** |
|---|---|---|
| Compensation due during the year *(detailed in the following table)* | 823,147 | 808,463 |
| Value of options awarded during the year | Not applicable | Not applicable |
| Value of restricted stock awarded during the year | Not applicable | Not applicable |
| **TOTAL** | **823,147** | **808,463** |

## SUMMARY TABLE OF COMPENSATION *(FIGURES IN EUROS)*

| | FY 2013 | | FY 2012 | |
|---|---|---|---|---|
| **Christian Collin (Deputy Chief Executive Officer)** | **Amounts due** | **Amounts paid** | **Amounts due** | **Amounts paid** |
| Fixed compensation | 500,000 | 500,000 | 500,000 | 500,000 |
| Variable compensation (1) | 265,075 | 271,000 | 271,000 | 10,000 |
| Extraordinary compensation | Not applicable | Not applicable | Not applicable | Not applicable |
| Directors' fee | Not applicable | Not applicable | Not applicable | Not applicable |
| Benefits in kind (2) | 58,072 | 58,072 | 37,463 | 37,463 |
| **TOTAL** | **823,147** | **829,072** | **808,463** | **547,463** |

*(1) The variable compensation paid in 2012 corresponds to the amount allocated for the term of office for fiscal year 2011 (i.e., since 14 December 2011) after 50% abatement in accordance with Executive Management's decision as part of the cost-cutting plan. This payment was made in March 2012.*
*(2) Protection, healthcare, social insurance cover for company senior executives and Managers and vehicle benefits.*

### 3.3.2.2 Stock subscription or purchase options awarded during the year to corporate officers

| Name of the corporate officer | Plan no and date | Type of options (purchase or subscription) | Value of options according to the method used for the consolidated financial statements | Number of options awarded during the year | Strike price | Strike period |
|---|---|---|---|---|---|---|
| Jean-Yves Dagès | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Thierry Martel | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Christian Collin | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |

### 3.3.2.3 Stock subscription or purchase options exercised during the year by corporate officers

| Name of the corporate officer | Plan no and date | Number of options exercised during the year | Strike price |
|---|---|---|---|
| Jean-Yves Dagès | Not applicable | Not applicable | Not applicable |
| Thierry Martel | Not applicable | Not applicable | Not applicable |
| Christian Collin | Not applicable | Not applicable | Not applicable |

### 3.3.2.4 Restricted stock awarded to corporate officers

| Restricted stock awarded by the General Shareholders' Meeting during the year to each corporate officer by the issuer and by any group company (nominative list) | Plan no and date | Number of shares awarded during the fiscal year | Value of shares according to the method used for the consolidated financial statements | Vesting date | Availability date | Performance conditions |
|---|---|---|---|---|---|---|
| Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |

### 3.3.2.5 Restricted stock vesting during the year for corporate officers

| Restricted stock vesting for each corporate officer | Plan no and date | Number of shares vesting during the fiscal year | Terms of vesting |
|---|---|---|---|
| Not applicable | Not applicable | Not applicable | Not applicable |

### 3.3.2.6 History of stock subscription or purchase option awards

#### INFORMATION ABOUT SUBSCRIPTION OR PURCHASE OPTIONS

| General Meeting date | Plans |
|---|---|
| Date of the Board of Directors meeting | Not applicable |
| Total number of shares that may be subscribed or purchased, of which the number that may be subscribed or purchased by: | Not applicable |
| *Corporate officers* | Not applicable |
| Jean-Yves Dagès | Not applicable |
| Thierry Martel | Not applicable |
| Christian Collin | Not applicable |
| Start date of exercise of the options | Not applicable |
| Expiry date | Not applicable |
| Subscription or purchase price | Not applicable |
| Exercise terms (if the plan contains several tranches) | Not applicable |
| Number of shares subscribed as at 31 December 2013 | Not applicable |
| Total number of subscription or purchase options cancelled or expired | Not applicable |
| Stock subscription or purchase options remaining at year-end | Not applicable |

### 3.3.2.7 Stock subscription or purchase options awarded to the ten highest-paid non-management recipients, and options exercised by them

| | Total number of options awarded/ shares subscribed or purchased | Weighted average price | Plans |
|---|---|---|---|
| Options awarded during the year by the issuer and any company within the scope of award of the options, to the ten highest-paid employees, for which the number of options thus awarded is the highest (global information) | Not applicable | Not applicable | Not applicable |
| Options held by the issuer and companies mentioned above, exercised during the year, by the ten employees of the issuer and of these companies for whom the options thus issued or subscribed is the highest (global information) | Not applicable | Not applicable | Not applicable |

### 3.3.2.8 Summary of the status of the corporate officers

| | Employment Contract | | Supplementary retirement system | | Payments or benefits due or likely to be due for cessation or change of duties | | Payment for non-compete clause | |
|---|---|---|---|---|---|---|---|---|
| Corporate officers | Yes | No | Yes | No | Yes | No | Yes | No |
| Jean-Yves Dagès<br>Chairman of the Board of Directors<br>Term start date: 14 December 2012<br>Term end date: 2015 | | X | X | | | X | | X |
| Thierry Martel<br>Chief Executive Officer<br>Term start date: 24 October 2011<br>Term end date: 2015 | X (1) | | X | | | X | | X |
| Christian Collin<br>Deputy Chief Executive Officer<br>Term start date: 14 December 2011<br>Term end date: 2015 | X (1) | | X | | | X | | X |

(1) *Employment contract suspended because of the two officers' service as employees in the Company before their appointment, for 21 and 32 years respectively for the Chief Executive Officer and the Deputy Chief Executive Officer.*

## 3.3.3 MEMBERS OF THE STEERING COMMITTEE

### 3.3.3.1 Compensation

The other members of the Steering Committee receive fixed compensation and variable compensation, the latter based on the achievement of pre-defined objectives.

Note that the Steering Committee has 11 members, not including the Chief Executive Officer and the Deputy Chief Executive Officer, whose compensation components are indicated in § 3.3.2.1 (b).

| | 2013 | 2012 |
|---|---|---|
| *(Figures in euros)* | Gross amount paid during the year | Gross amount paid during the year |
| Steering Committee members [(1)] | 4,052,281 | 3,186,041 |
| Average number of members during the year | 11 | 9 |

*(1) The amount indicated for the members of the Steering Committee includes fixed compensation, variable compensation, profit-sharing and various benefits (protection and healthcare cover and, for some members, company car).*

### 3.3.3.2 Retirement commitments made for the members of the Steering Committee

A defined-benefits system was established by agreement on 26 June 2001 for the members of the Steering Committee; this agreement was amended by agreement on 22 March 2004, then by agreement on 5 December 2005.

The benefits under this agreement were extended to the corporate officers, members of the Steering Committee, after authorisation by the Board of Directors on 14 December 2005, and approval in the General Meeting as part of the regulated agreements on 29 June 2006.

The members of the Steering Committee may qualify for this system provided they meet the conditions precedent under the agreement.

Rights are calculated by referring to past years in the Group in a management position and/or in a position in the Executive Management of Groupama SA.

The resulting income may be neither less than 10% of the benchmark salary defined in the agreement nor more than 30% of the average gross annual compensation for the past 36 months. The additional or supplemental basic systems must not exceed 50% of the gross annual compensation of the beneficiary.

The total liability as at 31 December 2013 was €22,351,606 for members of the Steering Committee to date.

## 3.3.4 COMPONENTS OF THE COMPENSATION DUE OR ALLOCATED FOR FISCAL YEAR 2013 TO EACH CORPORATE OFFICER OF THE COMPANY, SUBJECT TO THE OPINION OF THE SHAREHOLDERS

In accordance with the recommendations of the AFEP-MEDEF Code revised in June 2013 (Article 24.3), a Code to which the Company refers in application of Article L. 225-37 of the Commercial Code, the following components of the compensation due or allocated to each Director and officer of the Company for the fiscal year now ended must be submitted for the opinion of the shareholders:

- the fixed portion;
- the variable portion with the objectives used to determine this variable portion;
- stock options, restricted stock and any other long-term compensation components;
- allowances relating to taking on or termination duties;
- the supplemental pension scheme;
- benefits of any kind.

It is proposed that the General Meeting of 11 June 2014 (see Resolutions 8, 9 and 10 in §7.3.2) issue an opinion on the components of the compensation due or allocated to each Director and officer of the Company for fiscal year 2013, namely:

- Jean-Yves Dagès, Chairman of the Board of Directors;
- Thierry Martel, Chief Executive Officer;
- Christian Collin, Deputy Chief Executive Officer.

### 3.3.4.1 Components of the compensation due or allocated for fiscal year 2013 to Jean-Yves Dagès, Chairman of the Board of Directors, subject to the opinion of the shareholders

It is proposed that the General Meeting of 11 June 2014 (8th resolution) issue an opinion on the following components of the compensation due or allocated to Jean-Yves Dagès, Chairman of the Board of Directors, for the fiscal year now ended.

| Compensation components due or awarded during the fiscal year now ended | Amount or book value submitted for vote | Comments |
|---|---|---|
| Fixed compensation | 259,200 | Annual gross compensation approved by the Board of Directors meeting held on 14 December 2012. |
| Annual variable compensation | Not applicable | Mr Jean-Yves Dagès receives no annual variable compensation. |
| Purchase options, restricted stock or any other long-term compensation component | Not applicable | Mr Jean-Yves Dagès has no right to stock options, restricted stock or any other long-term compensation component. |
| Directors' fees | Not applicable | Mr Jean-Yves Dagès does not receive Directors' fees. |
| Value of benefits of any kind | 24,128 | Housing benefit. |

| Compensation components due or awarded during the fiscal year now ended that are being or have been voted on by the General Meeting under the regulated agreements and commitments procedure | Amount submitted for vote | Comments |
|---|---|---|
| Severance compensation | Not applicable | |
| Non-compete compensation | Not applicable | |
| Supplementary pension scheme | 35.251 | Defined-contribution pension scheme – which his predecessors also benefitted from – authorised by the Board of Directors meeting held on 15 December 2012 and confirmed on 19 February 2014. The amount indicated in the cell to the left is treated as a benefit in kind and corresponds to the contributions (13.6% of gross compensation) paid by the Company in the previous year. |

### 3.3.4.2 Components of the compensation due or allocated for fiscal year 2013 to Thierry Martel, Chief Executive Officer, subject to the opinion of the shareholders

It is also proposed that the General Meeting of 11 June 2014 (9th resolution) issue an opinion on the following components of the compensation due or allocated to Thierry Martel, Chief Executive Officer, for fiscal year 2013.

| Compensation components due or awarded during the fiscal year now ended | Amount or book value submitted for vote | Comments |
|---|---|---|
| Fixed compensation | 600,000 | Annual gross compensation approved by the Board of Directors meeting held on 15 December 2011. |
| Annual variable compensation | 337,653 | Taking into account the quantitative and qualitative criteria decided on by the Board and the realisations confirmed on 31 December 2013, the amount of the variable portion was determined by the Board of Directors meeting held on 19 February 2014 on recommendations from the Compensation and Appointments Committee on the basis of the following quantitative criteria (change in the Group's combined premium income for non-life insurance, proportion of UL in individual savings inflows, the Group's combined ratio for non-life insurance, the Group's solvency margin as at 31 December 2013) and qualitative criteria linked to the Company's strategy. |
| Stock options, restricted stock or any other long-term compensation component | Not applicable | As is the case for all of the Company's corporate officers, Mr Thierry Martel has no right to stock options, restricted stock or any other long-term compensation component. |
| Directors' fees | Not applicable | Mr Thierry Martel does not receive Directors' fees. |
| Value of benefits of any kind | 57,777 | Benefits include vehicle, protection savings, healthcare and social insurance cover for senior executives and Managers. |

| Compensation components due or awarded during the fiscal year now ended that are being or have been voted on by the General Meeting under the regulated agreements and commitments procedure | Amount submitted for vote | Comments |
|---|---|---|
| Severance compensation | Not applicable | |
| Non-compete compensation | Not applicable | |
| Supplementary pension scheme | No payment | Thierry Martel qualifies for the defined-benefits pension scheme for members of the Steering Committee. Note that the principle of the extension of this scheme to the corporate officers, members of the Steering Committee, was approved in the General Meeting of 29 June 2006 and that this extension was applied to Thierry Martel as approved in the meeting of the Board of Directors of 15 December 2011.<br>■ Recall that eligibility for this scheme is subject to several conditions precedent, including the final completion of the career, the liquidation of all pension plans, the condition of being or having been a member of the Steering Committee for a minimum of least five years.<br>■ The escalation of the rights is 2% per year of the average gross annual salary of the last 36 months (fixed portion + benefits in kind).<br>■ According to the terms of the contract, the annuity paid for this contract may not exceed 30% of the average gross annual compensation for the last 36 months, keeping in mind that all basic, complementary and supplementary schemes must not exceed 50% of the beneficiary's gross annual compensation.<br>For example, if the calculation was done on the basis of the compensation due for 2013, the annual annuity for this scheme would be theoretically approximately 19% of this compensation. |

### 3.3.4.3 Components of the compensation due or allocated for fiscal year 2013 to Christian Collin, Deputy Chief Executive Officer, subject to the opinion of the shareholders

It is also proposed that the General Meeting of 11 June 2014 (10th resolution) issue an opinion on the following components of the compensation due or allocated to Christian Collin, Deputy Chief Executive Officer, for fiscal year 2013.

| Compensation components due or awarded during the fiscal year now ended | Amount or book value submitted for vote | Comments |
|---|---|---|
| Fixed compensation | 500,000 | Annual gross compensation approved by the Board of Directors meeting held on 15 December 2011. |
| Annual variable compensation | 265,075 | Taking into account the quantitative and qualitative criteria decided on by the Board and the realisations confirmed on 31 December 2013, the amount of the variable portion was determined by the Board of Directors meeting held on 19 February 2014 on recommendations from the Compensation and Appointments Committee on the basis of the following quantitative criteria (change in the Group's combined premium income for non-life insurance, proportion of UL in individual savings inflows, the Group's combined ratio for non-life insurance, the Group's solvency margin as at 31 December 2013) and qualitative criteria linked to the Company's strategy. |
| Stock options, restricted stock or any other long-term compensation component | Not applicable | As is the case for all of the Company's corporate officers, Mr Christian Collin, Deputy Chief Executive Officer, has no right to stock options, restricted stock or any other long-term compensation component. |
| Directors' fees | Not applicable | Mr Christian Collin, Deputy Chief Executive Officer, does not receive Directors' fees. |
| Value of benefits of any kind | 58,072 | Benefits include vehicle, protection savings, healthcare and social insurance cover for senior executives and Managers. |

| Compensation components due or awarded during the fiscal year now ended that are being or have been voted on by the General Meeting under the regulated agreements and commitments procedure | Amount submitted for vote | Comments |
|---|---|---|
| Severance compensation | Not applicable | |
| Non-compete compensation | Not applicable | |
| Supplementary pension scheme | No payment | Christian Collin qualifies for the defined-benefits pension scheme for members of the Steering Committee. Note that the principle of the extension of this scheme to the corporate officers, members of the Steering Committee, was approved in the General Meeting of 29 June 2006 and that this extension was applied to Christian Collin as approved in the meeting of the Board of Directors of 15 December 2011.<br>■ Recall that eligibility for this scheme is subject to several conditions precedent, including the final completion of the career, the liquidation of all pension plans, the condition of being or having been a member of the Steering Committee for a minimum of least five years.<br>■ The escalation of the rights is 2% per year of the average gross annual salary of the last 36 months (fixed portion + benefits in kind).<br>■ According to the terms of the contract, the annuity paid for this contract may not exceed 30% of the average gross annual compensation for the last 36 months, keeping in mind that all basic, complementary and supplementary schemes must not exceed 50% of the beneficiary's gross annual compensation.<br>For example, if the calculation was done on the basis of the compensation due for 2013, the annual annuity for this scheme would be theoretically approximately 25% of this compensation. |

CONTENTS

# 3.4 REPORT ON INTERNAL CONTROL

This report on internal control as well as section 3.2, on the operating methods of the administrative and management bodies and section 3.3, on the compensation of corporate officers correspond to the application of Article L. 225-37 of the Commercial Code while sections 3.2 and 3.4, of Article R. 336-1 correspond to the Insurance Code. The Groupama internal control structure, as with any control structure, cannot be considered an absolute guarantee for attaining the Company's objectives: rather, it constitutes reasonable assurance of the security of its transactions and control of its income.

In accordance with Articles L. 345-2 and R. 345-1-1 of the Insurance Code, the Groupama group prepares and releases combined financial statements consisting of all the statements of the regional and local mutuals as well as the consolidated financial statements of the Groupama SA division. In accordance with Article R. 345-1-2 of the Insurance Code, the combining entity of Groupama is Groupama SA.

The scope of the combined financial statements includes the regional mutuals, the local mutuals, Groupama Holding, Groupama Holding 2, Groupama SA and all the subsidiaries in the scope of consolidation with which it has capital ties. A breakdown of the scope of consolidation is included in the notes to the combined financial statements.

This report describes the internal control system at the Group level, both on the scope of the consolidated financial statements and of the combined financial statements.

In this context, it is important to consider the Group's general organisation: there is a distinction between the two major divisions: the regional mutuals (Caisses Régionales d'Assurances Mutuelles Agricoles), and Groupama SA, which is the holding company for the other entities in the Group ("subsidiaries").

Relationships among the various entities of the Group are governed by the following:

- within the Groupama SA division, by capital ties. The main 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 internal control;
- in the Mutual Insurance Division:
  - by an internal reinsurance contractual mechanism between the regional mutuals and Groupama SA and defined by an insurance agreement with terms updated every year,
  - by a security and joint liability agreement between all the regional mutuals and Groupama SA ("Agreement defining the security and joint solidarity mechanisms of the Caisses de Réassurance Mutuelle Agricole that are members of Fédération Nationale Groupama").

As a consolidating entity, Groupama SA is also the lead Company in the tax integration implemented between it, the subsidiaries owned in the proportion of 95% or more and, since 1 January 2008, the regional mutuals (see application for review of the corporate Group regime under Article 53 of the Corrective Finance Law for 2007 dated 25 December 2007).

In addition, a framework agreement setting the general principles applicable to the business relationships between the regional mutuals and Groupama SA and its subsidiaries came into force on 1 January 2006.

## 3.4.1 CONTROL ENVIRONMENT

### 3.4.1.1 Strategy

Groupama SA is the parent company of the Groupama Subsidiaries Division, which is consolidated under it; it is also the combining company of the Groupama regional mutuals. In this context, it is in charge of defining the Group's strategy and coordinating its implementation in the companies:

- the Group's strategic guidelines are determined by the Group's management bodies over the medium and long term based on audits and recommendations made by the Group's Strategy Department in particular;
- they are listed as short or medium term in accordance with a group process of Strategic and Operational Planning ("SOP").

The SOP involves developing provisional corporate income statements, IFRS financial statements and analytical results by business line for each entity. It is broken down into operational action plans and thus constitutes the path for the period of the plan and the Group elements of reference for managing the entities.

The strategic plan is defined for a period of three years: the work conducted in 2012 led to defining the SOP for 2013-2015. The work conducted in 2013 made it possible to take stock of the first year of the plan.

Its content particularly relates to:

- whether the operational plans managed by the Groupama SA Business Departments and by the companies have been executed;
- whether the Company has met key business objectives by business line: premium income, new business, loss ratio, combined ratio, etc.;
- the policy income statements of the principal business lines of the companies in the Group;
- each company's objectives in terms of contribution to Group earnings.

On the France scope, the work is organised as follows:

- the Group's Strategy Department defines the strategic framework, subject to approval by the Group's management bodies;
- a preparation phase upstream of the Business Departments making it possible to analyse the environment and its prospects as well as the Group's situation on each Business Line;
- a phase of quantification of the three-year forecasts and action plans to be implemented in order to achieve them, done by each entity and shared during discussions.

The national consolidation of objectives was validated by the Group's executive bodies.

Internationally, each subsidiary develops a Strategic Operational Plan just like the other entities of the Group, submitted to the International Subsidiaries Department for validation before being incorporated into the Group consolidation.

### 3.4.1.2 Human resources (HR)

The responsibilities of the Group HRD cover three main areas:

- corporate activities: implementation of Group policies, coordination of HR networks, support and advice for companies and dialogue between workforce and management with the European Works Council, the Group Committee, and the UDSG (1), in a context of Group organisation in which each company (around forty) has a Human Resources Department in charge of management of HR and employee relations under the authority of a Chief Executive Officer.

  In order to promote the establishment of corporate policies and the implementation of control and compliance systems, the Group HRD relies on an HR Operational Committee made up of the HRDs of the Group's French companies (Groupama SA, subsidiaries and regional mutuals).

  The Group HRD is also in charge of employee relations of the UES (2) with the goal of steering all information/consultation processes relating to the projects and activities of the companies that make it up (Groupama SA, Groupama Gan Vie, Gan Patrimoine, Gan Prévoyance, Groupama Supports et Services, Gan Assurances);
- activities related to the HRD of the "company" Groupama SA in order to carry out internal checks to make certain that labour laws and regulations are properly enforced: compliance with legal and contractual obligations related to corporate dialogue, human resources development (diversity and non-discrimination, etc.), and to employment contracts, vocational training, occupational health, production and transmission of statistics, legal reports, etc.;
- "Shared service centre" activities for all payroll operations and the administration of personnel for 9 companies of the Group including Groupama SA (compared with 12 in 2012) and 7,872 monthly payrolls (compared with 9,300 in 2012) following the recent disposals of companies and resulting decreases in workforce.

In addition, the Group HRD is responsible for managing and rolling out a number of Group tools or programs and in particular:

- the Groupama-Gan-Recrute (recruitment) and Mouvy (internal mobility – career visibility) sites used by all its French companies permitting better efficiency of operations aiming to fill positions that the Group needs and consistency of image as well as having a back-office platform for recruiters meeting the requirements for security, compliance, and traceability of applications;
- the GroupamaTalents application: this secure, dedicated computerised tool is deployed for the collection and sharing of data (job descriptions, career history and progress portfolio of skills, etc.) necessary for conducting annual performance interviews (support integrated into the tool) and conducting company and Group personnel reviews (identification of key competencies, sensitive positions and construction of succession plans). It is now open to 13,000 employees in the Group, including all executives, and nine companies have already extended it to all personnel categories. Its deployment continues;
- the structuring of the managerial training offering in line with the Group's values and its reference standard of managerial behaviours;
- the Group HRD ensures the preparation of the work of the Technical Careers Committee, a body of Chief Executive Officers of the regional mutuals and Groupama SA that handles, during monthly meetings, appointments, identification of key competencies, sensitive positions and the construction of succession plans for Manager positions.
- the social component of staff-reduction operations related to the programmes undertaken to restore the Group's solvency and profitability.

In 2013, the Group HRD also implemented:

- monitoring of the roll-out of action plans developed in each company based on the results of the 2012 edition of the Group opinion poll, conducted with all employees every two years. Given the results, an action plan has been constructed by each company. The consolidation revealed 244 actions divided into five major areas: career & talents, well-being at work, management, commitment, recognition & compensation.

  Preparation for the 2014 edition of the employee opinion poll was done in late 2013, and the survey will be conducted from 31 March to 11 April 2014.

Lastly, following the social rating initiative conducted with VIGEO (the results of which were published in early 2012), the HR and human rights components of which have been assessed as meaningful, the Group's commitments in this area resulted in quantitative and qualitative objectives over three years on the following four subjects: professional gender equality, alternance training, employment of disabled workers and prevention of psychosocial risks.

At the level of the Groupama SA subsidiaries and GIE Groupama Supports et Services, the management of human resources is handled by the HR Department of each of these entities, consistent with the Group human resources policies, standards, tools and mechanisms of control and compliance described above.

(1) *Groupama Social Development Unit.*

*The UDSG is an association governed by the French law of 1901 grouping together all companies of the agricultural mutual insurance scope. Groupama SA is part of it as well as the regional mutuals, for example. Legally, UDSG negotiations are done an inter-company level and cannot substitute for company negotiations. The UDSG sets community conventional framework and is a driving force behind certain non-mandatory topics, such as integration of disabled worker.*

(2) *Economic and Social Unit.*

*The UES is a social structure that includes, to date: Groupama SA, Groupama Support et Services, Gan Assurances, Groupama Gan Vie, Gan Patrimoine and Gan Prévoyance. It is at the UES level that certain mandatory negotiations take place, like Annual Wage Negotiations, for example.*

### 3.4.1.3 Monitoring of subsidiaries

Every subsidiary is subject to ongoing monitoring by the staff of the division to which it is attached:

- Group Finance Department for financial subsidiaries;
- French Subsidiaries Department for French insurance subsidiaries;
- International Subsidiaries Department for foreign subsidiaries;
- Insurance, Banking and Services Department for service subsidiaries and Groupama Banque.

This specific monitoring is supplemented at the Group level by cross-functional management of all of the entities, particularly in the following areas:

#### (a) Activity monitoring and financial reporting

On behalf of the Group, the various Group Analysis and Management Control Departments (within the Group Financial Controlling Department) implement procedures for activity monitoring (performance indicators) and financial reporting of all regional mutuals, French subsidiaries and international subsidiaries. The aim is transparency of results and an understanding of trends in these areas for the Groupama SA Executive Management and the entities.

This approach is based on a process of estimated management common to all entities. It is implemented and coordinated by the Group Financial Controlling Department and is based on core Group standards for developing estimates, approved by the Executive Management and updated regularly. The process calls for establishing yearly estimates of results for the next three fiscal years, and then updating four times the estimate for the first fiscal year of that three-year period.

In each of these phases, reports by legal entities are prepared by the companies concerned, in accordance with a common presentation and formats. The reporting forms are standardised for all Group entities and are collected through the consolidation and Group reporting application.

Before the close of each fiscal year, the Group Financial Controlling Department supplements the monitoring programme and compiles an analysis of levels estimates for each company compared with the Group's provision standards. This analysis has resulted in a report intended for the executive management.

This monitoring system is supplemented by business reviews held at least twice a year for Group subsidiaries in France and internationally, involving the Executive Management of Groupama SA and the management of these subsidiaries, with the participation of the Group Financial Controlling Department and the management of the French subsidiaries or the management of the international subsidiaries, depending on the case.

The April/May business reviews thus focus on the previous year's results, the analysis of the currents year's results and outlook and the review of the Company's medium-term strategy. These exchanges ensure, in particular, that the Company's strategic guidelines conform to the Group framework.

The November/December business reviews are aimed at analysing the year-end closing conditions, explaining the progress of the accounts and year-end figures, and presenting the framework of the major objectives for the upcoming year.

Since 2010, these business reviews include a specific "risk" section, presenting, by entity, the level of deployment of the internal control system and the main activities under way in the area of risk management.

#### (b) Management of the subsidiaries' assets

The Investment Department has established a system requiring Groupama SA, the French subsidiaries and the international subsidiaries to hold Financial Committee meetings or asset allocation meetings at least two times per year. They are attended by the representatives of the entity, the Group Finance Department, and, where appropriate, the subsidiary's department affiliation (international subsidiaries, French insurance subsidiaries (see point 3.4.4.3)).

These financial committees propose the target asset allocation, taking asset/liability constraints into account, and present the transactions previously conducted and the financial management problems.

The assets of Groupama SA and the subsidiaries are mainly managed by Groupama Asset Management and Groupama Immobilier (see point 3.4.4.2). Concerning the international subsidiaries, Groupama Asset Management attends the meetings of the financial committees of the international subsidiaries that have entrusted management of their assets to it: Portugal, Italy, Greece and Hungary.

#### (c) Asset/Liability Management of the subsidiaries

The Asset/Liability Management of the subsidiaries is done jointly by each subsidiary and the Group Finance Department, with the help of appropriate software and methods; Asset/Liability Management control is done particularly as part of Finance Committees (see above).

#### (d) Design of new products

The design of new products or any upgrade that changes the economic balance was formalised as part of a standard process taking into account the Group's organisation on property and casualty products of regional mutuals and French subsidiaries. It is applied to Groupama Gan Vie and the international subsidiaries (see point 3.4.5.5 (a)).

## 3.4.2 INTERNAL CONTROL

### 3.4.2.1 Internal control principles and objectives

Establishing a complete and effective internal control system for the Groupama group as a whole is a top priority in order to:

- enhance operational security and control over earnings;
- prevent and manage risks;
- gain operational efficiency;
- improve customer satisfaction;
- and ultimately meet current regulatory requirements and anticipate subsequent requirements, related notably to the future Solvency II system.

In this context, the general principles, goals and organisational structure of the Group's Internal Control Department were defined in the internal control charter approved by the Groupama Executive Committee in March 2009. This charter, which has been disseminated across the Group's entities, acts as a common reference point for them to be complied within the deployment of their internal control procedures. As auditing is part of the internal control procedure, an audit charter, also approved by Groupama's Executive Committee in March 2009, supplements the provisions of the internal control charter with respect to its own operating rules and scope of operation. A compliance charter approved by Groupama's Executive Committee in October 2009, defining the general scope for the implementation and workings of the compliance policy within the Group and consistent with the Group's internal control charters, completes the internal control system.

All Group companies and Groupama SA departments participate in or conduct preliminary work prior to the implementation of the new Solvency II standard. Efforts toward this goal have intensified mostly since 2009 and particularly since 2011 to anticipate future requirements of the second Pillar of Solvency II, which establishes the essential nature of internal control and risk control.

In order to establish a shared governance and process foundation built on Solvency II principles, the Group's Executive Boards outlined the general strategies of the Pillar 2 project in late 2009 and validated in June 2010 the trajectory and work required first on a pilot project, which could then be deployed throughout the Group's other companies. The pilot project completed along with Groupama SA departments and a regional mutual starting in the second half of 2010 until July 2011 was conducted at four sites handling the essential features of Pillar 2: organisation and governance, risk policy and risk management process, process and risk mapping, a permanent control plan and change management.

As they became validated by the Group's Executive Boards, deliverables produced by these sites have gradually been made available to the French and international companies since January 2011. They are currently in the process of implementation in all entities of the Group with the methodological support and operational monitoring of deployment by the Group Permanent Control/Compliance Departments (in collaboration with the International Subsidiaries Department for the subsidiaries concerned).

The Group's overall internal control and risk management system was also enriched in 2012 and 2013 as part of complementary projects particularly pertaining to the quality of the data used to feed the three pillars of Solvency II (see point 3.4.5.2), the development and adaptation of a risk limit system (see 3.4.5.3), the enrichment of the non-life and life insurance risk nomenclatures, the design and deployment of a community tool for management of operational risks and the development of a Group business continuity policy.

This approach is part of a global continuous improvement process. It is inspired by good practices on the topic such as COSO 2 and Enterprise Risk Management (ERM) particularly in order to take into account, beyond control activities, all risks to which the Group may be exposed, the global management of these risks and their integration into the management of the activity (risk strategy, risk tolerance, risk profile, risk measurement systems, reporting, etc.).

Lastly, the Group ethics procedure, laid down in Groupama's ethics charter, defines the Group's business ethics commitments and principles and sets out rules of conduct for its employees. Groupama's Executive Committee validated the ethics charter in November 2008. The charter has been implemented since 2009 in the Group's French companies, after providing information to and consulting with the employee representative bodies of all the entities. Implementation of the charter within international companies was finalised in late 2010, in compliance with the procedures and systems specific to each company. The Ethics Committee, tasked with following up on ethics-related issues in the Group, has met twice yearly since 2010. In 2013, it met on 19 March and 19 November. It was presented with an update on data protection within the Group as well as the status of the Group's progress on its three major CSR [(1)] objectives regarding human resources (gender equality, diversity and quality of life at work). A standard for managerial values to be deployed in the Group's entities in 2014 was also presented to the Ethics Committee.

### 3.4.2.2 Organisation of internal control

#### (a) At the Group level

**Permanent services**

The Risk Management and Permanent Control/Compliance Departments as well as the Group General Audit Department report to the Groupama SA Deputy Chief Executive Officer, under the responsibility of the Group Audit, Risk and Control Manager (DARCG).

The Group audit, risk and control manager reports periodically to the Groupama SA Board of Directors' Audit and Risk Management Committee on the Group's position and any work in progress in terms of internal control, risk management and auditing engagements.

Since 1 July 2013, consistent with the regulatory requirements regarding key functions, the risk management and permanent control/compliance functions are distinguished within the Group Audit, Risk and Control Department.

**GROUP RISK MANAGEMENT DEPARTMENT (DRG)**

At year-end 2013, the Group Risk Management Department (DRG) had a seven-person dedicated team. Its main duties are the following:

- development of the Group's risk policy;
- definition of the process for setting the Group's risk tolerance (risk limits);
- implementation of the ORSA process (Own Risk and Solvency Assessment: internal assessment by the Company of its risks and its solvency situation);
- monitoring of major Group risks (RMG);

(1) CSR
*Corporate social responsibility (CSR) is a "concept in which companies incorporate social, environmental and economic concerns in their activities and their interactions with their stakeholders on a voluntary basis".*

◄ CONTENTS ►

- contribution to prudential reports: EIOPA requests, IAIS requests (systematic risks), etc.;
- assessment and rating of insurance and financial risks, including sensitivity analyses and stress tests.

In 2013, the major tasks that especially mobilised the Group Risk Department's teams focused on:

- continuation of the Risk Tolerance project with:
  - operational implementation of the system of limits on financial assets through the roll-out of Group limits in the French and international subsidiaries and the regional mutuals following the approval of the Group limit system by the Groupama SA Board of Directors on 13 December 2012,
  - complementary studies carried out as part of the Regulatory Capital-Adjusted Profitability (RACR) project, particularly with impacts on the approach for evaluation of the target objectives by the non-life business line;
- continuation of the ORSA (Own Risk and Solvency Assessment) project initiated in 2012 with the formalisation of a first draft ORSA policy "white paper" and ORSA report at the Group level and continued in 2013 with the launch of two projects:
  - the first aiming to define the methodological framework of the ORSA and the operational principles of forward-looking evaluation,
  - the second aiming to develop standard documents for the Group's entities and encourage development of the ORSA in the entities;
- updating and enrichment of non-life and life insurance risk nomenclatures to ensure the junction between the risks defined in Pillar 1 of Solvency II and those in Pillar 2.

#### GROUP PERMANENT CONTROL/COMPLIANCE DEPARTMENT (DCPCG)

At year-end 2013, the Group Permanent Control/Compliance Department (DCPCG) had a seven-person dedicated team. Its main duties are the following:

- development of standards: mapping of processes, risks, and controls, permanent control plan, repository of controls;
- monitoring and assessment of operating risks (related to control of processes);
- project owner of the Community tool for management of operating risks, managing in particular the collection of results of controls and the incident database;
- establishment of internal control of the Groupama SA entity;
- definition of the business continuity policy (BCP);
- definition and establishment of the compliance policy;
- data quality, in terms of governance and control plan.

In 2013, the major tasks that especially mobilised the Group Risk Department's teams focused on:

- supporting and monitoring the deployment of the Group deliverables of Pillar 2 in the Group's entities;
- evaluating operational risks by using the Group nomenclature and the Group evaluation methodology;
- developing and gradually starting production in the Group's companies of an EU operational risk management tool built on a shared methodology that offers a consolidated overview of Group-wide risks and satisfies control safety and tracking requirements;
- coordinating the Group's compliance initiatives particularly in connection with the strengthening of regulatory requirements regarding customer protection;
- developing a Group business continuity policy;
- enriching the documentary mapping, incorporating in particular the references with the chapters of the Group risk policy.
- organising the network of Risk and Internal Control officers appointed within each company, and organising meetings to share experiences among the Group's companies, which has included, in addition to regular working groups (see below), regularly scheduled thematic or sharing workshops on operational risk and permanent control, internal fraud and compliance for companies in France as well as the organisation in 2013 of training sessions particularly on the duty to advise.

In addition to these actions to reinforce the risk and control system, the Group Risk Management and Permanent Control/Compliance Departments worked together on:

- coordinating the Group system of governance of risks particularly through the Group Risk Management Committees by risk family (insurance, financial and operational) (see below);
- strengthening the Group risk culture particularly with:
  - continuation of ad hoc actions in the Group's various entities on Solvency II, its impacts, preparation of the Group for its application and the essential nature of internal control and risk management,
  - provision to the Group's French entities of e-training on Solvency II and internal control in order to raise the awareness among all employees about the future Solvency II regulations, inform about the internal control approach adopted by the Group and understand the impacts on everyday activity,
  - opening of a document portal dedicated to Risks and Control to all Group entities in order to share the Group references and standards regarding risk management and permanent control/compliance;
- the annual internal control questionnaire campaign. The purpose of this self-evaluation questionnaire is to take stock of the risk control system and internal control system and their level of deployment (at both the entity level and the Group level) and uniformly measure the progress of the Group's entities in their preparation for the future requirements of Pillar 2 of Solvency II. This status update leads the development and monitoring of improvement action plans.

Lastly, in addition to the Risk Management and Permanent Control/Compliance Departments, a Studies division, reporting directly to the Group Audit, Risk and Control Manager, supplements the system through its main responsibilities: general studies in risk management and control, watching for emerging risks and monitoring CRO Forum files.

#### GROUP GENERAL AUDIT DEPARTMENT

The Group General Audit Department operates across the entire Group with a staff of twelve auditors.

The Group General Audit Department's 2013 audit plan was validated by the Steering Committee and approved by the Audit and Risk Management Committee of Groupama SA in December 2012. It is built around a three-year audit approach for each company of the Group and also incorporates audit assignments on Groupama SA's processes and the Group's cross-functional processes.

18 assignments in the 2013 audit plan pertain to:

- 14 general audits of entities in France and abroad relating to 4 regional mutuals, 5 insurance subsidiaries and 5 international subsidiaries. General audits provide the Executive Management and the Audit and Risk Management Committee of Groupama SA as well as the Executive Management of the audited entity with an objective, independent assessment on the situation of each company: respect for economic and financial balances, application of regulatory provisions, implementation of an appropriate internal control and risk management system, and, more specifically for the regional mutuals, compliance with the General Reinsurance Regulations;
- in agreement with the Group Executive Committee, 2 cross-functional audits relating to business line subscription processes involving the regional mutuals and the main insurance subsidiary in France were performed. In a context of restoring the Group's results, the cross-functional audits are intended to identify gaps in market/Group best practices, assess their impact on the Group's operational performance and propose the establishment of Group best practices in management and control of operations;
- 2 audit assignments targeted business line and support processes of Groupama SA. Audits of processes make it possible to evaluate the performance of the audited process in the light of the profitability and risk control objectives defined by the Group.

The monitoring of recommendations ensures the proper implementation of action plans defined by management and accepted by the Group General Audit Department.

A report on the progress of the recommendations is communicated each quarter to the Executive Management and to the Groupama SA Audit and Risk Management Committee. In 2013, the monitoring of recommendations pertained to 41 Group entities (subject of an audit assignment for the 2010 to 2013 period), *i.e.* 11 regional mutuals, 27 subsidiaries in France and abroad and 3 departments of Groupama SA.

Apart from exceptions related to Information System developments and deployment of Pillar 2, recommendations are usually put in place in the 18 months following the close of the audit.

At end of 2013, the Group's audit team had more than 80 auditors across Groupama SA, the regional mutual and the Group's subsidiaries in France and abroad.

The third auditors' convention was held on 24 and 25 January 2013 and attended by 42 auditors (13 representatives from mutuals, 17 from French subsidiaries and 12 from international subsidiaries). The agenda combined external (preparation of the audit plan and monitoring of recommendations), Business Line Manager (issues of effective contribution of internal audit to the Group's recovery of technical profitability), and Risk and Internal Control Manager (changes in customer protection regulations) interventions and accounts from Internal Audit Managers. Workshop discussions focused on the audit approach to be implemented for audits on subscription and monitoring of passenger vehicle risks and risks in businesses, the claim handling process, as well as the internal control and risk management system.

Two auditing working groups, made up of Audit Managers of the regional mutuals and French subsidiaries, met in 2013. In addition to topics relating to audit methodology and lessons from completed assignments, discussions focused on the results of cross-functional audits, action plans defined by the Groupama SA Business Departments and the Internal Audit Department's contribution in the process of monitoring recommendations within each of the entities concerned.

Reports prepared at the end of June and December 2013 provided an overall view of the execution of the audit plans of entities in France and the progress of the recommendations.

### Risk Committees

The specific bodies allowing Groupama SA Executive Management to carry out regular monitoring of the main risks incurred at the Group level are the Group Risk Management Committee and the Group committees specialised by risk family (Financial Risks, Insurance Risks and Operational Risks).

#### GROUP COMMITTEES SPECIALISED BY RISK FAMILY

These specialised committees cover all risks with a systematic focus on major Group risks. They make it possible to ensure continuity of action from the Group Risk Management Committee to which they relate up to the working groups and committees in charge of activities carrying risks. The specialised committees are chaired by a member of the Steering Committee. The Risk Management Department and/or the Group Permanent Control/Compliance Department provides coordination and secretarial support to these committees.

#### GROUP FINANCIAL RISK COMMITTEE (CRFG)

Made up of the Deputy Chief Executive Officer (Chairman), Managers of the Group Financial and Investment Departments, the Audit, Risks and Internal Control Department Director, the Risk Management Director and representatives of the French Subsidiaries/International Subsidiaries Departments and banking and Asset Management subsidiaries, it is responsible for proposing to the Group Risk Management Committee the policy and rules governing the acceptance and retention of financial risks. Its duties are the following:

- identifying and evaluating financial risks;
- proposing risk limits at the Group and entity levels as well as the hedging principles;
- checking the proper application of these limits by the Group's entities and proposing action plans;
- validating any exemptions and/or the establishment of action plans;
- reviewing the models and methodologies for evaluation of financial risks (e.g. Asset/Liability Management, valuation, etc.) and the limits of these models;
- defining stress test scenarios for financial risks, evaluating their consequences and proposing a modus operandi in case of occurrence of a financial shock;
- alerting the Group's Executive Management where appropriate.

The committee met three times during 2013 (March, June and October). The main topics covered were:

- methodology and analysis of Country risk;
- monitoring of the main financial risks and the associated financial policy put in place;
- review of the Group limit system, particularly with the monitoring of any exceeding, as well as its changes for 2014;
- deployment of the risk limit system on financial assets within the Group's entities;
- status updates and reviews of associated action plans, particularly with proposals for reduction of Portugal's sovereign debt;

- updates on investment guidelines, counterparties of proposed structures like unit-linked products and examination of Groupama Banque's liquidity and solvency situation.

#### GROUP INSURANCE RISK COMMITTEE (CRAG)

Made up of Directors of the Insurance, Banking and Services Department (Chairman), Insurance and Agricultural Business Departments, SOP Management and Coordination, the Reinsurance Department, the Group Actuarial Department, the Group Financial Controlling Department, the Audit Director, the Risk Management Director, representatives of the French subsidiaries/International Subsidiaries Departments and Groupama Gan Vie, it is responsible for proposing the policy and rules governing the acceptance and retention of insurance risks to the Group Risk Management Committee. Its duties are the following:

- identifying and evaluating insurance risks;
- proposing risk limits at the Group and entity levels and the guidelines for external reinsurance coverage;
- checking the proper application of the risk limits taken by the Group's entities and proposing action plans;
- defining stress test scenarios on insurance risks, evaluating their consequences and proposing a modus operandi in case of occurrence;
- monitoring governance and the performance of the internal model for insurance risks (e.g. decision for major change of the model);
- checking the proper application of the process for development and compliance of new products (life and non-life) with the Group risk management policy;
- alerting the Group's Executive Management where appropriate.

The committee met three times during 2013 (March, June, October). The main topics covered were:

- updating of the Group insurance risk policy;
- review and plans for control of major insurance risks;
- formalisation of the process for establishing and modifying new products;
- updating and enrichment of Life and Non-Life insurance risk nomenclatures;
- updates on the Saphir reinsurance treaty, the technical balance of the Long-Term Care risk and the external reinsurance guidelines;
- examination of the work on the non-life internal model (results and observations of the ACPR, incorporation of Italy);
- progress reports on the methodological work on risk tolerance and capital allocation (RACR).

#### GROUP OPERATIONAL RISK COMMITTEE (CROG)

This committee is made up of the Managers of the Groupama SA departments who "own" the major operational risks identified (see section 3.4.5.1) and is chaired by the Group General Audit and Risk Manager. Its duties are the following:

- defining the operational risk management policy (including compliance and reputation) and ensuring that it is properly taken into account in the entities;
- defining and checking the budgets and operational risk limits consistent with the Group risk tolerance;
- monitoring all Group operational risks and especially Group major operational risks;
- defining the policy for coverage against operational risks (operating risk insurance, BCP, crisis communication, etc.);
- alerting the Group's Executive Management where appropriate.

The committee met three times during 2013. The main topics covered were:

- review and plans for control of major Group risks;
- progress updates on the mapping of processes, operational risks and the permanent control system within the Group's entities (including Compliance work);
- progress updates on the planned EU tool for operational risk management, ORop;
- the operational risk rating methodology;
- the Group's operating insurance policy;
- the Business Continuity Management policy.

#### GROUP RISK COMMITTEE (CRG)

Its membership is the same as that of the Groupama SA Steering Committee.

Its tasks are to approve the risk management policy, particularly by setting the limits of major risks and determining the methods to be used to manage the risks and reviewing and monitoring the management of major Group risks.

During 2013, this committee met twice to confirm the work prepared in the specialised risk committees (see CRFG, CRAG and CROG above) with, in addition to the monitoring of the major Group risk control actions, particular attention on:

- deployment of the risk limit system on financial assets within the entities;
- capital allocation work;
- reduction of exposure to Portugal's sovereign debt;
- update and impacts of the work in progress on the Own Risk and Solvency Assessment (ORSA);
- review of and changes in Major Group Risks.

### Cross-functional committees

In addition to the specific risk committees (CRG and committees specialised by risk family), the Director of the Audit, Risks and Internal Control Department chairs two cross-functional committees, allowing him to coordinate two important fields involved in the control of the Group's risks: partial internal model and data quality.

#### INTERNAL MODEL GROUP COMMITTEE (CGMI)

The Internal Model Group Committee (CGMI), coordinated by the Group Actuarial Department, is a body for discussion and decisions on the work related to the internal model. As part of this, it takes an active role in the process of validating and changing the internal model. Its responsibilities are defined and detailed in the Group governance charter for the internal model and in the Group policy for changing the internal model. It reports to the Group Insurance Risk Committee.

#### GROUP DATA QUALITY COMMITTEE (CGQD)

The Group Data Quality Committee, led by the Group Management Control function, defines the Group data quality policy, verifies its operational implementation and steers projects necessary to improve data quality. Under the internal model, the CGQD ensures the sufficient level of quality (completeness, accuracy, relevance) of the data both in entry of the model into calibration and after calibration. It relies on a network of data Managers in charge of controls on collection processes. The CGQD prepares a Group report allowing it to monitor quality. The CGQD reports directly to the Group Risk Committee (see point 3.4.5.2).

### (b) Within the entities

The specific risk control and internal control system of the entities is organised around two complementary systems:

- risk management and internal control of each entity;
- internal or operational auditing of every entity.

The first two systems are adapted to each entity based on its organisation, activities and resources and the local regulations abroad, under the authority of the Executive Management. As at the end of 2013, the Group deliverables for Pillar 2 of Solvency II on the Organisation and Governance project have been deployed across almost all of the entities. Like the Group model, the entities regularly hold specialised Risk Committee meetings and reinforce the level of maturity of the key functions. Similarly, the entities updated and had the Board of Directors validate their risk policy and implemented a risk limit system on financial assets based on the Group system at end of 2013.

Regarding the "Mapping of processes, risks and permanent control plan" project, the work to deploy deliverables produced during the "pilot" on all business line and functional processes was reinforced in 2013.

Monitoring of the progress of the Pillar 2 projects is shared during Risk Management and Control working groups (RC WG of regional mutuals, French and International subsidiaries) of the entities and is the subject of regular reporting to the Steering Committee/Group Executive Committee (see point 3.4.2.2. a).

Integration of the permanent control plans is undergoing tooling in a community software package with operational implementation over 2013 and 2014. This tool also permits the management of incidents, the rating of risks and the management of action plans.

Since 2006, in accordance with Article R. 336-1 of the Insurance Code, each entity subject to the French regulations has prepared an annual report on internal control, which it sends to the ACPR after approval by its Board of Directors. Internationally, this activity of reporting to the supervisory authority depends on the regulations in force.

### (c) Within Groupama SA

In addition to the entities and GIE Groupama Supports et Services, implementing the internal control system at the level of the functional and operational activities of Groupama SA is the responsibility of the different officers in charge of these activities under the authority of the Steering Committee. The area of responsibility of each of these Managers is determined by the delegations of authority approved. Since 2010, internal control of the Groupama SA corporate entity has been strengthened and structured with the creation of a specific unit attached since March 2012 to the Group Permanent Control and Compliance Department. It relies on a network of internal control correspondents in each of the business and functional departments of Groupama SA.

### (d) Groupama Working Groups and Workshops ("WG")

These working groups are inter-company entities in the Groupama SA Mutual Division responsible for communications, exchanges and coordination and in certain cases involving underwriting decisions. Those working groups that play a significant role in terms of internal control are the following:

#### Control and Risk Management WG

The Control and Risk Management WG of the regional mutuals, coordinated by the Group Risk Management and Permanent Control/Compliance Departments, is a platform for exchange particularly aiming to:

- share Group standards, references and methodologies for risk control and permanent control/compliance;
- relay updates on news about the future Solvency II regulations, the impacts of their application, the work and Group deliverables of the Pillar 2 project, as well as the methods of their deployment;
- provide a summary of the work conducted in connection with the topical workshops on operational risks, compliance, internal fraud the Life activity and the Own Risk and Solvency Assessment (ORSA) (see below);
- inform about current major Group projects (risk tolerance, regulatory capital-adjusted profitability, insurance risk nomenclature, operational risk management tool, Business Continuity Plan, Solvency II and internal control training, etc.);
- share experiences and good practices;
- assess the self-evaluation reports produced annually on internal control and discuss priority actions to be taken.

The Risk and Control WG of the regional mutuals met three times during 2013, respectively in March, June and October.

Similarly, within the context of the Control and Risk Management WG of the French subsidiaries, the Risk Management/Internal Control Managers of Groupama SA's French insurance subsidiaries held three meetings in 2013 on subjects similar to those of the regional mutuals.

Lastly, the Control and Risk Management WG devoted to international subsidiaries met three times for fiscal year 2013 (April, July and December). As in the Group's other entities, the themes of sharing and discussion particularly focused on the establishment of limits on investment assets, the ORSA project, data quality, risk assessment problems (scoring of operational risks), compliance (customer protection in particular), as well as the findings of the annual internal control questionnaire (benchmark on the relative progress of the entities). In addition to the WGs, monthly monitoring done jointly with the International Subsidiaries Department makes it possible to monitor and support the subsidiaries in their deployment work (mapping of risks and controls). Like the French entities, the international entities deploy their risk policy and the associated documentary mapping based on Group references.

In addition to these meetings, topical workshops are organised on a regular basis with the French Subsidiaries of Groupama SA and the regional mutuals with reporting to the WGs (see above 3.4.2.2 a). Ad hoc working groups are also formed, led by the Risk Management and/or Permanent Control/Compliance Departments and reporting to the WGs on common issues, such as the improvement of the Permanent Control Descriptions on a given activity or the reinforcement of the methodology for evaluating operational risks. Within this framework, a specific working group, consisting of French and international "pilot" entities, was established in 2013 on the Own Risk and Solvency Assessment. Consistent with the preparatory measures for Solvency II applicable as from 2014, its objective is to propose to all of the Group's non-life insurance entities a set of generic deliverables of the ORSA system.

More specifically, regarding compliance risks, three Group Compliance workshops, as well as three sub-workshops, were organised during fiscal year 2013, focusing on the following topics:

- ACPR news on customer protection;
- the progress of the Group action plan related to customer protection;
- the ACPR questionnaire on compliance with the insurance customer protection rules (sharing and analysis of responses);
- operational deployment of the "Recommendation on gathering customer information in the framework of the duty to provide advice on life insurance policies" 2013-R-01 of 8 January 2013 and "AMF Position no 2013-02" on "Collection of customer information" of 8 January 2013, particularly with developments in:
  - Sales Assistance Tools (ISICLIC, etc.),
  - Customer Relationship Management Tools for processing claims,
  - the permanent control system.

Similarly, regarding internal fraud, monitored for the Group by the Group Permanent Control/Compliance Department, the work conducted pertained to:

- validation of the "Group standard for handling internal fraud within Groupama group entities" and the "Group internal fraud notification form";
- collection and analysis of half-yearly reports transmitted by Group entities;
- control proposals to prevent the occurrence of internal fraud;
- management of the major Group risk of internal fraud.

In Life, a specific workshop, jointly coordinated by the Permanent Control Department of Groupama Gan Vie and the Group Permanent Control and Compliance Department, brings together the Internal Control Managers of the distributing entities as well as the life insurance Controllers in charge of ad hoc controls.

Based on the best practices existing at the various distributors, it aims to revise and optimise the permanent control system by further taking into consideration the operational methods for implementing these permanent controls.

This workshop, which reports directly to the Control and Risk Management WG of the regional mutuals, was launched early 2012. It was held 6 times and permitted the formalisation and improvement of common Permanent Control Descriptions related to personal life insurance and savings/pensions processes.

### Steering and Management Control WG

The working group meets on a quarterly basis. Its purpose is to coordinate, together with the regional mutuals, the work falling within the scope of management control. In particular, it is in charge of monitoring and analysing the actual and projected results of the regional mutuals, harmonising overhead expenses, converging technical reserves, designing management tools for forecasts and developing Group performance indicators. It serves as a forum for dialogue with the regional mutuals concerning management control issues and is led by the affected sectors of the Group Financial Controlling Department.

The topics of study submitted to the regional mutuals are examined in sub-working groups in which representatives of the regional mutuals participate. The two main sub-groups, which meet three or four times per year, are the sub-groups on technical reserves and overhead expenses.

#### SUB-GROUP ON TECHNICAL RESERVES

It aims to monitor and analyse the level of technical reserves of the regional mutuals. The Group Management Control Department prepares recommendations about reserves and particularly methods, tools and standards. Together with the regional mutuals and the Group Actuarial Department, the Group Management Control Department conducts studies in order to refine the management of risks related to reserves. In particular, the sub-working group's main mission in recent years was to steer and coordinate the convergence of technical reserves toward the Group standards.

#### SUB-WORKING GROUP ON OVERHEAD EXPENSES

It aims to harmonise the overhead expense allocation practices and establish standards for assessment and recognition for accounting and analysis purposes. In addition, the sub-group is in charge of monitoring the overhead expense reduction plans of the regional mutuals based on the objectives set by the Group and the strategic operational plan (SOP).

### Accounting, Taxes, Consolidation WG

It meets quarterly and is responsible for proposing the implementation of the Group's accounting, consolidation, regulatory and tax principles to the representatives of the Accounting and Tax Departments of the entities in the Group.

This WG is responsible for defining the corporate accounting standards and consolidation standards with the assistance of the representatives of the accounting finance and tax units of all the business sectors in which the Group is involved.

### Regional Mutuals Reinsurance WG

It meets quarterly and is composed of representatives of Groupama SA and the regional mutuals. Its purpose is to validate the reinsurance terms for the following year before submission for approval by the regional mutuals at a meeting of the Chief Executive Officers of the regional mutuals and the Chief Executive Officer of Groupama SA; modifications to the General Reinsurance Regulations are then submitted for approval to the Board of Directors of Groupama SA. It is specified that the setting of terms for the annual application of the General Reinsurance Regulations (annual parameters for calculating outward reinsurance, detailed technical and financial rules resulting from the principles set forth in section II, underwriting conditions: risks covered, exclusions and limits of cover) in accordance with its provisions is not considered a modification of the Regulations. The annual application terms are validated by the Steering Committee of Groupama SA and by the Group Executive Committee.

## 3.4.3 COMPLIANCE

### 3.4.3.1 Compliance charter

The general principles, goals and organisational structure of the Group Compliance Department are defined in the compliance charter approved by the Group Executive Committee in October 2009.

The Group's compliance system defined in the compliance charter aims to ensure that all Group practices comply with legal provisions, regulations, administrative requirements and trade standards, as well as the Group's internal rules, charters and procedures. Compliance covers all Group activities and specifies the measures to be set up under the responsibility of the entities (mapping, implementation of control procedures, training, etc.) as well as that of the Group. In this context, the Group Compliance Department within the Group Permanent Control and Compliance Department is particularly in charge of supporting the entities in the operational implementation of compliance rules (new legislative or regulatory texts, standards coming from supervisory authorities, etc.).

### 3.4.3.2 Compliance of business activities with laws and regulations

#### (a) Application of corporate law and the French Commercial Code

The Group Legal Department, within the General Secretary, manages Groupama SA's legal affairs and those of its subsidiaries operating in France and provides legal advice as needed to all the French entities of Groupama SA. Within this framework, it ensures the legal safety of its operations and its Directors and executives.

#### (b) Application of corporate regulations

In addition to the actions carried out to better guarantee compliance with labour laws and regulations by the Group and its companies, the Group Human Resources Department (DRGH) took actions in 2013 aiming to:

- guarantee reliability and effectiveness of payroll and personnel administration operations are guaranteed by means of a service contract with the Administration and Payroll Shared Services Centre with:
  - ongoing payroll management and employee reporting, using specialised software hosted in part by a supplier in order to secure the personnel database. Access to the data is fully protected,
  - establishment of traceability of all operations (administration, work time and platform for discussions with employees) and deployment of internal control over the "payroll management" scope with definition of 14 Permanent Control Descriptions (e.g. payroll, social contributions, deposits and advances, wage policy, etc.) and the use of the EU tool ORop starting in January 2013 to carry out permanent controls;
- strengthen the Group "Working Life Quality" (QVT) agreement entered into in February 2011 with all representative union organisations: implementation of operations for raising awareness and training of Managers, HR teams and staff representatives on prevention of psychosocial risks, systems for counselling and psychological support for employees established by PSYA, work with the labour and management representatives within the Labour/Management Dialogue Committee.

  Within this framework, it was agreed to gradually establish a system for the diagnostic processes and concerted action plans dedicated to the prevention of psychosocial risks (RPS) in all companies of the Group in France. To date, 17 companies have already conducted their diagnostic analyses covering 83% of the Group's workforce in France.

  Also note that the Group's companies have implemented the obligation to appoint an employee in charge of the prevention of professional risks or an IPRP;
- strengthen the skills of employees or agents of the Group, the training offering has been enriched as part of the property and casualty Insurance and Life-Savings business line training, particularly with:
  - e-learning programmes on:
    - "Solvency II and Internal Control" developed by Groupama University at the request of the Risk Management and Permanent Control/Compliance Departments. The corresponding modules were placed online at the beginning of September 2013. This programme raises awareness of Solvency II and presents the risk management and permanent control approach adopted by the Group and the impact on the daily activity of everyone,
    - anti-money laundering (AML) with the provision in 2013 of more in-depth training for personnel "exposed/very exposed" to anti-money laundering,
    - IT and Freedom Act: becoming familiar with the fundamentals of the regulations on the protection of personal data to be integrated into its everyday activity, a module made available to employees at the end of April 2013,
    - IOBSP (intermediary in banking operations and payment services): module made available in June 2013 to meet the obligations for acquisition of professional skills to sell banking products. Target: approximately 1,000 sales representatives trained per year,
    - the Lagarde/Consumer Credit Act: deployment from 2012 to March 2013,
  - in-person training dedicated to the profession of asset management advisor incorporating the fundamentals related to:
    - morals, ethics, compliance and regulations, the objective being to recall the main rules to which sales representatives are subject. Strict compliance with these regulations makes this module compulsory for the following people: Specialised Asset Management Advisor (CGP), Wealth Expert, Specialised Wealth Inspector or Financial Advisor of the Group,
    - the 3rd cycle wealth management course (38 days of training – AUREP organisation): The objective is to permit the acquisition of theoretical and practical knowledge on the financial, legal and tax aspects of Wealth Management, The acquisition of these skills should contribute to a better approach to the needs of customers and improvement of the quality of the offered solutions and decrease the risks of non-compliance with the recommendations made.

      Three cycles have already been organised for 68 people; the 4th class of 2012/2013 will finish at the end of December 2013;
- meet the legal obligations relating to the Continuing Professional Training imposed on Corporate Training Organisation.

◄ CONTENTS ►

Groupama University, within the Group HRD, has taken over the management of Groupama SA's Corporate Training Organisation, which was put in place in 1999 as part of its training activity by Groupama SA employees for Group Mutuals and Subsidiaries.

To this end, Groupama University must ensure compliance with existing laws and regulations. Through an internal audit, the University performed a risk analysis focusing especially on:

- automation of the publication of training certificates for each trainee who has completed a Group training session;
- establishment of service contracts between Groupama SA and the other companies of the Group whose employees provide training on behalf of the Training Organisation;
- information and advising actions with Groupama SA training correspondents in order to comply with existing laws and regulations on continuing professional training.

### (c) Application of insurance law and regulations governing the insurance business

The Legal Department within the General Secretary of Groupama SA ensures, on behalf of the Business Departments of Groupama SA, the French insurance subsidiaries, as well as the regional mutuals, a function of:

- monitoring and analysing legislation and case law and other standards (FFSA professional standards, ACPR recommendations) having an impact on the insurance activity; (marketing, communication, advertising, development, subscription, execution and termination of insurance products, etc.);
- necessary anticipation and support in the implementation of new regulations related to this activity (in particular, ACPR recommendations on the processing of claims, customer information with regard to marketing of life insurance policies, funeral insurance policies, pension reform, new definition applicable to objective employee categories for Group insurance, implementation of the National Interprofessional Agreement (ANI) scheme and changes in designation clauses in industry-wide agreements, changes in life insurance with the creation of the future euro-growth policy, the consumer bill with future Group actions and other provisions impacting insurance, the social and solidarity economy bill with the future mutualist certificates, etc.);
- information (notes, circulars, working groups, dissemination of a quarterly bulletin of legal information in connection with customer protection);
- validation of new insurance policies developed by the Business Departments well as the modifications made to existing policies;
- development and validation of distribution and partnership agreements in connection with insurance and other services (significant partnerships entered into with Allianz on accident management);
- legal and tax advice (tax products);
- relations with the administrative control authorities (Prudential Control Authority, Orias, DGCCRF, antitrust authority) and support as part of these controls and any consequences on the insurance business.

It directs and contributes to the working groups on legal topics (Group Insurance Legal Committee, WG on the marketing of unit-linked policies (UL), Quality WG, Group Compliance Workshop, Brokerage WG and Electronic Signature WG).

It also organises and coordinates training for French insurance entities of the Group and their distribution networks and particularly the network of brokers who market Groupama Gan Vie's Group insurance (training on non-life insurance, Group insurance and personal life insurance: matrimonial property regimes, beneficiary clauses, Madelin agreements, insurance bases, third-party liability, non-payment of premiums, the legal context applicable to customer protection, and implementation of the duty to advise and the pre-contractual information obligation).

Note that it is also involved in providing legal support to the Group's service subsidiaries such as Cofintex or CapsAuto, as well as support for Groupama Banque, particularly as part of the continued implementation of the reform of IOBSP intermediaries as of 1 January 2013 (participation in the approval of new IOBSP mandates and related agents and discussions about the implementation of professional capability requirements) and the marketing of SCI shares.

Lastly, it participates in the work of the FFSA (distribution commission, Legal Committee, FFSA WG, etc.) and prepares reports for the affected departments, making it possible to disseminate the Profession's position in connection with, for example, the implementation of new regulations. For this purpose, over fiscal year 2013, the most significant working groups in which the insurance legal function participated pertained to the implementation of the SEPA system, the electronic archiving of insurance vehicles, the implementation of the ACPR recommendation on customer knowledge, the bill on publicising of health insurance expenses, unclaimed life insurance policies, the future Group action system, the network compensation policy, as well as reform projects on PRIPs (Packaged Retail Investment Products – reform for improved quality of the information communicated to consumers considering the acquisition of investment products) and insurance intermediation.

### (d) Compliance with customer protection rules

In accordance with instruction 2012-I-07 of 13 December 2012 of the ACPR, the application of customer protection rules and their insertion into the internal control system are now presented in a dedicated questionnaire that must be communicated to the supervisory authority each year. For fiscal year 2012, the questionnaire was sent to the ACPR by the Group's subject entities no later than 30 September 2013.

As part of a system for continuous improvement of procedures implemented within the Group on the subject, an action plan aiming to reinforce the compliance of the corresponding systems was approved by the Steering Committee and the Group Executive Committee on 14 and 22 May 2012 respectively. In 2013, it was regularly monitored by the Group, in the Operational Risks Committee, Control and Risk Management WG and "Compliance" workshops, in connection with bilateral talks with each company.

1
2
3
4
5
6
7

### (e) Application of tax regulations

#### Corporate income tax

##### TAX CONSOLIDATION SYSTEM

The Group Tax Department within the Groupama SA Finance Department is in charge of ensuring that the tax consolidation rules are applied (Article 223A *et seq*. of the General Tax Code) for the Group formed at the taxation level by Groupama SA, as parent company, the regional mutuals, and its 34 subsidiaries consolidated as at 31 December 2013, as well as the holdings of Groupama Holding and Groupama Holding 2.

This includes calculating the scope, reviewing the calculation of the provisions for the corporate income tax of the parent company and its main consolidated subsidiaries and the regional mutuals; and supervising remote reporting procedures.

##### DOCUMENTATION AND ELECTRONIC ARCHIVING PROCEDURES IN TERMS OF COMPUTERISED ACCOUNTING RECORDS

In communication with the companies and the tax group of GIE Groupama Supports & Services, the Group Tax Department helps to define and monitor the implementation of documentation and archiving procedures in terms of computerised accounting records, as required under tax law, particularly as part of dedicated "CFCI" (Computerised Accounting Tax Audit) committees for each French entity.

##### GROUP COMPLIANCE WITH THE US "FATCA" (FOREIGN ACCOUNT TAX COMPLIANCE ACT)

Following the latest texts and agreements reached in 2013 on the US "FATCA" regulations (see US law adopted on 18 March 2010, expected to enter into force in 2014), the main obligations for the financial institutions concerned (banks, life insurers and Asset Managers mainly) are the following:

- identify their "US persons" customers on the basis of various signs of US status;
- report information to the US tax authorities on these customers and their policies, keeping in mind that the first report is expected in 2015.

To meet these obligations, a Steering Committee led by the Group Tax Department was put in place during fiscal year 2013. At first, its role is to monitor the establishment of the FATCA scheme in the Group and in particular:

- validate the scope of the Group entities concerned, in France and abroad (Expanded Affiliated Group "EAG");
- organise the procedure for registration with the US tax authorities (internal Revenue Service or IRS) for the EAG scope, subsidiaries and Groupama SA, which will occur during the first quarter of 2014.

### (f) Financial Ethics

An ethics audit to prevent insider trading has been implemented within the Steering Committee and some divisions and departments of Groupama SA that are exposed to this risk. 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 by an agent at Groupama SA. Under the procedure adopted, the Groupama SA Managers concerned must sign a "Confidentiality Agreement" and report periodically on their financial activities.

### (g) Fight against money laundering and terrorist financing

In terms of anti-money laundering measures, the Group General Secretary (the Group Legal Department) coordinates corporate policy, working with the Permanent Control and Compliance Department, the International Subsidiaries Department, and a network of officers responsible for anti-money laundering and terrorism financing activities in the regional mutuals and the insurance (in France and internationally), banking and asset management subsidiaries.

Hence, the Group Legal Department:

- monitors changes in regulatory and professional provisions in the matter and provides support and assistance to the Group entities concerned in preparing their plan;
- promotes the harmonisation and consistency of procedures, the dissemination of good practices and inter-professional exchanges and ensures the coordination of the network of Group anti-money laundering officers in the form of periodic meetings, regular communications and a newsletter;
- presents half-yearly performance indicators to the Executive Management and develops an annual report for the Board of Directors of Groupama SA on the actions carried out within the Group;
- pilots various IT projects to equip the affected companies of the Group with systems to automate the vigilance required by law; a tool for detecting sensitive individuals in customer databases and a single database of suspicion reports are operational; a tool for profiling the customer relationship based on an approach by risks, permitting the detection of anomalies, has been placed in production for banking businesses and is being implemented for the life-savings businesses;
- steers the establishment of anti-money laundering and financing of terrorism training.

In addition, working meetings dedicated to operational monitoring are organised with representatives of the concerned departments of Groupama SA, Groupama Gan Vie, Groupama Banque, the regional mutuals and the distribution subsidiaries.

This organisation was supplemented in 2013 by the establishment, at the central level, of a committee for guidance and monitoring of the fight against money laundering and terrorist financing responsible for monitoring and coordinating the actions carried out by the various functions and entities involved in this area.

The subject entities provide permanent and periodic control of implementation of the internal procedures in these areas and take the required corrective measures in the event of anomalies.

### (h) Protection of medical data

Work on credit life insurance has led the partners (ministry, banks and insurers, patient and consumer associations, etc.) to append to their first so-called Bélorgey agreement a Code of Good Conduct detailing the measures that must be put into place concerning processes for collecting, processing, circulating, and archiving personal medical data. This bill was approved by the CNIL and appended to the law of 4 March 2002 relating to patient rights. It was renewed without amendment in the appendix to the two AERAS agreements that succeeded the Bélorgey bill in January 2007 and February 2010.

Group recommendations were disseminated from 2003 by the Business Department or entity concerned (circular C.17/2003), clarifying the procedures for implementing laws in effect on doctor-patient secrecy and, if necessary, requirements on sensitive data (Civil and Criminal Code, Public Health Code and Medical Ethics Code, law on computer and freedoms, law on patient rights and Code of Good Conduct).

It is the responsibility of the various Group companies to implement these recommendations (regional mutuals and subsidiaries), in partnership with the medical advisers and in collaboration with the Group's compliance unit, the Group's Data Protection Correspondent ("ITF agent"), and the Claim and Cost Control Division of the Insurance, Banking, and Services Department. Support is offered to those companies that request it. Implementation follow-up is done through self-assessment questionnaires sent to the companies every two years.

The last survey confirmed the commitment of the companies and the high level of compliance on the part of the Group, and it made it possible to propose five new areas for improvement, specifically with regard to the recommendations cited in June 2010 by the CNIL in its report submitted to the FFSA following the surveys it carried out with banking and insurance companies: securing management offices and methods of communication, improving reliability among units of medical consultants who are responsible for maintaining confidentiality and procedures authorising personal health data, rules that must be observed when performing IT tasks.

Medical confidentiality training is provided by the Individual Insurance Department (Department in change of the Health and Protection business lines) and the Claims and Cost Control Departments (Bodily and Protection Sector). Since 2009, an e-learning training kit for the Group's sales teams has been made available to the regional mutuals and Group companies in France.

Simultaneously, a comprehensive survey of the claims management tools that may be part of the processing or may include medical information was conducted in 2009 by the Claims and Cost Control Department of the Insurance, Banking and Services Department. The procedures established involve, first, creating physical security for personal data via a "medical bubble", which is the most representative feature, and, second, restricting the sharing of sensitive information to that which is absolutely necessary for its processing.

### (i) Delegation of authority

The current authority delegation procedure set up within Groupama SA in collaboration with the Group Compliance Department is as follows:

- it is based on the line of command;
- it relies on a network of authority delegation correspondents appointed in each of the main French subsidiaries and departments of Groupama SA;
- the authority delegation requests stem from the sectors concerned, according to their requirements, and are established according to a list compiled and controlled by the Legal Department. They fall into three separate categories: delegations of authorities as such, signature delegations and proxies. Only the delegation of authority entails the transfer of responsibilities, notably on the penal level.

Lastly, each Group company has been required to ensure that a consistent authority delegation system had been set up, in keeping with its organisational model based on the procedures implemented by the Legal Department of Groupama SA.

The Legal Department of Groupama SA, in its capacity as custodian of the chain of delegations, ensures the overall consistency and updating of the authority delegation system.

### (j) Application of the "IT and Freedom" Act

The Group Executive Committee (GEC) meeting of 22 November 2006 decided to appoint a Group Data Protection Agent (CIL) to represent the Group on the National Information Technology and Freedom Commission (CNIL). This Data Protection Agent (CIL) assumed its duties in March 2007. It works in favour of Groupama SA and 43 Group entities (regional mutuals and France and Overseas subsidiaries) compared with 47 in 2010 following on from:

- the merger of regional mutuals (Groupama Alpes Méditerranée with Groupama Sud, Groupama Grand Est with Groupama Alsace);
- the sale of Groupama Private Equity;
- and the takeover of part of Gan Eurocourtage by Groupama Gan Vie.

The responsibilities of the Data Protection Agent are:

- preparing a list of all the processing done by every entity in the Group and provided to the CNIL Commission, appointing a Data Protection Agent, thereby releasing those entities from the requirement to send reports to the CNIL;
- auditing the data processed for compliance with the IT and Freedom Act;
- conducting post-audits;
- preparing an annual report for the CNIL and Executive Management;
- disseminating the IT and Freedom culture: training actions and tools; guides, procedures and Codes of Good Conduct;
- advising the Group entities on the application of the law;
- alerting Executive Management to any anomalies noted.

The Data Protection Agent relies on a network of internal correspondents (CRIL): one correspondent per entity and nine at Groupama SA within the sectors conducting sensitive processing operations (HR Department; Individual Insurance Department; Professional Insurance Department; Business and Local Authority Department; Claims and Cost Control Department; Project Management Department of the Insurance, Banking and Services Department; Marketing and Distribution Department; Group Communication Department; Group Audit, Risks and Control Department) responsible for relaying the agent's actions within their entity or department and with whom the agent communicates regularly. This network changes based on the Group's organisational modifications. The Data Protection Agent (CIL) gathers it together twice per year.

In 2013, the Data Protection Agent (CIL) drafted and sent the sixth annual mandatory report to the Groupama SA Executive Management. The Data Protection Agent (CIL) presented it to the General Secretary of Groupama SA and sent it to the Chief Executive Officers of Groupama SA, the regional mutuals and subsidiaries. This evaluation is available to the CNIL Committee.

The primary initiatives launched in 2013 by the Data Protection Agent (CIL) were to:

- distribute a "Sensitive data: comment areas" guide to the network of CRILs and all employees with access to the Groupe Kiosque intranet;
- distribute a "Personal rights: right to access" guide to the network of CRILs;
- distribute a "Sensitive data: free comment areas, how to manage the compliance of free comments in CRM" guide to the network of CRILs and CRM administrators.

This guide accompanies the start of production of a tool, requested by the Data Protection Agent (CIL) and developed by Groupama Supports et Services, permitting control of the comment areas in CRM likely to be non-compliant and requiring a verification or correction action (controls at a frequency defined by the entities);

- produce an e-learning tool on the protection of personal data intended for all employees of the Group and available through the Groupama University platform; in 2013, 2,500 individuals completed all or some of the modules offered by this tool;
- prepare a "Sensitive data: health data" guide to be finalised and distributed in the first half of 2014;
- lead training and/or awareness actions on personal data protection:
  - train new relay and alternate correspondents appointed in 2013,
  - organise biannual meetings for relay correspondents,
  - carry out awareness actions with around 30 people both at Groupama SA (particularly the Management Committee of the Marketing and Distribution Department, Group Operational Risks Committee, Ethics Committee) and at the subsidiaries.

The Data Protection Agent (CIL) also performed compliance audits alone or in collaboration with the firm Ernst & Young:

- at Amaline on the scope of the subscription and management of insurance policies;
- at Groupama Rhône Alpes Auvergne et Groupama SA – Claims and Cost Control Department on the scope of processes to fight internal and external fraud;
- at Gan Patrimoine on the scope of communication and commercial prospecting processes.

These audits were conducted as part of action plans overseen by the Data Protection Agent, namely for entities audited in:

- 2011: Groupama Centre Manche and Groupama Nord-Est;
- 2012: CapsAuto, Cigac, Groupama Loire Bretagne;
- 2013: Amaline and Groupama Rhône Alpes Auvergne.

The action plans related to audits conducted in previous years at Mutuaide Assistance, Groupama Paris Val de Loire, et Groupama Indian Ocean were closed in 2013 following the compliance actions taken.

In consultation with the Permanent Control/Compliance Department and according to the methodology adopted by the Group for risk mapping and control plans, the Data Protection Agent established a permanent control and Data Protection compliance system intended for the network of CRILs, together with their internal controllers and Safety Manager. This plan, aiming to perform a regular check on the subject, should be gradually implemented in 2014 by the entities for a first report to the Data Protection Agent in early 2015.

The Data Protection Agent (CIL) took strong actions through various professional bodies (UDA, AFEP, FFSA, AFCDP) in order to influence:

- regulatory changes pertaining to insurance businesses and under discussion at the CNIL.

  These efforts thus allowed the CNIL to publish two simplified standards in July 2013: one (Simplified Standard 16) related to the insurance business, services, assistance and reinsurance, the second (Simplified Standard 56) related to the management of customer relations and commercial prospecting;
- the draft European regulations on personal data protection.

On 25 April 2013, the CNIL authorised the companies of the Groupama group involved in the fight against money laundering and terrorist financing to process data deviations with the single authorisation AU003 of the CNIL.

## 3.4.4 MANAGING ASSETS AND LONG-TERM FINANCING

The Group Finance Department (DFG) is responsible for managing the assets and long-term financing of Groupama SA and its subsidiaries.

### 3.4.4.1 Managing financing and owned interests

The Investment Department ("DI"), which is part of the Group Finance Department, is responsible for the following:

- monitoring the management of debts of Groupama SA and its subsidiaries;
- the ongoing financial monitoring of subsidiaries and strategic holdings that are specific to the Group;
- calculating the value of the entities recorded on the annual balance sheet of Groupama SA, by preparing an annual valuation report. The work of Groupama SA and its subsidiaries and strategic holdings is calculated every year in order to:
  - perform impairment tests under IFRS on any existing goodwill in collaboration with the Group Accounting Department,
  - update the liquidation rate of the intra-group securities in the investment reports of the shareholding entities and the regional mutuals, as these values are used for internal stock and bond reclassification transactions and also to meet regulatory requirements,
  - meet the requirements of the Autorité des Marchés Financiers ("AMF") relating to the liquidity commitment of the Groupama SA share in the "Employee stock ownership savings plans" and "Agent shareholders".

The operating subsidiaries were valued based on the following:

- life insurance companies: by calculating the values of in force and new business of each entity in accordance with the standards and methods defined by the Group Actuarial Department, under its supervision;
- non-life insurance companies and other operating companies: by discounting the dividends expected from future periods as shown in the entities' Business Plans; this is the method used by the Investment Department.

The valuation work is audited by an independent consulting firm every five years.

In addition, the M&A team of the Investment Department takes part in the valuation of potential targets (work conducted by the Mergers and Acquisitions Department) within the scope of Group acquisition projects or the sale of subsidiaries or equity interests.

### 3.4.4.2 Monitoring investments

#### (a) Methods used to measure, evaluate and control investments

For the management of long-term assets, the Group Finance Department has assigned:

- to Groupama Asset Management the financial management of listed securities (equities and fixed-income products);
- to Groupama Immobilier the management of investment property.

Within the Group Finance Department, the Investment Department is responsible for monitoring these duties (see 3.4.4.2 c). It is also responsible for monitoring the Company's cash position, investment management and the filing of reports to the Steering Committee.

Every year, the authorised Asset Managers send to the Group Finance Department a report on the management of the long-term assets belonging to Groupama SA, indicating in particular the procedures used to measure, evaluate and monitor investments.

The Investment Department monitors the quality of Agent shareholders based on its own management, performance monitoring, and reports submitted by each Manager.

For Groupama Immobilier, a monthly Operating Committee meeting brings together its representatives and those of the Group Investment Department and validates the proposals. The lease management tasks of Groupama Immobilier are defined in a lease management The asset management tasks of Groupama Immobilier are defined in an asset management order. Finally, this Manager is certified ISO 9001-2000 by the AFAQ, for all real estate management activities.

The realisable value of investment properties is determined on the basis of the five-year independent appraisal conducted by an expert approved by domestic regulators (Autorité de Contrôle Prudentiel et de Résolution, in France). During each five-year period, the real estate is subject to an annual appraisal certified by the expert.

#### (b) Monitoring transactions on forward financial instruments (FFI)

Transactions on FFI can be initiated in connection with the policy approved by the Board of Directors and in compliance with the risk policy.

This refers to the following risks:

- interest rate risk and inflation;
- credit or counterparty risk;
- equity market risk;
- foreign exchange risk.

These transactions are all covered under the FFI Decree of4 July 2002. As the case may be, they may be delegated to the Asset Managers, in accordance with the terms of the management mandates. The Investment Department is in charge of strategy accounting documentation.

#### (c) Assessing the performance and the margins of the financial intermediaries used

Every year, the managing agents assigned to manage the securities submit a report to the Group Investment Department assessing the performance and the margins of the financial intermediaries used.

### 3.4.4.3 Internal control of investment management

#### (a) Organisation of responsibilities amongst the players involved in the investment management process

The investment management process is based on a strict separation of tasks among the entities involved: the Investment Department, the Group Financial Controlling Department, the Asset Managers and custodians/depositaries:

- the Investment Department is in charge of asset/liability modelling and the appropriation of assets, managing relations with service providers, monitoring the recording of investment income/loss and the drafting of an asset report;
- the Asset Managers are responsible for building up portfolios and choosing securities up to the strict limits imposed by the mandates, executing transactions, submitting transfer orders and preparing detailed reports for the Group Investment Department;
- the custodian/depository is responsible for settlement/delivery, the custody of securities and transmitting transfer orders to the Group Financial Controlling Department;
- the Group Financial Controlling Department is responsible for inputting and validating accounting transactions, various reconciliations and releasing the financial statements.

#### (b) Managing powers to authorising officers

The list of persons authorised to pass orders on financial accounts is kept up-to-date by the Group's General Secretary, on proposal of the Group Accounting Department under the authority of the Group Chief Financial Officer.

The same applies to the list of individuals authorised to issue put or call transactions, upon approval by the Investment Department and the Chief Financial Officer.

#### (c) Control of managing agents and managing investments

##### Control of managing agents

Management authority is formalised in connection with the mandates signed by the Group Chief Financial Officer.

These agreements are proof of the financial management delegation given by the entities to the management companies. They are designed to meet the desired conditions of each entity, in accordance with the regulations in force.

They spell out the following:

- the management objectives, the transactions authorised and the limits;
- the management structure and the information in the mandate;
- the obligations and responsibilities of each of the parties;
- technical constraints:
  - liquidity ratios of the interest rate instruments and equities by defining holding limits based on the capital and/or the float, and constructing and managing "liquefaction" curves of the portfolios,
  - internal risk scatter ratios of the interest rate instruments and equities,
  - benchmark in terms of risks, duration, rates and currencies;
- the terms for compensating the agent and the depositary;
- management procedures: committees (role and meetings held), financial reports to the principal;

1 2 3 4 5 6 7

› other practical conditions (duration of mandate, termination terms, etc.).

The Investment Department monitors the management companies on an ongoing basis for compliance with the objectives in terms of compliance of portfolios with the regulations applicable to the assets representing insurance commitments.

In terms of internal control of asset management transactions:

› companies managing securities portfolios are subject to oversight by the AMF and have their own internal control systems that include, in particular, monitoring nominal amounts of transactions and all cash flows, confirming transactions with all counterparties, complying with the "Chinese wall" separating the front and back offices, and the interdepartmental nature of the organisation of the middle office and the back office, the security of computer systems and the protection of access codes and surveillance of atypical behaviour. They have also established their own control systems for monitoring the proper application of the mandates;
› the principal depositary of the entities in the Group, Groupama Banque, as well as the depositaries outside the Group, are subject to oversight by the French Autorité de Contrôle Prudentiel (ACPR). In particular, Groupama Banque has its own internal control system and verifies the powers of authorising officers.

### Financial management procedures

Under its temporary management, Groupama SA has introduced management tools, including the following in particular:

› calculating income statements and estimated balance sheet items based on technical and financial assumptions corresponding to a central scenario;
› monitoring capital gains and losses in the securities portfolios and monitoring the need to book provisions for contingent payment risks;
› setting monthly performance indicators on the status of the assets and tracking them for achievement or estimated achievement;
› regularly updating estimated cash flow.

The Investment Department is responsible for internal and regulatory reporting procedures:

› reports on financial policy to the Boards of Directors of Groupama SA and every agent company;
› contributing to the annual solvency reports of Groupama SA and every agent company.

### Permanent oversight of investment management

This oversight is done through committees in charge of monitoring, decision-making and validation:

#### ASSET ALLOCATION COMMITTEES

Decisions to allocate assets and record investment income/losses (capital gains programmes, etc.) are made at meetings of the Asset Allocation Committees attended by the Group Chief Financial Officer, the Investment Director, the Investment Manager, the Asset/Liability Manager or their representative, the Chief Executive Officer of the subsidiary and the concerned Managers of the subsidiary or their representative. Their primary objectives are to make Asset Allocation decisions and to record the financial results (including capital gains programme).

A similar procedure exists with the main foreign subsidiaries in connection with International Subsidiaries Department (see 3.4.1.3 b).

#### SECURITIES INVESTMENT COMMITTEES

The asset management and allocation staff meets with these committees. They implement decisions taken by the Asset Allocation Committee and oversee management operations.

#### PROPERTY INVESTMENT COMMITTEES

The Property Investment Committees hold quarterly meetings.

In these meetings, the members examine reports on the economic situation, management and performance reports, updates on the estimated budget and projects under way (disposals, investments or work in progress). Acquisition or disposal operations less than or equal to €25 million must be authorised by the empowered person (Chief Executive Officer of the owning insurance company or other person authorised by delegation/subdelegation); beyond this amount, they must be authorised by the Boards of Directors of the company concerned. The committee prepares a proposal for validation by the body concerned.

## 3.4.5 RISK MANAGEMENT

### 3.4.5.1 Risk policy

The Group risk policy is the basis for risk management at both the Group level and the entity level. It defines the consistent approach to managing the Group's risk on its entire scope and its business lines by risk family (insurance, market, operational).

The Group risk policy, updated particularly with the development of limits on financial assets (see point 3.4.2.2 – Group Financial, Insurance and Operational Risk Committees and point 3.4.5.2 – Risk Tolerance), was approved by the Groupama SA Board of Directors on 18 September 2013.

The Group's entities also formalised their risk policy, on the basis of the risk policy of the "pilot" entity developed in early 2011, consistent with the Group risk policy. At the end of 2013, almost all of the Group's entities had it approved by their respective Board of Directors.

The additional work aiming to formalise the corpus of documents, justification for the practical application of the risk policy at the Group level was reviewed in 2013 and made available for adaptation within the Group's entities.

### 3.4.5.2 Risk tolerance

The Group's conceptual Risk Tolerance framework was approved by the Board of Directors on 23 November 2010. This framework features three risk indicators: the IFRS combined financial results, the IFRS combined shareholders' equity and the combined statutory solvency.

Priority was given in 2012 to financial assets with the definition and validation of a framework of limits for all of the Group's financial assets and a goal of establishment at the end of 2013.

More specifically, the framework of limits of financial assets distinguishes primary and secondary investment categories:

- primary categories present a systemic risk and pertain to the major asset classes (equities, property, private bonds, government bonds and cash);
- secondary categories have the objective of limiting concentrations (countries, currencies, sectors, asset types, issuers, securities, etc.) and controlling liquidity. They focus on characteristics attached to the security or the issuer and are subdivisions within primary categories. They are expressed either in the form of a maximum for the risk assets or in the form of a minimum (liquidity or less risky assets in relative terms).

In 2013, the work focused on:

- adaptation of limits by entity in compliance with the Group limits;
- development of Group reporting;
- operational implementation through the monitoring of its limits within ad hoc committees (Group Financial Risks Committee and Group Risks Committee);
- as well as the continuation of the RACR project (Regulatory Capital-Adjusted Profitability) with, based on actual and projected data on the Regional Mutuals Division, consideration of the regulatory capital requirements as part of the evaluation of the target objectives by non-life business line.

### 3.4.5.3 Quality of data

To satisfy the Solvency II requirements aimed at guaranteeing and demonstrating that all data used to populate the three pillars of Solvency II are of high quality, the Group launched a plan in 2011 to improve data quality in an effort to strengthen and formalise its current programme. This programme is jointly managed by the partial internal model project team from the Group's Actuarial Department, the Group Risk Management and Permanent Control/Compliance Departments, Groupama Supports & Services, the International Subsidiaries Department and the Group Financial Controlling Department (S2 data quality team project owner), which coordinates it.

The priority identified for the operational implementation of the Solvency II data quality policy was given to the scope of the non-life partial internal model (see 3.4.5.6 below), *i.e.,* the non-life liability data (premiums, provisions, disaster) on the scope of business contributed by the regional mutuals and Gan Assurances, as well as data from the Risk Geolocation Data Production and Development worksite.

The Group's data quality plan is based on a data quality policy that translates into:

- data quality principles;
- data quality governance and organisation;
- development of a dictionary of data used by the non-life internal model, intended to be extended after 2012 to life insurance business data and asset data;
- instituting data quality solutions embodied in a set of tools and methods to evaluate quality as defined by Solvency II, and regularly measure and track improvements within the Group.

Data quality principles applicable to all Group companies, all risk families and all types of data, both internal and external, were therefore formalised and disseminated to all French entities in the fourth quarter of 2011. This "Solvency II Data Quality Group Policy" was updated in the 4th quarter of 2013 and distributed to all Group entities. These key principles strive to define criteria to understand data quality in terms of completeness, relevance, accuracy, and traceability by auditors.

The data quality governance and organisation approved by the Group's executive bodies in July 2011 rely on:

- the Group Data Quality policy (last version validated on 16 October 2013);
- a Group Data Quality Committee that reports directly to the Group Risk Committee. This committee met for the first time in November 2011. Three CGQG meetings were held in 2013. The concept of Group control and an initial version of the report to this committee were defined and validated;
- a data quality Group coordination team, made up of representatives of the Group Actuarial, Investment, and Group Permanent Control/Compliance Departments, Groupama Supports & Services, International Subsidiaries Department and Group Financial Controlling (DPRG), which organises and coordinates it;
- regular holding of working groups of the Data Managers of the various entities and functional areas. One meeting was organised in 2013 by the DPRG;
- and a network of data quality providers operating within companies of the Group or departments of Groupama SA and working on the Solvency II project on the partial internal model, the standard form and the Pillar 2 and 3 data:
  - the Data Manager, who serves as "Quality" Manager for the Company, is tasked with ensuring that the controls have been deployed in the Company and relies on them to be assured of the "data owners"; Data Managers of all Group entities were appointed as well as Data Managers of the data functions at the Groupama SA level,
  - and the data owners who guarantee the data produced and must implement detailed quality measures, report on the results of their analyses to the Data Manager who then centralises them and proposes any necessary solutions for improvement.

Solvency II data quality governance principles implemented in the regional mutuals were approved by the Group's executive bodies in December 2011, and were deployed in one "pilot" regional mutual in the first half of 2012. Extension to the other regional mutuals was carried out during the second half of 2012 and should be completed in the first half of 2014.

Since the end of 2012, the operational implementation of the data quality approach on the priority scope of the non-life internal model has been completed: data dictionary, data collection process documentation, analysis of existing controls, profiling of data files populating the partial internal model, diagnostic of the existing situation and development of action plans. The main areas for improvement pertained to the automation of data collection, archiving under the CFCI standard (Computerised Accounting Tax Audit), deployment of Group controls (uniformity of the requirement) and adjustment of the first tolerance thresholds.

A complementary action plan was implemented in 2013 following the two reports of the ACPR concerning data quality and provided on 31 December 2012 on conclusion of its involvement in the Non-Life Internal Model pre-candidacy. Groupama has committed to provide to the ACPR on an annual basis information to measure data quality at the end of each annual collection campaign as well as a progress report on the main action plans in progress (for 2013, this information was sent at the end of October 2013).

1
2
3
4
5
6
7

Expansion to the international entities was initiated in 2012. The deployment project is monitored by the teams of the International Subsidiaries Department jointly with the Group Financial Controlling Department. The approach has been particularly strengthened since 2013 on the Italian subsidiary, which incorporates the scope of application of the partial internal model.

### 3.4.5.4 Global monitoring system

The Group's risk monitoring system, which is based on the shared mapping of risks for all Group entities integrating the risk classification of Solvency II, is based on a network of risk owners; the entire system is managed and coordinated by the Risk Management and Permanent Control/Compliance Departments of the Group.

The identification and monitoring of major risks is conducted at entity level and at Group level. At the Group level, a major risk is defined as one whose occurrence would have an unfavourable impact of more than €100 million on the Group's net position or that would have a significant impact on the Group's reputation or image. The risk owners establish risk control plans, which are implemented within the Group's entities.

Committees specialised by risk family (insurance, Financial and Operational) are responsible for steering the Group's risk oversight programme, which, at the Executive Management level, is handled by the Group Risk Committee (see 3.4.2.2).

Moreover, in addition to specific oversight of major Group risks, risk tracking programmes are developed in detail by area below (see 3.4.5.4 *et seq.* below).

Non-life insurance risks, for example, rely on the joint involvement in the Business Departments of Group companies, Business Departments, the Group Actuarial Department and the Reinsurance Department to provide a framework for the subscription process, incorporate prevention into the subscription process, disseminate best practices, study insurance rates, profitability and supply, analyse engagements, manage overall exposure and calibrate protections.

### 3.4.5.5 Risk Management related to the Insurance Business Departments

The "Insurance, Banking and Services" Department includes an Insurance Division (excluding agriculture) with Market/Business Departments (individuals, Professionals, and Companies and Local Authorities) that handles property and individual insurance, an Agricultural Department to reinforce Groupama's positioning on the Agricultural world, and cross-disciplinary departments (Marketing and Distribution Department, Project Management Department, Quality, Methods and Budgets Department, and Steering, Operational Strategy Planning and Coordination Department) to support the development of the Business Lines.

The Groupama SA Insurance, Banking and Services Department assumes, on behalf of the French entities:

- a role of orientation in the definition of the risk management policy of the business line in question, through limits and exclusions;
- a role of issuing alerts in their areas of expertise;
- coordination of the design of products and pricing structures;
- evaluation of the relevance of the guarantees and pricing (balance between the competitiveness of the offering and the level of results) and proposal of necessary adaptations;
- subscription and portfolio monitoring policies;
- definition of prevention rules;
- ongoing monitoring of any legislative or regulatory trends, in consultation with the Group Legal Department within the General Secretary;
- support for the training of stakeholders of the entities on the risk (salespeople, underwriters, contract Managers, experts, claim Managers);
- steering of portfolio profiles, results and forecasts (and comparison with market trends).

The Insurance Business Departments also have, based on their specific characteristics, a particular role in terms of risk control, through a joint underwriting activity (double risk analysis in order to secure the decisions on the biggest commitments made by the various entities) or the provision of tools permitting the application of underwriting rules (for example, scoring tools).

For the international subsidiaries, the International Subsidiaries Department plays an equivalent role in terms of supervision of the underwriting policy. It asks as a relay and ensures compliance with the Group's instructions among the international subsidiaries regarding the underwriting and risk management policy. Each subsidiary defines its risk and underwriting policy according to the characteristics specific to its market and based on the strategic development plan approved by the International Subsidiaries Department, taking into account the overall risk limits and the general underwriting policy of the Group. Based on the regulations in force, these policies may be submitted to the local supervisory authorities for information or even approval.

Any request for exemption coming from the international subsidiaries from the delegations initially granted under the risk and underwriting policies is previously examined and approved by the International Subsidiaries Department in collaboration with the affected Business Departments of the Group.

#### (a) New product design

A standard process for any creation of a new product at the Group level or any change to an existing product that alters its economic balance was validated at the end of 2013. It takes changes in the Group's organisation into account. This process is applied across several scopes:

- property and casualty products of the regional mutuals;
- property and casualty products of the French subsidiaries (Gan Assurances and Amaline);
- products of Groupama Gan Vie;
- property and casualty products of the international subsidiaries;
- Life products of the international subsidiaries.

It provides for several steps, each approved in a determined committee (Operational Committees, Steering Committee, Group Executive Committee):

- the project framework incorporating the preliminary studies (opportunity study, customer segmentation, main product characteristics, etc.) and the product's economic model;
- the detailed design including the deployment schedule;
- production of deliverables intended for customers and salespeople with formal approval of the Group Legal Department and the Compliance and Risk Management Department;

- IT developments;
- the commercial launch file.

Any new products must also undergo an assessment at the end of the launch period, and its results must be monitored over the years.

The Group Insurance Risk Committee ensures the proper monitoring of the process.

### (b) Underwriting management

Underwriting risk is defined as the risk that the premiums will not cover the year's claims and provisions. In addition, it must take into account future claims beyond the annual horizon used to measure the solvency requirement.

As a multi-line insurance group, Groupama seeks to be involved on all insurance business lines and associated services. Management of the underwriting risk is based on three pillars:

- clear definition of the risks to be underwritten and the excluded risks by Business Line/Market;
- systems established at the Group and entity level for application of the underwriting and pricing policies;
- a prevention policy.

#### Underwriting policy by Business Line/Market

In Non-Life Insurance, the underwriting policy is adapted to each market and to the business lines that pertain to it.

**ON THE INDIVIDUALS MARKET**

The offered policies are mainly motor insurance, "multi-risk home", and third-party liability.

These risks are high-frequency mass risks little affected by issues of individual costs of claims and therefore underwriting limits. For those potentially concerned, the underwriting policy defines the risk selection rules. Conversely, they include loss experience frequency problems particularly because of natural events.

**ON THE AGRICULTURAL MARKET**

The proposed policies cover:

- climatic multi-risk for crops: the main crops are insurable either in climate multi-risk or in hail;
- risk of mortality and damage to livestock resulting from an accident or illness (excluding illnesses known to be contagious);
- the Tractors and Agricultural Equipment (TMA) risk, which is open to all farmers or agricultural work companies and to foresters and landscapers;
- property damage/third-party liability risk (professional third-party liability, product liability, etc.) and financial protection for the activities of agricultural professionals.

**ON THE PROFESSIONALS MARKET**

The offered policies cover several types of risks:

- in Construction, builders' and contractors' site risks and comprehensive building site risks as well as liability risks (traditional for a professional activity and compulsory as part of ten-year civil liability) for construction professionals;
- risks related to any professional activity through Professional Multi-Risk for tradesmen (Artisans, Shopkeepers and Service Providers);
- for automotive professionals (garage insurance), risks related to any professional activity excluding private risks;
- for Non-Resident Owners, risks related to properties rented out by a non-resident owner and risks related to be buildings subject to the condominium scheme.

**ON THE BUSINESSES AND LOCAL AUTHORITIES MARKET**

The offered policies cover Businesses and Local Authorities for:

- Property Damage;
- Third-Party Liability, usually taken out in addition to Property Damage;
- Vehicle Fleets.

In addition to insurance guarantees, services can also be offered (prevention services in particular).

For Business risks, Groupama's historical target is the French agri-food sector.

For Local Authorities, Groupama's historical positioning has always been related to the rural world, and, as a result, our portfolio is still made up of mainly small communes. In addition, Groupama also has a large presence in the association world.

In Life Insurance, the Group offers individual savings and pension policies, individual death protection policies, Group retirement policies and death protection policies underwritten as a group.

In Individual Non-Life Insurance, the Group offers individual "supplemental health" policies, individual protection policies covering risks of incapacity, disability, long-term care and everyday accident (GAV policies), Group "supplemental health" policies taken out by companies for their employees, Group protection policies taken out by companies for their employees and covering them in case of work stoppage (risks of incapacity and disability) and protection policies for officials of local authorities (APC).

Health insurance comes in addition to a basic plan. Since the implementation of supplemental Group policies in 2002, there are no longer selection rules during subscription. Thus, the Group's policies no longer have a medical questionnaire, just like the practice followed by nearly the entire market. In addition, the policies' covers are lifelong covers the Evin law, which means the absence of risk monitoring actions in the portfolio.

#### Systems for application of underwriting and pricing policies

At their level, the subsidiaries and regional mutuals specify their underwriting policy in coordination and as part of the principles defined by the Business Departments and the International Subsidiaries Department (depending on the case). They implement the systems necessary for respecting this policy in the selection and pricing of risks.

With regard to the regional mutuals, the General Reinsurance Regulations supplemented by product guides drafted by the Business Departments define the risks covered and prohibited, the limits and guarantees and the terms for acceptance and subscription and management of claims.

As part of this, the Group's entities are responsible for underwriting, production and management of claims. All risks are managed through regularly controlled operational processes, their formalisation and any incidents are to be identified in the EU risk management tool ORop being deployed in order to make the necessary improvements (see 3.4.5.13 – Monitoring operating risks).

The entities call on the Business Departments as well as the Reinsurance Department for exceptions (new risks, risks outside limits, etc.). The Business Departments oversee these exemptions and develop the necessary adjustment measures (changes in cover, adjustment of technical balances, etc.).

In group insurance, the underwriting process is adapted to the type of offering and supervised by the tools made available to the entities; for tailored offerings (intended for businesses of medium or large size meeting precise specifications), the pricing is carried out by teams of expert underwriters.

Beyond a threshold (1,000 employees for the regional mutuals and Gan Assurances), joint underwriting is applied. As a result, indexing decisions are then taken jointly between the entity and the Business Department and Groupama Gan Vie.

For Protection risks, individual and group, medical formalities are carried out during subscription or affiliation, particularly based on the requested level of cover, the age of the policyholder or the size of the insured group. They then make it possible to select the risks upon entry into the insurance and facilitate the medical check during the payment of benefits. They therefore contribute to maintaining the balance of policies.

In Life Insurance, the risk of insufficient advice is limited through a system for certification of the networks that matches the range of offers and the skills of the salesperson who may offer them, training courses and Sales Assistance Tools permitting the discovery of customer needs, investor profile, and controlling the adaptation of certain policies to certain types of customers (for example, maximum age for certain offerings).

#### Prevention policy

Fifty years ago, Groupama was a pioneer in the field of risk prevention.

Regarding road safety, the network of Centres Centaure all over France has 12 centres providing driving training.

The Group is particularly active on agriculture risks, a historical target on which it is a leader. In this regard, the following are produced by the Agricultural Department:

- guides and manuals for prevention of various risks (based on technical studies);
- establishment and coordination of bodies of consultation and exchange with those responsible for prevention within the entities.

The Group is also active in the field of risk prevention of businesses (audit of risks before subscription and imposition/recommendation of prevention measures) and local authorities (prevention of work accidents, weather risks).

For certain risks, the Group is a leader on the market: Groupama-Predict, for example, allows communes insured by Groupama to have all the means for prevention and information necessary to cope with risks of flooding, storms, marine submersion or heavy snowfall.

Regarding health insurance, many benefits are offered to policyholders, some of which are not reimbursed by the basic plan. A website dedicated to food and health has been established. The regional mutuals regularly organise events coordinated by experts on health topics.

#### (c) Monitoring of emerging risks

The purpose of the work carried out in 2013 within the Insurance, Banking and Services Department on emerging risks was to establish a process for identifying these risks, monitoring them and subsequently evaluating them.

Initial work involved validating a definition of these risks and determining the scope of application.

A list of emerging risks was established on the Insurance, Banking and Services Department scope and classified based on the World Economic Forum's structure (Economic Risks, Technological Risks, Environmental Risks, Geopolitical Risks, Societal Risks).

The collection of emerging risks will result from the usual monitoring performed by the business lines. An emerging risk monitoring form will be completed by each business line according to a shared template and will make it possible to position the relevance of an operational deployment and possibly its quantification on each risk.

The implementation of the process is scheduled for 2014.

### 3.4.5.6 The Group Actuarial Department's Risk Management responsibilities

The risk management programme handled by each Insurance Business Department (see 3.4.5.5 above) is also supplemented by the programme being steered by the Group Actuarial Department in connection with the launch of a non-life partial internal model.

Groupama's objective is essentially to use a partial internal model once Solvency II takes effect to allow the Group and Groupama SA to ensure compliance with their regulatory obligation governing capital requirements, subject to the approval of the ACPR.

Against this backdrop, from May 2012 to May 2013, the ACPR performed an onsite check of the model on the basis of the items provided on 31 March 2012. Its conclusions, in the form of six reports related to modelling, the governance system and data quality, were taken into account as part of the 24-month corrective action plan. At the same time, the equity requirement calculations at the end of 2012 were carried out, documented and presented by the Group Actuarial Department to the Group Insurance Risk Committee.

This partial internal model addresses the non-life underwriting risks (premium risk, reserve risk and disaster risk) and contracts provided by the regional mutuals and Gan Assurances with an extension planned in 2014 to the business contributed by Groupama Assicurazioni (Italy). Based on historic claim and premium data and data on exposures, modelling consists in calibrating the claim rate levels and contingencies on these claim rate levels for all non-life offices making it possible to determine the corresponding equity requirements.

For Groupama SA, this model will reflect the underwriting risks of a reinsurer better than the standard model. For the Group, this model will also better illustrate the effects of diversification between companies. For the other risks and for solo companies, the capital requirement will be calculated based on the standard form.

In addition to the advantages provided by the partial internal model for assessing the regulatory capital requirements, work currently under way also offers more precise measurements of the Non-Life and Health underwriting risks not assimilated into the life techniques, as well as better control over our commitments and thus our rates. In 2013, they helped to fuel the work on risk tolerance (non-life insurance risk limits), allocation of economic capital by business line, contribution to studies to overhaul the General Internal Reinsurance Regulations, as well as various external outward reinsurance studies.

The work related to the partial internal model is treated and validated at a regular frequency (monthly meetings) within the Internal Model Group Committee (CGMI), chaired by the Audit, Risks and Internal Control Director. The CGMI reports to the Group Insurance Risk Committee (see point 3.4.2.2).

### 3.4.5.7 Claims management

In addition to the areas of involvement of risk control presented in point 3.4.5.5 (product design and underwriting policy), the Groupama SA Insurance, Banking and Services Department assumes, on behalf of the French entities, the definition of the claim settlement policy and a particular role in terms of risk control, through a claim co-management business.

#### (a) Claims management policy

The Group claims management policy revolves around two areas: quality management geared towards seeking solutions for the customer and establishment of levers to control the claims expense.

It is adapted around several guidelines, in particular:

- set, monitor and ensure the consistency of the claim objectives of the Group's entities;
- have global monitoring tools making it possible to identify changes in the various claim resource costs and establish corrective actions;
- have community claim management applications improving productivity and decreasing tasks with low added value;
- rely on a network of reliable service providers common to the entities;
- monitor the management of major claims and ensure control of reserves (joint management).

The operational adaptation of the Claims policy is orchestrated by each entity as part of the coordination and steering of the Claims and Cost Control Department, the Professionals Department for Construction, and the Agricultural Market Department for Large Crops.

The business involves the property and casualty branch and the corresponding tangible and physical claims. The covered scope includes France (regional mutuals, Gan Assurances, Amaline, etc.) and the international subsidiaries for certain risks.

#### (b) Principle of joint claims management in France

Joint management (also called co-management) with the Groupama regional mutuals, included in the General Reinsurance Regulations, was extended in October 2001 to Gan Assurances claim files and pertains to claims exceeding a pre-defined threshold.

Joint management aims to secure the Group's claims expense. It makes it possible to identify the most costly or complex claims, monitor their developments, supplement the analyses of liability and estimation of damages of the entities and satisfy the control imperatives of external reinsurers and Groupama SA in its role as internal reinsurer.

### 3.4.5.8 Technical reserves

As from 2006, the Group Actuarial Department (DAG) defined the framework for an annual actuarial report aimed at presenting for each of the Group's non-life insurance companies the terms for calculating claims reserves and analysing the results with specific reference to an assessment of the mathematical life expectancy for claims expenses and the corresponding reserves for risks and uncertainties. Therefore, the DAG receives and verifies actuarial reports from the companies each year. Some of these reports (Groupama SA, Gan Assurances and Groupama Assicurazioni, companies included in the scope of the internal model and Groupama Protection Juridique) are the subject of external certification (in 2013, by the firm Milliman).

Because Solvency II introduced new funding requirements for technical reserves, the actuarial report has been adapted since 2011 so that it could be used to compile the future prudential report, while maintaining its current purpose of providing support for accounting reserves. As part of this, the companies submit items to help evaluate the Best Estimate of reserves for claims and premiums according to Solvency II requirements.

In life and health insurance, the reserve methods are defined by the Insurance Department of the Insurance, Banking and Services Department, which ensures their implementation within the Group: use of experience tables certified by independent actuaries for individual policies and BCAC regulatory tables for group insurance.

In life insurance, the monitoring system for guaranteed-rate policies is part of the general monitoring system for interest-rate risks, which covers the risk of interest-rate increases or drops, as well as the risk linked to the existence of guaranteed rates in the policy portfolio. The risk is managed by the Group Finance Department for entities in France and internationally and for the Group as a whole.

At the level of the life insurance entities and the Group Finance Department, asset/liability studies are conducted for the purpose of:

- assessing their capacity to deliver competitive rates, appraising the risk of redemptions in the event of interest-rate rises and complying with the interest-rate guarantees in the event of interest rate drops;
- calibrating adapted asset strategies.

These operations are presented and validated by the management of the companies concerned within Asset/Liability Committees and Asset Allocation Committees at quarterly meetings. They are supplemented with Solvency II risk measurement.

### 3.4.5.9 Management of reinsurance

#### (a) Internal Reinsurance Management

##### Monitoring the Internal Reinsurance of the regional mutuals

Groupama SA is the reinsurer of Groupama's regional mutuals. The framework and the operating terms of Internal Reinsurance are defined in the reinsurance agreement. Correct application of Internal Reinsurance is monitored by:

- the Reinsurance Department for policy accounting issues and investments in options;
- the Insurance Business Departments for joint underwriting procedures and claims advice management. These procedures are set forth formally in section II of the reinsurance agreement entitled "General Reinsurance Regulations", the terms of which, particularly the reinsurance thresholds, are re-examined every year.

Concerning the joint underwriting activities and joint claims management, the risk management and internal control procedures are presented in sections 3.4.5.5 and 3.4.5.7 respectively.

The principal control procedures put into place by the Reinsurance Department are presented below.

INTEGRATED CONTROL

Outward reinsurance operations by the regional mutuals are calculated by a special computer application (IRIS), the database is either input or transmitted by file by the regional mutuals. Its operation is described in a detailed document. The setting of the annual reinsurance parameters (presented in the Groupama document updated annually, "Reinsurance Terms"), accessible in the application, is checked by the appropriate Managers from the regional mutuals.

Reinsured excess claims are first validated by the regional mutuals and by the Claims and Cost Control Department of the Insurance, Banking and Services Department of Groupama SA (see 3.4.5.7) based on a "Notice of Claims" application interfaced with the Internal Reinsurance application.

Non-life annuities are managed by a dedicated application interfaced with the Internal Reinsurance (IRIS) application.

Recording and policy accounting for the regional mutuals' speciality business are handled using a dedicated application (SAFARI) in which data is entered by the Internal Reinsurance Department, and verified and approved by the regional mutuals; application instructions are provided in a detailed guide, and the tool interfaces with the regional mutuals' application for calculating outward reinsurance operations (IRIS).

CONTROL TESTS

The Inward Reinsurance/Forecasts Department of the Internal Reinsurance Department controls the accuracy of the calculation rules written by the Reinsurance Accounting Department of the Internal Reinsurance Department in the specialised computer application.

The reinsurance sector of every regional mutual also monitors the accuracy of the parameters for calculating reinsurance input by the Reinsurance Accounting Department of the Internal Reinsurance Department of Groupama SA in the specialised computer application.

The results of Internal Reinsurance transactions by every regional mutual are monitored:

- by the regional mutual concerned before the statements are signed approving the contributions and claims;
- by the Analysis and Management Control Department of the regional mutuals within the Group Financial Controlling Department by comparison with the forecasts with the regional mutual and with the Groupama SA budget;
- by the Corporate Accounting sector of the Group Financial Controlling Department in connection with the registration of transactions on the books of Groupama SA.

In addition to the procedures, the policy accounts prepared by the Internal Reinsurance Department are presented to the statutory auditors, who conduct tests on the parameters set by the IRIS application and on calculation models of their choosing.

##### Monitoring the Internal Reinsurance of subsidiaries

Concerning the inward reinsurance of Groupama SA on the treaties of the subsidiaries, as for all of the Group's inward reinsurance, the External Outward Reinsurance Department ("DCER", See 3.4.5.9. b) records the accounts of the outward reinsurance companies as they are received.

Moreover, for the subsidiaries whose outward reinsurance accounting records are managed by the DCER, the checks made by the DCER (along with the estimate system) help to achieve perfect consistency between the outward business of the subsidiary and the inward business portion of Groupama SA.

The subsidiaries that manage their own assigned insurance ceded accounting records send to the DCER the data needed to make estimates in the nearer term. This task also dovetails with the work of preparing reconciliation statements for the consolidation.

#### (b) Managing the outward reinsurance operations

##### Principles and organisation governing the Group's external reinsurance

These principles are approved and updated every year by the Groupama SA Executive Management on the recommendation of the Reinsurance Department which, since 1 December 2011, reports directly to the Deputy Chief Executive Officer. Holding levels and hedge ceilings of Groupama SA and those of the Group are calculated with the assistance of reinsurance brokers based on the exposure of the portfolios in technical terms (insurance commitments) and in financial terms (amount of shareholders' equity).

The operational implementation of the general outward reinsurance policy and the guidelines adopted for every renewal follow the terms and conditions set forth in the charter "Defining the responsibilities of the External Outward Reinsurance Division". The job of determining the Groupama SA annual reinsurance scheme and for all the Groupama SA insurance subsidiaries is managed by the External Outward Reinsurance Department ("DCER") within the Reinsurance Department. This is done in coordination with the appropriate Managers of Groupama SA or of each subsidiary, based on the data related to the current insurance portfolios. Thus, every year, the DCER holds at least two meetings to determine the main features of the reinsurance scheme for the following year. For the reinsurance scheme covering the portfolio of the regional mutuals, the meetings are held with the Groupama Vice-Chairman for Reinsurance and the person in charge of Internal Reinsurance.

### Supervisory Procedures

In general, the DCER, at the Group level for wholly owned subsidiaries, monitors the standards and procedures in terms of outward reinsurance for compulsory treaties to make certain that they are applied properly and establishes monitoring of optional disposals on a declarative basis. The checks were reinforced through the implementation of new rules in 2009 on underwriting limits in direct insurance and fronting activities.

The DCER is in charge of reinsurance accounting for Groupama SA and all French subsidiaries. In this area, it verifies the claims of reinsurance policyholders, the premium bases as well as any specific information required by the reinsurers.

The DCER sets in motion the following procedures, according to the risks involved:

- for its own management transactions, on an integrated control: based on the specialised SIGRE reinsurance software, which contains oversight and alert modules;
- to control the risk of storms in France, some disaster damage modelling/simulations were created using expert software by the reinsurance brokers or by specialised agencies (such as RMS). On behalf of Groupama SA, they are also performing studies on disaster risks (earthquake, flood, etc.) of the subsidiaries exposed (Italy, Portugal, Hungary, Turkey, Greece, Romania, Bulgaria, etc.).

  In order to better understand the Group's commitments, a major study was initiated in 2009. It was continued in 2010 with an initial phase materialised on the "residential risks" and "agricultural risks" portfolio segments, which constitute the major portion of the portfolio of the regional mutuals. During 2011 then 2012, this study was expanded and finalised for all storm risks of the Group in order to have a uniform evaluation of the risks in all of the Group's entities, an evaluation shared with the Business and Operational Departments.

  The reliability of the process for evaluating commitments was thus strengthened through the audit, control of the databases and a standardised approach to valuing the amounts insured using source data. This then enables deployment of a methodology based on shared principles that still accounts for regional specificities via the use of additional parameters.

  These improved valuations were also used in connection with the Group reinsurance program to define, as precisely as possible, the modelling of a 200-year claim with the RMS modelling tool;
- to control the risk of fire in France, geolocation and research work on the maximum geographical concentration of risks is carried out with the support of reinsurance brokers. They also carry out disaster scenarios with which indications of likelihood of occurrence are associated;
- to control the management risk from entities that remain the owners of the data provided to external reinsurance, on a level 2 control implemented by it, or by and authorised third party:
  - for insurance companies in France, whose reinsurance accounting is handled by the DCER, audits of reinsurance policyholder claims, the premium base and specific data required by reinsurers,
  - for companies whose accounting is not handled by the DCER, audit of the consistency of the data necessary for reinsurance with the investment and monitoring thereof: statistical and technical data, audit of compliance with Group procedures, in terms of good outward reinsurance practices and the proper application of the security rules by respecting the list of reinsurers accepted by the Group Security Committee.

### Reporting procedures

The staff of the DCER submit weekly internal reports (investments in progress), monthly (highlights) and quarterly (accounting review at the end of every quarter) to the department head. The department head then presents an annual renewal report to the Executive Management of Groupama SA that can be updated at any time, as well as pre and post external renewal interim balance sheets. The Executive Management of Groupama SA has to approve the levels of protection and general policy guidelines for external outward reinsurance to be adjusted every year; this information is presented to the Boards of Directors of the French insurance companies in accordance with the regulations in force.

### Reinsurance report

The Groupama SA reinsurance report is prepared every year by the DCER, and then presented to the Board of Directors and sent to the ACPR. This report presents the Group's policy in terms of outward reinsurance and the terms for implementing it (including the general procedures) as well as the report on renewing the Groupama SA reinsurance scheme for the current year.

## 3.4.5.10 Investment monitoring and management

The investment management methods and control structure are described in point 3.4.4.4 (see above).

## 3.4.5.11 Risk management related to loans, guarantees and off-balance sheet transactions

Groupama SA, in its capacity as a parent holding company, handles the clearing and monitoring of financing and guarantee transactions both internally and outside the Group. The Group Finance Department, working with the Group Legal Department within the General Secretary, handles the monitoring, and a report is prepared for the ACPR in connection with the adjusted solvency file.

## 3.4.5.12 Monitoring solvency and profitability

The Group Financial Controlling Department, within the Group Finance Department, calculates the Group's adjusted solvency every year as required by regulations. This calculation is reviewed for consistency by the statutory auditors, and the DFG prepares the Groupama SA solvency report.

In addition, the Investment Department tracks the solvency of Groupama SA and its subsidiaries as well as their coverage of regulated commitments:

- solvency margins verified based on items sent by the subsidiaries;
- hedging of regulated commitments verified (sufficient nature and description of admissible items);
- verification and decision concerning the appropriation terms and conditions of the annual earnings of the subsidiaries.

The Investment Department also closely monitors the following:

- Groupama SA's equilibrium in terms of "employment and sources of funds";
- changes in the holding activity of Groupama SA;
- changes in the combined solvency margin between two accounting periods.

Lastly, the Investment Department tracks any distortion of Groupama's combined regulatory solvency margin and assesses its sensitivity as well as that of the capital surplus according to the models used by the rating agencies.

### 3.4.5.13 Monitoring of operational risks

Regarding operational risk management, the Group has developed a process-based approach methodology since 2010. The principle is based on the formalisation of the processes of each entity, the determination of operational risks likely to affect these processes and the identification of the control elements of the corresponding risks, by referring to the Group standard of reference of processes and the Group nomenclature of operational risks made available to the entity in the first half of 2011.

Regarding permanent control, the Group's actions were extended in 2013 with the continued deployment of the approach within all Group entities, in both level 1 and level 2 permanent control.

To promote, disseminate and to support those in charge that are affected by the operational risk mapping programme and permanent control plan formalisation, training and communications modules were developed. In addition, employees of the Group Permanent Control and Compliance Department (in collaboration with the International Subsidiaries Department for the subsidiaries concerned) provided year-long support to each entity in order to assist them on this project.

In terms of Business Continuity Management, at the end of 2013, the Group formalised its Group business continuity policy, which will now serve as a central theme in the implementation of the Business Continuity Plans (BCP) of all Group entities. The different features required to manage the three cases of major unavailability (personnel, buildings and IT systems) were identified. This involved the Crisis Management Plan (CMP), Communications Plan (COMP), Personnel Management Plan (PMP), Business Line Continuity Plan (BLCP), User Recovery Plan (URP), IT Contingency Plan (ITCP), Return-to-Work Plan (RWP) and Operational Readiness Maintenance (ORM).

Lastly, the deployment of the EU tool for operational risk management at the Group's entities continued during 2013. The deployed tool will provide a cross-functional view of risks at the group level and meet the requirements for securing and traceability of permanent controls.

#### (a) Methods of marketing the Company's products

The controls carried out in this area are performed in the form of internal checks by each of the Group's insurance companies.

In 2013, in connection with the operational deployment of the ACPR recommendations and the AMF position of 8 January 2013 on customer information (see Point 3.4.2.2 d), the Sales Assistance Tools and the customer relationship management tools that manage claims were upgraded in order to support the Group's sales representatives and agents in their sales and marketing approaches.

In 2014, the goal is to provide the sales and marketing networks with a customer information questionnaire common to life/banking and retirement within the Sales Assistance Tools.

Groupama SA does not have a directly owned sales force and does not distribute insurance policies directly except marginally.

#### (b) Control of logistical resources and IT systems

**Description of the internal organisation**

Since 1 July 2011, the logistical resources and IT systems have been managed by GIE Groupama Supports & Services (G2S). In addition to Groupama SA, Groupama Supports & Services handles the management of purchasing, IT systems and logistical resources for all of its members, including the regional mutuals, most of the Groupama SA French Subsidiaries and certain international subsidiaries.

The CEO and Managers comprise the Groupama Supports & Services Steering Committee.

Following the reorganisation on 1 November 2013, the Management Committee now relies on an organisation model composed as follows:

- a Management Committee for each Direction Business Department (IT, Logistics and Purchasing);
- Specific Guidance Committees by cross-functional business lines;
- a Coordination Committee for IS lines;
- an audit function reporting to the Executive Management;
- a risk management function that covers the functions of security, internal control, compliance, risk management and operational risk insurance, handled within Groupama Supports & Services by the Steering, Management Control and Risks Department.

Risk management, which covers the functions of security, internal control, compliance, risk management and operational risk insurance, is handled within Groupama Supports & Services by the Steering, Management Control and Risks Department.

- The Internal Control Division is responsible for ensuring the quality of the control environment in compliance with the requirements defined by the Group, with a monitoring role with the Executive Management concerning the effectiveness of permanent controls and the establishment of risk management systems across all departments of the Company.

  It is also in charge of maintaining Business Continuity Plans in operational condition.
- The Security Division is in charge of security and emergency services for IT systems, individuals and premises. This merger, decided upon at the end of 2012, was established over 2013. As such, the Security Division also deals with:
  - security of operating buildings and their regulatory compliance,
  - occupant assistance,
  - satisfaction of social and environmental responsibility requirements (single document, carbon assessments, etc.).

Since early 2013, the Security Division has coordinated security and IT contingency governance at the group level.

The progress of all improvement/corrective action plans regarding logistics and IT is regularly monitored in the G2S Management Committee.

Risk control activities are examined twice a year by the G2S Risk Committee in the presence of the Chief Executive Officer and members of the Management Committee.

Every year, a specific Groupama Supports & Services internal control report is produced and presented to the Board of Directors of the EIG.

### IT governance

The strategy for information systems, organisation and IT budgets, operational relations between Groupama Supports & Services and its customers, as well as the quality of IT services are regularly steered by various governance bodies.

2013 helped to boost governance:

- in collaboration with the Groupama SA project owner teams, reinforcement of the operation implemented with the reference regional mutuals in order to optimisation the examination of applications and the conduct of products and programmes;
- adjustment of the scopes of the IT governance bodies (COMOP, Business Domain Committees, Programme Direction Committee, Project Steering Committee, Upgrade Request Examination Committee (CIDD)) making it possible to clarify the relationship between the bodies;
- better sharing of the structure of the invoicing keys with the establishment of a dedicated committee at least once a year:
  - expansion of skills to operating keys and projects,
  - modification of its membership with the three Chairmen of the Business Domain Committees, the two Chairmen of the DOSI Committee and a representative of the French subsidiaries and a representative of G2S management control.

The objective for 2014 is to improve the visibility of G2S benefits in order to improve the relationship of trust and allow customer companies to adapt their practices and thus to limit the volume of their consumption.

### Controls of Logistical and IT resources

#### CONTROL OF LOGISTICAL RESOURCES

Each area of the Logistics Department is covered by procedures and/or level 1 and level 2 controls identified and mapped in the G2S control environment.

The 2013-2014 period is part of a continuous improvement approach with a goal of harmonising processes by developing synergies between the IT and Logistics business lines.

#### CONTROL OF IT SYSTEMS

The RSSI, head of G2S IT security, defines the security policy for the IT systems (PSSI) and steers the deployment of the security approach within the Group.

The main actions taken over 2013 were:

- deployment of the security approach within the Group's entities. The macro-action plan can be broken down into four major steps:
  - appoint the Head of Security of the Company,
  - draft his job description,
  - put a security steering body in place,
  - equip his company with a security policy (relying on the G2S documents if necessary);
- performance of audits;
- deployment of a security awareness plan (training day, newsletter, etc.);
- establishment of a documented, equipped approach for constructing a BCP. This approach is available to the Group's company and is now used by G2S in the construction of its own BCP;
- steering of cyber-attack reaction scenarios (in 2013, two occurrences related to viruses occurred without any significant impact).

The RSSI is also in charge of the governance of IT Contingency Plans (ITCP) and User Recovery Plans (URP).

Regular technical user drills are held in connection with the ITCPs, following an annual schedule.

ITCP drills have taken place since the last quarter of 2012 on the Groupama Supports & Services site in Mordelles. This site makes it possible to satisfy the most demanding customer requirements (maximum time for resumption of applications (24 hours) and the maximum data loss (a few minutes)).

In order to ensure that the defined ITCPs are in operational condition and always at the expected level of efficiency, a permanent control process has been deployed. Every year, two major drills are organised. They simulate the total loss of the Bourges data centres, making it possible to identify compliance with the commitments made. The scope of the drills also increases every year by incorporating new applications.

At the end of 2013, more than 140 ITCPs will have been put in place and tested.

URPs are part of the same logic. They are tested twice a year for each of the customers.

Oversight and risk management procedures are also carried out on a number of activities, particularly regarding the following topics:

- the procurement process: purchases are centralised; checks are made to make sure that the amount of the order is in keeping with the budget; contracts are validated from a legal point of view; suppliers are vetted annually;
- the IT system: checks are carried out on the quality of the services supplied as well as costs; the cost of the work units of Groupama Supports & Services are regularly compared with those of equivalent companies in France and across Europe;
- the implementation of projects: monthly project reviews are scheduled, one of their key points being the analysis of project risks and their control level, a quality assurance review and reviews concerning architecture and operability;
- continuity of operations: the two production sites, Bourges 1 and Bourges 2, provide customers of Groupama Supports & Services with continuity of operations that guarantees high availability of applications; regular drills to switch over from one site to another are carried out;
- the management of incidents and the Help Desk: monitored and controlled using specific incident measurement indicators;

- the availability of production services: this consists in checking that the SLA (Service Level Agreement) between Groupama Supports & Services and its customers is complied with;
- the security of production transactions: this is checked through traceability using identification, authentication and audit procedures;
- managing the security of IT buildings: computer rooms, "IT security" audits, Groupama Supports & Services sites, "building security" audits; all of those audits are performed using a methodology developed by CLUSIF, an association of large French companies sharing best security practices.

The Group Major Risks related to information systems undergo a semi-annual examination by the Strategy, Performance, Security Control, Risk and Quality Department (DSPM), which results in a report in order to:

- evaluate the pertinence of the activity control measures implemented;
- monitor the risk management improvement plans.

Those risks are regularly examined by the Group Operational Risks Committee and on an annual basis by the Group Risks Committee.

#### Control and management of major inter-company risks

##### CONTROL OF EXPENDITURE AUTHORISATION

The control of expenditure authorisation is handled through the IT system built on SAP software. Purchasing requests, orders and accounts payable are handled through internal EIG validation workflow, while payments themselves are made by Groupama SA's Accounting Department.

This system secures flows by:

- implementing and tracking delegations of authority during approval workflows;
- mandating the use of a supplier list provided in the software and created by Management Oversight ahead of time;
- requiring mandatory entry of detailed information on a policy's pricing and timeframe conditions;
- requiring orders to be entered and validated in order to validate an invoice.

##### COVERAGE OF OPERATING RISKS

Based on the coverage policy for operating risks (buildings, professional and operational third-party liability, third-party liability of corporate officers) initiated since 2010 both on its own behalf and on behalf of Groupama SA and its French Subsidiaries, Groupama Supports & Services extended its area of expertise in 2012 by offering to all regional mutuals framework contracts for Professional third-party liability and Operating third-party liability in place since 2011 for the Groupama SA scope. Along the same lime, third-party liability cover for corporate officers of the regional mutuals has also been outsourced.

On the Groupama SA and French subsidiaries scope, at the end of fiscal year 2012 and the beginning of 2013, the withdrawal from executive programmes of Gan Eurocourtage (1 October 2012) and Groupama Private Equity (1 April 2013) was done following the disposal of these two activities by the Group.

The disposal of Gan Eurocourtage resulted in the takeover of all insurance covers of Groupama Banque, insured with this subsidiary. This involved Global Banking and Banking Business Protection.

In 2013, the Operating Risk Insurance Division favoured two priority areas for the identification of operating risks and the establishment of insurance schemes intended to fund them:

- the Fraud risk of the regional mutuals for which a proposal to extend the Fraud executive cover was produced;
- continuation of the takeover of the covers of entities insured externally (e.g. CIGAC).

### (c) Control of overheads, trade payables and outsourced activities

#### Control of the management of overheads by Groupama SA and its subsidiaries

Expenses by the subsidiaries are incurred in the context of monitoring those subsidiaries as described in 3.4.1.3.

The overhead expenses of Groupama SA's departments, including those billed back by the Groupama Supports & Services (G2S) resources unit for logistical and IT expenditures, are provided for as part of the annual budgets deliberated by the Executive Management.

The expenses, as well as the budgets, of the Groupama SA departments are consolidated with those of the main subsidiaries and are subject to periodic monitoring implemented and coordinated by the Group Analysis and Management Control Department within the Group Financial Controlling Department, in particular through key indicators, overhead reports and financial reports.

Concerning more specifically the monitoring and control of the expenses incurred by the departments of Groupama SA, the following should also be noted:

- a three-year budget forecast is drafted by the departments every year;
- since 2006, an automated work flow defined in accordance with precise internal control rules has been applied to the order/procurement process: this system makes it possible to separate the tasks among the requester, the approval body and the payer, and to automate budgetary control and to account for expenses automatically as soon as a commitment is made.

Regarding the management of expense reports, controls carried out by the Group accounting and Groupama SA analysis and Management Control Departments supplement the automatic controls performed by the SAP tool, the use of which has been decentralised among the Groupama SA departments since 2007.

#### Internal control of the Groupama SA procurement process

After approval by the Steering Committee and after its Works Committee gave the go-ahead, Groupama SA attached to its Internal Regulations a procurement ethics charter on 29 March 2006.

As mentioned earlier, an order/purchase management system has been used since 2006 for practically all Groupama SA purchases, excluding assignment expenses which are entered directly in the SAP accounting system.

This system is used:

- to monitor all suppliers;
- to account for costs as soon as the commitment is made, using an integrated feature of SAP;
- to secure the separation of tasks amongst the principals, the approval-giving bodies and the Accounting Department;
- to automate budgetary control and the cost distribution process;
- to help reduce the amount of time it takes to prepare financial statements and to improve the quality of the financial forecasts;
- to secure supplier payments as related to actual deliveries in keeping with orders;
- to clear all invoices with the cost monitoring unit within the Group Accounting Department.

The major organisational and operating principles set out in the document Ligne Fonctionnelle Achats (Functional Purchasing Chain) continued to be implemented in 2012 and 2013, in particular with the adaptation to the context of the procedure for calculation of the resulting economic performance and the periodic monitoring of supplier risks through the implementation of specific actions:

- establishment of specific Supplier Relationship Management reviews;
- progress plans dedicated to major supplier;
- posting of supplier contracts online.

### Control of outsourced activities

Pursuant to the stipulations of the Group's internal control charter:

- the internal control systems authorised within the Group (Groupama Supports & Services, and Asset Managers) by Groupama SA are the responsibility of the proxy.

  For example, when securing information, the RSSI (Head of Information Systems Security) of Groupama Supports & Services is required to arrange the performance of targeted audits using either internal skills or with the assistance of a specialised outside company;
- for activities outsourced outside the Group, Groupama SA has established appropriate sub-contracting agreements setting forth the terms and conditions for the control and monitoring of this service, in particular the possibility of a technical audit at the provider's place of business.

## 3.4.6 THE RELIABILITY OF FINANCIAL DATA

The Group Financial Controlling Department within the Group Finance Department is responsible for preparing the financial statements and the notes to the shareholders, oversight agencies and tax authorities.

### 3.4.6.1 Parent company financial statements

The parent company statements are prepared with an ongoing concern for identifying all funds flows in detail, assigning a value to them and accounting for them in accordance with the regulations in force.

The kinds of internal checks performed for that purpose are listed below:

- security procedures and internal checks: every area Manager guarantees the appropriateness of the work load for the skills of his or her staff and ensures their compatibility while at the same time ensuring the separation of duties among employees;
- integrated control and control tests: this refers to all operations guaranteeing the reliability and existence of an audit trail when data are charged to the accounting, tax and regulatory information system, notably:
  - the functions and applications used to perform reliability tests and tests to check on the accuracy and consistency of accounting transactions,
  - the other actions and tests of a non-computer nature targeting mainly the consistency checks by random sampling carried out on large-volume transactions, with very low unit amount (e.g., balancing of policyholder balances, tax statements);
- hierarchical control: aimed at distributing information and allowing the cross-checking required for the reliability of the parent company financial statements. This is done through several current management procedures and in inventory:
  - within current management:
    - separation of the functions of commitment to and payment of expenses:

      spending of a technical, general or financial nature is in principle ordered by persons outside the Group Financial Controlling Department who are authorised up to a certain ceiling based on the type of expense; payment of such expense is initiated by the Group Financial Controlling Department only after a signature different from that of the authorising officer,
    - monitoring of banking authorities:

      banking signature authority delegated to some employees is subject to administrative monitoring and regular updating,
  - within inventory management and preparation of the financial statements:
    - regular review points between the Group Financial Controlling Department and the other departments designed to provide an overview of all the flows for the year and anticipate incorporating them into the accounting records,
    - measuring the consistency between the parent company statements and the estimated statements in collaboration between the various teams of the Group Financial Controlling Department,
    - building up a collection of backup documentation for the financial statements of the year under the supervision of the reviewer's direct superior, then the department head,
    - review of parent company and Group tax income/expense with the Group Tax Department,
    - internal meetings within the Group Finance Department to deal with different operational and functional views and thus to ensure the validity of the Groupama SA auxiliary and parent company financial statements,
    - approval of the financial statements by Executive Management.

In addition, the Group Financial Controlling Department regularly updates the modelling of its accounting procedures under a dedicated application in order to comply with the regulatory requirements in terms of audit trails and documentation of accounting standards.

In accordance with its position as parent company of the Group, Groupama SA handles the accounting for a certain number of subsidiaries through its Service Sharing Centre (operating SCIs EIG Groupama Support and Services, holding companies and other subsidiaries); it also handles investment accounting for the French profit centres.

The Group Financial Controlling Department prepares the financial portion of the financial statements (securities and real estate, plant and equipment) for the profit centres using an auxiliary accounting system. For those entities in particular, it works with the Group Tax Department to calculate the financial taxable income/expense (securities and real estate) and drafts the statutory financial statements to be sent to the ACPR.

The tools and procedures used to keep investment auxiliary accounts (back-office securities and accounting tool) and the accounting systems of the entities without the means to have their own Accounting Departments comply with the same internal control criteria as those described previously for the Groupama SA parent company statements (see above). With regard to the investment accounting system, it should be noted that standardised controls, which are subject to written procedures, can be used to guarantee the reliability of the information regarding investments.

### 3.4.6.2 Consolidated accounts

The internal control procedures used to establish the reliability of the consolidation financial information for the shareholders of Groupama SA are based on five basic principles: checking the appropriateness of skills (internal check), integrated control, parallel control tests, hierarchical control and Group benchmarking.

#### (a) Security and internal checking procedures

They are applied at the level of the departments preparing the consolidated financial statement in the same way as described in the section on the parent company financial statements (see above).

#### (b) Integrated control

The Group's system for developing condensed financial data has been implemented throughout the entities, including recent acquisitions. It is based on a single consolidated data production base. All the entities supply this base with data through secure links. It contains a large number of controls designed to guarantee the quality of the financial data:

- the first verification level entails checking the consistency of data standard (all the Group's data is presented in a format that follows a single standard);
- at a second level, a series of automatic checks is built into the entities' individual data-gathering phase. These checks mainly concern the overall accuracy and consistency of the items entered. In fact, depending on the types of control, this either causes the data input to be blocked automatically (which can only be cancelled if the precise data is input), or else it restores glitches to be corrected. The central level has the audit trail of these controls. The computer system allows a fairly high level of automatic control through the development of interfaces with the upstream systems;
- at the central level, additional controls are carried out. These mainly involve the necessary consistency of the data among the different entities in the Group (such as, for example, for internal reciprocal transactions) and central transactions (conversion of foreign subsidiaries, consolidation entries, etc.).

The system has an audit trail that can run any cross-checks desired to identify and monitor any data and trace the source of any elementary data, from the parent company to the consolidated level. This set of parameters is tested regularly (particularly by republishing old scenarios).

#### (c) Control tests

A set of verification and control tests has been put into place to ensure that transactions are executed reliably whether they are computerised or not. In addition to the computerised procedures, these procedures have two main objectives:

- checking the origin of the data (from the standpoint of accuracy and application of the standards); this check is based mainly on consistency checks with the estimates, with the parent company analytical notes (or the management report) of each entity, and on a management questionnaire designed to ensure that the Group's most sensitive accounting standards and methods are properly applied;
- verification of central processing: accuracy checks are carried out to guarantee that central consolidation transactions are correctly processed (sharing of shareholders' equity, dilutions/accretions, etc.).

Control tests are clearly outlined in a formal review manual.

#### (d) Hierarchical control

Hierarchical control seeks to ensure that the principal items affecting the fairness and accuracy of the financial data, as well as the asset position and the profit/loss (parent company and consolidated) disclosed to the shareholders, are captured in the data presented. This control involves the use of several procedures:

- checking for consistency with the estimates and with any item used to cross-check the data appearing in the financial statements;
- meetings to approve the financial statements with the employees producing the financial data (with a review of any problem subjects encountered during the approval process);
- approval meetings with the statutory auditors of the consolidated financial statements;
- meetings with the Steering Committee to review the consolidated financial statements;
- meetings of the Audit and Risk Management Committee to review the consolidated financial statements.

All of these tasks are aimed at enhancing the quality of the financial data, particularly the consolidated financial statements as well as the management report to the Board of Directors.

#### (e) The Group standard of reference

The accounting standards for the consolidated financial statements are the IFRS. They are distributed at group level, and instructions for using them are given in a consolidation manual containing reminders of each line item in the balance sheet and the income statement:

- IFRS reference text and a summary of the standard;
- the area of application and possible options selected by the Group wherever the IFRS leave the possibility of applying options;
- application methods.

The consolidation manual is available online. It can be accessed by all the entities in the Group (French and English versions). It is updated regularly based on any changes in the IFRS.

This consolidation manual also includes instructions (French and English versions) issued at every closing to all Group entities. The instructions emphasise the specific items applicable to each approval process. These instructions are sent to the statutory auditors for information.

Training in both methodology and operations is given regularly to all the players involved in the Group so that the requirements introduced by the IFRS are properly understood and incorporated into the financial statements.

#### Pre-closing procedure

Since 2007, the Groupama SA Executive Management has introduced an operating methodology into the consolidated financial statements aimed at improving estimates of results by the different entities in the Group. This so-called "pre-closing" methodology is based on the data from the latest available forecast and helps to determine the profit or loss to be contributed by each entity for the current year at its most probable level. This system involves the following:

- a systematic and critical review of the principal aggregates making up the interim management balances;
- identification and discussion of the main problem areas specific to each entity in connection with the financial statements (instances of some particular transactions requiring a management decision by the Group's Executive Management, consequences of new accounting rules or regulations, treatment of certain disputes, and any other points requiring a final decision by the Executive Management).

This gives the Executive Management an across-the-board picture of earnings. In order to make the process more effective, analyses of post-closing differences are generally carried out. The purpose of these meetings is to understand and justify any differences between the anticipated profit/loss and the final profit/loss.

### 3.4.6.3 Combined financial statements

The internal control procedures applicable to the combined financial statements are similar in every way to those described above for the drafting of the consolidated financial statements. The operating procedures for drafting the combined and consolidated financial statements are strictly the same.

### 3.4.6.4 Supervision of intra-group accounting transactions

Transactions amongst subsidiaries and Groupama SA (internal loans, subsidiary restructurings, capital increases, dividend payouts, etc.) are subject to decisions validated by the Groupama SA Executive Management, and to technical and operational control by the Group Financial Controlling Department. Controls on these operations are performed by auditing the consolidated financial statements, *i.e.*: by reconciling intra-group transactions, monitoring any changes in shareholders' equity, and reviewing the transactions recorded for consistency with legal documentation.

### 3.4.6.5 Preparation for the future Solvency II regulatory reporting

In view of the future implementation of the Solvency II reform, the Group Financial Controlling Department also continued its work in 2013 to prepare for the future Solvency II regulatory reporting:

- with the contributing departments of Groupama SA: continuation of the analysis of the quantitative appendices, discussions and work on the industrialisation of the reporting process, blank tests on the economic assessment, etc.;
- with the entities of the Group: organisation of workshops for presentation of the various quantitative appendices and planned processes, particularly on the economic assessment and assets, etc.;
- with the choice of a Solvency II – Pillar 3 Group reporting tool that will be made available to the entities for their solo reporting and to Groupama SA for Group reporting.

This work will actively continue in 2014 in order to meet, in particular, the reporting requirements of the preparatory phase planned by the ACPR in the third quarter of 2014 on the data as at 31 December 2013.

## 3.4.7 OUTLOOK FOR GROUPAMA'S INTERNAL CONTROL

In 2014, the Group will continue the reinforcement of its risk and control system and its preparation for the regulatory requirements of the Solvency II Directive, particularly with:

- gradual deployment of level 1 and 2 permanent control plans and the levels 1 and 2 and the EU tool for operational risk management within the Group's entities;
- preparation for the reporting requirements and preparation of ORSA (Own Risk and Solvency Assessment) reports provided for by the ACPR in 2014 on the basis of 2013 data;
- further work on optimising the capital allocation by business line and on risk tolerance.

# 3.5 REPORT BY THE STATUTORY AUDITORS ON THE CHAIRMAN'S REPORT

*This is a free translation into English of the statutory auditors' report on the chairman's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Statutory auditors' report prepared pursuant to Article L. 225-235 of the French Commercial Code, and dealing with the report of the Chairman of the Board of Directors.

(Fiscal year ended 31 December 2013)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

To the Shareholders,

In our capacity as statutory auditors of Groupama SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the financial year ended 31 December 2013.

It is the responsibility of the Chairman to prepare and submit for the Board of Directors' approval a report on the internal control and risk management procedures in place within the Company and to provide any other information as required under Article L. 225-37 of the French Commercial Code pertaining in particular to corporate governance.

It is our responsibility:

- to report to you on information set out in the Chairman's report concerning the internal control procedures and risk management related to the preparation and treatment of the accounting and financial information;
- to certify that the report covers the other information required under Article L. 225-37 of the French Commercial Code, it being understood that it is not our responsibility to verify the accuracy of such information.

We have conducted our audit in accordance with the professional standards applicable in France.

### Information concerning internal control and risk management procedures relating to the preparation and treatment of accounting and financial information

Under professional standards we are obliged to apply procedures designed to assess the accuracy of information on the internal control and risk management procedures relating to the preparation and treatment of accounting and financial information in the Chairman's report.

This consists of the following:

- reviewing the internal control and risk management procedures relative to the preparation and treatment of the accounting and financial information presented in the Chairman's report as well as any existing documentation;
- reviewing the work based on which such information was prepared and any existing documentation;
- determining whether any material internal control deficiencies we may have found in our audit in relation to the preparation and treatment of the accounting and financial information have been properly disclosed in the Chairman's report.

Based on this audit, we have no comments to make on the information given concerning the Company's internal control and risk management procedures related to the preparation and treatment of the accounting and financial information contained in the report by the Chairman of the Board of Directors, prepared pursuant to the provisions of Article L. 225-37 of the Commercial Code.

### Other information

We hereby certify that the report of the Chairman of the Board of Directors contains the other information required under Article L. 225-37 of the French Commercial Code.

*Neuilly-sur-Seine and Courbevoie, 4 March 2014*

The Statutory Auditors

PricewaterhouseCoopers Audit — Mazars

Eric Dupont — Christine Billy — Jean-Claude Pauly — Christophe Berrard

◄ CONTENTS ►

# 3.6 FEES OF THE STATUTORY AUDITORS

In 2013, like in 2012, the statutory auditors also performed a number of tasks that are directly related to the statutory auditing service but do not directly fall under the scope of legal audit tasks. The scope of these tasks and their implementation procedure fall within the charter governing the role and duties of statutory auditors within the Group.

These tasks represent an overall budget of €361.9 thousand in 2013 compared with €1,075.4 thousand in 2012. As a reminder, in 2012, they included the specific due diligence measures of the statutory auditors within the framework of disposals of portfolios of Gan Eurocourtage's Brokerage and Transport businesses.

Auditors who are not members of the Group's joint auditors' group generally work as joint auditors on some subsidiaries of the Group, particularly in real estate.

## FEES OF THE STATUTORY AUDITORS

| | Year 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros excluding taxes)* | Pricewaterhouse Coopers | | Mazars | | Other | | Total |
| 1. Legal audit assignments | | | | | | | |
| 1.1. Statutory auditing, certification, review of individual and consolidated financial statements | **2,438.0** | **54.9%** | **1,876.2** | **42.2%** | **129.0** | **2.9%** | **4,443.2** |
| Groupama SA | 563.5 | 52.9% | 502.7 | 47.1% | 0.0 | 0.0% | 1,066.2 |
| French subsidiaries | 1,177.6 | 51.8% | 967.5 | 42.5% | 129.0 | 5.7% | 2,274.1 |
| International subsidiaries | 696.9 | 63.2% | 406.0 | 36.8% | 0.0 | 0.0% | 1,102.9 |
| 1.2. Other due diligence measures and services directly related to the statutory auditing task | **127.0** | **35.1%** | **234.9** | **64.9%** | **0.0** | **0.0%** | **361.9** |
| Groupama SA | 117.2 | 50.0% | 117.4 | 50.0% | 0.0 | 0.0% | 234.6 |
| Other subsidiaries | 9.8 | 7.7% | 117.6 | 92.3% | 0.0 | 0.0% | 127.4 |
| **SUBTOTAL CONSOLIDATED FINANCIAL STATEMENTS** | **2,565.0** | **53.4%** | **2,111.1** | **43.9%** | **129.0** | **2.7%** | **4,805.1** |
| 2. Other services rendered by the networks to the fully consolidated subsidiaries | 0.0 | 0.0% | 8.2 | 100.0% | 0.0 | 0.0% | 8.2 |
| **TOTAL CONSOLIDATED FINANCIAL STATEMENTS** | **2,565.0** | **53.3%** | **2,119.3** | **44.0%** | **129.0** | **2.7%** | **4,813.3** |

## FEES OF THE STATUTORY AUDITORS

| *(in thousands of euros excluding taxes)* | Year 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Pricewaterhouse Coopers | | Mazars | | Other | | Total |
| **1. Legal audit assignments** | | | | | | | |
| **1.1. Statutory auditing, certification, review of individual and consolidated financial statements** | 2,709.7 | 59.0% | 1,731.7 | 37.7% | 155.1 | 3.3% | 4,596.5 |
| Groupama SA | 605.7 | 57.1% | 456.0 | 42.9% | 0.0 | 0.0% | 1,061.7 |
| French subsidiaries | 1,191.7 | 53.4% | 949.6 | 42.5% | 90.6 | 4.1% | 2,231.9 |
| International subsidiaries | 912.3 | 70.0% | 326.1 | 25.0% | 64.5 | 5.0% | 1,302.9 |
| **1.2. Other due diligence measures and services directly related to the statutory auditing task** | 455.1 | 42.3% | 582.0 | 54.1% | 38.3 | 3.6% | 1,075.4 |
| Groupama SA | 418.8 | 46.2% | 488.2 | 53.8% | 0.0 | 0.0% | 907.0 |
| Other subsidiaries | 36.3 | 21.6% | 93.8 | 55.7% | 38.3 | 22.7% | 168.4 |
| **SUBTOTAL CONSOLIDATED FINANCIAL STATEMENTS** | **3,164.8** | **55.8%** | **2,313.7** | **40.8%** | **193.4** | **3.4%** | **5,671.9** |
| **2. Other services rendered by the networks to the fully consolidated subsidiaries** | 0.0 | 0.0% | 5.7 | 100.0% | 0.0 | 0.0% | 5.7 |
| **TOTAL CONSOLIDATED FINANCIAL STATEMENTS** | **3,164.8** | **55.7%** | **2,319.4** | **40.9%** | **193.4** | **3.4%** | **5,677.6** |

# 3.7 RELATED PARTY TRANSACTIONS

Related party transactions are presented in Note 44 on related party transactions in the notes to the consolidated financial statements for fiscal year 2013, audited by the statutory auditors.

# 3.8 MAJOR CONTRACTS

Over the past two years, other than during the normal course of business, Groupama SA and its subsidiaries have not entered into any major agreements with third parties that would confer a major obligation or commitment on the entire Group consisting of Groupama SA and its subsidiaries.

On the other hand, major agreements bind Groupama SA, its subsidiaries and the regional Groupama mutuals in the context of their business relations. These agreements are described in section 2 of Note 44 of the consolidated financial statements.

# 3.9 STATUTORY AUDITOR'S SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

*This is a free translation into English of the statutory auditors' special report on related-party agreements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

(Fiscal year ended 31 December 2013)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

To the Shareholders,

In our capacity as statutory auditors of the annual financial statements of your company, we hereby present our report on the related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the principal terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 225-31 of the French Commercial Code (Code de commerce) and Article R. 322-7 of the French Insurance Code (Code des assurances), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code and Article 322-7 of the French Insurance Code in relation to the implementation during the year of agreements already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

## (a) Agreements to be submitted for the approval of the General Meeting

### Agreements authorised during the year

In accordance with Article L. 225-40 of the French Commercial Code and Article R. 322-7 of the French Insurance Code, we were informed of the following agreements authorised by the Board of Directors.

› Agreement for a security and solidarity system

On 12 December 2013, as part of the implementation of the provisions of Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code establishing Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals, the Board of Directors approved, successively regional mutual by regional mutual, the amendments to the agreement on security and solidarity plans.

Directors concerned: Mr Bayeul, Mr Baylet, Ms Bocquet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Mr L'Hostis, Mr Pivard, Mr Schmitt.

› Financing of major Group programmes

For the financing of the major programmes for 2014, subsidies of a maximum amount of €11.8 million, net of corporate income tax, were granted to regional mutuals to support the development of the Group's banking activities (Groupama Banque). In addition, subsidies of €2 million, net of corporate income tax, were granted to finance part of the joint IT expenses (SIGMA). These two subsidies were successively authorised by the Board of Directors at its meeting of 17 October 2013, wherein the Chairman of the mutual concerned did not take part in the vote.

Directors concerned: Mr Bayeul, Mr Baylet, Ms Bocquet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Mr L'Hostis, Mr Pivard, Mr Schmitt.

› Sport sponsoring

Within the scope of the Group's sports sponsoring programme, a subsidy totalling a maximum of €0.221 million, including taxes, was granted to a regional mutual for the 2013-2014 season, depending on factors such as media coverage. This subsidy was authorised by the Board of Directors at its meeting of 17 October 2013, wherein the Chairman of the mutual concerned did not take part in the vote.

Director concerned: Mr Dagès.

## (b) Agreements already approved by the General Meeting

### Agreements approved in previous years that remained in force during the past fiscal year

In accordance with Article R. 225-30 of the French Commercial Code and Article R. 322-7 of the French Insurance Code, we were informed that the following agreements, approved by the General Meeting in previous years, remained in force during the year ended 31 December 2013.

› Sport sponsoring

Concerning the sports sponsoring programme, the subsidies granted to the regional mutuals in 2013 for the 2012-2013 season amounted to €0.215 million net of corporate income tax.

Director concerned: Mr Dagès.

› Financing of major Group programmes

Concerning the grants authorised by the Board of Directors on 30 October 2012 for the financing of the major programmes for 2013, the amounts actually allocated to the regional mutuals were as follows: €5,219 million net of corporate income tax for the deployment of the banking activity (Groupama Banque) and €1.785 million net of corporate income tax for joint IT expenses. In addition, recall that as part of the Group's development strategy in France, Groupama SA had agreed to financially support the Groupama Paris Val de Loire regional mutual for a maximum of €30 million net of corporate income tax, to be used for the creation of local branches in Paris. No such payment was made in 2013.

Directors concerned: Mr Bayeul, Mr Baylet, Ms Bocquet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Mr L'Hostis, Mr Pivard, Mr Schmitt

› Partial repayment commitment agreement

As part of the contribution to Groupama Gan Vie of all SAS Holdco SIIC equity held by Groupama SA, the Board of Directors, on 30 October 2012, authorised the Company to enter into an agreement by which Groupama Gan Vie makes a commitment for partial repayment to Groupama SA of any capital gain realised in the event of subsequent disposal or contribution of such equity. This agreement has a term of 20 years.

Director concerned: Mr Cornut-Chauvinc.

› Financing of Groupama Épargne Salariale

On 15 March 2012, the Board of Directors authorised the payment to Groupama Épargne Salariale of a maximum grant of €2 million to be spread out over two years, starting in 2012, based on its financial requirements.

During fiscal year 2013, the payment amounted to €1 million.

› Agreement for a security and solidarity system

The purpose of this agreement, which was approved by the General Meeting on 18 December 2003, amended by a rider in December 2004, is to guarantee the security of management and the economic and financial equilibrium of all regional mutuals and Groupama SA and to organise solidarity among those entities; the agreement provides for procedures geared around four measures:

- Groupama SA conducts a three-year audit of all regional mutuals and spot audits if losses are recorded by a regional mutual,
- solidarity fund mechanism for helping regional mutuals in difficulty; under this mechanism, the regional mutuals pay a portion of their net surplus, corresponding to 0.50% of their retained premiums, up to a limit of 50% of the annual surplus, with a cap at 3% of retained premiums,
- appointment of the Chief Executive Officers of the regional mutuals,
- agreement for combination of accounts, designating Groupama SA as combining entity.

*Neuilly-sur-Seine and Courbevoie, 21 February 2014*

The Statutory Auditors

| PricewaterhouseCoopers Audit | | Mazars | |
|---|---|---|---|
| Eric Dupont | Christine Billy | Jean-Claude Pauly | Christophe Berrard |

# 4 RISK FACTORS

# 4.1 RISK FACTORS

Groupama draws attention to the risks described below. These risks could materially affect the Company's activities, consolidated net income, financial position, solvency margin and its ability to achieve estimated results.

However, the description of risks is not exhaustive. Additional risks and uncertainties not currently known or deemed to be minor could, in the future, prove to be major and materially affect Groupama.

The risks described below are inherent to the nature of the Group's activities and to the economic, competitive and regulatory environment in which Groupama operates.

Given the multiple possibilities and uncertainties relating to these risks, the impact of the identified risks cannot always be accurately quantified. However, in order to prevent, detect and manage risks on an ongoing basis, Groupama has implemented numerous risk management processes, procedures and controls. As with any control and monitoring system, this should not however be considered an absolute guarantee. Rather, it offers reasonable assurance that operations are secure and results are managed.

The organisation of the risk management system is described in detail in section 4.2 of this reference document. In addition, if the risks described in this section 4.1 result in a quantifiable financial impact or a material contingent liability, these are reflected in the Group's combined and consolidated financial statements, in accordance with applicable IFRS accounting standards.

The risks presented below are categorised based on their origin. They reflect the current view of the governing bodies as to the potential impact of each risk for the Groupama group.

## 4.1.1 RISK FACTORS RELATING TO THE INSURANCE BUSINESS

### 4.1.1.1 Cyclical nature of the property and casualty branch

The cycles associated with the non-life insurance business are of varying length. They may involve unpredictable catastrophic events or be impacted by general economic conditions and may result in alternating periods of intense rate competition and, conversely, rate increases.

These situations, which may result in lower premium income over the course of certain cycles, may lead to volatility and a worsening of the Group's net income and financial position.

### 4.1.1.2 Natural and human disasters

The increasing number of climate events, on a global level, as well another risks, such as acts of terrorism, explosions, the appearance and development of pandemics such as the H5N1 and H1N1 viruses and the impact of global warming may have major consequences, not only in terms of their immediate damage and impact, but also in respect of insurers' current and future activities and income.

The potential increase in compensation and claims, the emergence of new kinds of liability, growing uncertainty as to the volume and level of maximum losses may, for example, have a material impaction Groupama's business activities, consolidated net income and liquidity.

Through the diversification of its portfolio, the individual selection of risks accepted, the limitation of its exposure to risks (specifically in respect of natural disasters), the management of overlapping risks and reliance on reinsurance, Groupama significantly reduces the negative impacts of its exposure. However, despite the careful attention paid to the monitoring of these risks and the risk control systems put into place, Groupama, because of its historical customer base and the abundance of local climate events, might still experience major losses in the future on such risks, which would have a material negative impact on its financial position and net income.

### 4.1.1.3 Inadequacy of reserves to address losses in the non-life segments

In accordance with the sector's practices and current accounting and regulatory requirements, Groupama establishes reserves both for claims and claims expenses relating to the non-life segments that it insures.

However, reserves do not represent an exact calculation of the corresponding liability but, instead, estimates of the claims amount, on a given date, using actuarial projection techniques. These reserve estimates are projections of the likely cost of ultimately settling and administering claims, based on our assessment of facts and circumstances known at that time, an analysis of historical settlement patterns, estimates of trends in claims' severity and frequency, legal theories of liability and other factors. However, claims reserves are subject to change due to the number of variables that affect the ultimate cost of claims. These factors may be varied, such as the intrinsic change in claims, regulatory changes, judicial trends, gaps inherent in the time lag between the occurrence of the insured event, notification of the claim and final settlement of expenses incurred in resolving claims.

These items cannot always be known, particularly on prospective basis. Actual losses may thus differ materially from the original gross reserves established. Consequently, the reserves may need to be increased or reduced, with an impact on net income.

Groupama continually reviews the adequacy of its established claims reserves with regard to its commitments. While the reserves currently established are sufficient and comply with the Group's prudent reserve policy, there can be no assurance that ultimate losses will not materially exceed the claims reserves established and will not have a material adverse effect on net income.

### 4.1.1.4 Uncertainties and changes in the forward-looking assumptions used to calculate the life insurance reserves and Deferred Acquisitions Costs (DAC)

The establishment of insurance reserves, including the minimum guarantees found in certain group savings and pension products, the adequacy test performed on the life insurance policy reserves, the recoverability test on the differed profit-sharing assets and the establishment of DAC rely, by their very nature, on uncertain information based on forward-looking assumptions about changes in factors that may (i) be of economic, demographic, social, legislative, regulatory or financial origin, (ii) relate to policy holder behaviour (surrender, lapses, persistency, etc.) or (iii) be specific to life insurance, such as mortality, morbidity and longevity.

Use of these many assumptions involving a high degree of estimation on the part of the Group's governing bodies, as well as changes in those assumptions or changes in the financial markets, may influence reserve levels, underwriting expenses and calculation of Groupama's DAC and could have an adverse impact on Groupama's net income, financial position and assessment of its valuation.

### 4.1.1.5 Requests for compensation that do not conform to the assumptions used to establish prices and to calculate technical reserves for life, savings and pension products

The profitability of the life, savings and pension products depends heavily on the extent to which actual claims match the assumptions used to determine prices for products, insurance policy servicing expenses and technical reserves.

If the benefits actually paid to policy holders were less favourable than those estimated based on the initial underlying assumptions, or if events or trends led us to modify those underlying assumptions, the Group would have to increase its commitments, which could reduce its net income.

As noted at § 4.1.1.4 above, establishing savings/pension insurance reserves, with or without specific guarantees such as minimum guarantees, naturally rely on uncertain information and judgements, both internal and external, and there are no guarantees that the reality of the products will not differ – positively or negatively – from these estimates.

### 4.1.1.6 Default of a reinsurer or increased reinsurance costs

While the purpose of reinsurance agreements is to transfer a portion of losses and related expenses to other insurers, they do not eliminate the requirement for Groupama, the direct insurer, to settle claims. In this regard, the Group is thus subject to the solvency risk of its reinsurers at the time that sums due are recovered from them.

Although Groupama makes certain that its reinsurers are diversified and solvent, based on selection rules that are reviewed and updated regularly as part of the work of the Security and Reinsurance Committee, and although the financial crisis has not led any of the Group's reinsurers to default, they may find themselves unable to meet their financial obligations. This inability could adversely affect our net income.

Furthermore, the availability, amount and cost of reinsurance depend on overall current economic conditions and may vary considerably. In the future, the Group may be unable to obtain reinsurance at commercially reasonable prices, thus increasing its risk of loss due to lower levels of reinsurance, or its income statement could be adversely affected by the increased cost of reinsurance for its already-reinsured activities.

## 4.1.2 RISK FACTORS RELATING TO THE FINANCIAL MARKETS, THE FINANCIAL STRENGTH RATING, THE VALUATION OF ASSETS AND OTHER RELATED ASPECTS

### 4.1.2.1 The difficult and persistent conditions of the economy

Like other players on the market, Groupama has been affected in recent years by the financial crisis and its repercussions, which have partially toned down on the financial markets but still affect the real economy with a low level of consumer and business confidence, and a high rate of unemployment, which has produced a significant slowdown in the economy and a low level of growth in all of the countries where Groupama is active, particularly in Southern Europe, Greece, Turkey, and Central and Eastern Europe.

This environment of low growth, resulting in low rates of return on financial investments, and the dependence of the Group's businesses on consumer behaviour and confidence have negatively affected the Group's revenues and net income.

Uncertainties about the monetary environment, particularly with the consequences of less central bank support for the economy, and the overall pricing environment could again lead to an increase in financial market volatility.

### 4.1.2.2 Financing terms

Although the low level of rates is favourable for issuers, the overall decrease in ongoing risks among credit institutions has brought about more restrictive terms for granting loans. At the same time, the succession of unfavourable events for investors in subordinated debt (illiquidity, trading conditions, "bail-in") implies more difficult issue conditions.

Groupama needs liquidity specifically to pay its operating expenses, claims settlements, contract redemptions and its financial expenses.

The Group's primary sources of liquidity are generated by the insurance business, including insurance premiums, annuity products, reserve funds, asset management commissions, cash flow generated by its investment assets as well as by cash and other balance sheet equivalents. These sources of liquidity are supplemented by super-subordinated securities (TSS), perpetual subordinated bonds (TSDI), subordinated securities (TSR) and credit facilities.

If current resources were unable to meet the Group's needs, Groupama would have to identify alternative financing methods that depend on factors that are both external (including market conditions, credit availability and volume of trade) and internal to the Group (financial rating, borrowing costs and perceptions of the short and long-term financial outlook).

Although Groupama has established a system to manage capita land financial flexibility proactively, supplemented by the creation of a liquidity portfolio, it could be unable to meet its liquidity needs or obtain financing on favourable terms. Insufficient liquidity and/or prolonged restricted access to financing could materially affect the Group's business, net income and financial position.

### 4.1.2.3 The worsening of the solvency margins of Groupama SA's subsidiaries because of unfavourable conditions in capital markets and changes in the interpretation of regulations

Groupama's entities involved in the insurance business are subject to the regulatory capital requirements of various local regulators. These capital requirements imposed on insurance companies generally depend on the design of the products, underwriting volumes, assets invested, commitments, reserves and changes in the capital markets, specifically with regard to interest rates and financial markets, subject to specific provisions applicable in certain countries. These regulatory requirements may be tightened – even significantly – during periods of volatility and downturn in the financial markets and/or when interest rates fall.

The Group's solvency margin is particularly sensitive to conditions on the capital markets (stocks and interest rates). Prolonged unfavourable conditions on the capital markets could adversely impact the Group's solvency margin further.

The Group monitors its solvency margin and its insurance disintermediation equity on an on-going basis to ensure compliance with current regulations and to ensure that Groupama SA and its subsidiaries are operating in an appropriate competitive environment.

Insurance regulators have broad discretion to interpret, apply and implement applicable rules with respect to solvency and regulatory capital requirements. If regulatory capital requirements are not met, regulators may take measures to significantly strengthen core equity requirements or restrict companies' activities.

Moreover, if the Group's subsidiaries fail to maintain adequate core equity in regard to regulatory requirements and/or their competitive positions, Groupama SA could be required to support them financially, which could adversely affect its liquidity position, consolidated net income and financial position. As part of the monitoring of its subsidiaries in this area, Groupama SA thus provides financing, if necessary, to certain subsidiaries to enable them to improve their level of solvency margin at the end of the year. In recent fiscal years, Groupama has carried out capital increases of its subsidiary Groupama Gan Vie: in 2011, following the simultaneous increase in the capital of Groupama SA by the regional mutuals, and in 2012 with contributions of cash and property assets.

Finally, when rating agencies assess Groupama SA's financial strength and credit quality, they take into account the Group's solvency margin and the regulatory capital position of its insurance subsidiaries. If the ratings agencies find that the capital adequacy of Groupama SA and its subsidiaries is insufficient in respect of the agencies' criteria, the financial strength and credit rating assessment can be downgraded.

Although Groupama has set up systems to ensure sufficient solvency for itself and its subsidiaries, unfavourable capital market conditions, the evolving interpretation of regulations and the rating agencies' criteria could adversely affect its activities, liquidity position, credit rating, consolidated net income and financial position.

### 4.1.2.4 Downgrading of ratings regarding ability to pay claims and our financial strength

Ratings of ability to pay claims and financial strength remain important although disputed factors in establishing the insurance companies' competitive position vis-à-vis each other. Rating agencies may revise them at any time.

In an environment of changing group strategic guidelines, Groupama decided to abandon one of its two financial rating agencies, Standard & Poor's, in December 2012; the financial strength rating of Groupama SA and its subsidiaries by the remaining agency, Fitch Ratings, was "BBB-" with an evolving outlook at the end of 2013 and "BBB" with a positive outlook in February 2014.

A downgrade could have an adverse impact on the Group, such as (i) harming our competitive position, (ii) negatively affecting our ability to underwrite new insurance policies, (iii) increasing the surrender or termination rates of existing insurance policies, (iv) increasing the cost of reinsurance, (v) negatively affecting our ability to obtain financing and/or increasing the cost of financing, (vi) triggering the need for additional guarantees under certain agreements, (vii) harming our relationships with creditors or trading counterparties and/or (viii) adversely affecting public confidence in a material way. Any of the above could have an adverse effect on the activities, liquidity position, consolidated net income, revenue and financial position of Groupama SA.

### 4.1.2.5 Losses due to defaults by financial institutions and third parties, impairment of investment assets and unrealised losses

Third parties that owe Groupama money, securities or other assets may not perform their obligations. These parties may be issuers whose securities the Group holds in its investment portfolios, public or private borrowers under mortgages and other loans extended, Groupama reinsurers, customers, trading counterparties, hedge counterparties, other third parties including intermediaries and brokers, commercial banks, hedge funds and other investment funds, clearing agents, market exchanges, clearing houses and other financial institutions.

Third-party default may also concern third parties with which Groupama has entered into service agreements as part of the outsourcing of activities and may expose the Group to operating, financial and reputation risks.

Similarly, default, and even the fear of default, on the part of major third parties external to Groupama may also disrupt the markets, increase their volatility, generate a chain of defaults or even lead to widespread illiquidity, which would affect the Group or could affect its partners.

The causes of default by third parties may include: bankruptcy, lack of liquidity, downturns in the economy or real estate market, worsening of the financial markets or operational failures.

The year 2011, marked by the complete loss of market liquidity of Greek securities and the Greek government's solvency crisis, thus led Groupama, like most players in banking and insurance, to decide in early 2012 in favour of the contribution of its securities to the securities swap scheme proposed by the IIF and the Greek government and to dispose of all remaining Greek debt in 2012.

Although the Group regularly carried out risk reduction operations on securities during 2012 and 2013, particularly on equities and Portuguese government and Spanish bank debts, Groupama may need to recognise impairments of the value of its invested assets, considering the increased cost of the sovereign debt of the most vulnerable countries (financing costs in real terms that exceed the rate of growth) and the intrinsic volatility of equity markets. Groupama cannot, under any circumstances, guarantee that such losses or impairments of the accounting value of these assets would not sharply and adversely affect its net income and financial position.

### 4.1.2.6 Impairment of goodwill, acceleration of the amortisation of Deferred Acquisition Costs (DAC) and Value of Business in Force and/or the derecognition of deferred tax assets and deferred profit sharing

Changes in business and market conditions may affect the amount of goodwill carried on Groupama's balance sheet, the pattern and pace of DAC and VIF amortisation and the valuation of deferred tax assets. The value of certain of the Group's acquisitions, particularly in the areas most affected by the recent economic and financial crisis, depends directly on the position of the financial markets and level of operating performance. Impairment of goodwill had thus been recorded in certain Eastern European countries and Greece as at 31 December 2012. The impairment tests conducted as at 31 December 2013 did not result in the recognition of additional impairment.

The elimination of automatic renewal in Italy as well as the continuation of the tax on insurance activities in Hungary led to a revision of the assumptions originally made in order to recognise the portfolio values identified during the acquisition of these entities, which resulted in an additional impairment of intangible assets for a total of €72 million.

In the future, the downturn in operating performance of the Group's acquisitions or in market conditions could result in an impairment of goodwill, accelerate the DAC and VIF or lead to the derecognition of deferred tax assets. These items could adversely and materially affect the Group's net income and financial position.

### 4.1.2.7 Fluctuations in interest rates and credit spreads

Periods of declining interest rates could have the following major effects on the Group:

- lower investment earnings because of the reinvestment of revenues or repayment of assets (scheduled or early as a result of lower rates) at levels below its portfolio's rate of return;
- reduced spread between interest rates credited to policy holders and the return on the investment portfolio;
- a modification of rate guarantees included in life insurance and annuity policies, given the difference in performance of investment portfolios.

Conversely, periods of rising interest rates could have the following major effects on the Group:

- increased surrenders of life insurance policies and fixed annuity contracts as policy holders choose to trade off their investments in favour of higher-yield savings products;
- loss of competitiveness, which could lead to a loss of market share for non-redeemable life insurance liabilities;
- the possible realisation of capital losses to meet commitments by liquidating fixed-term investments when the prices of these assets is unfavourable in order to obtain liquidity. The adverse effect of these capital losses on the return on assets would increase the spread between the rate of return paid to policy holders and the market rate of return.

Although the Group has taken measures to limit and control the adverse effects of fluctuations in interest rates to the extent possible, specifically via Asset/Liability Management that seeks to calibrate the duration of assets to those of liabilities and reduce the volatility of the differential between the actual yield of the asset and the rate expected and via the use of hedging instruments, Groupama's growth, level of assets, expenses, losses or financial revenues could, nonetheless, be materially affected, which would then significantly affect its net income and financial position.

Similarly, a widening of credit spreads could reduce the value of fixed-income securities held by the Group and increase net revenue from the purchase of new, fixed-income securities. Conversely, a tightening of credit spreads would increase the value of fixed-income securities held and would reduce net revenue from the Group's purchase of new fixed-income securities.

The current volatility of interest rates and credit spreads, individually or in conjunction with other factors, such as lack of pricing transparency, market illiquidity, falling equity prices and the strengthening or weakening of foreign currencies against the euro, could have a material adverse effect on the Group's net income and financial position and Groupama's cash flow through realised losses, impairments and changes in unrealised loss positions.

CONTENTS

### 4.1.2.8 Fluctuations in exchange rates

Groupama publishes its consolidated and combined financial statements in euros. Nevertheless, Groupama is exposed to foreign exchange risk:

- firstly, through its operations and international development in regions outside the eurozone. In effect, although the Group does business primarily in eurozone countries, about 24% of its premium income at 31 December 2013 derived from the business of its international subsidiaries and about 9% was denominated in currencies other than the euro, including the Turkish lira, Romanian leu, Hungarian forint and the Bulgarian lev. The shareholders' equity of Groupama is therefore subject to fluctuations in exchange rates through the unrealised foreign exchange adjustment;
- secondly, through investment assets held by its subsidiaries in the eurozone, such as mutual funds or securities denominated in foreign currencies or euro-denominated mutual funds or securities tied to a foreign currency – mainly the U.S. dollar, the yen, the Hungarian forint and the pound sterling. Changes in the value of these currencies against the euro have an impact on the Group's net income and financial position.

Although Groupama seeks to control its exposure to currency fluctuations via hedging, movements in exchange rates may have a significant impact on its net income, solvency margin and financial position. Similarly, the currency hedges Groupama uses to manage foreign exchange risk may significantly affect its profits and the amounts available for the distribution of dividends by the subsidiaries, insofar as the unrealised foreign exchange gains or losses on these derivative instruments are recognised in Groupama's income statement.

### 4.1.2.9 An increase in market inflation rates

Inflation is an on-going risk that weighs on the markets on which Groupama operates. At the end of 2013, although average inflation slowed down significantly in relation to 2012, social and political uncertainty and changes in commodity prices were evidence of pressure on overall inflation of the countries in which Groupama does business.

An increase in inflation rates or the failure to accurately anticipate higher inflation could have multiple impacts on the Group, mainly through the following consequences:

- an increase in the market interest rate that could reduce the levels of unrealised capital gains on some fixed-income securities, reduce the attractiveness of some of the Group's life insurance and savings products, especially those with a fixed interest rate, and increase the cost of financing the Group's future borrowing;
- impairment of equity securities and sluggish performance by equity markets in general. Such a weakening of the equity markets could lead to lower levels of unrealised capital gains on securities held by the Group, reduce the performance and future sales of unit-linked products with underlying securities, and affect the competitiveness and the results of the Group's asset management company;
- a deterioration in non-life insurance activities over long periods, such as construction and third party liabilities ("long-tail risks"), including in particular an underestimation of reserves at the time the latter are created and an increase in the amounts ultimately paid to settle claims;
- a systematic under-pricing of products.

These factors, which are a direct result of an increase in the inflation rate, are likely to have a negative impact on Groupama's business, net income, solvency margin and financial position.

## 4.1.3 GROUPAMA'S INTERNAL RISK FACTORS

### 4.1.3.1 The dependency of Groupama SA, the holding company, on its subsidiaries for covering its expenses and payment of dividends

Although Groupama SA operates its own reinsurance business via the contractual mechanism of Internal Reinsurance, which binds the regional mutuals to Groupama SA, most of the Group's insurance and financial service operations are run by the direct and indirect subsidiaries of the Group holding company, Groupama SA. A significant share of Groupama SA's financial resources consists of dividends paid by these subsidiaries and funds that may be raised by issuing subordinated debt or bonds, or through bank borrowings.

Groupama expects that dividends received from its subsidiaries and other sources of funding will continue to cover the expenses it faces as a separate holding company of the Group, including interest payments on current financing arrangements.

Some Groupama subsidiaries are also holding companies (e.g., Groupama Banque, Groupama Investment Bosphorus) and are dependent on dividends from their own subsidiaries to honour their commitments.

Legal and regulatory restrictions may also limit the ability of Groupama SA to transfer funds freely either to or from all of its subsidiaries. Some insurance subsidiaries may also be subject to regulatory restrictions in respect of the amount of dividends and debt repayments that can be paid to Groupama SA and other entities of the Group.

In view of the above points, Groupama SA could receive a reduced (or no) dividend from some of its subsidiaries, or be required to provide significant funding to some of them through loans or capital injections, which could significantly impact its cash situation and its ability to distribute dividends.

### 4.1.3.2 Assessments by the Group and its senior management

#### (a) In the valuation of certain investments

For some of the Group's financial assets for which there is no active trading market or where observable values are reduced or unrepresentative, fair value is measured by valuation techniques using methodologies and models incorporating assumptions or assessments that involve a significant amount of judgement (see section 3.2.1 – Accounting principles and methods used in the valuation of financial assets, of the notes to the consolidated financial statements).

Groupama cannot guarantee that the estimated fair values based on such valuation techniques represent the price at which a security may ultimately be sold or for which it could be sold at any specific point in time. The resulting differences in value as well as changing credit and equity market conditions could have a significant negative impact on the net income and financial position of the Group.

1
2
3
4
5
6
7

#### (b) In the determination of reserves and impairment

The determination of the amount of reserves and impairment varies depending on the type of investment and is based on periodic assessment and estimates of known risks inherent to each asset class. These assessments and estimates are revised when conditions change or as new information becomes available. The Group's senior management, based on this information and according to the principles and objective methodologies detailed in the consolidated and combined financial statements (see section 3 – Accounting principles and valuation methods used, of the notes to the consolidated financial statements), analyses, evaluates and uses its best judgement to assess the causes of a decline in the estimated fair value of securities and the prospects for short-term recovery, as well as the appropriate amount of the resulting reserves for impairment.

Groupama cannot guarantee that its senior management has correctly estimated the amount of impairment and reserves recorded in the financial statements, or that the impairment or additional reserves will not have a negative impact on the net income and financial position of the Group.

### 4.1.3.3 A decline in the growth of the Group's insurance, asset management and banking business lines

The growth projections, although cautious, could come to a halt, or be lower than forecast, mainly as a result of difficult conditions in the financial and capital markets and changes in economic conditions in the sectors or countries in which Groupama does business. The development of the Group's life insurance, savings and pension products could also be negatively affected by changes in existing regulations, such as tax legislation.

The inability of the Group to capitalize on its innovative products, partnerships or new distribution methods, to deploy them within the Group and develop them according to its objectives, may adversely impact the growth of Groupama's business.

### 4.1.3.4 The diversity of the countries where Groupama operates

Groupama markets its products and services in Europe, Turkey, Africa and Asia through legal structures and various distribution channels such as majority- and minority-owned subsidiaries, partnerships, joint ventures, independent brokers, etc.

The diversity of the Group's international presence exposes it to different and sometimes rapidly changing economic, financial, regulatory, commercial, social and political environments, which may affect the demand for its products and services, the value of the investment portfolio or the solvency of its local commercial partners.

The successful implementation of the Group's overall strategy could be affected by the environment of certain countries where Groupama operates and have an adverse impact on its net income and financial position.

### 4.1.3.5 The inadequacy of hedging programmes for certain products

Groupama uses derivatives instruments, including equity and treasury futures contracts to hedge certain risks arising from guarantees given to policy holders.

However, in some cases Groupama may not be able to use these hedging techniques, the purpose of which is to limit the economic impact of adverse market trends, particularly in the capital and fixed-income markets, due to a lack of liquidity or the insufficient size of the relevant derivatives markets.

Moreover, numerical estimates and the assessments of Groupama's senior management in implementing these hedging programmes, such as those for mortality, surrender rates, election rates, interest rates, volatility and correlation among the markets, could be significantly different to initial expectations and assumptions, which may significantly impact its net income and financial position.

Similarly, measures taken by Groupama to optimise the products covered by this type of guarantee, improve their profitability and avoid future hedging losses, cannot constitute a guarantee, and could significantly impact Groupama's business, competitive position, net income and financial position.

### 4.1.3.6 Existence of contingent liabilities relating to discontinued, sold or liquidated operations and charges relating to other off-balance-sheet commitments

Groupama may occasionally retain insurance and reinsurance obligations and other contingent liabilities relating to the sale or liquidation of various activities, or be required to provide guarantees and enter into other off-balance sheet transactions. The Group's reserves for such obligations and liabilities may be inadequate, which could require it to recognise additional charges that could significantly impact its net income.

For more information, see Note 46 to the consolidated financial statements on commitments received and given.

### 4.1.3.7 Operational failures or inadequacies

The causes of operational failure or inadequacy inherent in the Group's business may be human, organisational, material, natural or environmental in nature and result from events or factors that are internal or external to the Group. The operational risk that this poses may manifest itself in various ways, including: failures or malfunctions of Groupama's information systems; business interruption of its vendors or of the financial intermediaries with which the Group works; error, fraud or misconduct by staff, policy holders or intermediaries; breach of internal or external regulations; or hacking or pirating of information systems.

Groupama takes extra care to ensure the maintenance, efficiency and modernisation of its information systems in order to integrate and respond to changes in technological, industrial and regulatory standards and customer preferences.

In the event of a breach or failure in quality, Groupama might be unable to obtain the information it needs to run its business or meet its customers' expectations, which could expose it to litigation or claims or increase its litigation and regulatory risks.

Although the Group strives to manage all of these operational risks as effectively as possible in order to reduce their potential impact, these risks could lead to financial loss, loss of liquidity, business disruption, regulatory sanctions or damage to Groupama's reputation.

## 4.1.4 RISK FACTORS RELATING TO THE DYNAMIC REGULATORY AND COMPETITIVE ENVIRONMENT

### 4.1.4.1 Heightened competition

Groupama operates in a market challenged by various players (insurance companies, mutual funds, protection institutions, commercial and investment banks, investment funds, asset management funds, private equity funds, etc.), which may be subject to different regulations, have multiple distribution channels and offer alternative products or more competitive rates than those of the Group.

Under this competitive pressure, Groupama may need to adjust its pricing on some of these products and services, which could adversely impact its ability to maintain or improve profitability and negatively impact its net income and financial position.

### 4.1.4.2 Regulatory changes and reform at the local, European and international level

The Group's business is subject to detailed and comprehensive regulation and supervision in the countries where it operates in respect of shareholders' net equity and reserve levels, solvency standards, distribution practices, concentrations and type of investments, rules for consumer protection and customer knowledge, rates of revaluation of life insurance products, and more.

This regulation and supervision have been strengthened in the context of the financial crisis, both in Europe and internationally. A set of measures to reform the European System of Financial Supervision (ESFS) has been put into place, especially since late 2010. As a result, organisations such as the European Systemic Risk Board (ESRB) and the European Insurance and Occupational Pensions Authority (EIOPA) may issue guidelines and recommendations that could affect the Group. There are also recommendations and proposals issued or issuable by the Financial Stability Board (FSB) to amend the regulation of financial groups in terms of capital, solvency, corporate governance and executive compensation in the sectors.

Changes in regulations that aim to strengthen the protection of policy holders and confer broad powers of regulation on the regulatory authorities could significantly affect the business, net income and financial position of the Group, as well as the products it offers and its ability to sell them.

The Solvency II regulation, scheduled to become fully applicable as at 1 January 2016, following the Trialogue agreement of 13 November 2013, particularly with preparatory work for gradual implementation beginning in 2014, will alter the regulatory constraints on insurance companies, notably in respect of their prudential net equity requirements. Although some uncertainties went away in 2013, the ultimate impact of these changes still remains difficult to assess, pending the level 2 and 3 measures, but is likely to have an impact on the Groupama's financial and prudential position.

Finally, the rapidly changing regulatory environment and the firmness shown by the regulatory authorities in the interpretation and application of current regulations also require that Groupama be especially vigilant in respect of compliance. Despite the measures implemented to comply with existing regulations, Groupama could, through its activities as an insurer, Asset Manager, banker, securities issuer, investor, employer and taxpayer, be subject to regulatory investigations, sometimes accompanied by civil actions. Such investigations or proceedings, the potential impact of which is difficult to estimate, could significantly affect the business, reputation, net income and financial position of the Group.

### 4.1.4.3 Changes to tax legislation and regulations at the local, European or international level

Changes to the tax laws of countries where Groupama operates may have adverse consequences either on some Group products and reduce their attractiveness, especially those that currently receive favourable tax treatment, or on the Group's tax expense.

Examples of such changes include the taxation of life insurance policies or annuities contracts, changes in the tax status of some insurance or asset management products and tax incentives or disincentives to investing in some asset classes or product categories.

In France, the latest finance laws have generally put large companies at a disadvantage, particularly by further reducing their capacity to use their tax losses quickly (limit lowered to 50% of earnings for the fiscal year instead of 60%) and by extending the "extraordinary" supplementary corporate tax of 5% until 2015 (instead of 2013), increased to 10.7% by the 2014 Finance Law.

In this regard, the reform projects likely to result from the current discussions within the "Assises de la Fiscalité des Entreprises" (business taxation symposiums) will be watched closely.

At the international level, Italy has imposed an 8.25% Italian regional corporate (IRES) surcharge on insurers and bankers.

In general, the burden and costs of administrative management in the field of tax compliance continue to rise. On this point, note for example the establishment of the US FATCA ("Foreign Account Tax Compliance Act") regulations in France and in our subsidiaries or, in the latest French finance laws, the stiffer reporting obligations regarding transfer prices or bonds in the context of tax audits.

These factors are likely to have an adverse impact on the business, cash position and net income of Groupama.

#### 4.1.4.4 Potential changes to International Financial Reporting Standards

Groupama's consolidated and combined financial statements were prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations in final form and came into force on 31 December 2013, as adopted by the European Union. Projects to change the standards are underway at the IASB (the international accounting regulator); some of these projects could have a significant impact on the financial statements of insurance groups and other financial institutions. The proposed changes would concern the recognition of the Group's assets and liabilities as well the income and expenses in the income statement. They could be implemented starting in 2017 or 2018, depending on the standard concerned. Major changes that could impact insurance groups particularly include:

- IFRS 4 (Phase II) on the recognition of insurance policies;
- IFRS 9 on financial instruments, replacing IAS 39;
- a draft standard on revenue recognition.

#### 4.1.4.5 Diversity of legal systems in the countries where the Group operates

In recent years, Groupama has expanded internationally into countries where judicial and dispute resolution systems may have a different level of maturity to those of France or the countries of northern and southern Europe. As such, Groupama could find it difficult to take legal action or to enforce judgements in its favour. In such cases, the possible legal ramifications could adversely impact the Group's activities and net income.

# 4.2 QUANTITATIVE AND QUALITATIVE APPENDICES RELATED TO MARKET RISKS AND RISK FACTORS

*This section corresponds to Note 47 of the notes to the consolidated financial statements for fiscal year 2013, audited by the statutory auditors.*

As a multi-line insurer, Groupama is subject to various types of insurance risks with variable time horizons. The Group is also exposed to market risks because of its financial investment activities, particularly credit risks and the risks related to interest rates, equity markets and foreign exchange. Liquidity and reinsurer insolvency risks are also specifically monitored by the Group. In addition, the Group is subject to operational, regulatory, legal and tax risks as are all companies in other business sectors.

## 4.2.1 ORGANISATION OF RISK MANAGEMENT WITHIN THE GROUP

The general principles, the objectives and the organisation of risk management in the Group are defined in the internal control charter. This charter, which has been disseminated across the Group's entities, acts as a common reference point to be complied with in the deployment of their internal control procedures. The general internal compliance policy is supplemented by a group audit charter and a group compliance charter, which have also been approved by the governing bodies of the Group. The Group's structures for implementing the general internal control system using a shared method are based on these charters, taken together.

Risk management is carried out in conformity with the Group risk policy, and broken down by business and functional policies. According to the same principle, the entity risk policies are used as a reference for managing the risks of each Group entity.

The Group's risk monitoring system, which rests on the standard of risks for all Group entities and the identification of major risks, is based on a network of risk owners. Major risks are identified and monitored at entity level and at Group level; the set-up of risk management plans is done by the risk owners and deployed across Group entities.

At the Group level, risks related to the insurance business lines are monitored especially by the Groupama SA and Groupama Gan Vie Business Departments specialising in the area in question; reinsurance risks are managed by the Reinsurance Department. The Finance Department is responsible for managing the risks related to assets and Asset/Liability Management. Operational risks are monitored by the Groupama SA Business Departments specialising in the area in question.

Operationally, the internal control system of the entities and G.I.E Groupama Supports et Services is organised around three complementary systems:

- risk management and permanent control/compliance of each entity;
- internal or operational auditing of every entity;
- the Group Risk Management and Permanent Control/Compliance Department as well as the Group General Audit Department, reporting to the Executive Management of Groupama SA, which direct and coordinate the Auditing and Risk & Control functions within the Group.

Several committees are responsible for risk governance at the Group level:

- the Risk Committees by risk family (insurance, financial and operational) organised by the Group Risk Management and Permanent Control/Compliance Departments and made up of major risk owners and according to the affected areas of the representatives of the Groupama SA Business and Support Departments (Group Actuarial Department, Group Steering and Results Department, etc.), France Subsidiaries/International Subsidiaries Department, and banking and Asset Management subsidiaries;
- and the Group Risk Committee. Its membership is the same as that of the Groupama SA Steering Committee. Similar systems are in place at entity level.

### 4.2.1.1 Regional mutuals

The regional mutuals as autonomous legal entities implement their own internal control measures and manage their risks in compliance with the Group's standards. Thus, in terms of organisation and governance, the establishment of specific Risk Management Committees and the structuring of the key functions of Solvency II are made on the basis of "type" charters of risk governance bodies, as well as mission descriptions and calibration of key functions, validated by the governing bodies of the Group. The internal control, risk management, and audit systems are adapted to each regional mutual based on its organisation, its activities and its resources, under the authority of the Executive Management. The Group Risk Management and Permanent Control/Compliance Departments support the regional mutuals in monitoring and rolling out group standards.

All of the Risk Management and Permanent Control/Compliance Managers of the regional mutuals supplement the plan and meet regularly within the framework of information exchange and best practices platforms (workgroups, theme-based workshops and training), directed by the Group Risk Management and Permanent Control/Compliance Department; work in preparation for the implementation of Pillar 2 of Solvency II is also handled there.

Reinsurance of the regional mutuals is provided by Groupama SA in accordance with the conditions defined in the Reinsurance Agreement. 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 Gan Vie.

### 4.2.1.2 Groupama SA and its subsidiaries

Subsidiary risk is subject to triple monitoring:

- inter-company monitoring by the Groupama SA business, Functional or Support Departments specialising in the area in question, as indicated above;
- on-going monitoring by the services of the division to which it is attached:
  - Group Finance Department for financial subsidiaries,
  - Insurance, Banking and Services Department for service subsidiaries and Groupama Banque,
  - French Subsidiaries Department for French insurance subsidiaries,
  - International Subsidiaries Department for foreign subsidiaries;
- monitoring by each subsidiary or Groupama SA inter-company venture as part of the responsibility of its officers and in accordance with Group standards. Following the example of the regional mutuals, the Group Risk Management and Permanent Control/Compliance Departments support Groupama SA and its subsidiaries in monitoring and rolling out the internal control and risk management procedure.

As with the regional mutuals, all of the Risk and Internal Control Managers of the French and international subsidiaries supplement the plan and meet regularly within the framework of information exchange and best practices platforms (workgroups, theme-based workshops and training), directed by the Group Risk Management and Internal Control Department.

The primary mission of the Board of Directors of Groupama SA, and more particularly of the Audit and Risks Committee, of which Independent Directors make up one half, is 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. Since 27 April 2011, the missions of the Audit Committee have been expanded to monitor risk management policy, procedures and systems. On this occasion, the committee changed its name to the Audit and Risk Committee. At the end of 2011, the authorisation thresholds on investment assets beyond which investment operations must obtain prior authorisation from the Groupama SA Board of Directors were revised. Similarly, successive semi-annual presentations to the Audit and Risk Management Committee then to the Board of the financial investment management assessment for the past period as well as financial investment policy guidelines for the coming half-year period have been established.

### 4.2.1.3 Group

The Group General Audit 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 as well as auditing of Groupama SA's processes and the Group's inter-company processes. The audit plan of the Group General Audit Department is confirmed by the Executive Management of Groupama SA and approved by the Audit and Risk Management Committee of Groupama SA and the Board of Directors of Groupama SA. Every mission involves a review of the risk and internal control system for the activity or entity audited; a report is prepared on the engagement presenting the observations, conclusions and recommendations to the Executive Management of Groupama SA. A regular summary is presented to the Audit and Risk Committee. A report on the progress of the recommendations is communicated on a quarterly basis to the Groupama SA Steering Committee as well as the Groupama SA Audit and Risk Management Committee.

The Group Risk Management and Permanent Control/Compliance functions, whose function is to ensure that all Group entities comply with the requirements of Executive Management in terms of the internal control procedure and risk management, as well as those of Solvency II, Pillar 2, have the following missions respectively:

- for the risk management function:
  - development of the Group's risk policy,
  - definition of the process for setting the Group's risk tolerance (risk limits),
  - implementation of the ORSA process (Own Risk and Solvency Assessment: internal assessment by the Company of its risks and its solvency situation),
  - monitoring of major Group risks (RMG),
  - contribution to regulatory reports,
  - assessment and rating of insurance and financial risks, including sensitivity analyses and stress tests;
- for the permanent control/compliance function:
  - development of standards: mapping of processes, risks, and controls, permanent control plan, repository of controls,
  - monitoring and assessment of operating risks (related to control of processes),
  - project owner of the Community tool for management of operating risks,
  - establishment of internal control of the Groupama SA entity,
  - definition of the business continuity policy (BCP),
  - definition and establishment of the compliance policy.

In addition, the Group Risk Management and Permanent Control/Compliance Departments work jointly:

- facilitation of the Risk Management and Control function within the Group through:
  - the Group risk governance system (Group Risk Management Committees),
  - coordination, facilitation, and organisation of information exchanges on Group risk management (working groups, theme-based workshops, and training) or communication polices with the executive management of the entities;
- field support for the Risk Management and Control teams in implementing and rolling out Group standards;
- strengthening of the Group risk culture particularly with ad hoc actions, training actions, and document portal provision;
- internal control and risk management reporting to the executive and deliberative bodies as well as the regulator.

Each Group entity has Risk Management and Permanent Control/Compliance functions.

In addition, the Group Management Control Department is responsible for the ongoing monitoring of results and achievement of the Group's objectives based on a process of estimated management common to all entities.

This monitoring system also involves business reviews of subsidiaries conducted by the Executive Management of Groupama SA with biannual business reviews. These reviews include a specific "risk" section that presents, by entity, the level of deployment of the internal control system and the principal work in progress in terms of risk management.

◄ CONTENTS ►

## 4.2.2 INSURANCE RISKS

### 4.2.2.1 Prudential oversight

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.

### 4.2.2.2 Objectives for managing risks resulting from insurance policies and methods to limit these risk

The Group's insurance business exposes it to risks primarily related to product design, underwriting, claims management, valuation of reserves, and reinsurance.

#### (a) Product design

Most of Groupama's activities are subject to strong and increasing competition from other insurance companies, bancassurance companies, and mutual insurance companies. This fierce competition places great pressure on the price of certain Groupama products and services and therefore on its earnings. The Insurance Divisions of Groupama SA 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 and Groupama Gan Vie on behalf of the Group's companies. This design is the result of market and profitability studies performed with actuarial tools to control margins in collaboration with the Actuarial Department of the Group. Product launches or changes are carried out based on a standard process and are adapted by division (regional mutuals, French subsidiaries, international subsidiaries).

The main steps of this process are validated in the determined committees (Operating Committees, Steering Committee, Group Executive Committee).

#### (b) Underwriting and claims management

Assignment of powers for underwriting and claims are defined in all of the Group's companies. 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. In addition, these specialist divisions also act to warn and advise the entities.

#### (c) Valuation of reserves

In accordance with the practices of the insurance sector and with accounting and regulatory requirements, Groupama recognises technical reserves to cover claims and its property and life insurance business lines.

Determining technical reserves, however, remains an intrinsically uncertain process, relying on estimates.

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.

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 evaluated 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 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". In France, the terms of this rate are set by the Insurance Code, which determines a maximum level by reference to the average rate for government borrowings (the TME), which is used to set rates for policies and calculate the insurer's commitments to policy holders. The terms and conditions vary based on the type of policy and the duration of the commitments.

The breakdown of technical reserves and life and non-life insurance policies is presented in Note 25.3 of the consolidated financial statements.

### Breakdown of actuarial reserves according to the criteria of commitments at fixed rate, variable rate, or no rate commitments

The breakdown of actuarial reserves based on fixed-rate, variable-rate (*i.e.,* tied to a market rate) or no-rate commitments was as follows:

| | 31.12.2013 | | | 31.12.2012 |
|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | Total |
| Commitments guaranteed at fixed rate | 41,405 | 2,682 | 44,087 | 45,815 |
| Commitments guaranteed at variable rate | 7,266 | 24 | 7,290 | 6,489 |
| Unit-linked and other products without rate commitment | 5,365 | 699 | 6,064 | 5,115 |
| **TOTAL** | **54,036** | **3,405** | **57,441** | **57,419** |

The proportion of variable-rate commitments (12.7%), generally a function of an index based on the TME, and commitments with no rate guarantee (10.6%) is up 3 points.

#### (d) Reinsurance

Reinsurance is organised on two levels. The Internal reinsurance performed by Groupama SA 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 SA on behalf of the entire Group. Moreover, selection rules defined in the securities in Reinsurance Committee, which is composed particularly of the External Outward Reinsurance Division of Groupama SA and the Group Risk Management Department, which are based on the ratings from ratings agencies, are designed to control the default risk of reinsurers.

The list of reinsurers 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.

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.

### 4.2.2.3 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

#### (a) General description

The Group offers a broad range of non-life insurance products designed for individuals, institutions and businesses. The motor, individual, professional and agricultural property damage policies offered by the Group are generally one-year contracts with tacit renewal, which include third-party liability coverage.

The Group offers a full line of life insurance products: this offer is packaged for individuals in the form of individual policies and for businesses in the form of group policies.

The main individual insurance policies in euros offered to our clients are savings policies, term life policies, mixed insurance policies, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group policies offered by the Group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with guaranteed point value.

The Group also sells multi-component policies with one investment component in euros and one or more components in units of account.

#### (b) Specific features of certain non-life insurance policies

As with other insurers, the income and financial position of Groupama may be affected quite significantly by the unanticipated and random occurrence of natural or man-made events, such as floods, drought, landslides, storms, earthquake, riots, fire, explosions, or acts of terrorism. For example, the storm suffered by France in December 1999 resulted in major damage and a significant increase in compensation claims by Groupama clients. Climate changes that have occurred in recent years, specifically global warming, have contributed to increasing the unpredictable nature and frequency of climate events and natural events in regions where Groupama is active, particularly in Europe, and have created new uncertainty as to Groupama’s future risk trends and exposure.

Groupama is implementing a reinsurance programme to limit the losses it is likely to suffer as a result of events or other events affecting its underwriting results. The reinsurance programmes implemented by Groupama transfer a portion of the losses and corresponding expenses to the reinsurers. These programmes are supplemented by the issuance of a “cat bond” on the high tranche of the force-of-nature protections. However, as an issuer of policies covered by reinsurance policies, Groupama remains committed to all its reinsured risks. Reinsurance policies therefore do not relieve Groupama of the obligation to settle claims. The Group remains subject to risks related to the credit situation of reinsurers and its ability to obtain the payments due from them. Moreover, the reinsurance offer, the amounts that may be covered and the cost of coverage depend on market conditions and are likely to vary significantly.

Other factors in risk growth may be mentioned:

- ageing of the population (health, long-term care);
- increased pollution;
- strengthened legal structure (liability – compensation for bodily injury, etc.).

### (c) Specific features of certain life insurance policies and financial contracts

#### Discretionary profit-sharing clause

Certain life insurance, savings and retirement products offered by the Group contain a discretionary profit-sharing clause. This profit-sharing must at least correspond to the regulatory and/or contractual constraints. Commercial considerations may lead to an increase in this profit-sharing. This increase, the amount of which is left to the insurer's discretion, allows policy holders to participate in financial management results and the underwriting results of the insurance company.

#### Early redemption option

Most unit-linked policies sold by Groupama do not generally provide for contractual performance. Large redemptions may have significant impact on the results or the solvency in certain unfavourable environments.

#### Specific features of unit-linked policies

Most unit-linked policies sold by Groupama do not generally provide for contractual performance. Under these conditions, the policy holder alone directly assumes responsibility for the investment risk. Certain policies may provide for a minimum redemption guarantee in the event of the death of the policy holder.

### (d) Mortality and longevity risks

In life insurance, the payment of benefits depends on the death or the survival of the policy holder. It is the occurrence of one or other of these events that gives the right to payment of a benefit. The probability that these events will occur is estimated through experiential or regulatory statistical tables. In most cases, reserves are calculated using the regulatory tables based on statistics of population change. These tables are regularly revised to take demographic changes into account. The results or equity are potentially exposed to risk if demographic change deviates from experience with regard to these funding tables.

The amount of actuarial reserves for annuities in service and being established is as following:

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 Total |
|---|---|---|---|---|
| Actuarial reserves for life annuities | 9,403 | 11 | 9,414 | 8,649 |
| Actuarial reserves for non-life annuities | 1,914 | 24 | 1,939 | 1,835 |
| **TOTAL** | **11,317** | **36** | **11,353** | **10,484** |

## 4.2.2.4 Information on concentrations of insurance risk

The Group is potentially facing a concentration of risks that will accumulate.

There are two types of overlapping risks:

- the risk of underwriting overlaps in which the insurance policies are underwritten by one or more of the Group's entities 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.

### (a) 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:

- the verification of overlapping geographical 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 internal procedural guidelines.

The procedures in force for managing overlapping portfolio risks cover:

- 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 damage and/or third-party liability risks are specifically monitored by the relevant specialist Insurance Division;
- statements of commitments for risks of storms, hail, greenhouses, frost and commercial forestry, which are used to calculate the exposure of these portfolios to storm risk.

### (b) Protection

Reinsurance coverage will first be adapted to the total amount of the potential loss and, secondly, corresponds to the kind of risk covered. The loss may be human in origin (fire, explosion, accident involving people) or of natural origin (weather 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 life and health 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 (FFB) 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.

## 4.2.3 MARKET RISKS

There are several categories of market risks to which Groupama might be subject:

- interest rate risk;
- risk of variation in the price of equity instruments (stocks);
- foreign exchange risk;
- credit risk.

### 4.2.3.1 Interest rate risk

#### (a) Type of and exposure to interest rate risk

During a period of interest rate volatility, the Group's financial margins might be affected. Specifically, a drop in interest rates would have a negative effect on the profitability of the investments. As such, during a period of low interest rates, the financial performance of the Group might be affected.

Conversely, in the event of an increase in rates, the Group may have to face a rush of redemptions for these policies, which would lead to the sale of a portion of the bond portfolio under unfavourable market conditions.

The consequences of changes in interest rates would also affect the Group's solvency margin, which is calculated based on financial performance realised during the year as well as on the volume of unrealised capital gains on the financial instruments.

#### (b) Group risk management

Several years ago, the Group implemented systematic studies on the exposure of the Group's subsidiaries to market risks.

##### Asset/Liability Management

Asset/liability simulations allow an analysis of the behaviour of the liabilities in different interest-rate environments, particularly the ability to meet the remuneration requirements for the policy holder.

These simulations allow the Group to develop strategies designed to reduce the impact of contingencies on the financial markets on both the results and on the balance sheets.

##### Interactions with redemption risk

Redemption behaviours are sensitive to changes in interest rates: an increase in the rates can lead to an increase in the policy holders' expectation of revaluation and, if this expectation cannot be met, the sanction of early redemptions. In addition to the loss of income and an increase in payouts, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds) in cash of insufficient cash.

The objective of Asset/Liabilities Management is to optimise the policy holder's satisfaction and the insurer's risk using strategies that take into account the various reserves available (including cash) and bond management strategies coupled with hedging products.

##### Interest rate risk related to the existence of guaranteed rate

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 reserve mechanisms.

##### Rate hedges

RISK OF RATE INCREASE

The purpose of the hedges that are implemented is to partially hedge the portfolios against the risk of interest rate increases. This is made possible by converting fixed-rate bonds into variable-rate bonds ("payer swaps"). The strategy consists of transforming a fixed-rate bond into a variable rate, either on a security held or new investments, and has the objective of limiting the capital loss recognised because of an increase in interest rates in case of partial liquidation of the bond portfolio for the payment of benefits. These strategies aim to limit the impact of potential redemptions.

Hedging programmes were gradually implemented on the Life portion starting in 2005 and were supplemented in 2012 and partially extended to the Non-Life portion with a tactical management objective. They do not meet the definition of hedge accounting according to IFRS.

All over-the-counter transactions are secured by a "collateralisation" system with the Group's top-tier banking counterparties.

#### (c) Sensitivity to interest rate risk analysis

Pursuant to IFRS 7, an analysis of accounting sensitivity was carried out at 31 December 2013 with a comparative period.

This analysis applies to year-end balance-sheet postings that show accounting sensitivity to interest rate risk (technical non-life and life liabilities, bond investments, financial debt in the form of bonds). It is not similar to analyses applying to embedded-value type prospective data.

The impacts on shareholders' equity and income are shown net of profit-sharing and corporate tax.

### Sensitivity of technical insurance liabilities analysis

#### NON-LIFE INSURANCE

Regarding non-life technical liabilities, risk mapping allows the sensitivity of portfolios showing interest rate changes to be analysed, *i.e.,* portfolios of current annuities and temporary payments (individual life and health insurance, and third-party liability insurance premiums). With the exception of increasing annuities and risk reserves for long-term care risk, as non-life insurance technical reserves are not discounted on the consolidated financial statements, these amounts are therefore not sensitive to changes in interest rates.

As at 31 December 2013, the amount of the discount in the actuarial reserves for non-life annuities, before reinsurance, was €421 million. The amount of the discount in the reserve for increasing risks on long-term care, before reinsurance, was in the order of €143 million.

The result of the sensitivity to interest rates analyses shows that the Group is not particularly sensitive with regard to all its non-life commitments. The impact of a change of +/-100 basis points, calculated net of tax, is shown in the following table:

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Interest rate | | Interest rate | |
| *(in millions of euros)* | +1% | -1% | +1% | -1% |
| Impact on profit (net of taxes) | 56 | (47) | 50 | (43) |
| Equity impact (excluding profit) | | | | |

#### LIFE INSURANCE AND FINANCIAL CONTRACTS

This analysis was limited to life commitments with accounts sensitive to changes in interest rates. In France, the restated rates used fall within a range of 1.5% to 4.50% for most of the actuarial reserves.

Moreover, with the exception of the floor guarantees, no sensitivity analysis was carried out on actuarial reserves for account unit policies, since the risk of change in the index is assumed by the policy holder rather than by the insurer.

The impact of sensitivity to changes in interest rates of +/-100 basis points on the Group's life commitments is shown net of taxes in the following table:

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Interest rate | | Interest rate | |
| *(in millions of euros)* | +1% | -1% | +1% | -1% |
| Impact on profit (net of taxes) | 83 | (224) | 71 | (322) |
| Equity impact (excluding profit) | | | | |

### Sensitivity of financial investments analysis

The following table shows the impacts on income and on the revaluation reserve (posted under shareholders' equity) of a sensitivity analysis carried out in the event of a change up or down of 100 basis points (+/-1%) in interest rates.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2013, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 78.11% to 90.79%.

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Interest rate risk | | Interest rate risk | |
| *(in millions of euros)* | +1% | -1% | +1% | -1% |
| **Impact on revaluation reserve** | **(394)** | **436** | **(480)** | **535** |
| Equities | | | | |
| Equity UCITS | | | | |
| Bonds | (385) | 426 | (468) | 522 |
| Rate mutual funds | (9) | 10 | (12) | 13 |
| Derivative instruments and embedded derivatives | | | | |
| **Impact on net income** | **11** | **(14)** | **20** | **(17)** |
| Equities | | | | |
| Equity UCITS | | | | |
| Bonds | (2) | 2 | (1) | 1 |
| Rate mutual funds | (8) | 9 | (12) | 14 |
| Derivative instruments and embedded derivatives | 21 | (25) | 33 | (32) |

We note that the change in fair value of the derivatives and embedded derivatives, which primarily correspond to hedge derivatives, passes through the income statement.

### Financial debt sensitivity analysis

Financing debt posted to liabilities on the Group income statement may be posted to debt or shareholders' equity under IFRS.

In fiscal year 2007, the Group issued perpetual bonds consisting of deeply subordinated instruments (TSS). The features of this issuance meet the criteria to allow the bond to be considered an equity instrument (see Note 21 – Shareholders' equity). Consequently, a sensitivity analysis is not required.

The principal features of the financial debt instruments analysed are described in Note 24 – Financing Debt.

Group financing debt is mainly fixed rate. This balance sheet item is therefore not sensitive to potential changes in interest rates.

## 4.2.3.2 Risk of variation in the price of equity instruments (stocks)

### (a) Type of and exposure to equity risk

Exposure to equity markets allows the companies to capture the yield on these markets but also exposes them to two major types of risks:

- accounting reserving risk (reserve for permanent impairment, reserve for contingent payment risks, reserves for financial contingencies);
- the commercial risk brought about by the reserving risk insofar as policy holder compensation could be impacted by the aforementioned reserving.

The weight of equity instruments out of total financial investments (including operating property) was 6.6% in market value, not including option exposures. Most equity instruments are classified in "available-for-sale assets". Equity instruments include:

- equities in French and foreign companies listed for trading on regulated markets. The exposure can also be done in index or option form and possibly in the form of structured products whose performance is partially indexed to an equity index. They may be held directly or within mutual funds (FCP and SICAV);
- equities in French and foreign companies that are not listed. They may be held directly or in the form of a venture capital fund (FCPR).

### (b) Group risk management

After a significant reduction in the equity allocation during 2012 (€2 billion in equity sold), the Group's equity risk continued to be actively managed in 2013 mainly through:

- disposal of Eiffage listed participating securities and finalisation of the programme initiated in 2012 involving Société Générale securities;
- optimisation of the hedged equity allocation representing a little less than €2 billion as at 31 December 2013, with an increase in its level of hedges at the beginning of the year;
- greater geographical diversification of the principal UCITS funds.

The Group manages equities as part of internal constraints under two distinct logics:

- a primary limit fixing the maximum permissible exposure to equity risk;
- a set of secondary limits with the objective of limiting the equity portfolio's concentration by sector, issuer, or major type as well as illiquid equity categories.

These limits are observed at the level of each insurance entity and at the Group level. Any exceeding of the limits is handled according to whether it is part of an entity or the Group by the corresponding Risk Committees.

### (c) Sensitivity of financial investments to equity risk analysis

The following table shows the impacts on income and the revaluation reserve (classified under shareholders' equity) of a sensitivity analysis carried out in the event of an up or down change of 10% in stock market prices and indices.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2013, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 78.11% to 90.79%.

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Equities risk | | Equities risk | |
| *(in millions of euros)* | +10% | -10% | +10% | -10% |
| **Impact on revaluation reserve** | **74** | **(74)** | **104** | **(104)** |
| Equities | 45 | (45) | 70 | (70) |
| Equity UCITS | 29 | (29) | 34 | (34) |
| Bonds | | | | |
| Rate mutual funds | | | | |
| Derivative instruments and embedded derivatives | | | | |
| **Impact on net income** | **18** | **(18)** | **20** | **(20)** |
| Equities | | | | |
| Equity UCITS | 18 | (18) | 20 | (20) |
| Bonds | | | | |
| Rate mutual funds | | | | |
| Derivative instruments and embedded derivatives | | | | |

## 4.2.3.3 Foreign exchange risk

### (a) Exposure to foreign exchange risk

Exposure to foreign exchange risk for subsidiaries in the eurozone corresponds primarily to their assets, subject to exchange rate fluctuations of mutual funds or securities denominated in foreign currencies and mutual funds denominated in euros applying to foreign-currency securities. In practice, the portfolios are exposed primarily to foreign exchange risks corresponding to the euro rate against the dollar, the yen, the Hungarian forint, the Romanian leu, the pound sterling and the Turkish pound.

Investments made by Groupama, within the context of its strategy of acquiring international subsidiaries, exposes it to the net accounting position of entities with a different functional currency from the euro. To date, this includes the pound sterling, the Turkish pound, the Hungarian forint, the Romanian leu and the Tunisian dinar. These impacts are posted in shareholders' equity, under translation adjustment.

### (b) Managing foreign exchange risk

Foreign exchange risk is currently hedged through forward sales of dollars, yen and Hungarian forint. The documentation is updated each time the financial statements are closed. These instruments do not correspond to the accounting notion of hedging as defined by IFRS.

### (c) Analysis of exchange rate sensitivity

The following table shows the impacts on income and the revaluation reserve (posted under shareholders' equity) of a sensitivity analysis carried out in the event of an up or down change of 10% in all currencies against the euro.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the regulatory tax rate of 34.43%.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2013, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 78.11% to 90.79%.

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| | Foreign exchange risk | | Foreign exchange risk | |
| *(in millions of euros)* | +10% | -10% | +10% | -10% |
| **Impact on revaluation reserve** | **33** | **(33)** | **33** | **(33)** |
| Equities | 9 | (9) | 8 | (8) |
| Equity UCITS | | | | |
| Bonds | 24 | (24) | 25 | (25) |
| Rate mutual funds | | | | |
| Derivative instruments and embedded derivatives | | | | |
| Impact on net income | **0** | **0** | **1** | **(1)** |
| **Equities** | | | | |
| Equity UCITS | | | | |
| Bonds | | | 1 | (1) |
| Rate mutual funds | | | | |
| Derivative instruments and embedded derivatives | | | | |

Hedging effects are not taken into account when calculating sensitivity. Consequently, the numbers listed above represent maximum risk and the actual impact reported in the Group's financial statements is considerably lower.

### 4.2.3.4 Credit risk

The breakdown of the Group bond portfolio by rating and by issuer quality is presented in Notes 6.10.3 and 6.10.4 of the annual financial statements.

The Group manages credit risk as part of internal constraints. The main objective of these constraints is to limit the concentration of issues according to several criteria (country, issuer, ratings, subordinated issues).

These limits are observed at the level of each insurance entity and at the Group level. Any exceeding of the limits is handled according to whether it is part of an entity or the Group by the corresponding Risk Committees.

#### (a) Risk on bonds of the GIIPS countries

The Group's gross exposure to sovereign debt of the GIIPS countries (Greece, Italy, Spain, Portugal) amounted to €10,706 million as at 31 December 2013, representing 22% of the fixed-income portfolio.

#### (b) Managing counterparty risk

Internal procedures stipulate that any over-the-counter contract is systematically covered by guarantee contracts with the banking counterparties in question.

This systematic collateralisation of the hedging transactions significantly reduces the counterparty risk related to these over-the-counter transactions.

### 4.2.3.5 Summary of sensitivity to market risks analyses

The following table shows all the sensitivity to market risks analyses for fiscal years 2013 and 2012, broken down by shareholders' equity and income, excluding profit sharing and taxes.

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Up fluctuation in sensitivity criteria | | Down fluctuation in sensitivity criteria | | Up fluctuation in sensitivity criteria | | Down fluctuation in sensitivity criteria | |
| *(in millions of euros)* | Shareholders' equity | Income | Shareholders' equity | Income | Shareholders' equity | Income | Shareholders' equity | Income |
| **Interest rate risk** | **(394)** | **150** | **436** | **(285)** | **(480)** | **141** | **535** | **(382)** |
| Technical liabilities | | 139 | | (271) | | 121 | | (365) |
| Financial investments | (394) | 11 | 436 | (14) | (480) | 20 | 535 | (17) |
| Financing debts | | | | | | | | |
| **Equities risk** | **74** | **18** | **(74)** | **(18)** | **104** | **20** | **(104)** | **(20)** |
| Financial investments | 74 | 18 | (74) | (18) | 104 | 20 | (104) | (20) |
| **Foreign exchange risk** | **33** | | **(33)** | | **33** | **1** | **(33)** | **(1)** |
| Financial investments | 33 | | (33) | | 33 | 1 | (33) | (1) |

◄ CONTENTS ►

We note that the sensitivity criteria applied were the following:

- up or down fluctuation of 100 basis points, for interest rate risk;
- up or down fluctuation of 10% in the stock market indices, for stock risk; and
- up or down fluctuation of 10% in all currencies against the euro, for exchange rate risk.

## 4.2.4 LIQUIDITY RISK

### 4.2.4.1 Nature of exposure to liquidity risk

The overall liquidity risk is analysed using the asset/liability approach, which defines the cash requirement 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).

### 4.2.4.2 Risk management

Stress tests are regularly conducted on both assets and liabilities in order to ensure that in the event of a simultaneous increase in benefits payable and interest rates, the Group is able to meet its commitments in terms of both assets to dispose of and any realisations of capital losses.

At the end of 2013, the liquidity risk was greatly reduced by the available cash and the unrealised capital gains on fixed-income bond portfolio.

### 4.2.4.3 Financial investment portfolio by maturity

The profile of the annual maturities of the bond portfolios is listed in Note 6.10.2 of the consolidated financial statements.

### 4.2.4.4 Liabilities related to insurance policies and liabilities related to financial contracts by maturity

The profile of annual maturities of the liabilities related to insurance policies is the following:

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Non-life technical reserves | 4,476 | 3,063 | 3,837 | 11,376 | 4,587 | 2,977 | 3,754 | 11,317 |
| Life technical reserves – insurance policies excluding unit-linked items | 2,965 | 6,155 | 24,135 | 33,255 | 2,853 | 5,334 | 23,724 | 31,911 |
| Technical liabilities relating to financial contracts with discretionary profit-sharing excluding unit-linked items | 1,506 | 3,950 | 13,155 | 18,612 | 1,564 | 3,730 | 15,634 | 20,929 |
| Technical liabilities relating to financial contracts without discretionary profit-sharing excluding unit-linked items | 7 | | | 7 | 7 | | | 7 |
| Reserve for deferred profit-sharing liability | 87 | | 241 | 328 | 42 | | 162 | 204 |
| **TOTAL TECHNICAL INSURANCE LIABILITIES AND LIABILITIES FOR FINANCIAL CONTRACTS** | **9,042** | **13,168** | **41,369** | **63,578** | **9,053** | **12,041** | **43,274** | **64,368** |

Most technical liabilities corresponding to financial contracts with and without discretionary profit sharing may be redeemed at any time. The table above provides an economic overview of the liquidation of technical insurance liabilities.

### 4.2.4.5 Financing debt by maturity

The principal features of financial debt, as well as its breakdown by maturity, are provided in Note 24 herein – Financial Debt.

## 4.2.5 RISK OF REINSURER INSOLVENCY

Outward reinsurance consists of transferring 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 Reinsurance Securities Committee examines and approves the list of reinsurers accepted for all external outward reinsurance.

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 an outward reinsurance 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.

Transferred insurance technical reserves and recoverables are shown below, by rating, according to the three largest rating agencies (Standard & Poor's, Fitch Ratings, Moody's).

1 2 3 4 5 6 7

| (in millions of euros) | 31.12.2013 AAA | AA | A | BBB | < BBB | Not rated | Total |
|---|---|---|---|---|---|---|---|
| Share of reinsurers in non-life insurance reserves | 6 | 864 | 195 | | | 537 | 1,602 |
| Share of reinsurers in life insurance reserves | | 7,019 | 1 | | | 61 | 7,081 |
| Share of reinsurers in reserves for financial contracts with discretionary profit sharing | | | | | | | |
| Share of reinsurers in reserves for financial contracts without discretionary profit sharing | | | | | | | |
| Receivables from outward reinsurance operations | 16 | 40 | 7 | | 5 | 167 | 235 |
| **TOTAL** | **22** | **7,923** | **204** | | **5** | **764** | **8,918** |

| (in millions of euros) | 31.12.2012 AAA | AA | A | BBB | < BBB | Not rated | Total |
|---|---|---|---|---|---|---|---|
| Share of reinsurers in non-life insurance reserves | | 796 | 211 | 1 | 4 | 627 | 1,639 |
| Share of reinsurers in life insurance reserves | | 9 | 9 | | | 30 | 48 |
| Share of reinsurers in reserves for financial contracts with discretionary profit sharing | | | | | | | |
| Share of reinsurers in reserves for financial contracts without discretionary profit sharing | | | | | | | |
| Receivables from outward reinsurance operations | 19 | 4 | 7 | | 1 | 245 | 276 |
| **TOTAL** | **19** | **809** | **227** | **1** | **5** | **902** | **1,963** |

The total share of unrated reinsurers corresponds primarily to outward reinsurance to professional reinsurance pools, especially Assurpol, Assuratome, Gareat, Réunion Aérienne and Réunion Spatiale, which are not subject to any rating.

A share of €336 million (€301 million for fiscal year 2012) is also represented by the Groupama SA retrocession to the regional mutuals under the Internal Reinsurance agreement. The breakdown is as follows:

- €274 million in share of reinsurers in non-life insurance reserves;
- €62 million in receivables from outward reinsurance operations.

## 4.2.6 OPERATING, LEGAL, REGULATORY AND TAX RISKS

### 4.2.6.1 Operational Risks

Operational risk management is carried out in conformity with the operational risk policy, and broken down by Group risk policy (see section 4.2.1).

The operational risk control system, broken down by all Group entities, using a process-based approach, is based on three levels of control with responsibility and control plans appropriate for each level:

- internal-check type permanent monitoring of the operational level and permanent management control;
- permanent controls operated by the Permanent Control/ Compliance Function of each entity;
- periodic controls undertaken by internal audit of each entity.

The operational risk management system of Groupama is based on:

- the Group business continuity policy, formalised at the end of 2013, which serves as a reference for crisis management systems and Business Continuity Plans (BCP). Three BCPs have been identified: crisis management systems and Business Continuity Plans (BCPs). Three BCPs have been identified:
  - an Unavailability of Human Resources BCP, which integrates the Pandemic BCP provides for business continuity in the event of a light pandemic (no modification of operations) or a severe pandemic (degraded operation),
  - an Unavailability of Real Estate BCP,
  - an Information Systems BCP which provides for business continuity despite a major incident affecting the IT system;
- the definition of internal management rules and operational procedures defining the manner in which the activities of Groupama SA must be conducted. They are appropriate to each business line and each key process. On the basis of Group benchmarking of processes and Group classification of operational risks at every stage of the business line and functional processes, operational risks are identified and related controls are laid down and standardised across the Group. These controls, being deployed in each entity, provide the basis for strengthening level 1 and level 2 controls.

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 policies are distributed among internal insurers and external insurers for the most significant risks. The principal coverage is the following:

- employee insurance;
- third-party liability of corporate officers;
- professional third-party liability;
- operating third-party liability;
- property damage insurance (property, offices, equipment, car fleets, etc.).

### 4.2.6.2 Legal and regulatory risk

The legal and regulatory risks are managed as part of Group system compliance, which is defined by the Group compliance charter validated by the governing bodies of the Group. The system in place, directed by the compliance charter, aims to ensure that all Group practices comply with legal provisions, administrative regulations and requirements and professional standards, as well as the Group's internal rules, charters and procedures.

The internal control procedures designed to ensure the conformity of all Groupama SA operations are based on the main mechanisms described below.

#### (a) Application of corporate law and the Commercial Code

The Legal Department, under the supervision of the Corporate Secretary, manages Groupama SA's legal affairs and those of its subsidiaries and provides legal advice 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 ongoing monitoring systems on an individual entity basis.

#### (b) Application of insurance law and regulations governing the insurance business

The Legal Department within the Corporate Secretary of Groupama SA ensures, particularly on behalf of the Business Divisions of Groupama SA, the French insurance subsidiaries, as well as the regional mutuals:

- a function of monitoring and analysing legislation and case law and other standards (FFSA professional standards, ACPR recommendations) having an impact on the insurance business; (marketing, communication, advertising, development, subscription, execution and termination of insurance products, etc.);
- the necessary anticipation and support to implement new regulations for this activity;
- information (notes, circulars, working groups, dissemination of a quarterly bulletin of legal information in connection with customer protection);
- validation of new insurance policies developed by the Business Departments well as the modifications made to existing policies;
- development and validation of distribution and partnership agreements in connection with insurance and other services;
- legal and tax advice (tax products);
- relations with the administrative authorities for control and support as part of these controls and any resulting consequences on the insurance business.

#### (c) Other areas

Specific procedures have been set up to meet special requirements:

- ethical oversight designed 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 by an agent at Groupama SA;
- to fight money laundering and terrorist financing: the entities are incorporating into their procedures the legal obligations and professional recommendations in this area. The permanent control/compliance and risk management 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 Group Legal Department, working with a network of officers responsible for anti-money laundering and terrorist financing activities in the insurance, banking and asset management subsidiaries in France and internationally, and the regional mutuals, ensures the Group coordination and is responsible for monitoring Group compliance with anti-money laundering obligations (changes in regulatory provisions, harmonisation and consistency of procedures, performance indicators, steering of IT projects and training bags);
- in application of the Data Protection Act, the compliance system makes use of the Group Data Protection Correspondent named by the French National Information Technology and Freedom Commission ("CNIL") and on the network of internal correspondents: one correspondent per entity and nine for Groupama SA in areas implementing sensitive processes. This network changes based on the Group's organisational modifications;
- with regard to the protection of medical data, Group recommendations are disseminated by the Groupama SA Business Division concerned or entity concerned. It is the responsibility of the various Group companies to implement these recommendations (regional mutuals and subsidiaries), in partnership with the medical advisers and in collaboration with the Group's compliance unit, the Group's Data Protection Correspondent ("ITF agent"), and the Claim and Cost Control Division of the Insurance, Banking, and Services Department.
- with regard to the protection of customers, in accordance with instruction 2012-I-07 of 13 December 2012 of the ACPR, the application of customer protection rules and their insertion into the internal control system are now presented in a dedicated questionnaire that must be communicated to the supervisory authority each year.

#### 4.2.6.3 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 preparing the end-of-year financial statements. In this capacity, it ensures that the tax consolidation rules are applied (Article 223 A *et seq*. of the General Tax Code) for the Group and, working with the Group Accounting Department, prepares the report on the tax position of the consolidated companies. It also helps to implement documentation and archiving procedures in terms of computerised accounting records, as required under tax law, particularly as part of dedicated "CFCI" (Computerised Accounting Tax Audit) committees for each French entity. Lastly, it facilitates, within a Steering Committee, efforts to ensure that the Group is in compliance with the US Foreign Account Tax Compliance Act ("FATCA") with a view to its entry into force in 2014.

### 4.2.7 MONITORING AND MANAGING BANKING RISKS

#### 4.2.7.1 General presentation

Risk management is inherent in banking activity. Groupama Banque's risk policy falls under its affiliation with the Groupama group and the organisation's strategic development choices, which are an integral part of the Group's strategy. In accordance with regulations, including Titles IV and V of amended Regulation CRBF 97-02, as amended, the Bank's Management Committee, acting on proposals made by the risk management and controls general secretary, sets the institution's risk policy, particularly with regard to customer selection and risks, terms and conditions for granting loans and delegating authority.

The Credit Risk, Operating Risk, and Market, Interest Rate, and Liquidity Risk Departments also analyse and monitor risk and carry out the necessary controls and reporting within a number of committees: the Credit Committee, the Risk and Control Committee, the ALM Committee and the Management Committee. They also recommend policy adjustments according to what they anticipate in terms of risk to the bank and changes in the economic and regulatory environment.

#### 4.2.7.2 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 is manifested in client lending activity, as well as in other circumstances when the bank faces counterparty default in market transactions.

##### (a) Decision-making procedures

A process approved by the Bank's Management Committee is described in a permanent instruction known as the "credit risk policy". This covers the products and services offered, terms and conditions of customer selection, and rules regarding the granting of credit according to customer type. The credit decision-making process is based on a set of delegations, the highest body being the Credit Committee. The delegations are classified by amount according to customer category and commitment type.

The granting of credit or any commitment made with regard to a counterparty (such as a guarantor) that takes effect through an authorisation must fall within specific limits and comply with the rules of risk diversification. These limits are revised annually and more frequently if necessary. They are reviewed by the Credit Committee and must be approved by the Management Committee.

Accordingly, several types of limit have been defined: individual limits by amount according to type of counterparty, limits by amount according to type of customer and product, specific limits for Groupama entities and, lastly, regulatory limits for major risks pursuant to Article 1 of CRBF Regulation 93-05, as amended.

##### (b) Oversight procedures

Oversight of credit risks is carried out within the Financial Risk Management Department, whose responsibility is to ensure conformity with decisions, the reliability of reporting data, and the quality of risk monitoring. As part of its "credit risk monitoring", the Credit Committee meets each quarter to:

- monitor outstanding amounts, limits and guarantees;
- review important commitments through an in-depth analysis carried out at least annually;
- take note of the analysis of the burden and cost of quarterly risk;
- examine the observations and recommendations of the Risk Department following the analysis of the burden and cost of the risk.

##### (c) Impairment procedures

Procedures are adapted differently for retail banking customers and customers monitored in the portfolio. As part of its quarterly "monitoring of sensitive commitments and reserves", the Credit Committee:

- reviews all sensitive commitments;
- examines doubtful cases for all facilities, excluding consumer credit granted to retail banking customers, and decides on potential litigation and reserve levels;
- periodically updates the litigation reserve level rate with respect to retail banking customers;
- for all markets, determines the merits of establishing a collective reserve on healthy debt and, where applicable, calculates its amount.

#### 4.2.7.3 Market risks

The Market, Interest Rate, and Liquidity Risk Management Division produces a daily market risk performance indicator using independent front office calculations. Portfolio income is calculated and compared with the observation thresholds. Sensitivities (in euros for a rate increase of 1 bp) are calculated daily, and the Market, Interest Rate, and Liquidity Risk Management Division control ensures that the limits defined by the Management Committee are respected. Stress scenarios are also simulated on the various portfolios.

The Market, Interest Rate, and Liquidity Risk Management Division provides a daily report on the foreign exchange accounting position to the Operating Divisions, line management and members of the Management Committee concerned.

It also carries out foreign exchange trading on a daily basis. It ensures that no position exceeds the limits set by the Management Committee and calculates the result.

The trading room has no position in the equity market. It only acts as an intermediary on behalf of customers.

### (a) Setting and complying with limits

The Management Committee revises limits annually. It can also decide on an immediate limit increase, in case of a particular need associated with a new business line, or decrease, in the event of problems on the financial market.

The Management Committee is advised quarterly of risk and income measurements, compliance with limits, any counterparty default and any event likely to affect the bank's risk level.

### (b) Payment risk

The bank can assess at any time its resources in securities or cash that are directly available, allowing it to meet its commitments. It has securities available at Banque de France allowing it to carry out pension transactions in order to ensure intraday or overnight liquidity.

### (c) Foreign exchange risk

This is the risk that the value of an instrument or of one of the items of its future results will fluctuate because of changes in foreign currency rates.

The bank does not take positions in foreign currencies. Its activity is maintained well below the threshold that requires prudential supervision of the foreign exchange risk.

### (d) Liquidity risk

The policy for managing liquidity risk includes making sure Groupama Banque can honour its commitments at all times with regard to its customers, meet prudential standards, maintain the cost of its refinancing at the lowest level and handle any liquidity shortages.

The bank monitors its liquidity risk on a daily basis at the level of the Treasury and Capital Markets Department, on a weekly basis at the level of the Steering Committee, and on a monthly basis through the ALM, Customer Rate, and Market Risk Committees. It periodically establishes crisis scenarios and ensures the capacity to meet any crises that occur.

The size and nature of the bank's balance sheet, as well as its resource structure from its various customers in excess of the amount of loans issued, mean that the bank has little exposure to liquidity risk. The main sources of financing are therefore structural: shareholders' equity, current accounts and special scheme accounts. The bank also has a pool of securities that meet Central Bank eligibility requirements, which permit self-financing over the short-term and the possibility of using Group surpluses.

The liquidity coefficient exceeds the regulatory minimum.

## 4.2.7.4 The annual percentage rate risk (ALM)

Pursuant to Article 29 of chapter III – section IV of Regulation 97-02, as amended, the bank has decided to remove from the scope of the overall risk assessment those transactions for which it assesses market risk.

Balance sheet elements that do not generate market risk and show some sensitivity to changes in interest rates are grouped together in the bank's fixed-rate section of the balance sheet, which itself is divided into four main sections: shareholders' equity, commercial banking, Group company banking, and management of structural and cash surpluses.

Risk monitoring is based on the Net Present Value (NPV) sensitivity within a conversion of +200 bp (curve translation), considered to be a hypothesis of sudden rate change. The limit of any hedging action was revised in 2013 and is fixed at +/-€60 million. During fiscal year 2013, this limit was never reached, and no hedge was put in place. At 31 December 2013, the sensitivity thus calculated was -€7.4 million.

Furthermore it should be noted that the ALM Committee also follows, on a monthly basis, the impact of a conversion of -100 bp and +100 bp, and the impact of a steeping or flattening of the interest-rate curve, retained as additional indicators.

A second limit on the bank's profit over two rolling years is monitored. It is set at +/-€6 million over 12 months and €14.5 million over 24 months, for a conversion of the yield curve of +100 bp. This sensitivity amounted to -€2.7 million over 12 months and -€4.2 million over 24 months as at 31 December 2013. The limits were not reached during fiscal year 2013.

## 4.2.7.5 Operating risks

The operating risk management policy is based on the standard method of the Basel II agreement. It identifies risks inherent in each business line (bottom-up approach), periodically assesses their criticality (mapping of operating risks and scenario modelling) and lists incidents that have occurred. This approach is complemented by a system of reporting and warnings and measures to improve existing control procedures.

### Business Continuity Plan

The Business Continuity Plan (BCP) is organised around several mechanisms, which includes:

- activation of a crisis cell;
- back-up of IT systems;
- the availability of a disaster recovery site.

The BCP is updated regularly and technical and user installation tests are conducted several times a year for the backup sites.

# EARNINGS AND FINANCIAL POSITION

5

CONTENTS

# 5.1 BOARD OF DIRECTORS' REPORT

## 5.1.1 ENVIRONMENT

### 5.1.1.1 Macroeconomic environment

Europe was still marked by sluggish growth in 2013, notably with an increasing gap in the difference between continental Europe and the United Kingdom (where the recovery was confirmed over the final quarter with 1.9% growth). In the eurozone, economic activity in 2013 remained low, leading the ECB to cut its key interest rates twice during the year (in May and November) to avoid deflation. Inflation in the eurozone nevertheless decelerated by 2.0% in early 2013 to 0.9% in November. However, the eurozone is characterised by strong heterogeneity in the economic environments of its member countries. Germany saw GDP growth throughout the year and maintained its unemployment rate at a low level (6.9%). On the other hand, France and the countries of Southern Europe had growth rates that were lower, or even negative in some cases, and faced significantly higher unemployment rates. Against this backdrop, efforts to reduce public deficits were dramatic.

The other major point observed by the financial markets was the reinforcement of the stabilisation mechanisms for the eurozone. The years 2011 and 2012 marked the establishment of aid plans for countries experiencing difficulties, eventually giving rise to the more lasting ESM (European Stability Mechanism). The challenge for 2013 was establishing a mechanism for the supervision and direct bailout of banks at the European level. Europe thus experienced significant advances in 2013 regarding the supervision components of the Banking Union and must now stabilise the operational aspects of the ESM.

On the other side of the Atlantic, the recovery of US economic activity during the second half of the year revived expectations of a reduction of the Fed's accommodative measures (measures mainly involving asset purchases and a policy of low interest rates). This change of intention resulted in a sharp increase in the long end of the US yield curve (early). October's budget discussions delayed any reduction of the asset purchase programme in the fourth quarter. However, the confirmation of the economic recovery and a continuous decline in the unemployment rate during the year (7.0% in November *versus* 7.9% in January), combined with better visibility on tax policy, permitted a very gradual reduction in asset purchases starting in January 2014.

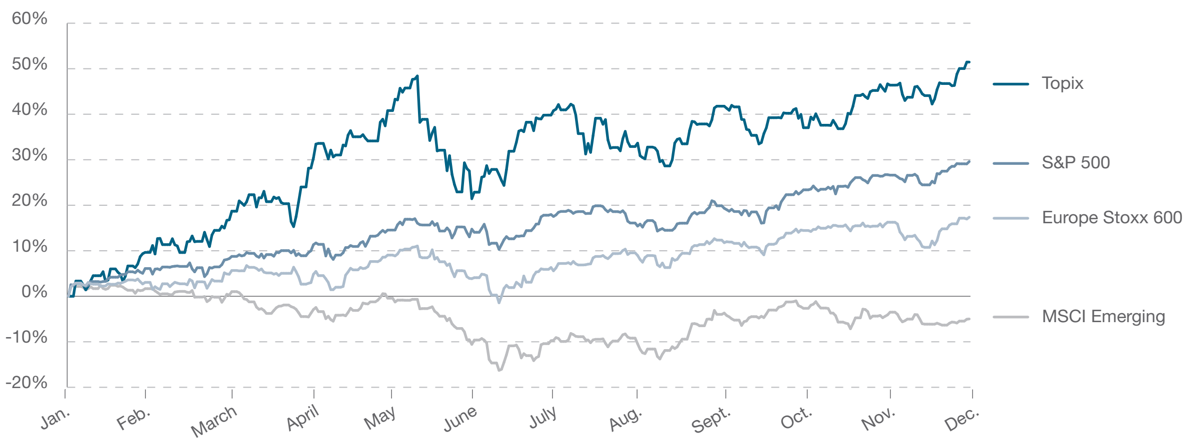
China was characterised by various phases of accelerations and slowdowns throughout the year. The main challenge for the economy is to improve the allocation of resources and the efficiency of the Chinese economic model. Investment growth thus slowed gradually during the year, just like real estate investment (due to certain announcements of reforms in this sector as well). In addition, various prudential measures were initiated to better regulate the risk associated with off-balance sheet bank loans.

In Japan, the initial effects of the country's new economic policy, which involves significantly increasing liquidity through asset purchases by the Bank of Japan, were felt in the second quarter. Accordingly, deflationary pressures gradually pulled away during the year, and the yen depreciated by 20%. The depreciation of the yen brought about corporate profit growth as well as wage increases. Lastly, additional fiscal stimulus (accounting for 1% of GDP) was undertaken in the 4th quarter to stimulate the economy. However, activity in the manufacturing industry has not yet seen any progress at this stage.

### 5.1.1.2 Financial markets

In this environment of abundant liquidity, risky assets held up particularly well.

**(a) Changes in the equity market**



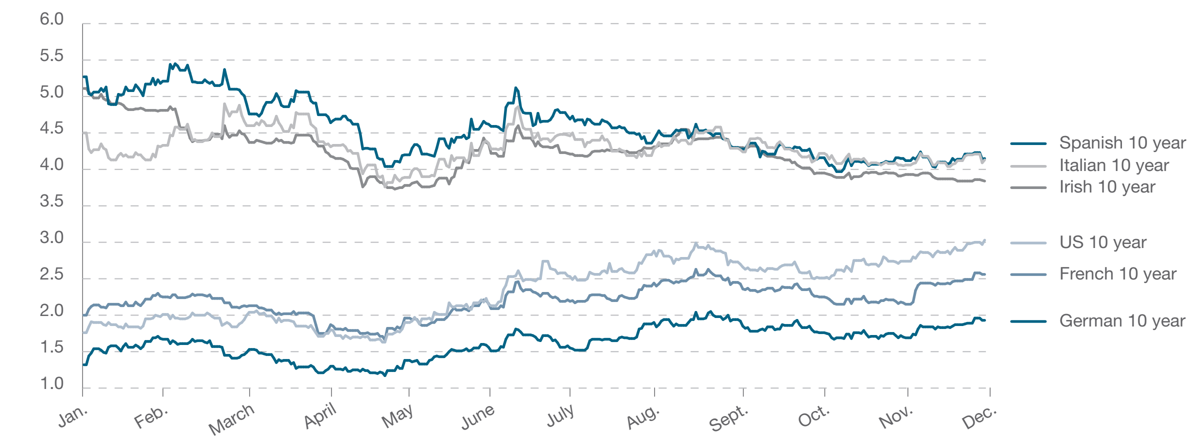
The majority of stock market indices finished the year with high performance:

- European markets were up 17.4% (DJ Stoxx 600 – Europe), driven by the first signs of recovery in global growth and a catching-up of valuations following a continued decline in investors' expectations of systemic risk in the eurozone;
- US markets were up 29.6% (S&P 500), fuelled by the confirmation of the US economy's recovery and a delay in the slowdown of the Fed's unconventional measures;
- Japanese markets were up 51.5% (TOPIX) thanks to the Japanese central bank's measures.

In contrast, emerging equities fell by -4.98% (MSCI Emerging):

- for specific reasons associated with the more unfavourable forecasts on these markets and an increased political risk over the second half of the year;
- more generally, because of fears of a slowdown of the Fed's unconventional measures.

### (b) Changes in yields

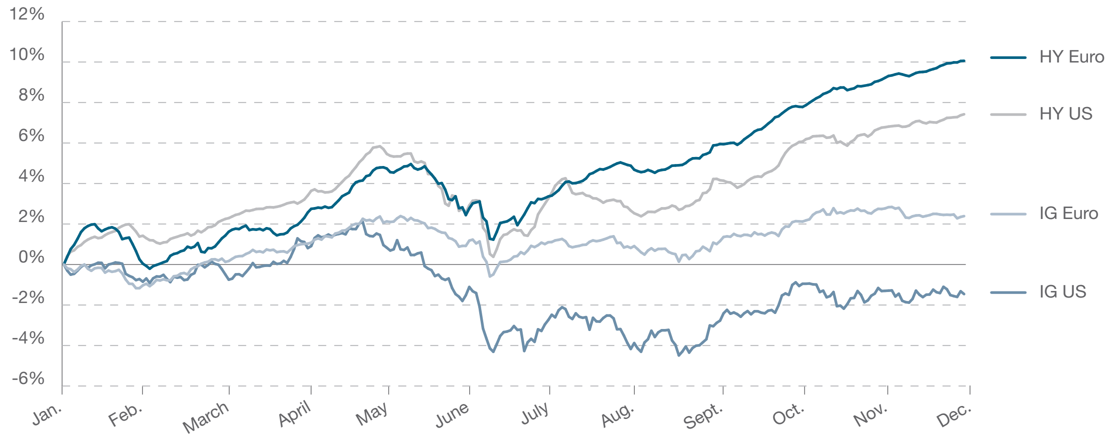



The bond asset class had a mixed performance. Following the announcements of gradual reductions in the Fed's accommodative measures, the rates of "core euro" and US sovereign bonds rose:

- the US 10-year rate was up 1.27%;
- French and German 10-year rates were up 0.56% and 0.61%.

Conversely, the rates of peripheral countries were greatly relaxed, with Italian, Irish, Spanish, and Portuguese rates down -0.37%, -1.26%, -1.14%, and -0.88% respectively because of the decline in expectations of systemic risk in the eurozone. In this context, emerging bonds greatly suffered from the Fed's announcements and from a resurgence of political risks in many countries. Indices were down -6.58% for emerging market debt denominated in dollars and down -8.04% for debt in local currencies.

(c) Changes in credit




The credit class also had an excellent year in 2013. The growth primarily involved the lowest-rated bonds and bonds issued by companies operating in the peripheral countries. The various credit indices thus increased with:

- "Investment Grade Euro" credit markets up 2.39%;
- High Yield Euro and US markets up 10.06% and 7.42%.

Conversely, in the wake of US rate increases, a -1.46% decline in the "US investment grade" credit market was observed.

## 5.1.2 SIGNIFICANT EVENTS OF THE 2013 FISCAL YEAR

### 5.1.2.1 Changes in the regulatory framework

#### (a) Law on the separation and regulation of banking activities

The law of 26 July 2013 on the separation and regulation of banking activities, published in the Journal Officiel on 27 July, establishes Groupama SA as the central body of the network made up of agricultural insurance and reinsurance companies and mutuals. It confirms and strenghthens for the future the Group's mutualist nature and its cohesion based on the solidarity of its member companies.

#### (b) Regulatory changes

A number of regulatory changes occurred during the fiscal year in the various countries in which the Group operates. In France, the reform of the Fonds de Garantie des Assurances Obligatoires de dommages (FGAO) have resulted in a cost of approximately €13 million net of taxes.

### 5.1.2.2 Changes in the Group

#### (a) In France

**Sale of the asset management company Groupama Private Equity**

Groupama sold 100% of Groupama Private Equity's share capital to the ACG group. Announced on 7 January 2013, the transaction was completed on 29 March 2013. It comes as part of Groupama's strategy to dispose of its non-strategic businesses.

In connection with this sale, Groupama took the opportunity to partially sell the interests held by the Group in the private equity funds (FCPR Acto and FCPR Acto Capital II) to Acto Capital, a simplified joint-stock company in the process of formation represented by Luxempart and Five Arrows Secondary Opportunities III, a Rothschild group fund.

**Allianz France and CapsAuto partnership**

In September, Allianz France decided to team up with CapsAuto, a Groupama subsidiary, creator and leader of Accident Management in France, in order to roll out its vehicle accident repair solution. As part of this partnership, Allianz acquired a 15% stake in CapsAuto.

#### (b) International changes

**Sale of Bollington**

On 15 March 2013, Gan UK Broking Services sold its 51% of its stake in the brokerage firm Bollington. The impact of this transaction had been anticipated in the financial statements as at 31 December 2012.

**Groupama strengthens its partnership with the Chinese group AVIC**

On 25 April 2013, Groupama and the Chinese aviation group AVIC (Aviation Industry Corporation of China) signed a second partnership agreement relating to the insurance sector.

Under the terms of this agreement, the capital of Groupama AVIC Property Insurance Company Limited will be doubled to 1 billion Yen (€125 million). This capital increase, which will be shared equally by the two partners, is intended in particular to support the strong growth of Groupama AVIC Insurance on the agricultural and rural insurance market in China, which is exceeding the initial forecasts.

#### Bancassurance agreements in Italy

During the 1st half of 2013, Groupama Assicurazioni signed several bancassurance agreements with meduim-sized and independent regional banking institutes located in the central northern part of Italy. Groupama Assicurazioni takes no stake in the capital of the banks, but the aim is to pool processes and tools in order to streamline and improve insurance products investment. At first, the business will involve only motor third-party liability insurance. It will then be extended to other products from the main branches of insurance.

### 5.1.2.3 Other items

#### (a) Financial rating

On 6 March 2013, Fitch upgraded the insurer financial strength rating of Groupama SA and its subsidiaries from "BB+" to "BBB-". The outlook associated with the ratings of Groupama SA and its subsidiaries is stable.

On 30 October 2013, Fitch upgraded the rating of Groupama SA's undated deeply subordinated bonds from "B-" to "BB-", following the resumption of the coupon payment on 22 October 2013. Groupama's other ratings have remained the same.

#### (b) Changes in the strategic securities held by Groupama

Groupama disposed of its stakes in Société Générale and Eiffage, allowing it to strengthen its financial flexibility and reduce its exposure to market risks:

- on 13 August 2013, Groupama disposed of the reminder of its stake in Société Générale, representing around 1.9% of the Company's share capital, for approximately €517 million. The impact of the disposals of Société Générale securities, including those carried out in the 1st half of 2013, was approximately €88 million net of profit sharing and tax;
- on 9 September 2013, Groupama disposed of its entire stake in Eiffage, representing around 6.9% of the Company's share capital, for approximately €250 million. The impact of this disposal amounted to €82 million net of profit sharing and tax.

On 1 October 2013, Groupama announced its withdrawal from the Mediobanca shareholders' agreement, in accordance with the terms of the agreement. This withdrawal took effect on 31 December 2013.

#### (c) Reinsurance

In July 2013, but effective as of 1 January 2013, Groupama signed a 3-year contract for a 15% quota-share treaty in life insurance with a top-ranking international life reinsurer.

Groupama continued to diversify its storm covers in France with the issue of a new catastrophe ("cat") bond for €280 million in early July.

Swiss Re Capital Markets placed a new structured bond, Green Fields II Capital Limited, on behalf of Groupama SA, providing €280 million of storm cover in France for a risk period from 2 July 2013 to 31 December 2016. The collateral used to back this issue was a dedicated structured bond issued by the European Bank for Reconstruction and Development (AAA ratings by S&P, Moody's, and Fitch).

## 5.1.3 POST-BALANCE SHEET EVENTS

### 5.1.3.1 Financial rating

On 11 February 2014, the rating agency Fitch upgraded the rating of Groupama SA and its subsidiaries from "BBB-" to "BBB". It also assigned a 'positive' outlook to this rating.

## 5.1.4 ANALYSIS OF FINANCIAL STATEMENTS

### 5.1.4.1 Introductory summary: reminder of the combined Group's business data

Groupama SA's consolidated financial accounts cover only part of the entire Group's business. They incorporate only the portion of the regional mutuals' business reinsured by Groupama SA. In order to provide a comprehensive view of the Group's business, the prominent comments and figures of the combined financial statements of the entire Group are recalled below.

| **Premium income** *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 31.12.2012 *Pro forma* | Actual change | Like-for-like change |
|---|---|---|---|---|---|
| Property and casualty insurance – France | 5,163 | 5,134 | 4,981 | 0.5% | 3.6% |
| Groupama Gan Vie | 3,667 | 4,176 | 4,176 | -12.2% | -12.2% |
| Life and health insurance in France – excluding Groupama Gan Vie | 1,921 | 1,888 | 1,888 | 1.8% | 1.8% |
| **Total Insurance – France** | **10,751** | **11,198** | **11,045** | **-4.0%** | **-2.7%** |
| Property and casualty insurance – International | 1,889 | 1,995 | 1,966 | -5.3% | -3.9% |
| Life and health insurance – International | 757 | 731 | 720 | 3.5% | 5.1% |
| **Total Insurance – International** | **2,646** | **2,726** | **2,686** | **-2.9%** | **-1.5%** |
| Assuvie | 6 | 6 | 6 | -6.2% | -6.2% |
| Banking and financial businesses | 266 | 267 | 253 | -0.3% | 5.0% |
| **Total – Groupama** | **13,669** | **14,197** | **13,990** | **-3.7%** | **-2.3%** |
| **Total – Insurance (excl. Assuvie)** | **13,397** | **13,924** | **13,731** | **-3.8%** | **-2.4%** |
| Property and casualty insurance | 7,052 | 7,129 | 6,947 | -1.1% | 1.5% |
| Life and health insurance | 6,345 | 6,795 | 6,784 | -6.6% | -6.5% |

As at 31 December 2013, Group's Insurance combined premium income reached €13.4 billion, down -2.4% on a like-for-like basis (-3.8% in actual change) compared with 31 December 2012. Including financial activities, the Group's combined premium income was down -2.3% on a like-for-like basis (-3.7% in actual change) at €13.7 billion.

In property and casualty insurance, the Group posted overall growth of +1.5%, driven by a prudent development policy focused on price increases. In France, property and casualty insurance grew less than in the past (+3.6%) in this environment of more selective underwriting and a targeted price increase policy. International property and casualty insurance continued to face a contraction of potential insurance purchasers (particularly in the countries of Central Europe) and decreased by -3.9%, mainly because of the decline in the motor insurance business (-7.2%), which was quite pronounced on the Italian and Romanian markets.

The decline in life and health insurance premium income (-6.5%) is explained primarily by the reduced premium income of Groupama Gan Vie (-12.2%), which supports the individual savings/pensions business in France. This change was partly offset by an increase in international life and health insurance premium income (+5.1%) and the life and health insurance businesses excluding Groupama Gan Vie in France (+1.8%) (mainly in individual health). As mentioned later in this report, Groupama Gan Vie's growth is strongly tied to the decrease in savings/pensions in euros and Group insurance portfolio monitoring actions, which mask all of the dynamics of portfolio transfers to unit-linked savings.

| Economic operating income *(in millions of euros)* | 31.12.2013 | 31.12.2012 | Value change |
|---|---|---|---|
| Property and casualty insurance – France | (39) | (58) | 19 |
| Life and health insurance – France | 72 | 36 | 36 |
| **Total Insurance – France** | **33** | **(22)** | **55** |
| Property and casualty insurance – International | 36 | 58 | (22) |
| Life and health insurance – International | 22 | 22 | 0 |
| **Total Insurance – International** | **58** | **80** | **(22)** |
| Banking and financial businesses | 13 | 12 | 1 |
| Holding activities | (89) | (149) | 60 |
| **Total – Groupama** | **16** | **(78)** | **94** |
| Property and casualty insurance | (3) | 1 | (4) |
| Life and health insurance | 95 | 58 | 37 |

The Group's economic operating income amounted to €16 million in 2013 *versus* -€78 million in 2012, an increase of €94 million. France's insurance economic operating income contributed +€55 million to the increase, with the balance coming from the Group's holding business for +€60 million. International economic operating income amounted to €58 million this year. The overall recovery was associated with refocusing actions on operational profitability. In a non-life view, at 100.8%, the combined ratio improved by -2.3 points for 2013, despite an increased proportion of weather events (+1.8 point) as well as major events to a lesser extent (+0.5 point).

In France, property and casualty insurance economic operating income improved by +€19 million in 2013. The net combined ratio was 101.9% in 2013 *versus* 102.3% in 2012. Despite a very unfavourable 2013 with respect to weather-related claims (the proportion of which was up +3.5 points compared with 2012), the gross claims ratio was down -0.9 points in 2013 under the combined effect of the very significant improvement in the attritional claims ratio (which decreased by -4.5 points) and, to a lesser extent, more surpluses on prior fiscal years (-1.3 points). The operating costs ratio decreased by -0.3 points to 30.0% in 2013 reflecting the efforts undertaken by the Group to reduce overhead costs. Individual life and health insurance economic operating income grew by +€36 million in 2013 with an improvement of underwriting results both in health and other injuries and in life/capitalisation.

At the international level, economic operating income in property and casualty insurance decreased by -€22 million over the period, whereas it was stable in individual life and health insurance. This figure incorporates the result of companies accounted for under the equity method, which was +€8 million in 2012 and down -€16 million in 2013, particularly because of the unfavourable results of the Group's minority stake in Turkey. This was an improvement in operating performance at the international level (in a macroeconomic environment and unfavourable competitive conditions in most of the countries where the Group is located). The property and casualty insurance combined ratio of 100.9% at the international level decreased by -0.5 points in 2013.

Banking and financial businesses contributed +€13 million to the Group's economic income in 2013.

The Group's holding business posted an economic loss of -€89 million in 2013 compared with -€149 million in 2012. The holding businesses mainly bear the cost of the Group's external debt, the support and Group business expenses and are the backbone of the tax consolidation in France. These changes mainly resulted from the effects of the tax consolidation and, to a lesser extent, by a reduction in absolute value of the holding costs.

The Group's net income totalled +€283 million as at 31 December 2013 *versus* a loss of -€589 million in 2012.

As a reminder, the 2012 loss incorporated:

- the loss from discontinued operations for -€334 million;
- goodwill impairment for -€298 million mainly on the countries of Central and Eastern Europe.

| **Net income** *(in millions of euros)* | **31.12.2013** | **31.12.2012** | **Value change** |
|---|---|---|---|
| Property and casualty insurance – France | 61 | 61 | 0 |
| Life and health insurance – France | 349 | 182 | 167 |
| **Total Insurance – France** | **410** | **243** | **167** |
| Property and casualty insurance – International | 22 | 18 | 4 |
| Life and health insurance – International | 15 | (10) | 25 |
| **Total Insurance – International** | **37** | **9** | **28** |
| Banking and financial businesses | 6 | 6 | 1 |
| Holding activities | (123) | (218) | 95 |
| Net income from discontinued operations | | (334) | 334 |
| Gan Eurocourtage | | (153) | 153 |
| Spain | | (23) | 23 |
| GICL | | (136) | 136 |
| Lark | | (15) | 15 |
| Poland | | (7) | 7 |
| Goodwill impairment | 0 | (298) | 298 |
| Other | (47) | 4 | (51) |
| **TOTAL NET INCOME – GROUPAMA** | **283** | **(589)** | **872** |
| Property and casualty insurance | 83 | 79 | 4 |
| Life and health insurance [(1)] | 367 | 176 | 191 |

*(1) Including Cegid's equity-method income.*

### 5.1.4.2 Summary of the consolidated activity and results

| **Premium income** *(in millions of euros)* | **31.12.2013** | **31.12.2012** | **31.12.2012 *Pro forma*** | **Actual change** | **Like-for-like change** |
|---|---|---|---|---|---|
| Property and casualty insurance – France | 3,076 | 3,086 | 2,933 | -0.3% | 4.9% |
| Groupama Gan Vie | 3,669 | 4,180 | 4,180 | -12.2% | -12.2% |
| Life and health insurance in France – excluding Groupama Gan Vie | 757 | 764 | 764 | -0.9% | -0.9% |
| **Total Insurance – France** | **7,502** | **8,030** | **7,877** | **-6.6%** | **-4.8%** |
| Property and casualty insurance – International | 1,889 | 1,995 | 1,966 | -5.3% | -3.9% |
| Life and health insurance – International | 757 | 731 | 720 | 3.5% | 5.1% |
| **Total Insurance – International** | **2,646** | **2,726** | **2,686** | **-2.9%** | **-1.5%** |
| Assuvie | 6 | 6 | 6 | -6.2% | -6.2% |
| Banking and financial businesses | 268 | 269 | 255 | -0.2% | 5.0% |
| **Total Groupama SA** | **10,423** | **11,031** | **10,825** | **-5.5%** | **-3.7%** |
| **Total – Insurance (excl. Assuvie)** | **10,148** | **10,757** | **10,563** | **-5.7%** | **-3.9%** |
| Property and casualty insurance | 4,965 | 5,081 | 4,899 | -2.3% | 1.4% |
| Life and health insurance | 5,183 | 5,676 | 5,665 | -8.7% | -8.5% |

*2012 pro forma data:*

*In France, the Group still posted business volume in 2012 for the brokerage business sold to Allianz and sold entities (through reinsurance at Groupama SA, Mutuaide, and Groupama Protection Juridique). In 2013, the Group had no further activity in this respect. The premium income generated in 2012 included inward reinsurance relating to activities sold during the 2012 fiscal year: brokerage portfolio sold to Allianz and activities of the Spanish and British subsidiaries. These operations accounted for €105 million in premium income in 2012: €79 million for Groupama SA, €21 million for Mutuaide, and €5 million for Groupama Protection Juridique. As these reinsurance treaties no longer existed in 2013, these items were restated in the pro forma premium income of each of the entities.*

*The pro forma premium income of Groupama SA also incorporates the end of the participation in the Réunion Aérienne pool (an impact of -€17 million) and the run off of the transport branches (with the exception of Italy, an impact of -€15 million).*

*The pro forma premium income of Gan Assurances includes the end of insurance operations in Hong Kong (an impact of -€16 million).*

*The pro forma premium income as at 31 December 2012 of the banking entities includes the disposal of Groupama Private Equity, an impact of -€13 million on the Group's premium income.*

*For those entities that do not use the euro as their functional currency (Turkey, Romania and Hungary), the exchange rate effects are neutralised in the pro forma; the actual data as at 31 December 2012 were converted based on the exchange rate at 31 December 2013.*

As at 31 December 2013, Group's Insurance consolidated premium income reached €10.1 billion, down -3.9% on a like-for-like basis (-5.7% in actual change) compared with 31 December 2012. Including financial activities, the Group's consolidated premium income was down -3.7% on a like-for-like basis (-5.5% in actual change) at €10.4 billion.

The Group also has drivers of international growth, particularly in China where it ranks first among foreign non-life insurers (source CIRC, 2013 data). If the share of companies accounted for under the equity method is included, the decline in premium income would be -3.0% thanks to the sustained growth of international businesses accounted for under the equity method.

| **Premium income** *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 31.12.2012 *Pro forma* | Actual change | Like-for-like change |
|---|---|---|---|---|---|
| **Total Groupama SA** | **10,423** | **11,031** | **10,825** | **-5.5%** | **-3.7%** |
| **Premium income of entities accounted for under the equity method** | **288** | **230** | **214** | **25.3%** | **34.4%** |
| of which Turkey | 153 | 143 | 131 | 6.7% | 16.7% |
| of which Tunisia | 42 | 41 | 38 | 4.5% | 12.3% |
| of which China | 92 | 45 | 45 | 102.8% | 104.2% |
| **Total Groupama SA including EM entities** | **10,710** | **11,261** | **11,039** | **-4.9%** | **-3.0%** |

These activities mainly involve property and casualty insurance.

In property and casualty insurance, the Group posted overall growth of +1.4%, marked by steady growth in France (+4.9%). This growth was driven by partnerships and specialised companies despite a more selective underwriting policy and targeted price increases. International property and casualty insurance continued to face a contraction of potential insurance purchasers (particularly in the countries of Central Europe) and decreased by -3.9%, mainly because of the decline in the motor business (-7.2%), which was quite pronounced on the Italian and Romanian markets.

The decline in life and health insurance premium income (-8.5%) is explained primarily by the reduced premium income of Groupama Gan Vie (-12.2%), which supports the individual savings/pensions business in France. This change was partly offset by an increase in international life and health insurance premium income (+5.1%). In France, Groupama Gan Vie's premium income was down -12.2% (-14.2% in individual and -8.3% in Group). Individual savings/pensions premium income was down -17.8% because of the implemented product mix reorientation intended to strengthen products presenting risks (health, protection) and develop unit-linked policies in savings. Consequently, Groupama Gan Vie posted a decline in premium income in euros, but unit-linked premium income grew by +55.1% to €429 million. Adding to this performance were Groupama Gan Vie's Fourgous transformations (not recognised in premium income), which represented €1,084 million (including 37% invested in unit-linked accounts) as well as arbitrage of multi-component policies of euro funds for unit-linked funds for €431 million. International life and health insurance premium income increased (+5.1%), mainly under the effect of the growth in individual savings/pensions (+13.5% in connection with the success of various marketing campaigns in Italy +17.8% and Hungary +12.6%).

Insurance premium income in France represented 72% of the Group's overall business over the period, whereas international insurance premium income amounted to 25.4% of total premium income. The Group's other businesses (financial and banking) represented 2.6% of total premium income. Net banking income from these businesses amounted to €210 million at 31 December 2013.

| **Economic operating income** *(in millions of euros)* | 31.12.2013 | 31.12.2012 | Value change |
|---|---|---|---|
| Property and casualty insurance – France | (53) | (58) | 5 |
| Life and health insurance – France | (5) | 12 | (17) |
| **Total Insurance – France** | **(58)** | **(46)** | **(12)** |
| Property and casualty insurance – International | 36 | 58 | (22) |
| Life and health insurance – International | 22 | 22 | 0 |
| **Total Insurance – International** | **58** | **80** | **(22)** |
| Banking and financial businesses | 13 | 12 | 1 |
| Holding activities | (88) | (147) | 59 |
| **Total – Groupama** | **(75)** | **(101)** | **26** |
| Property and casualty insurance | (17) | 0 | (17) |
| Life and health insurance | 17 | 34 | (17) |

CONTENTS

The Group's economic operating income stood at -€75 million in 2013 compared with -€101 million in 2012. This loss was associated with the Group's holding business, whereas the insurance business posted economic operating income at a breakeven level. 2013 was affected by an exceptional level of weather events characterised by claims of moderate magnitude below the Group's external protection threshold. These claims increased weather claim expenses by €131 million over the current fiscal year (€66 million net of corporate income tax and reinsurance) compared with 2012, which had a claims ratio closer to the historical average observed on this segment. Regarding life and health insurance, during 2013, the Group also significantly reinforced Groupama Gan Vie's individual savings profit sharing funds, with an estimated impact of €100 million. These items mask the effect of the overall recovery associated with refocusing actions on operational profitability.

In France, property and casualty insurance economic operating income improved by +€5 million in 2013.

At the international level, economic operating income in property and casualty insurance decreased by -€22 million over the period, whereas it was stable in individual life and health insurance. Note that this income included the income of companies accounted for under the equity method for -€7 million *versus* +€8 million in 2012. This change is explained by the unfavourable results of the Group's minority stake in Turkey.

Banking and financial businesses contributed +€13 million to the Group's economic income in 2013.

The Group's holding business posted an economic loss of -€88 million in 2013 versus -€147 million in 2012. The holding businesses mainly bear the cost of the Group's external debt and the support and Group business expenses. They are the backbone of the tax consolidation in France. These changes mainly resulted from the effects of the tax consolidation and, to a lesser extent, from a reduction in absolute value of the holding costs.

The Group's net income totalled +€135 million as at 31 December 2013 versus a loss of -€622 million in 2012. This incorporates -€50 million in exceptional impairment of portfolio securities (in Italy, -€39 million in impairment associated with the end of automatic renewal in non-life and, in Hungary, -€11 million associated with the continuation of taxes on non-life insurance policies).

As a reminder, the 2012 loss incorporated:

- the loss from discontinued operations for -€334 million;
- goodwill impairment for -€298 million mainly on the countries of Central and Eastern Europe.

| **Net income** *(in millions of euros)* | **31.12.2013** | **31.12.2012** | **Value change** |
|---|---|---|---|
| Property and casualty insurance – France | 8 | 57 | (49) |
| Life and health insurance – France | 253 | 152 | 101 |
| **Total Insurance – France** | **261** | **209** | **52** |
| Property and casualty insurance – International | 22 | 18 | 4 |
| Life and health insurance – International | 15 | (10) | 25 |
| **Total Insurance – International** | **37** | **9** | **28** |
| Banking and financial businesses | 6 | 6 | 1 |
| Holding activities | (123) | (217) | 95 |
| Net income from discontinued operations | | (334) | 334 |
| Gan Eurocourtage | | (153) | 153 |
| Spain | | (23) | 23 |
| GICL | | (136) | 136 |
| Lark | | (15) | 15 |
| Poland | | (7) | 7 |
| **Goodwill impairment** | **0** | **(298)** | **298** |
| **Other** | **(47)** | **4** | **(51)** |
| **TOTAL NET INCOME – GROUPAMA SA** | **135** | **(622)** | **757** |
| Property and casualty insurance | 30 | 76 | (45) |
| Life and health insurance [(1)] | 271 | 146 | 125 |

*(1) Including Cegid's equity-method income.*

### 5.1.4.3 Activity and results – France

| Premium income – France *(in millions of euros)* | 31.12.2013 L&H | 31.12.2013 P&C | 31.12.2013 Total | 31.12.2012 *Pro forma* L&H | 31.12.2012 *Pro forma* P&C | 31.12.2012 *Pro forma* Total |
|---|---|---|---|---|---|---|
| Groupama SA | 584 | 1,615 | 2,199 | 576 | 1,540 | 2,115 |
| Groupama Gan Vie | 3,669 | | 3,669 | 4,180 | | 4,180 |
| Gan Assurances | 159 | 1,231 | 1,390 | 157 | 1,195 | 1,352 |
| Amaline Assurances | 7 | 45 | 52 | 3 | 46 | 49 |
| Other entities (1) | 14 | 185 | 199 | 34 | 152 | 186 |
| **TOTAL** | **4,432** | **3,076** | **7,508** | **4,950** | **2,933** | **7,883** |

*(1) Including Assu-Vie.*

Insurance premium income for France as at 31 December 2013 declined by -4.8% compared with 31 December 2012 and totalled €7,508 million.

#### (a) Property and casualty insurance

| Insurance premium income *(in millions of euros)* | P&C France 31.12.2013 | P&C France 31.12.2012 | P&C France Change % |
|---|---|---|---|
| Groupama SA | 1,615 | 1,540 | 4.9% |
| Gan Assurances | 1,231 | 1,195 | 3.0% |
| Amaline Assurances | 45 | 46 | -1.7% |
| Other entities | 185 | 152 | 21.7% |
| **TOTAL** | **3,076** | **2,933** | **4.9%** |

The growth of property and casualty insurance premium income (41.0% of premium income in France) remained steady with growth of +4.9%, greater than the market (+2% – source: FFSA, end of December 2013). This change resulted particularly from the individual and professional insurance sector (nearly 60% of property and casualty premiums written, at €1,812 million), which rose by +4.5%. This increase is explained by sustained price increase actions, the development of the partnership with La Banque Postale (+€54 million in Groupama's SA premium income with growth of +€27 million), and the increase in business of other specialised entities (Assistance +€26 million and Legal Protection +€7 million). Thanks to pricing measures and despite a more selective underwriting policy, the professional risk (+8.6%), home insurance (+6.4%), and motor insurance (+3.0%) segments performed well, better than the market (motor insurance: +1.5%, home insurance: +4%, professionals: +1% – source: FFSA, end of December 2013). Lastly, the agricultural business segment's premium income (€497 million) experienced strong growth (+8.6%), particularly under the effect of price adjustments.

Groupama SA's premium income in property and casualty insurance increased by +4.9% to €1,615 million, driven particularly by the growth of the home insurance segment (+7.1%) and by inward reinsurance related to the partnership with LBP Assurances.

Premium income for Gan Assurances rose by +3.0% to €1,231 million as at 31 December 2013. Premium income for the agents scope alone increased by +3.7%. Price adjustments and the development of the portfolio explain the increase in premium income on the fleets (+8.5%) and professional risks (+8.5%) segments. The home insurance segment, supported by price increases, rose by +4.3%. The moderate growth of the motor inurance segment (0.7%) is explained by a decrease in the portfolio in number under the effect of monitoring actions.

As at 31 December 2013, Amaline's premium income in property and casualty insurance was virtually stable over the period at €45 million. This change is explained mainly by the vigorous technical recovery actions on the motor insurance segment and by a sharp decrease in awareness campaigns. However, the home insurance segment's good performance is worth noting (+25.7% in connection with the development of the portfolio and the growth of the average premium).

Groupama Assurance-Crédit posted premium income of €37 million as at 31 December 2013, stable in relation to the previous period.

Premium income for Mutuaide Assistance as at 31 December 2013 was up +44.8% at €84 million. In particular, this change was associated with the growth in business on various major policies outside the Group (policy covering pecuniary losses in the event of vehicle theft, business with La Banque Postale, and development of the assistance business associated with credit cards).

Premium income for Groupama Protection Juridique grew by +12.3% as at 31 December 2013 to €64 million, because of the steady development of external partnerships.

◄ CONTENTS ►

In property and casualty insurance, the economic operating loss in France was -€53 million in 2013 compared with -€58 million in 2012. It is broken down as follows:

| **Property and casualty insurance in France** *(in millions of euros)* | **31.12.2013** | | **31.12.2012** | | **2013-2012 change** | |
|---|---|---|---|---|---|---|
| Gross premiums earned | 3,141 | 100.0% | 3,167 | 100.0% | (26) | -0.8% |
| Underwriting expenses (policy servicing) – excluding claims management expenses | (2,106) | -67.1% | (2,185) | -69.0% | 79 | 3.6% |
| Reinsurance balance | (225) | -7.2% | (154) | -4.9% | (71) | -46.2% |
| **Underwriting margin net of reinsurance** | **809** | **25.8%** | **828** | **26.1%** | **(19)** | **-2.2%** |
| Expenses from current technical operations net of earnings | (900) | -28.7% | (907) | -28.6% | 6 | 0.7% |
| **Underwriting income net of reinsurance** | **(91)** | **-2.9%** | **(79)** | **-2.5%** | **(12)** | **-15.7%** |
| Recurring financial margin net of profit sharing and tax | 29 | 0.9% | 38 | 1.2% | (10) | -24.8% |
| Other items | 9 | 0.3% | (18) | -0.6% | 27 | >100% |
| **Economic operating income** | **(53)** | **-1.7%** | **(58)** | **-1.8%** | **5** | **8.6%** |
| Restated income – Monte Carlo | 4 | 0.1% | 3 | 0.1% | 1 | 33.3% |
| Capital gains realised net of corporate income tax and profit sharing | 56 | 1.8% | 160 | 5.1% | (104) | -65.0% |
| Provision for write-downs for permanent impairment net of corporate income tax and profit sharing | | 0.0% | (12) | -0.4% | 12 | NA |
| Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing | 9 | 0.3% | 4 | 0.1% | 5 | >100% |
| Amortisation of intangible assets net of corporate income tax | | 0.0% | (5) | -0.2% | 5 | NA |
| Other operations net of corporate income tax | (8) | -0.3% | (35) | -1.1% | 27 | 77.1% |
| Net income from discontinued operations | | 0.0% | (2) | -0.1% | 2 | NA |
| **GROUP NET INCOME** | **8** | **0.3%** | **55** | **1.7%** | **(47)** | **-85.5%** |

In France, net underwriting income (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) decreased by -€12 million over the period. As already mentioned, this change was mainly associated with the proportion of weather-related claims absorbing the attritional technical improvement. The net combined ratio (including proportion reinsurance treaty) amounted to 102.7% in 2013 *versus* 102.4% in 2012 (+0.3 points over the period).

The following key items should be noted as at 31 December 2013:

- Groupama SA, the Group's internal reinsurer is affected by weather-related claims. The gross claims ratio of the current fiscal year fell by +3.3 points in 2013 mainly as a result of weather-related claims as well as, to a lesser extent, the reform of the Fonds de Garantie des Assurances Obligatoires de dommages (FGAO), which accounted for +0.5 points. Groupama SA's weather-related claims represented an expense of €381 million in 2013 (compared with €256 million in 2012). The improvement of the attritional claims ratio of the inward reinsurance portfolio of the regional mutuals at Groupama SA was fully absorbed in this environment. The operating costs ratio was down -0.4 points at 24.2% in 2013 and down -1.3 points on overhead costs excluding commissions alone;
- the property and casualty insurance net combined ratio of Gan Assurances amounted to 100.5% in 2013 (*i.e.* +0.7 points). Like the portfolio of regional mutuals, the 2013 fiscal year was strongly characterised by an increase in major (+2.4 points) and weather (+0.3 points) claims, which masked an improvement in the attritional claims ratio of -0.7 points. Two other items that should be pointed out are the increase in surpluses (+€37 million compared with 2012) and the decline in the annuities result resulting from the decrease in the TME. Regulatory changes relating to the Fonds de Garantie des Assurances Obligatoires de dommages (FGAO) accounted for -€11 million of the claims expense in 2013. The reinsurance ratio increased by +0.5 points. The operating costs ratio was stable over the period at 30.5%. However, this ratio masks a decline in overhead costs of -1 point, which was offset by an increase in commissions.

In France, the recurring financial margin (after tax) in the property and casualty insurance business dropped by -€10 million over the period.

The other items particularly include the other non-technical income and expenses, tax on recurring income, the results for companies under the equity method and minority interests.

In France, the net income amounted to +€8 million in 2013 compared with +€55 million in 2012. This result includes a decline of -€87 million in the non-recurring financial margin mainly because of lower realised capital gains particularly on buildings. Exceptional items represented an expense of -€8 million in 2013 *versus* -€35 million in 2012.

### (b) Life and health insurance

| **Insurance premium income** *(in millions of euros)* | L&H France | | |
|---|---|---|---|
| | **31.12.2013** | **31.12.2012** | **Change %** |
| Groupama Gan Vie | 3,669 | 4,180 | -12.2% |
| Groupama SA | 584 | 576 | 1.4% |
| Gan Assurances | 159 | 157 | 0.8% |
| Amaline Assurances | 7 | 3 | >100% |
| Other entities [(1)] | 14 | 34 | -58.8% |
| **TOTAL** | **4,432** | **4,950** | **-10.5%** |

*(1) Including Assu-Vie.*

Life and health insurance premium income (59.0% of premium income in France) fell by -10.5% to €4,432 million. Group premium income for life and capitalisation fell by -13.5% in a market that posted an increase of +6% at the end of December 2013 (source FFSA). This trend, fully assumed by the Group as part of its efforts to focus on activities with better margins, was mainly attributable to the decline in the individual savings/pensions business (-17.8%). While premium income in savings/retirement in euros decreased by -26.9%, unit-linked premium income in individual savings doubled, increasing sharply by +56.8% compared with 2012, whereas the market stood at 14.6%.

Premium income in health and bodily injury insurance as at 31 December 2013 declined by -4.8%, compared with 31 December 2012, in connection with the decrease in group health (-5.4%).

The Group's net inflows were negative at -€1,193 million as at 31 December 2013 compared with -€1,516 million over the previous period. These negative inflows were primarily associated with the decline in premium income in savings invested in euros, whereas benefits on this segment were down. However, unit-linked net inflows increased by €142 million.

The Groupama Gan Vie networks posted a -12.2% decline in premium income as at 31 December 2013, totalling €3,669 million. By business line, Groupama Gan Vie's premium income was generated for the most part in individual insurance (65.5%), with premiums down -14.2% compared with 31 December 2012 at €2,402 million. This change was mainly associated with the decline in individual savings in euros (-34.6%), whereas unit-linked premiums were up +58.3% at €414 million. Unit-linked outstandings in individual savings increased from 9.0% to 13.3% as at 31 December 2013. Note that in addition to premium income, Groupama Gan Vie managed Fourgous transfers (not recognised in premium income) for €1,084 million (including €405 million invested in unit-linked) as well as arbitrages of euro funds of multi-component policies for unit-linked funds for €431 million. Group insurance (34.5% of business) declined by -8.3% to €1,266 million. Adjusted for premium surpluses and effects of inward reinsurance portfolio entries, premium income would be down -5.2%. This change was the result of a rigorous risk selection policy (termination of unprofitable businesses combined with price adjustments).

The breakdown of Groupama Gan Vie's premium income by network is as follows:

| *(in millions of euros)* | **31.12.2013** | **31.12.2012** | **Change 2013/2012** |
|---|---|---|---|
| Regional mutuals | 1153 | 1315 | -12.3% |
| Insurance agents | 1006 | 1065 | -5.6% |
| Brokerage | 738 | 849 | -13.0% |
| Gan Patrimoine | 209 | 386 | -45.8% |
| Gan Prévoyance | 564 | 565 | -0.3% |
| **TOTAL** | **3,669** | **4,180** | **-12.2%** |
| Individuals | 2402 | 2799 | -14.2% |
| of which savings/pensions (in euros) | 1500 | 2051 | -26.9% |
| of which unit-linked savings/pensions | 425 | 271 | 56.8% |
| Groups | 1266 | 1380 | -8.3% |
| **TOTAL** | **3,669** | **4,180** | **-12.2%** |

Premium income of the network of regional mutuals amounted to €1,153 million as at 31 December 2013, down -12.3% compared with the previous period. In individual insurance, business decreased by -13.5% to €1,095 million because of the decline in individual savings in euros (-28.5%). The share of unit-linked premium income in individual savings saw strong growth over the period (27.5% as at 31 December 2013 *versus* 14.6% as at 31 December 2012). Also note that Fourgous transfers amounted to €754 million as at 31 December 2013 compared with €430 million over the previous period. Arbitrages of euro funds for unit-linked amounted to €131 million in 2013. Premium income in Group insurance grew by +18.2% to €57 million as at 31 December 2013, in connection with the growth in Group retirement (+48.7%).

The agents network posted premium income of €1,006 million as at 31 December 2013, down -5.6% compared with 31 December 2012. Premiums written in individual insurance decreased by -7.6% because of the decline in premium income of the segment of individual savings in euros (-26.1%). Growth in the share of unit-linked premium income in individual savings was also very substantial (20.9% as at 31 December 2013 *versus* 9.0% as at 31 December 2012). This network benefited from Fourgous transfers of €26 million as at 31 December 2013 compared with €8 million over the previous period. Arbitrages of euro funds for unit-linked amounted to €87 million in 2013. Group insurance business decreased by -3.2% under the effect of the decline in the retirement (-5.7%) and protection (-3.8%) segments associated with the portfolio reorganisation measures.

The brokerage network recorded premium income of €738 million as at 31 December 2013, down -13.0% compared with 31 December 2012, mainly under the effect of the decrease in business on the Group protection (-8.5%) and group health (-8.2%) segments associated with technical recovery measures.

Premium income for the Gan Patrimoine network was down -45.8% and totalled €209 million as at 31 December 2013. This decrease was associated with the decline in the individual savings segment (-48.3%). This network also posted a strong increase in the share of unit-linked premium income in individual savings (54.3% as at 31 December 2013 compared with 20.0% over the previous period). Fourgous transfers totalled €304 million as at 31 December 2013 compared with €246 million as at 31 December 2012. Arbitrages of euro funds for unit-linked amounted to €213 million in 2013.

Gan Prévoyance's commercial network saw stability in its business. It contributed €564 million to the Group's premium income as at 31 December 2013, the growth in individual savings/pensions premiums (+0.6%) being offset by the decline in the individual protection business (-2.4%).

Groupama SA's premium income in life and health insurance (individual and group health) amounted to €584 million as at 31 December 2013.

The life and health insurance (individual health) premium income of Gan Assurances grew by +0.8% over the period and amounted to €159 million as at 31 December 2013.

The Caisses Fraternelles earned €8 million in premium income as at 31 December 2013 compared with €28 million over the previous period following the run-off of Caisse Fraternelle Épargne.

The discontinued business of the subsidiary Assu-Vie continued to decline (-6.2%) compared with 31 December 2012. Its premium income (consisting only of single premiums on run-off) as at 31 December 2013 amounted to €5.8 million.

In life and health insurance, the economic operating loss in France was -€5 million in 2013 compared with income of +€12 million in 2012.

| **Life and health insurance in France** *(in millions of euros)* | **31.12.2013** | | **31.12.2012** | | **2013-2012 change** | |
|---|---|---|---|---|---|---|
| Gross premiums earned | 4,432 | 100.0% | 4,951 | 100.0% | (519) | -10.5% |
| Underwriting expenses (policy servicing) – excluding claims management expenses | (3,603) | -81.3% | (4,249) | -85.8% | 646 | 15.2% |
| Reinsurance balance | (9) | -0.2% | (4) | -0.1% | (6) | <-100% |
| **Underwriting margin net of reinsurance** | **820** | **18.5%** | **699** | **14.1%** | **121** | **17.3%** |
| Expenses from current technical operations net of earnings | (987) | -22.3% | (1,021) | -20.6% | 33 | 3.3% |
| **Underwriting income net of reinsurance** | **(168)** | **-3.8%** | **(322)** | **-6.5%** | **155** | **47.9%** |
| Recurring financial margin net of profit sharing and tax | 101 | 2.3% | 250 | 5.1% | (149) | -59.6% |
| Other items | 62 | 1.4% | 84 | 1.7% | (22) | -26.7% |
| **Economic operating income** | **(5)** | **-0.1%** | **12** | **0.2%** | **(17)** | **<-100%** |
| Restated income – Monte Carlo | (7) | -0.2% | (2) | | (5) | <-100% |
| Capital gains realised net of corporate income tax and profit sharing | 295 | 6.7% | 220 | 4.4% | 75 | 34.1% |
| Provision for write-downs for permanent impairment net of corporate income tax and profit sharing | | 0.0% | (48) | -1.0% | 48 | NA |
| Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing | 7 | 0.2% | 1 | 0.0% | 6 | >100% |
| Amortisation of intangible assets net of corporate income tax | | 0.0% | (3) | -0.1% | 3 | NA |
| Other operations net of corporate income tax | (34) | -0.8% | (24) | -0.5% | (10) | -41.7% |
| Net income from discontinued operations | | 0.0% | 2 | 0.0% | (2) | NA |
| **GROUP NET INCOME** | **256** | **5.8%** | **158** | **3.2%** | **98** | **62.0%** |

Underwriting income net of reinsurance improved by +€155 million. The net combined ratio in health and other injuries declined by -2.8 points to 104.1% in 2013, a +€60 million improvement of underwriting income. The steady improvement of the current claims ratio and a favourable effect of surpluses on prior fiscal years explain this change. In life/capitalisation, the underwriting income increased by +€95 million. Operating costs fell by -3.3% over the period, a decrease of -€33 million.

The underwriting margin net of reinsurance (before expenses) of Groupama Gan Vie totalled €601 million in 2013, an increase of €101 million, resulting from the combination of several phenomena:

- an improvement in the current underwriting margin of +€8 million in individual insurance;
- growth in the current underwriting margin in Group policies of +€25.6 million driven by the technical recovery (the claims ratio improved by -3 points);
- the absence of allocations to PTSC (additional special underwriting reserves) (PTSC on the RIP L. 441 scheme of +€16 million compared with 2012);
- the change in prudential reserves particularly associated with the stake in underwriting profits.

The individual life and health insurance net underwriting income of the entity Groupama SA was up with a current claims ratio that improved by -3.4 points over the period. This improvement of underwriting profits was visible in health and protection.

The recurring financial margin (net of profit sharing and tax) was down by €149 million over the period because of a decrease of approximately 11% in financial income constituting the income base used for the contractual and regulatory profit sharing combined with a reinforcement of profit sharing funds. The effective corporate and deferred profit sharing rate thus amounted to 80.9% in financial income *versus* 72.3% in 2012.

The other items particularly include the other non-technical income and expenses, tax on recurring income, the results for companies under the equity method and minority interests.

In France, the net income of the individual life and health insurance amounted to +€256 million as at 31 December 2013 compared with +€158 million in 2012, a year marked by restructuring costs. The 2013 non-recurring financial margin (realised capital gains, allocations to long-term impairment reserves, and gains or losses on financial assets recognised at fair value) amounted to +€302 million particularly because of the realisation of bond capital gains, whereas it amounted to €173 million in 2012. This result was the combination of better technical control and reinforcement of profit sharing funds.

### 5.1.4.4 Activity and results – International

| | 31.12.2013 | | | 31.12.2012 *Pro forma* | | |
|---|---|---|---|---|---|---|
| **Premium income – International** *(in millions of euros)* | **L&H** | **P&C** | **Total** | **L&H** | **P&C** | **Total** |
| Italy | 365 | 1,055 | 1,419 | 341 | 1,149 | 1,490 |
| Greece | 60 | 92 | 152 | 61 | 106 | 167 |
| Turkey | 81 | 348 | 429 | 73 | 291 | 363 |
| **Countries of Central and Eastern Europe** | **196** | **291** | **487** | **178** | **309** | **487** |
| of which Hungary | 181 | 134 | 315 | 160 | 134 | 295 |
| of which Romania | 11 | 154 | 165 | 11 | 172 | 183 |
| of which Bulgaria | 5 | 3 | 8 | 7 | 3 | 10 |
| Portugal | 46 | 8 | 54 | 61 | 8 | 69 |
| Gan Outre-Mer | 8 | 97 | 105 | 7 | 102 | 110 |
| **TOTAL** | **757** | **1,889** | **2,646** | **720** | **1,966** | **2,686** |
| **Entities accounted for under the equity method (EM)** | **31** | **257** | **288** | **70** | **144** | **214** |
| **TOTAL INCLUDING EM** | **788** | **2,146** | **2,934** | **790** | **2,110** | **2,900** |

The Group's international consolidated premium income was €2,646 million as at 31 December 2013, down -1.5% from 31 December 2012. Including the Group's share in the premium income of entities accounted for under the equity method, the Group's combined premium income at the international level increased by +1.2% and amounted to €2,934 million as at 31 December 2013.

Property and casualty insurance premium income totalled €1,889 million as at 31 December 2013, a -3.9% decrease over the previous period. This change was mainly associated with the decline in motor insurance, which represented more than 67% of the written premiums in property and casualty insurance. It posted a decrease of -7.2% because of macroeconomic conditions or difficult markets in some countries where the Group operates as well as some drastic portfolio recovery actions like in Romania. The growth of the agricultural business segment (+23.5%), particularly in Turkey, and to a lesser extent in businesses and local authorities (+4.9%) partly offset this change.

Life and health insurance premium income grew by +5.1% to €757 million. The individual life and health insurance segment was up +8.2% under the effect of the growth of premium income in the individual savings/pensions segment (+17.8% in Italy and +12.6% in Hungary, thanks to the success of commercial actions in these countries). Group life and health insurance decreased by -7.1% because of the decline in the Group retirement segment (-22.4% from non-renewal of 2012 payments in Italy and Greece in particular).

The economic operating income on the international scope decreased by -€22 million to +€58 million as at 31 December 2013.

The property and casualty insurance net combined ratio amounted to 100.9% as at 31 December 2013, down -0.5 points compared with 31 December 2012. The gross claims ratio decreased by +1.0 point to 66.1% mainly because of increased underwriting reserves in motor civil liability in Turkey, harsh weather in Eastern Europe, and the decline in the average premium in certain countries affected by the crisis. Despite the deteriorated economic environment and the strong price competition, underwriting profits improved either because of structural measures on the portfolios (Romania and Hungary) or by the more favourable effect of surpluses on prior fiscal years (Italy and Greece).

The reinsurance ratio was down -1.6 points over the period. The operating costs rate remained stable at 29.4%. It declined in value and includes a tax of €12 million on the premium income that was previously recognised in exceptional profit.

Net underwriting income in life and health insurance increased by +€25 million thanks to the improvement of the underwriting margin in Italy. The net combined ratio of the health/bodily injury business decreased by -12.4 points to 95.4% as at 31 December 2013 under the effect of voluntary technical recovery actions, and the margin of the life/capitalisation business, which continued to show a deficit (-€13.0 million), improved by +€3.4 million.

The recurring financial margin decreased by -6% to +€80 million as at 31 December 2013.

The economic operating income also included the share of the profit accounted for under the equity method, which was -€7 million in 2013 because of the losses of the minority stake in Turkey (-€13 million in 2013) compared with +€8 million in 2012.

| **Economic operating income** *(in millions of euros)* | **31.12.2013** | **31.12.2012** | **Change** |
|---|---|---|---|
| **Italy** | **62** | **67** | **(5)** |
| **Greece** | **10** | **1** | **9** |
| **Turkey** | **(17)** | **(6)** | **(12)** |
| **Portugal** | **0** | **1** | **(1)** |
| **Countries of Central and Eastern Europe** | **6** | **3** | **3** |
| Hungary | 14 | 18 | (4) |
| Romania | (9) | (15) | 7 |
| Bulgaria | 1 | 0 | 1 |
| **Great Britain** | **3** | **5** | **(2)** |
| **Gan Outre-Mer** | **1** | **1** | **0** |
| **Entities accounted for under the equity method (EM)** | **(7)** | **8** | **(16)** |
| Tunisia (STAR) | 2 | 4 | (2) |
| Turkey (Günes) | (13) | 3 | (17) |
| China (Avic) | 5 | 2 | 3 |
| **TOTAL** | **58** | **80** | **(22)** |

The net income for international insurance totalled +€37 million as at 31 December 2013 versus +€9 million as at 31 December 2012. In particular, it incorporates elements of the non-recurring financial margin (impairment expense, capital losses realised, and change in fair value of financial instruments) for +€15 million and the recurring amortisation expense for portfolio securities (-€22 million).

The breakdown of net income by entity is as follows:

| **Net income** *(in millions of euros)* (1) | **31.12.2013** | **31.12.2012** |
|---|---|---|
| **Italy** | 23 | 4 |
| **Greece** | 8 | 9 |
| **Turkey** | 6 | (1) |
| **Portugal** | 0 | 0 |
| **Countries of Central and Eastern Europe** | **3** | **(16)** |
| of which Hungary | 11 | 6 |
| of which Romania | (9) | (23) |
| of which Other | 1 | 0 |
| **Great Britain** | **3** | **2** |
| **Gan Outre-Mer** | **1** | **2** |
| **Entities accounted for under the equity method (EM)** | **(7)** | **8** |
| Tunisia (STAR) | 2 | 4 |
| Turkey (Günes) | (13) | 3 |
| China (Groupama Avic) | 5 | 2 |
| **TOTAL** | **37** | **9** |

*(1) Excluding income from the holding business.*

## (a) Italy

Premium income for the Italian subsidiary Groupama Assicurazioni fell (-4.7%) to €1,419 million as at 31 December 2013.

Property and casualty insurance premium income decreased by -8.2% to €1,055 million. Motor insurance, which represented more than 80% of the written premiums in property and casualty insurance, was down -8.9% in a very competitive market affected by the drop in prices, leading to lost policies. The price repositioning carried out by the subsidiary has not yet reversed the trend in terms of the portfolio's growth. This segment also suffered from the elimination of automatic renewal. The agricultural business segment declined (-26.7%), as the Company reduced the volume of hail premiums for the sake of technical recovery. Premium income on the business protection segment also decreased (-6.7%).

The individual life and health insurance business (€365 million) increased by +6.9%. The success of commercial campaigns explains the growth of the individual savings/pensions segment (+17.8%). However, this growth was mitigated by the decline in the individual health (-17.4%) and Group protection (-21.7%) segments because of major policy terminations (sick fund for employees of the banking sector and sports federations) in order to improve profitability. Group retirement business also declined over the period (-33.5%) because of 2012 single premiums not renewed in 2013.

Economic operating income for Groupama Assicurazioni totalled +€62 million in 2013 compared with +€67 million as at 31 December 2012.

The net combined ratio for property and casualty insurance was 97.9%, down -1.2 points compared with the previous fiscal year. The claims ratio increased by +1.9 points to 71.6%, the reduction of the current claims ratio being partially offset by a more favourable effect of the liquidation of reserves on prior fiscal years. The motor insurance segment was negatively affected by strong price competition and the increase in claim frequency, which reduced the current loss rate by +5.9 points to 70.5%. Conversely, the current claims ratio for the home insurance segment improved significantly (-9.2 points to 63.6%) following the exceptionally high claims ratio of the previous fiscal year (earthquake in Emilia Romagna). The reinsurance ratio declined by -2.4 points (to 0.3%) because of the increase in transfers of major claims to reinsurers. The continuation of efforts to reduce operating costs resulted in a decrease in the ratio by -0.7 points to 26.0%.

Individual life and health insurance underwriting income increased by +€19.3 million to -€2.6 million. This change resulted mainly from the very favourable effect of the liquidation of reserves on prior fiscal years of the health segment as well as the technical recovery of the protection segment under the combined effect of portfolio adjustment measures and the decrease in the average claim cost.

The contribution was +€23.1 million compared with a profit of +€4.0 million as at 31 December 2012. It included the recurring amortisation of portfolio investments (-€14.6 million net of tax) and a net loss of -€15.6 million for the subsidiary's coverage of losses associated with the bankruptcy of an issuer. As a reminder, the 2012 contribution incorporated the losses associated with trading Greek bonds. In addition, the exceptional increase in the tax rate in 2013 decided upon by the Italian State generated an additional expense of -€7.9 million.

### (b) Greece

Groupama Phoenix premium income as at 31 December 2013 totalled €152 million, a drop of -8.8% compared with 31 December 2012.

The property and casualty insurance business was down -13.3% at €92 million. Premium income in motor insurance dropped -10.9% in a very competitive market suffering the effects of the economic crisis (decline in the number of insured vehicles, reduction of coverage taken out by policyholders, and development of low-cost offers). The business protection and home insurance segments also declined respectively by -16.0% (under the effect of termination of the portfolio with a broker) and -17.2% (due to lower production of the banking partner).

Life and health insurance premium income also decreased (-1.0%) to €60 million. The decline in written premiums in individual protection (-41.7% under the effect of stopping the production of guaranteed-rate policies) and Group retirement (-15.3% because of the non-renewal of an exceptional payment received in 2012) explains this change. However, this change was mitigated by the good performance in individual savings/pensions (+123.7%) associated with the success of unit-linked campaigns.

Economic operating income for Groupama Phoenix totalled +€10 million as at 31 December 2013 *versus* +€1 million in 2012.

In property and casualty insurance, the net combined ratio amounted to 83.0%, down -9.3 points compared with 31 December 2012. Despite the sharp contraction in business, the claims ratio showed a significant improvement in all segments with a rate down -18.5 points at 29.4%. The fire segment posted the most significant growth with a claims recorded the most significant increase with a claims ratio down -29 points at 23.7%, after a 2012 impacted by a major claim. As for the motor insurance segment, it benefited from cancelled commitments resulting in a claims ratio down -11.5 points at 36.2%. The reinsurance balance declined by +5.7 points to 10.9% because of lower claims transfers. Despite the slight decrease in operating costs, the ratio increased by +3.4 points to 42.6% because of the decline in the base of earned premiums.

Life ands health underwriting income was close to breakeven with a strong improvement thanks to life insurance. Underwriting margins in individual health and protection were less negatively affected by changes in rates in 2013.

In this very delicate macroeconomic environment, the subsidiary confirmed its profitability. Net income totalled +€8.0 million in 2013 compared with a profit of +€9.5 million in 2012. It includes the amortisation of portfolio investments (-€1.0 million), a tax profit (+€1.5 million) associated with the capitalisation of tax losses carried forward, as well as an exit tax of -€2.5 million.

### (c) Turkey

Premium income for the Turkish subsidiaries Groupama Sigorta and Groupama Emeklilik, increased by +18.0% to €429 million as at 31 December 2013.

Property and casualty insurance premium income (€348 million) increased by +19.5%. The agricultural risks segment (including Tarsim) grew by +44.9% particularly because of Groupama Sigorta's entry into the pool for 5%. The motor insurance (+9.1%) and business property and casualty (+36.7%) segments benefited from good commercial performance by the agents network.

Individual life and health insurance business (€81 million) increased by +11.9%, under the effect of the growth of the Group protection segment (+22.2%), which benefited from the signing of a new distribution agreement as well as increased production in the agriculture cooperative network TKK. The individual health segment increased by +12.5% under the effect of price increases, while the Group health segment was down (-8.3%) because of the non-renewal of several policies (voluntary terminations).

Economic operating income for Groupama Sigorta and Groupama Emeklilik represented a loss of -€17 million as at 31 December 2013 compared with a loss of -€6 million as at 31 December 2012.

The net combined ratio for property and casualty insurance decreased by +2.5 points to 111.6% as at 31 December 2013. The claims ratio was up +1.7 points at 63.6%, primarily because of significant reinforcements on previous fiscal years in the motor civil liability segment resulting from changes in the country's regulatory and legal environment (€24 million). The current claims ratio improved significantly for all segments thanks to the significant decrease in the frequency of claims, sustained price increases, and control of average costs. The operating costs ratio was maintained at a level comparable to the ratio in 2012.

Individual life and health insurance underwriting income declined by -€2.4 million because of the increase in commissions and the decrease in surpluses on prior fiscal years.

The net income of the Turkish subsidiaries totalled +€6 million compared with a loss of -€1 million in 2012. It incorporates a portfolio investment amortisation expense for -€2.2 million as well as realised capital gains from the sale of non-strategic local stakes in property and asset management (+€23 million), which funded the reinforcement of the previously mentioned technical reserves.

### (d) Portugal

Premium income for the Portuguese subsidiaries fell by -21.8% to €54 million as at 31 December 2013. In individual life and health insurance, written premiums decreased by -23.8% to €46 million, particularly because of the decrease in life insurance (-25.9%). This change is explained mainly by the abandonment of certain types of policies (guaranteed rates in particular). The decrease in the premium of Group retirement (-17.8% under the effect of the non-renewal of exceptional payments received in 2012) and group health (-12.9% in connection with the exit of a significant share of a broker's portfolio) should also be noted. Property and casualty insurance premium income (€8 million as at 31 December 2013) decreased by -6.8%.

Like the previous fiscal year, the net income of the Portuguese subsidiaries was close to breakeven. It was a slight improvement compared with the previous year mainly because of efforts undertaken to reduce overhead costs.

### (e) Tunisia

The Tunisian company STAR (accounted for by the equity method) posted a profit of +€1.5 million in 2013 compared with +€3.8 million as at 31 December 2012.

1
2
3
4
5
6
7

### (f) Hungary

Premium income for the subsidiary Groupama Biztosito in Hungary amounted to €315 million as at 31 December 2013, up +7.0% compared with 31 December 2012.

Written premiums for property and casualty insurance remained stable at €134 million as at 31 December 2013. The good performance of motor insurance (+8.1% in connection with the portfolio's development) and home insurance (+3.2%) segments were negated by the decline in the fleets segment (-30.7% under the effect of cleaning up the portfolio).

In individual life and health insurance, premium income amounted to €181 million, an increase of +12.9%, in connection with the growth in premiums in individual savings/pensions (+12.6%), which benefited from the success of unit-linked campaigns conducted during the fiscal year.

Economic operating income for Groupama Biztosito totalled +€14 million as at 31 December 2013 compared with +€18 million as at 31 December 2012. Note that in 2013, a new tax accounted for -€12 million in the underwriting income, whereas in 2012, a tax for a similar amount (recognised as non-underwriting income and restated as a non-recurring in economic operating income) was eliminated.

The net combined ratio for property and casualty insurance amounted to 103.8% compared with 106.5% as at 31 December 2012, a decrease of -2.7 points (pro forma 2012 ratio of the tax on financial institutions). The current claims ratio decreased by +0.9 points to 51.2% because of harsh weather during the first half of 2013, which negatively affected the home insurance and agriculture segments, and price competition that weighed on the motor insurance segment. However, portfolio reorganisation measures greatly improved the claims ratio for vehicle fleets. The operating costs ratio decreased by -2.3 points to 52.0% in 2013 (compared with 54.3% on a pro forma basis in 2012 incorporating €12 million in income tax now recognised in overhead costs) in relation with the continuation of the overhead cost reduction plan.

L&H underwriting income was stable compared with the previous fiscal year.

The Hungarian subsidiary's net income (including business of the Slovakian subsidiaries) amounted to +€11 million in 2013 *versus* a profit of +6.0 million as at 31 December 2012. In particular, the figure incorporates the recurring portfolio investments amortisation (-€3.2 million after taxes).

### (g) Romania

Premium income for the Romanian subsidiary Groupama Asigurari decreased by -10.0% to €165 million as at 31 December 2013.

The property and casualty insurance business (€154 million) decreased by -10.6% over the period as a result of the decline in motor insurance (-12.7% under the effect of cleaning up the portfolio and very selective underwriting particularly in motor civil liability), which represented almost 70% of the written premiums in property and casualty insurance. The run-off of part of the portfolio and the decrease in the credit business explain the decline posted by the pecuniary losses segment (-54.6%). Conversely, the growth in activity in the business protection (+16.3%) and home insurance (+9.1%) segments should be underlined. These segments benefited from targeted price increases, a new sales policy, and the establishment of differentiated services intended to meet the growing demands of customers in terms of service quality.

Premium income in individual life and health insurance (€11 million) remained stable over the period, with the run-off of part of the portfolio being offset by the development of the health segment, on which the subsidiary holds a significant position.

Economic operating income for Groupama Asigurari showed a loss of -€9 million as at 31 December 2013 compared with -€15 million as at 31 December 2012.

The net combined ratio for property and casualty insurance amounted to 109.1% compared with 117.6% as at 31 December 2012. Despite a difficult economic environment, the improvement of underwriting profitability affected almost all of the segments, thanks in particular to the price increases and portfolio reorganisation measures (termination actions, product mix optimisation, risk selection, anti-fraud, development of services included in policies, etc.). The motor segment's claims ratio thus decreased by -3.5 points, further affected by the burden of reinforced reserves on the civil liability segment, while the home insurance segment decreased by -17 points to 27.9%. The reinsurance ratio improved by -5.2 points because of the increase of transferred claims and the optimisation of reinsurance costs. The continuation of the plan to cut operating costs (excluding commissions) resulted in a decrease in the ratio by -3.8 points to 37.9%.

Individual life and health insurance underwriting income, while remaining close to breakeven, saw a slight decline in a gloomy economic environment unfavourable for the credit insurance business.

The net loss was -€9 million compared with -€23 million as at 31 December 2012. The subsidiary was also in line with its path of return to breakeven by the end of 2014.

### (h) Bulgaria

In Bulgaria, the premium income of the subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane declined by -21.7% to €8 million as at 31 December 2013. Life and health insurance decreased by -30.8% to €5 million because of lower unit-linked production in 2013. Property and casualty insurance (€3 million) declined by -1.3% over the period (decrease in the average premium in home insurance in particular).

Thanks to an effect to control costs and a claims ratio under control, the contribution of the Bulgarian subsidiaries to the Group's net income was +€1.2 million as at 31 December 2013 compared with a breakeven result as at 31 December 2012.

### (i) Great Britain

The business of Groupama UK brokers contributed +€3 million to the profit as at 31 December 2013 compared with +€2 million as at 31 December 2012.

### (j) Gan Outre-Mer

Premium income for Gan Outre-Mer decreased by -4.4% to €105 million as at 31 December 2013. Property and casualty insurance business was down -5.5% over the period and totalled €97 million. The decline in the motor (-4.3% including fleets) and business protection (-11.0%) segments explains this change. Premium income in life and health insurance amounted to €8 million, up +10.2% compared with 31 December 2012.

Economic operating income for Gan Outre-Mer totalled +€1 million in 2013, stable compared with 2012. The net underwriting margin in property and casualty insurance was stable with a net combined ratio at 103.2% in 2013.

Net income for Gan Outre-Mer totalled +€1 million in 2013 compared with +€2.5 million in 2012. As a reminder, 2012 incorporated a +€1.3 million change in fair value.

### (k) China

Groupama-Avic, previously a branch of Groupama SA that became a subsidiary in 2011, posted a contribution of +€4.7 million to the Group's result as at 31 December 2013 compared with a profit of +€1.6 million as at 31 December 2012. During the 2013 fiscal year, the subsidiary saw strong development by improving its underwriting profitability.

### (l) Günes Sigorta

Günes Sigorta's net loss was -€13 million in 2013 compared with net profit of +€3 million as at 31 December 2012.

## 5.1.4.5 Financial and banking activities

| **Premium income** *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 31.12.2012 *Pro forma* |
|---|---|---|---|
| Groupama Banque | 142 | 125 | 125 |
| Asset management | 121 | 138 | 125 |
| Groupama Epargne Salariale | 6 | 5 | 5 |
| **TOTAL** | **268** | **269** | **255** |

| **NBI** *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 31.12.2012 *Pro forma* |
|---|---|---|---|
| Groupama Banque | 87 | 84 | 84 |
| Asset management | 112 | 130 | 117 |
| Groupama Epargne Salariale | 11 | 10 | 10 |
| **TOTAL** | **210** | **225** | **211** |

| **Net Income** *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 2013-2012 change | |
|---|---|---|---|---|
| Net banking income, net of cost of risk | 210 | 225 | (15) | -6.5% |
| Cost of risk | (4) | 7 | (10) | <-100% |
| Other operating income and expenses and non-technical current income and expenses | (188) | (212) | 25 | 11.6% |
| Other items | (6) | (7) | 1 | 19.9% |
| **Economic operating income** | **13** | **12** | **1** | **8.3%** |
| Other operations net of corporate income tax | (7) | (6) | (1) | -16.7% |
| **GROUP NET INCOME** | **6** | **6** | | **0.0%** |

### (a) Groupama Banque

Turnover for Groupama Banque as at 31 December 2013 increased +13.6% to €142 million. Net banking income was up +3.3% at €87 million. This change is explained by the good performance of commercial banking.

Economic operating income improved by +€7.6 million to -€5 million in 2013.

The cost of risk fell by -€10 million over the period while remaining at a satisfactory level compared with peers. As a reminder, in 2012, this item incorporated the +€6.9 million writeback of a reserve no longer needed.

Operating expenses were down -12% in 2013 mainly because of the reduction of personnel expenses, IT expenses, and rents.

Groupama Banque's net loss was -€6 million in 2013 compared with -€18 million in 2012.

### (b) Asset management

Groupama Asset Management's premium income declined by 3.5% to €121 million as at 31 December 2013, under the effect of the outflow of outstandings, particularly following disposals of subsidiaries in 2012 at the Group level. The entity's net banking income followed the same trend and decreased by -4.1% to €112 million.

Groupama Asset Management's economic operating income stood at +€17 million in 2013 *versus* +€19 million in 2012. Including exceptional profits associated with the (transfer of premises and computer rooms), the entity's net income amounted to €11 million in 2013 compared with €19 million in 2012.

### (c) Groupama Épargne Salariale

Premium income for Groupama Épargne Salariale totalled €6 million as at 31 December 2013 compared with €5 million over the previous period. Net banking income increased by +6.6% to €11 million mainly because of the increase in commissions associated with the growth of outstandings.

The net loss was -€1.2 million in 2013.

### (d) Groupama Immobilier

Economic operating income for Groupama Immobilier, the Group's property management subsidiary, totalled +€2.5 million in 2013 compared with +€6 million in 2012. This decrease was particularly attributable to the decrease in management fees because of sales of property assets carried out in 2012.

## 5.1.4.6 Groupama SA and holdings

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 | 2013-2012 change | |
|---|---|---|---|---|
| Other operating income and expenses and non-technical current income and expenses | (121) | (130) | 8 | 6.3% |
| Recurring financial income (after corporate tax) | 37 | 36 | 1 | 1.9% |
| Other factors | (4) | (54) | 50 | 93.2% |
| **Economic operating income** | **(88)** | **(147)** | **59** | **40.1%** |
| Capital gains realised net of corporate income tax | 1 | (16) | 17 | >100% |
| Allocations to provisions for permanent impairment net of corporate income tax | (4) | (1) | (3) | <-100% |
| Gains or losses on financial assets recognised at fair value net of corporate income tax | (24) | (26) | 2 | 7.7% |
| Other operations net of corporate income tax | (7) | (28) | 21 | 75.0% |
| Net income from discontinued activities | | (334) | 334 | NA |
| Goodwill impairment | | (298) | 298 | NA |
| **GROUP NET INCOME** | **(122)** | **(850)** | **728** | **85.6%** |

As a reminder, Groupama SA is the parent company of the Group. It serves as a holding company and thus directs the operating activities of the combined group. It is the focal point for internal and external financing. The expenses allocated to that activity correspond to the share of costs and expenses of General Management, functional departments and shared, non-underwriting expenses.

Economic operating income for the holding companies stood at -€88 million in 2013 *versus* -€147 million in 2012. This change resulted from several factors:

- a reduction in holding costs of €8 million;
- a reduction in financing expenses of €15 million;
- an increase in tax consolidation income mainly under the effect of the improvement in the underwriting income of the various operational entities.

The holding companies generated a net loss of -€122 million in 2013 compared with -€850 million in 2012 (including -€334 million for sold businesses and -€298 million for goodwill impairments mainly on the CGU of Central and Eastern Europe).

The summary of the Group's net income is broken down as follows:

| **Net income** *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Total Insurance – France | 261 | 209 |
| Total Insurance – International | 37 | 9 |
| Banking and financial businesses | 6 | 6 |
| Holding activities | (123) | (217) |
| Net income from discontinued activities | 0 | (334) |
| Gan Eurocourtage | 0 | (153) |
| Spain | 0 | (23) |
| GICL | 0 | (136) |
| Lark | 0 | (15) |
| Poland | 0 | (7) |
| Goodwill impairment | 0 | (298) |
| Other | (47) | 4 |
| **TOTAL NET INCOME – GROUPAMA** | **135** | **(622)** |

### 5.1.4.7 Consolidated balance sheet

As at 31 December 2013, the Groupama's consolidated balance sheet totalled €91.4 billion compared with €87.9 billion in 2012, an increase of +4.0% that, beyond the normal business activity, was associated with the establishment of a proportional life reinsurance treaty (15% of Groupama Gan Vie's underwriting reserves) with a leading reinsurer. This treaty increased the share of reinsurers in the underwriting reserves of approximately €7 billion. Conversely, the decrease in the repurchase agreement had an effect that reduced the bottom of the balance sheet by approximately -€3.3 billion.

#### (a) Goodwill

Goodwill amounted to €2.2 billion as at 31 December 2013, stable compared with 31 December 2012.

#### (b) Other intangible assets

Other intangible assets totalling €328 million as at 31 December 2013 (*versus* €486 million in 2012) are composed primarily of amortisable portfolio securities (€163 million) and computer software. In addition, it should be noted that an exceptional impairment of portfolio investments in Italy and Hungary was recognised for -€59 million and -€14 million respectively.

#### (c) Investments (including unit-linked investments)

Insurance investments amounted to €69.6 billion in 2013 compared with €71.9 billion in 2012, a decrease of -3.2%.

The Group's unrealised capital gains (including property) decreased by -€0.3 billion to +€3.9 billion (compared with +€4.3 billion at the previous close), mainly because of the decrease in unrealised capital gains due in part to the realisation of capital gains on bonds and in part to changes in bond rates, particularly on the OAT. It should be recalled that under IFRS, bond assets and equities are recorded at market value (the concept of unrealised capital gain defined above corresponds to the difference between the amortised acquisition value and the market value of this asset).

By asset allocation, unrealised capital gains are broken down into +€1.8 billion on bonds, +€0.5 billion on equities and +1.6 billion on property.

Unrealised capital gains on financial assets (excluding properties) totalled +€2.3 billion (gross value), with +€0.6 billion attributable to shareholders (after profit sharing and taxes), *versus* +0.4 billion as at 31 December 2012. These amounts are recorded in the financial statements as a revaluation reserve. The Group share of unrealised capital gains on property (net of tax, profit sharing, and deferred minority interests) amounted to €0.38 billion as at 31 December 2013 compared with €0.42 billion as at 31 December 2012. The Group chosen to recognise investment and operating properties according to the amortised cost method; unrealised real estate gains are therefore not recognised in the accounts.

#### (d) Shareholders' equity

As at 31 December 2013, Groupama consolidated shareholders' equity totalled €3.8 billion *versus* €3.7 billion as at 31 December 2012.

This change can be summarised as follows:

| *(in millions of euros)* | |
|---|---|
| **2013 OPENING SHAREHOLDERS' EQUITY** | **3,655** |
| Change in revaluation reserve: fair value of AFS assets | -306 |
| Change in revaluation reserve: shadow accounting | +267 |
| Change in revaluation reserve: deferred tax | +174 |
| Goodwill | -93 |
| Other | -16 |
| Income | 135 |
| **SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2013** | **3,816** |

#### (e) Subordinated liabilities, financing debts, and other debts

Total subordinated and external debt was €1.9 billion as at 31 December 2013, stable compared with the previous fiscal year.

As at 31 December 2013, subordinated debt totalled €1,238 million, stable compared with 31 December 2012.

The Group's external debt totalled €683 million, down -€1 million compared with 31 December 2012.

#### (f) Technical reserves

Gross technical reserves (including deferred profit sharing) totalled €69.0 billion, compared with €68.8 billion as at 31 December 2012.

#### (g) Contingent liabilities

Contingent liabilities totalled €417 million in 2013, compared with €447 million in 2012, and were primarily made up of pension commitments under IAS 19.

## 5.1.5 SOLVENCY/DEBT

Adjusted solvency resulted in a coverage ratio of the solvency margin requirement as at 31 December 2013 of 200.0% compared with 179.4% as at 31 December 2012.

The change in margin was associated with the implementation of a balance sheet derisking programme, but it was also supported by good performance on the financial markets.

Groupama's debt-to-equity ratio, excluding revaluation reserves (including subordinated liabilities and minority interests) stood at 42.2% in 2013, compared with 42.4% in 2012.

## 5.1.6 RISK MANAGEMENT

Risk management is addressed in the internal control report.

## 5.1.7 FINANCIAL FUTURES POLICY

### 5.1.7.1 Interest rate risk

The purpose of the hedges that are implemented is to partially hedge the portfolios against the risk of interest rate increases.

This is made possible by converting fixed-rate bonds into variable-rate bonds ("payer swaps"). The strategy consists of transforming a fixed-rate bond into a variable rate, either on a security held or on new investments. They are intended to permit asset disposals in the event of an increase in interest rates by limiting realisations of capital losses, either to pay benefits or to invest at higher rate levels.

Hedging programmes were implemented on behalf of the life insurance companies as from 2005. In accordance with the approval of the Boards of Directors, the swap programme was supplemented in 2012 and partially extended to the Non-Life portion with a tactical management objective.

All over-the-counter transactions are secured by a "collateralisation" system with the Groupama SA's top-tier banking counterparties.

### 5.1.7.2 Foreign exchange risk

Ownership of international shares entails dollar and yen foreign exchange risk, which can be hedged through forward sales. These forward sales are terminated as the underlyings are disposed of or are renewed to hedge the residual underlyings.

Hedging of the currency risk on the Hungarian forint was actively managed in 2013. Opportunities to hedge this risk will continue to be monitored in 2014.

As with interest rate risk, all OTC transactions are secured by a system of "collateralisation" with leading bank counterparties selected by Groupama SA.

### 5.1.7.3 Equity risk

After a significant reduction in the equity allocation over 2012 (€2 billion in shares sold), the Group's equity risk continued to be actively managed in 2013 mainly through the disposal of listed participating securities (Eiffage and finalisation of the programme initiated in 2012 with Société Générale securities), greater geographical diversification of the main UCITS funds, and optimisation of the allocation of hedged shares representing a little less than €2 billion as at 31 December 2013. This last strategy used derivatives housed in UCITS funds or in structured equity products for hedging, which was increased at the beginning of 2013.

### 5.1.7.4 Credit risk

In a tactical management strategy of the credit asset class, the Groupama AM management can be exposed or hedge credit risk by using forward financial instruments like Credit Default Swaps. This type of operation pertains only to assets managed through mutual funds.

## 5.1.8 ANALYSIS OF THE ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR

### 5.1.8.1 Income

Total premiums written reached €2,320.1 million, down -1.2% compared with 2012 (€2,347.2 million). They came primarily from:

- contributions received from the regional mutuals (€2,068.4 million), up +58.9 million or +2.9%;
- contributions from the Group's subsidiaries (€120.3 million), down compared with 2012 because of the disposals of the brokerage portfolio, Groupama Seguros Espagne and Groupama Insurances;
- as well as contributions related to other operations (direct business, partnerships, etc.) for €131.3, down compared with 2012 (€141.5 million). This change was the combination of two factors: a significant decrease in businesses in run-off (transport branches and air and space pools), *i.e.* -€31.6 million decrease in business, and the favourable effect of the reinsurance of La Banque Postale IARD as part of the joint partnership (the premiums written of which represented €53.6 million, growth of +€26.4 million).

Earned premiums totalled €2,332.5 million, up 1.5% compared with 2012.

Claims expenses (including claims management fees), annuities and other underwriting reserves totalled €1,626.3 million, a decrease of €120.9 million (-6.9%). This change came from:

- a very significant improvement in the inward reinsurance result from the subsidiaries, the expense of which decreased -€52 million in the absence of significant events affecting Groupama SA on these internal treaties;
- a very substantial decrease in the claims expense on run-off operations (-€52.7 million);
- an increase in the claims expense related to the development of the La Banque Postale IARD business (+€21 million);
- a slight reduction in the claims ratio on the portfolio of the regional mutuals, which was affected, however, by a significantly greater weather-related claims ratio than in 2012, whereas the attritional claims ratio improved by 3.2 points.

The balance of outward reinsurance and retrocessions was an expense of -€236.1 million, up €63.7 million compared with 2012, explained mainly by the decrease in claims transferred and retroceded to reinsurers.

After taking into account the commissions on inward reinsurance totalling €407.5 million, the net underwriting margin was +€62.7 million, up +€8.9 million compared with 2012 (+€53.8 million).

Groupama SA's total operating expenses were -€250.1 million, compared with -€279.8 million in 2012, a substantial decrease of -10.6%, or -€29.7 million.

Given the financial results allocated by law to underwriting reserves (-€149.4 million), Groupama SA's underwriting result in 2013 was a loss of -€322.0 million, compared with a loss of -€511.7 million in 2012.

The total financial result was negative at -€256.2 million, compared with a net expense of -€595.7 in 2012. This result is mainly made up of dividends of the subsidiaries and shareholdings (€50.6 million), income on other assets (€55.3 million), loan charges (-€183.5 million), capital gains from disposals net of write-backs of reserves on the disposed securities (+€16.4 million) and changes in financial reserves (-€192.4 million resulting mainly from allocations to reserves for impairment on certain Group subsidiaries).

The extraordinary result represented a net expense of -€10.3 million, compared with a net expense of -€23.8 million in 2012.

The "Taxes" item represents income of +€108.1 million, which includes tax savings realised by the Group from the tax consolidation, retained by Groupama SA in its capacity as head of the tax group (+€157.6 million). Note that the tax group of which Groupama SA is the consolidating entity, although benefiting from prior losses carried forward, generated a profit for tax purposes over the 2013 fiscal year and paid a tax of €57.7 million.

The net loss for the fiscal year was thus -€338.3 million, compared with a loss of -€696.6 million in 2012.

### 5.1.8.2 Balance sheet

The Groupama SA 2013 balance sheet totalled €11,428 million, down €524 million compared with 2012.

Shareholders' equity totalled €2,320.4 million as at 31 December 2013, compared with €2,658.2 million as at 31 December 2012. The change in shareholders' equity for the fiscal year is explained mainly by the result for the fiscal year, which consisted of a loss of -€338.3 million.

Gross underwriting reserves reached €4,296.6 million, stable compared with the figure at the end of 2012 (€4,296.5 million). They represented 184.2% of earned premiums.

Underwriting reserves ceded and retroceded totalled €1,043.2 million, down -€40.3 million.

Debt totalled €2,432.3 million, down €128.7 million compared with 2012 (€2,561.0 million),

The largest asset item on Groupama SA's balance sheet consists of investments, whose net book value was €9,621 million (including differences between bond repayments payable and receivables associated with investments). Equity interests and related receivables represented 76.7% of total assets, divided between equity interests (€6,628 million) and intra-group loans (€755 million).

In realisable value, Groupama SA investments totalled €11,499 million, including unrealised capital gains of €1,878 million, primarily from intra-group equity interests (€1,790 million).

#### 5.1.8.3 Income for the year and proposed allocation

We recommend that you allocate the year's loss, in the amount of €338,263,557.15, to the retained earnings account with a credit of €698,201,658.74, which will thus reduce the credit amount to €359,938,101.59.

To meet the provisions of Article 243 bis of the French General Tax Code, distributions for the past three fiscal years were as follows:

| Fiscal years | Total dividends distributed | Eligible for reduction | Not eligible for reduction |
|---|---|---|---|
| 2012 | - | - | - |
| 2011 | - | - | - |
| 2010 | €104,181,645.60 | €93.457.35 | €104,088,188.25 |

## 5.1.9 DISCLOSURES ON SHARE CAPITAL

### 5.1.9.1 Shareholders

In compliance with Article L 233-13 of the French Commercial Code, and taking into account the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we cite below the identity of the individuals and/or legal entities directly or indirectly holding, as at the close of the last fiscal year, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds or nineteen-twentieths of the Company's share capital or voting rights at the General Meetings:

- Groupama Holding
  90.96% of share capital and voting rights;
- Groupama Holding 2
  8.99% of share capital and voting rights.

### 5.1.9.2 Employee shareholders

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we note that the employees, former employees and officers of the Company held 0.05% of the share capital and voting rights of Groupama SA as at 31 December 2012.

## 5.1.10 INFORMATION REGARDING CORPORATE OFFICERS

### 5.1.10.1 Directors' remuneration

In accordance with the provisions of Article L. 225-102-1 of the French Commercial Code, we report below the total remuneration and benefits of any kind paid to each corporate officer during the fiscal year, both by the Company and by the companies controlled by the Company in the sense of Article L. 233-16 of the Commercial Code. During the year, payments were as follows:

- Jean-Yves Dagès: gross annual remuneration (including benefits in kind) paid by the Company to him in his capacity as Chairman of the Board of Directors: €332,601 (gross annual remuneration of €271,543, retirement benefit of €36,929 and housing allowance of €24,129), Directors' fees paid by the Company for the previous year: €34,311;
- Jean-Marie Bayeul: Directors' fees paid by the Company: €81,588 and Directors' fees paid by Groupama Holding: €47,025;
- Michel Baylet: Directors' fees paid by the Company: €75,030 and Directors' fees paid by Groupama Holding: €47,025;
- Annie Bocquet: Directors' fees paid by the Company: €63,898 and Directors' fees paid by Groupama Holding: €41,535;
- Anne Bouverot, Director until 1 August 2013: Directors' fees paid by the Company: €57,453;
- Daniel Collay: Directors' fees paid by the Company: €66,033 and Directors' fees paid by Groupama Holding: €47,025;
- Amaury Cornut-Chauvinc: Directors' fees paid by the Company: €89,976 and Directors' fees paid by Groupama Holding: €65,025;
- Caroline Grégoire Sainte Marie: Directors' fees paid by the Company: €106,665;
- Michel L'Hostis, Director since 17 January 2013: Directors' fees paid by the Company: €41,940 and Directors' fees paid by Groupama Holding: €47,025;
- Jean-Louis Pivard: Directors' fees paid by the Company: €68,472 and Directors' fees paid by Groupama Holding: €65,025;

- Bruno Rostain: Directors' fees paid by the Company: €74,573;
- Odile Roujol, Director since 1 August 2013: Directors' fees paid by the Company: €4,583;
- François Schmitt: Directors' fees paid by the Company: €64,202 and Directors' fees paid by Groupama Holding: €65,025;
- Thierry Martel: gross annual remuneration (including benefits in kind) received for his duties as Chief Executive Officer within the Group: €1,002,977 (gross annual remuneration of €600,000, variable remuneration of €345,200, medical care, protection savings, death benefit and unemployment insurance for entrepreneurs and company owners: €57,777) and retirement contract awarded to members of the Groupama SA Steering Committee;
- Christian Collin: gross annual remuneration (including benefits in kind) received for his duties as Deputy Chief Executive Officer within the Group: €829,072 (gross annual remuneration of €500,000, variable remuneration of €271,000, medical care, protection savings, death benefit and unemployment insurance for entrepreneurs and company owners: €58,072) and retirement contract awarded to members of the Groupama SA Steering Committee.

The overall remuneration for the Company's Directors and officers is detailed in paragraph 3.3 of the 2013 registration document devoted to remuneration paid to and equity interests owned by management.

Lastly, the cumulative gross annual remuneration (including profit sharing and benefits in kind) for members of the Groupama SA Steering Committee totalled €4,052,281, not including the Chief Executive Officer and the Deputy Chief Executive Officer, whose remuneration is indicated above. The total commitment for retirement contracts as at 31 December 2013 was €22,351,606 for members of the Groupama SA Steering Committee to date.

#### 5.1.10.2 Terms of office and duties performed by Directors

A list of the duties and functions carried out during the year in all companies by the Chairman of the Board of Directors, the Directors, the Chief Executive Officer and the Deputy Chief Executive Officer appears in paragraphs 3.1.2 and 3.1.3.

#### 5.1.10.3 Approval of the appointment of a Director and renewal of her term of office

We recommend that you approve the appointment of Odile Roujol as Director, which occurred at the meeting of 1 August 2013, to replace Anne Bouverot, who resigned, for the remaining duration of her term of office, *i.e.* until the Ordinary General Meeting convened in 2014 to approve the financial statements for the fiscal year ending 31 December 2013, then to renew it for a period of six years, *i.e.* until the General Meeting convened in 2020 to approve the financial statements for the fiscal year ending 31 December 2019.

#### 5.1.10.4 Determination of the amount of the Directors' fees

We recommend setting the total annual Directors' fees at a maximum of €980,000 to be divided among the Directors for fiscal year 2014 and beyond.

#### 5.1.10.5 Advisory opinion on remuneration for the Company's Directors and officers

In accordance with the recommendations of the AFEP-MEDEF Code revised in June 2013 (Article 24.3), a Code to which the Company refers in application of Article L. 225-37 of the Commercial Code, the following components of the remuneration due or allocated to each Director and officer of the Company for the fiscal year now ended must be submitted for the opinion of the shareholders:

- the fixed portion;
- the annual variable portion with the objectives used to determine this variable portion;
- stock options, restricted stock and any other long-term remuneration components;
- allowances relating to taking on or termination duties;
- the supplemental pension scheme;
- benefits of any kind.

It is proposed that the General Meeting of 11 June 2014 (see Resolutions 8, 9 and 10 in paragraph7.3.2) issue an opinion on the components of the remuneration due or allocated to each Director and officer of the Company for fiscal year 2013, namely:

- Jean-Yves Dagès, Chairman of the Board of Directors;
- Thierry Martel, Chief Executive Officer;
- Christian Collin, Deputy Chief Executive Officer.

The components of the remuneration due or allocated to each of these Directors and officers for fiscal year 2013 are contained in paragraphs 3.3.4.1 to 3.3.4.3.

### 5.1.11 FINANCIAL AUTHORISATIONS

Attached to this report, pursuant to Article L. 225-100, paragraph 7 of the French Commercial Code, is a summary table of the delegation of competence and authority granted by the General Meeting to the Board of Directors to increase the share capital pursuant to Articles L. 225-129-1 and L. 225-129-2 of said Code.

It is proposed that you renew certain financial authorisations previously granted by the General Meetings of 25 May 2011, 30 May 2012 and 12 June 2013, which will expire during fiscal year 2014 and are intended to allow the Company's Board of Directors to have the necessary financial flexibility.

For some of these authorisations, the reports of the Company's statutory auditors will be presented to you in accordance with current legal and regulatory provisions.

The following would thus be renewed:

- the authorisation for issue with preferential subscription right (13th Resolution);
- the authorisations for issue without preferential subscription rights reserved for Groupama Holding, Groupama Holding 2 and certain categories of people (14th, 15th and 16th Resolutions);
- as well as the issue reserved for members of the Group savings plan (17th Resolution).

Three of the resolutions proposed for renewal have a duration of 18 months; the other two have a duration of 26 months. The previously adopted ceilings have been maintained, particularly the overall ceiling set at €1.1 billion in nominal value.



1 2 3 4 5 6 7

Within this context, we propose that you grant the following authority to the Board of Directors:

- in order to increase the share capital, by issuing shares and/or equity securities, with retention of the preferential subscription right, this authority being more traditional and able to be used alone or simultaneously with other types of authorities (13th Resolution). Capital increases could be carried out up to a maximum par value of €1.1 billion, also constituting the overall limit on capital increases likely to be carried out on the basis of other authorities subject to your approval within the framework of this General Meeting, with the exception of the issues reserved for members of savings plans referred to under the 17th Resolution. These limits will be increased, where applicable, for the par value of the shares to be issued in the event of new financial transactions to safeguard the rights of holders of equity securities giving access to the capital.

  We remind you that the preferential subscription right is offered to shareholders existing at the time of the transaction in order to enable them to avoid any "dilutive" effect after completion of the transaction.

  This delegation of authority will be granted for a period of 26 months after this date, and will replace the one granted by the General Meeting of 30 May 2012;
- in order to increase the share capital by issuing shares and/or securities giving access to the Company's capital reserved for Groupama Holding (14th Resolution) and/or Groupama Holding 2 (15th Resolution) and/or certain categories of people belonging to the Groupama group (16th Resolution), namely: (i) the elected representatives of the local and/or regional mutuals; (ii) the employees and Managers or corporate officers provided for in Article L. 3332-2 of the French Labour Code, businesses linked to the Company as defined in Articles L. 3344-1 and L. 3344-2 of that Code, who or which are not beneficiaries of the issues effected pursuant to the 17th Resolution proposed to this General Meeting, and/or; (iii) the persons and/or the employees and Managers or corporate officers of companies not referred to above but who meet the criteria referred to in the first paragraph of Article L. 3344-1 referred to above and/or; (iv) UCITS or other employee shareholding bodies holding investments in the Company's securities, whose share owners or shareholders are composed of the persons referred to in (ii) and (iii) of this paragraph and/or the beneficiaries of the 17th Resolution proposed to this General Meeting.

  These delegations of authority would be granted for a period of 18 months from the day of the meeting, up to a maximum par value of €1.1 billion; they would replace the delegations of authority granted by the General Meeting of 12 June 2013.

  The issue price of the directly issued shares shall at least equal shareholders' equity per share, as stated in the most recently approved balance sheet as at the issue date, and the issue price of the equity securities shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issuance of those equity securities, be at least equal to the minimum subscription price defined for the directly issued shares;
- in order to increase the share capital, by issuing shares and/or equity securities in the Company reserved for members of savings plans (17th Resolution), eliminating their preferential share rights.

  This resolution will be reserved to employees of Groupama SA, its French and foreign subsidiaries, and regional mutuals that are members of a savings plan. The delegation of authority will be granted for a period of 26 months from the day of the meeting, up to a maximum par value of €150 million; it will replace the delegation of authority awarded by the General Meeting of 12 June 2013.

  By nature, this waiver involves the waiver by shareholders of their preferential share right in favour of the beneficiaries in question. The share subscription price would be determined in accordance with Article L. 3332-20 of the French Labour Code and will be equal to at least 80% of the Reference Price (as defined hereunder) or, if the period of unavailability stipulated by the plan in accordance with Articles L. 3332-25 and L. 3332-26 of the Labour Code is more than or equal to 10 years, to at least 70% of the Reference Price. The Reference Price is defined as the price determined in accordance with the objective methods used to value shares, taking into account, according to a weighting appropriate for each case, the net accounting position, profitability and business outlook of the Company in accordance with the provisions of Article L. 3332-20 of the French Labour Code.

## 5.1.12 MODIFICATIONS OF ARTICLES 2 AND 14 OF THE BYLAWS

Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code, resulting from the banking business separation and regulation law of 26 July 2013, establish Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals and in this regard grant to it a number of missions and prerogatives.

The missions entrusted to Groupama SA by its role as central body should be incorporated into its corporate purpose, and its role should be specified in general.

In this regard, the addition of the following two paragraphs to Article 2 relating to the corporate purpose is proposed:

"The Company has the purpose below:

- to be the central body of the network of agricultural insurance and reinsurance companies (hereinafter "mutuals") within the meaning of Article L. 322-27-1 of the Insurance Code. In this capacity, it is particularly responsible for:
  - ensuring the cohesion and proper operation of the network,
  - ensuring the application of the legislative and regulatory provisions specific to the network's organisations,
  - exercising administrative, technical and financial control over the organisation and management of the network's organisations,
  - setting the network's strategic guidelines, issuing any appropriate instructions in this regard and ensuring their actual implementation,
  - also taking all necessary measures to ensure solvency and compliance with the commitments of each of the network's organisations and of the entire Group;
- facilitating and promoting the business and development of the mutuals and the entire Group".

It is further proposed to adjust Article 14 of the bylaws relating to the "Authority of the Board of Directors" to address the consequences of amendments made to the agreement for a security and solidarity system between the Company and the regional mutuals, with a view to eliminating the 2/3 majority required for certain decisions by the Board of Directors like:

- use of the solidarity fund;
- termination of the agreement;
- maintaining the qualified majority only for termination of the reinsurance agreement at the initiative of Groupama SA.

Consequently, it is proposed to adopt the new paragraphs 2 and 3 of said article thus drafted:

- "vote by secret ballot: any decision to resort to solidarity funds pursuant to the agreement on security and solidarity plans;
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA."

## 5.1.13 SOCIAL AND ENVIRONMENTAL INFORMATION

*The information published in this report pertains only to the consolidated entities in the financial reporting. They therefore do not reflect all of the CSR actions carried out by the entire Group, particularly concerning the regional mutuals. The Group's CSR strategy is presented more fully in Groupama's annual report.*

### 5.1.13.1 Groupama, a unique group built around of values and objectives in line with CSR

Through its complementary brands, Groupama forges its identity on values placing human beings and their expectations at the heart of the Group's actions. Integrating the issues of sustainable development into its business activities and its relations with its stakeholders is part of its daily commitment to responsible business.

This commitment is fully reflected in its insurance business – protection of the lives and property, long-term vision, prevention, etc. – but also beyond its core business, by supporting initiatives coming from civil society, by participating in the reduction of economic and social vulnerabilities and by contributing to the emergence of solutions related to issues such as the lengthening of human life, the study of climate change, care networks, etc.

CSR fully contributes to the performance of our group at the service of customer satisfaction, by reinforcing the commitment of our employees, by stimulating innovation and drivers of growth (responsible products and services, new markets, etc.), by reducing costs (logistics optimisation, recycling, reduction of consumables, etc.) and by strengthening the image and quality of the relationship with external and internal audiences.

CSR management reflects the integration of sustainable development into the business strategy. The Ethics and Sustainable Development Department (DEDD), created in 2008 and reporting to the Group's General Secretary for more cross-functionality, promotes and coordinates the Group's CSR policy. This department benefits from a capacity for action and mobilisation with the departments concerned on offerings as well as social, societal and environmental issues, particularly by leading a network of 50 correspondents from all Group entities (regional mutuals, French and international subsidiaries) that participate in the preparation of action plans and discuss their best practices.

At the end of 2013, the teams of the DEDD and the Groupama Health Foundation joined forces to form a unified CSR Department/Groupama Health Foundation within the Corporate Secretary, thus having greater power to motivate and take action to serve the defined CSR strategy.

### 5.1.13.2 A cross-functional, ambitious CSR strategy

During 2012, the Group took on a comprehensive, ambitious CSR strategy for the 2013-2015 period based on five pillars – responsible insurer, fighting rare diseases, local development actions, responsible employer and environmental actions – and taking into consideration the social, environmental and societal impacts of its business, particularly concerning its relations with stakeholders and the loyalty of its practices.

#### (a) Responsible insurer

Rooted in modernity and movement, Groupama develops products that respond to society's major issues: pension, health, assistance and long-term care. Incorporating strong social and environmental added value into the Group's products and services is a challenge for the future. Today, Groupama is committed to going further in taking environmental, social and societal factors into account in constructing insurance offerings, its prevention actions and asset management as well as by adopting responsible behaviour in its relations with its various stakeholders.

#### Insurance offerings

In order to better meet customer needs and to enable each customer to secure the "Essentials", depending on the customer's capabilities while continuing to benefit from sufficient coverage, new forms of the individual supplemental health insurance product Groupama Santé Active have been created. They provide for reimbursements only for health expenditures considered essential by the policy holders, particularly in situations that constitute setbacks.

The Group encourages its members and customers to adopt environmentally friendly behaviours by offering the "Pay As You Drive" motor insurance product and by including an insurance policy for equipment that produces renewable energy in its multi-risk home offerings. For appliances, Groupama launched the first "green" new equipment replacement plan in 2009.

Groupama's environmental commitment incorporates the analysis of product life cycles and is reflected in its encouragement of all those involved in the supply chain, up to repair and the services provider networks, to adopt a virtuous approach. The Group continued its policy of repairing instead of replacing damaged automotive parts with a view to further reducing our $CO_2$ emissions and waste production, promoting the qualification of the workforce, satisfying our customers and thus increasing their loyalty. 35.6% of bumpers and shields were able to be repaired in 2013.

## Prevention

For Groupama, applying a large-scale prevention policy means encouraging the emergence of responsible attitudes towards the risks of today and tomorrow while being economically efficient. Groupama carries out various prevention actions, from technical prevention (business risk inspections, electrical or alarm installation advice, etc.) to institutional prevention with the general public, customers or non-customers (road safety awareness for schoolchildren, prevention of accidents in the home, conferences on sleep or nutrition, etc.).

At Groupama, prevention has taken shape over time through multiple individual or collective, innovative or original actions seeking to reinforce the safety of individuals and property on all of their private and professional risks. The deployment of prevention actions conforms to a group-specific strategy, a source of expertise and legitimacy.

During 2013, more than 17,000 customers or non-customers were made aware or trained on prevention by Groupama's teams (excluding Centaure centres).

The website vivons-prevention.com dedicated to all prevention actions taken by Groupama to serve its stakeholders in five major involvement areas (road safety, health, agriculture, domestic risks, and companies and local authorities) has been online since 2011.

### HEALTH INSURANCE

In health insurance, Groupama takes action in a culture of prevention by providing reimbursement for all acts of prevention, reimbursed by the compulsory scheme or not, and is actively engaged in informing and mobilising policy holders. Groupama's prevention advice to customers and non-customers is presented both during health conferences (on topics such as nutrition, sleep, wine etc.) and through groupama.fr in the form of guides and health profiles on various topics.

Groupama Santé Active takes this idea of prevention into account particularly with its coverage of colon cancer screenings, reimbursement for vaccines not reimbursed by the compulsory schemes, a free annual oral and dental prevention check-up, coverage of fluoride varnishes for children, coverage of smoking cessation plans, etc. New prevention coverage for policy holders age 55 and older has been incorporated into the Groupama Santé Active product, particularly in dental and podiatry, and provides them with coverage for treatments not reimbursed by the compulsory schemes.

The Amaguiz Santé offering was launched in September 2011 and incorporates policy holder "accountability" concerning their health care spending. By agreeing to pay for non-essential expenditures (replacement of optical equipment without a medical reason, for example) or give up certain benefits such as third-party payer, policy holders see decreases in their premiums or increases in their reimbursements.

Prevention of medical deserts: Groupama and the MSA (agricultural mutual assistance association) set up a pilot programme in 2009, and three years later, the results were positive. The aim of this three-year "Pays de Santé" (Health in the Country) pilot programme was to assist and support health care professionals working in vulnerable regions in order to maintain access to quality health care for local populations. Groupama and the MSA implemented the pilot programme in two departments: Dordogne and Ardennes.

### ROAD SAFETY

In road safety, the twelve Centaure centres are an important relay for Groupama's prevention actions as regards its members as well as businesses and the general public. Spread out all over France, they offer road safety courses, including an eco-driving module. In 2012, the CIECA's "International Commission for Driver Testing" accepted the Centaure association as an associate member. Through this partnership, Centaure will contribute to the development of road safety practices and participate in discussions and work of the European Commission.

In November 2013, Groupama and the Centaure association renewed the road safety charter, which offers quality post-driving permit training to drivers for safer, more responsible driving.

| Driving training in the Centaure centres | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Number of training days carried out by Centaure coordinators | 5,365 | 5,114 | France |
| Number of trainees trained in prevention and eco-driving in the Centaure centres | 41,673 | 39,758 | |

Other preventive measures for road safety are carried out in the Group's entities. For example, in 2013, Groupama Assicurazioni presented to 584 of its employees the prevention and safety attitudes to be adopted following the installation of black boxes in their vehicles.

HOME SAFETY

Domestic risks are responsible for more than 19,000 deaths each year in France. Groupama's initiatives aim to raise awareness among all age groups concerned, through the creation of a kit to combat domestic accidents and a CD-ROM entitled "Bienvenue chez les Tourisk" ("Welcome to the Tourisk household"). Our initiatives are implemented via local partnerships with players as diverse as the INREPS (National Transport and Safety Research Institute), Générations Mouvement, the French Red Cross, Familles Rurales, Foyers Ruraux, etc.

The number of in-house individuals who underwent home safety prevention actions decreased substantially between 2012 and 2013 because Groupama Phoenix had carried out a one-off prevention action with 350 employees that did not take place in 2013.

AGRICULTURAL PREVENTION:

The agricultural sector, with very comprehensive actions involving multiple innovations, benefited from Groupama's historic commitment.

One example is the "Dix de Conduite Rurale" ("Rural Driving 10") campaign, initiated by Groupama in agricultural colleges in 1972 in partnership with the National Police, CLAAS and Total, which is now a benchmark in the rural sector: 5,974 young people received this training in the risks of driving farm vehicles. The "Dix de Conduite Jeune" ("Young Driving 10") campaign is intended for students ages 14 to 16 in general education and agricultural schools; its educational goal is to prevent the real dangers of the road in order to better anticipate and control them.

| Agricultural | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Number of mission days carried out by preventionists | 319 | 316 | |
| Number of in-house individuals who underwent prevention or safety awareness, information or training actions | 7 | 32 | 98.25 |
| Number of outside individuals who underwent prevention or safety awareness, information or training actions | 22,094 | 17,260 | |

BUSINESSES AND LOCAL AUTHORITIES

Groupama supports an environmental and weather risk prevention approach with manufacturers and local authorities. As such, in partnership with Predict Services, a subsidiary of Météo France, the Groupama Predict offering for local authorities includes assistance in preparing a Local Emergency Response Plan and a flood risk monitoring and real-time information system.

| Businesses and Local Authorities | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Number of mission days carried out by preventionists | 1,512 | 1,451 | |
| Number of in-house individuals who underwent prevention or safety awareness, information or training actions | 124 | 105 | 98.25 |
| Number of outside individuals who underwent prevention or safety awareness, information or training actions | 90 | 169 | |

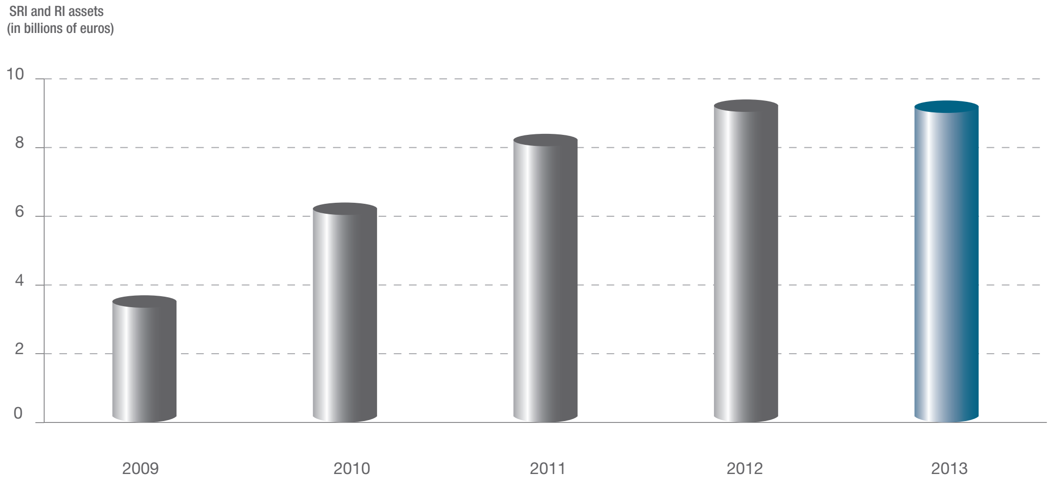
## Responsible asset management

For more than 10 years, Groupama, a financial player in the economy's long-term development, has been involved in promoting responsible investment, particularly through its third-party asset management subsidiary, Groupama Asset Management. Its expertise in analysis and research, its management products and its mobilisation within many French and international environments make it one of the market's recognised leaders in this field.

In addition to rolling out this specific SRI strategy, Groupama Asset Management has established a global objective of ensuring the widespread integration of Environmental, Social and Governance (ESG) issues [1] into all analyses of its investments. Groupama Asset Management believes that by promoting the integration of ESG issues into the macroeconomic and microeconomic analysis of its investments, it potentially optimises not only the management of risks but also the sources of added value and long-term value creation of investment portfolios through its policy of responsible investment (RI).

*(1) The policy of integrating ESG criteria into the financial management of the group's assets is gradually applied to the universe of European medium/long-term assets (credit bonds and equities). At first, this integration was implemented for the management of Euro/Europe equities only within open or dedicated UCITS funds managed by Groupama Asset Management, held by the Groupama group's entities and/or disseminated to outside customers. Starting in 2010, this integration was gradually extended to the management of credit bonds (companies) and European sovereign debts (States). The scope of assets integrating an ESG approach (RI assets) thus involves all securities excluding directly or indirectly held monetary assets.*

**CHANGE IN SRI AND RI ASSETS OVER 5 YEARS (IN BILLIONS OF EUROS)**




| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| SRI and RI assets *(in billions of euros)* | 3.7 | 6.4 | 8.4 | 9.4 | 9.37 |
| Share of SRI and RI on total assets *(%)* | 5.6 | 8.4 | 12.6 | 13.3 | 13.0 |

The scope taken into account for SRI and RI assets is as follows:

- universe of European assets (equities and credit bonds);
- medium/long-term assets excluding monetary assets;
- assets of open or dedicated UCITS funds;
- SRI and RI assets held directly or indirectly through other UCITS funds.

### (b) Fight against rare diseases with Fondation Groupama pour la Santé

As France's leading personal health insurer (source: L'Argus de l'Assurance, 2012 ranking), Groupama has spent more than 10 years, through Fondation Groupama pour la Santé, contributing to the fight against rare diseases through three missions: research assistance, informing physicians, patients, and the general public about rare illnesses, and support for sick patients. By 2015, Groupama wishes to emphasise support for research and promote the commitment of our elected representatives, members, and employees in favour of the Foundation.

#### A strong commitment for 13 years

Three million people in France and 25 million in Europe are affected by rare diseases: "rare" because each of these 7,000 pathologies affects fewer than 30,000 patients. However, in total, they affect 1 in every 20 individuals. Since the 2000s, Groupama has been committed to this cause, which is completely in line with its role as a responsible and mutual insurer.

Fondation Groupama pour la Santé supports the fight against rare diseases, regarded as one of the three public health priorities with cancer and Alzheimer's disease. It has supported 27 researchers and 157 patient associations and provided €8 million in funding for 489 association projects aimed at fulfilling its original missions.

The Foundation is one of the five strategic focuses of Groupama's CSR policy. The Foundation's three priority actions for years 2013-2015 are increased effort in research assistance, strong employee mobilisation to serve the foundation, development of local actions with elected representatives to assist local associations and researchers in the region.

◄ CONTENTS ►

### The Foundation's three missions:

- disseminating information to facilitate the diagnosis of rare diseases, by helping associations to communicate about these diseases by distribution their information material, developing their website and organising forums "rare diseases" forums. These last two actions are carried out with Orphanet, a reference portal on rare diseases and orphan drugs and a historical partner of the Foundation;
- helping to break the isolation of the sick and their families through support for hospitalised children, assistance in educating in a hospital setting, and purchases of computer equipment to promote the independence of the sick. As such, the Groupama Health Foundation takes action by supporting local association projects, in conjunction with Alliance Maladies Rares, a collective of 202 associations;
- promoting medical research by awarding an annual Hope Grant ("Bourse de l'Espoir") of €100,000 over three years to a young research.

The areas of commitment and the selection of projects are defined by the Board of Directors, which includes recognised personalities from the health care world: they contribute their skills and approve the Foundation's choices proposed by the Operational Committee, where all of the regional mutuals are represented.

To this day, the Foundation remains the only corporate foundation in France exclusively dedicated to this fight alongside associations, the medical professional, health organisations and public authorities.

Fondation Groupama pour la Santé will continue its action as part of the 2011-2014 Second National Plan against Rare Diseases, still with the same single objective: to continue to be committed so as to give hope to patients and their families.

### Mobilisation of employees and elected representatives in fundraising efforts in the field:

- nationwide establishment of the first "Marches de l'Espoir" [Walks of Hope] – 9 June 2013: 48 walks, 8,500 participants, €65,000 raised;
- roll-out of "Semaine de la Fondation" ("Foundation Week") in a growing number of Group companies: 4,000 participating employees (1,500 in 2012), €28,000 raised (€7,700 in 2012);
- facilitation and awareness: "elected supervisors"; "employee ambassadors"; presence of the Foundation in the General Meetings of regional mutuals and departmental federations.

| | 2013 | 2013 scope (%) | 2012 |
|---|---|---|---|
| Number of patient associations supported | 60 | | 80 |
| Number of projects encouraged | 54 | Group (1) | 73 |
| Number of researchers sponsored | 3 | | 4 |
| Amount allocated for the fight against rare diseases by Groupama SA and Gan Assurances *(in euros)* | 387,235 | 99.56 | 392,169 |

*(1) This information takes national and regional support into account, particularly with the support of the regional mutuals.*

Note that the Foundation also enjoys strong support from the regional mutuals (not included in the consolidated scope), bringing its commitments in the fight against rare diseases in 2013 to more than €1 million.

## (c) Action to develop territories and civil society

The Group's decentralised structure favours strong territorial anchoring and contributes to the development of the regions. For employment, Groupama particularly organises regular Jobmeetings throughout France.

Almost all of the Group's companies engage in local actions/societal partnerships. Companies favour certain themes. For example, Gan Assurances (entrepreneurship), Groupama Banque (integration into the local life of Montreuil), Groupama Asset Management (actions to support the disabled), Groupama Assicurazioni (3 areas: solidarity, culture, environment), Groupama Asigurari (3 areas: cinema, prevention, support for the Olympic Committee).

In addition to the actions for prevention and mobilisation against rare diseases, the Group's companies are present on two major commitment themes associated with our anchoring and local relationships.

### Economic development and initiative in the territories

Beyond a purely merchant or insurance-based approach, the Group's entities develop partnerships in the field to facilitate, encourage, embrace the initiative and promote employment, and contribute to local economic development.

This is possible and effective thanks to Groupama's local anchoring, with interaction between players in the field, thus providing detailed knowledge of the needs:

- in agriculture – with full support in the field, thanks to the numerous local initiatives of mutualist elected representatives, for the entire business cycle of farmers: sponsorship and support for installation, training and information, management of setbacks, participation in social progress initiatives (particularly related to health), promotion of agricultural trades (including partnerships with agricultural schools), etc. These actions are taken particularly in partnership with the Chambers of Agriculture (where Groupama is represented), professional associations and federations related to the sectors, the departmental JA [young farmers] organisations and the FDSEA. Groupama's departmental federations are represented within departmental land authorities (DDTs) as well as land-planning and rural-development companies (Safer);
- in very small businesses and SMEs – with assistance for entrepreneurs and support for regional employment, under the leadership of the Group's companies and their commercial networks: as part of partnerships at the regional level with CCIs, territorial CGPMEs, chambers of trades, CAPEB networks; partnerships with the structures or networks that help those who want to start or take over a business (Initiative France and "local initiatives platforms", Réseau Entreprendre, etc.);

1
2
3
4
5
6
7

- other initiatives: digital promotion of local business with the creation in 2013 of the first local network connecting members and local entrepreneurs (Granvillage); partnerships with schools to introduce the business world and/or support young people in finding employment; assistance to employment and inclusion associations, etc.;
- partnership with the ADIE. Since 2007, Groupama has supported the ADIE (association for the right to economic initiative) in its actions to promote micro-lending. Groupama Banque has thus made a line of credit, fixed at €300,000 in July 2013, available to the ADIE.

### Commitments around "Living together"

Groupama provides operational and financial support to numerous local associations (sports, cultural, general interest, and other associations) around three main themes:

#### HEALTH AND DISABILITIES

Health (excluding rare diseases): a significant commitment by the entities in the fight against cancer, particularly through walks or running races. Eight companies involved. Participation in various sporting challenges, combining health and sport or nature. Other commitments: support for AIDS patients or hospitalised children, promotion of blood donation, support for psychomotor research, etc.

Disabilities: Seven companies have indicated that they have established actions to support people with disabilities, beyond the employment of disabled staff and the use of adapted enterprise sectors (ESAT); various forms of partnerships: support for associations training dogs for the blind, Handisport, Handicap International, purchase of equipment for people with disabilities, support for professional integration, tickets for shows, etc.

#### CULTURAL PATRONAGE

A few priority themes:

- commitments around the "local culture": partnerships for events to showcase local or rural products and traditions; other more traditional commitments: music, heritage (support for museum exhibitions, local restorations, etc.);
- cinema, a group-wide commitment: particularly through the Groupama Gan Cinema Foundation, which has supported the 7th article for more than 25 years. In 2013, the amount allocated by Groupama SA to the Groupama Gan Foundation totalled €850,000. In addition, an agreement was signed in 2010 between Groupama SA and Cinémathèque française for a term of five years. Under this agreement, €300,000 is allocated each year to the Cinémathèque française, giving Groupama the title of "Grand Mécène" (major sponsor). In addition, local actions have been taken in France, Italy, Turkey and Romania.

#### SOLIDARITY

Humanitarianism and solidarity: the solidarity actions are very diffuse and multi-faceted, with support given to many organisations on general-interest or humanitarian projects (collection for Christmas, support for civilian victims of disasters, family or charitable organisations, etc.); actions related to international development, particularly for Africa. A historic action of the Mutual Insurance Division: Solidarité Madagascar, in partnership with Générations Mouvement in particular, which carried out 38 projects in 2013.

"Favourites" operations are initiatives that team up elected representatives, employees and members.

| | 2013 | 2013 scope (%) | 2012 |
|---|---|---|---|
| Amounts allocated for patronage excluding rare diseases *(in euros)* | 1,462,466 | 99.56 | 1,636,949 |

With regard to relationships with learning institutions, many partnerships have been forged between our regional mutuals or subsidiaries and the institutions in their region or employment base: instructional actions or conferences, sponsorship, acceptance of trainees and interns, simulation of interviews and participation in juries, presence in employment forums and support for teaching chairs.

## (d) Responsible employer

Backed by its strong values, the Group conducts social policies and many significant actions on the various HR components of CSR. Since 2013, it has accompanied its commitment as a responsible employer with quantified three-year objectives in the areas of gender parity, employment of workers with disabilities, work/study training and quality of life at work.

### Employment

The workforce of the consolidated scope [1] as at 31 December 2013 had 16,009 employees. The 2013 data show 2,396 new hires (all contract types combined – excluding summer contracts), including 1,490 permanent contracts, and 2,363 permanent contract departures, including 500 redundancies and 323 departures under voluntary departure plans.

The breakdown of employees by gender, age and geographic area is as follows:

- 55.9% women and 44.1% men;
- 13% of employees are aged under 30, 56% are between 30 and 49 and 31% are aged 50 or over;
- 59% of the consolidated scope's workforce works in France and overseas and 41% in international locations.

The workforce declined compared with 31 December 2012 as a result of the implementation of programmes to improve operating performance, particularly the non-replacement of departures, the sharp reduction in recruitment and the implementation of voluntary departure plans in five of the Group's companies in France: Gan Assurances, Groupama SA, Groupama Banque, Groupama Supports & Services and Gan Prévoyance. These five voluntary departure plans were brought to completion, within the initially planned timetable, with a 100% achievement rate.

*(1) The consolidated scope includes all subsidiaries of the Group, in France and abroad, listed in the appendix. It does not include the regional mutuals.*

◄ CONTENTS ►

Each of the five companies involved constructed its own plan by taking into account its specific environment, its demography and its own strategic and organisational objectives. The VDPs in the five businesses were constructed around the following principles:

- they were designed to supplement the cost-cutting measures implemented since early 2012: priority reduction of communication, IT, and outside consultant costs, sharp decrease in hiring, non-replacement of departures and anticipation of "natural" departures;
- in line with the Group's values and social practices, the plans were entirely voluntary in order to give employees who wanted it the opportunity to make their professional and personal projects outside of the Company a reality. They did not provide for economic redundancies;
- the plans offered a wide range of departure assistance measures: departure from the Group, training, career change, business start-up, retirement or early retirement; there were also incentives for inter-company mobility within the Group;
- the plans were subject to extensive dialogue with labour and management representatives and consultation with the establishment committees or works councils and the central works council; at the UES level, a framework agreement was entered into to ensure the equal treatment of employees while taking into account the specific context of each company; in all of the companies, a joint monitoring committee was put in place to verify the realism and the chances of success of the proposals presented by employees electing voluntary departure;
- all of the plans included provisions for support (by an in-house HR team and by an external service provider) for candidates for departure, allowing them to maximise the chances of success of their proposal, particularly in cases of external search, career change and business start-up/take-over;
- at the qualitative level, each company made sure to organise the retention of its key elements – with, for example, ineligibility of certain sensitive business lines – and implemented with management actions to mobilise and optimise skills so that teams continue to have the resources necessary to carry out their duties efficiently.

Regarding payroll, it amounted to €971 million in 2012 for the consolidated scope and €913 million in 2013, a decrease of 6.0%.

### Organisation of work

The theoretical work time in the Group's companies in France is between 32 hours 42 minutes and 39 hours per week without any significant modification compared to 2012. On the entire consolidated scope, absenteeism amounted to 285,110 working days (52% of absences in France), including 58% of absences for illness and 30% for maternity/paternity.

### Employee relations

In addition to the employee representative bodies within the entities making up the Group, the Groupama corporate dialogue is organised at the top level through bodies that cover various scopes: European, Group in France, the UDSG (Groupama Social Development Unit) and the UES (Economic and Social Unit).

- The European Works Council (EWC) receives information in order to exchange views and engage in dialogue about transnational issues. The EWC met twice in 2013 (Groupama projects and news, planned disposals, results, the Group's strategy plan, etc.) It covers a European scope representing 31,589 employees as at 31 December 2013 (including 16,009 employees of the consolidated scope).

  In 2013, the Board of the EWC, made up of seven employee representatives among the members of the EWC, was consulted on the Group's strategic plan and the strategic standard of action plans, on which it gave favourable opinions.

  On 29 March 2013, it also issued a favourable opinion on the proposed transfer of the Italian transport branch from Groupama SA to Groupama Assicurazioni.

  A joint declaration on quality of life at work and the right to non-discrimination was signed on 15 February 2013 between the Chairman and the secretary of the European Works Council. It aims to promote three areas: prevention of discrimination (age, ethnic origin, sex, religious beliefs, sexual orientation, disability) and equal opportunity in professional life; promotion of diversity as an ethical approach and source of development for the entire staff (men and women, cultural diversity, people with disabilities, young people and seniors); well-being at work.
- The Group Committee, a body for dialogue and thought, receives information about the activity, financial position, employment trends and forecasts and economic prospects of the Group for the coming year. It covers a scope in France representing 25,597 employees as at 31 December 2013 (including 9,469 employees of the consolidated scope).

  In 2013, this body met seven times to discuss the following main topics: presentation of the combined financial statements for 2012, news about the Group, the Group's strategic plan and strategic standard of action plans, report on employment, etc.

  An agreement on the corporate dialogue at the Groupama group level in France was signed on 27 February 2013 (replacing the previous agreement from April 1999).
- The Group Corporate Dialogue Commission (CDSG), an offshoot of the Group Committee, is a body for negotiation at the Group level. Agreements negotiated and signed within this body are intended to be applied to all companies and employees of the Group in France.

  In 2013, as expected, the CDSG started the re-examination of the 2011 quality of life at work agreement. The negotiation will continue in 2014.
- The Group Quality of Life at Work Committee (CQVT), created by the Group agreement relating to quality of life at work, a place for discussion and recommendations, continued the dialogue on quality of life at work and the actions undertaken within the Group and its companies in France.
- Groupama Social Development Unit (UDSG)

  The Groupama Social Development Unit (UDSG) is an association governed by the French law of 1901 that groups together the 20 companies of the agricultural mutual insurance scope (Groupama SA, regional mutuals, Groupama Supports & Services, etc.), *i.e.* 18,646 employees in December 2013 (including 2,967 employees of the consolidated scope).
- Economic and Social Unit

  This unit covers Groupama SA, Gan Assurances, Groupama Gan Vie, Gan Prévoyance, Gan Patrimoine and Groupama Supports & Services and represents 7,403 employees as at 31 December 2013.



1 2 3 4 5 6 7

The UES Central Works Committee (CCE) exercises economic powers relating to the general operation of the Company and exceeding the limits of the powers of establishment heads. It is informed and/or consulted about economic and financial projects concerning the UES:

- information/consultation about the plan to adapt the workforces of GIE Groupama Supports & Services (Part II of the Labour Code) – 2 meetings;
- information/consultation about the proposed voluntary departure plan within GIE Groupama Supports & Services (Part I of the Labour Code) – 2 meetings;
- information/consultation about redeployment leave (Part I of the Labour Code) – 2 meetings;
- information/consultation about the 2013 apprenticeship tax;
- information/consultation about the plan to transfer the Italian branch of Groupama SA to Groupama Assicurazioni – 2 meetings;
- information/consultation about the plan to sell the brokerage firm MIS;
- information/consultation about the moving plans at the La Défense site – 3 meetings;
- information/consultation about the plan to reorganise Gan Prévoyance (Part II of the Labour Code) – 2 meetings;
- information/consultation about the voluntary departure plan project within Gan Prévoyance (Part I of the Labour Code) – 2 meetings;
- information/consultation about redeployment leave (Part I of the Labour Code) – 2 meetings;
- information/consultation about the plan to transfer the "Gan Assurances scope construction underwriting" business from Groupama SA to the underwriting division of Gan Assurances – 2 meetings;
- review and collection of the opinion on the 2012 UES consolidated labour assessment;
- information/consultation about the proposed agreement relating to amendment no. 5 dated 4 April 2013 to the agreement of 29 November 2006 creating an inter-company group retirement savings plan (PERCO-I);
- information/consultation about the proposed 2013-2014-2015 Gan/Groupama Gan Vie profit-sharing agreement;
- information/consultation about the proposed transfer of the GSC team (unemployment insurance for entrepreneurs and company owners) from Groupama SA to Gan Assurances – 2 meetings;
- information/consultation about the project to develop a new "property investment" offering – 2 meetings;
- information/consultation about the plan to outsource the occupational health nurses business at the Michelet site – 2 meetings;
- information/consultation about the proposed transfer of the Groupama Gan Cinema Foundation to Gan Assurances – 2 meetings;
- information/consultation about the draft amendment to the agreement relating to the establishment of a compulsory health care cost scheme within Gan/Groupama Gan Vie entities;
- information/consultation about the plan to merge GIE Cibama into GIE Groupama Supports & Services and its consequences – 3 meetings.

The UES also includes a Central Trade Union Delegation: a body for collective negotiation at the UES level, within which the following agreements were entered into:

- agreement relating to amendment no. 5 dated 4 April 2013 to the agreement of 29 November 2006 creating an inter-company group retirement savings plan (PERCO-I), signed on 29 July 2013;
- 2013-2014-2015 Gan/Groupama Gan Vie profit-sharing agreement, signed on 28 June 2013;
- amendment to the agreement relating to the establishment of a compulsory health care cost scheme within Gan/Groupama Gan Vie entities, signed on 27 September 2013;
- agreement on the Mandatory Annual Wage Negotiations of the Economic and Social Unit for 2014, signed on 5 December 2013.

› Assessment of collective agreements:

76 collective agreements were entered into in 2013 involving all companies of the consolidated scope (including 69 in French companies). The topics of these agreements concern:

- social dialogue/employee representation;
- remuneration and benefits;
- working conditions;
- company mergers;
- diversity/equal opportunities;
- employment and organisation of the companies.

## TOPICS OF COLLECTIVE AGREEMENTS ENTERED INTO AT THE GROUP (OR INTER-COMPANY) LEVEL AND IN THE VARIOUS GROUP ENTITIES IN 2013 (IN FRANCE AND ABROAD)

| | |
|---|---|
| Social dialogue/employee representation | Appointment of members and composition of WHSCs<br>Amendment to extend the agreement on the composition of the inter-establishment committee of Gan Assurances companies, Gan Réseaux Spécialisés and Groupama Gan Vie<br>Agreement on extension of the terms of office of employees representatives<br>Establishment of online voting for employee representative elections<br>Pre-election memorandum of agreement<br>Operation of the WC and management of social and cultural activities |
| Remuneration and benefits | Commitment to the amendments of the PERCO-I<br>Agreement on the establishment of a health care cost scheme<br>Establishment of a Retirement Savings Plan<br>Compulsory Annual Wage Negotiation<br>Protection scheme<br>Profit-sharing agreement<br>Agreement on variable remuneration for sales representatives<br>Negotiation of severance payments |
| Working conditions | Organisation of working time<br>Harmonisation of working time<br>Leave |
| Company mergers | Agreement on transition to collective status for Gan Assurances (18.12.2013)<br>Agreement on the transfer to collective status of GSA (SAP configuration team from G2S to the Group financial controlling department of GSA) |
| Diversity/equal opportunities | Generation contract<br>Extension of the agreement on employment of seniors<br>Gender equality in the workplace<br>Solidarity agreement on donation of paid leave days |
| Employment and organisation of the companies | Training |

### Health and safety

A Group agreement relating to Quality of Life at Work, applicable to all companies and employees of the Group in France, was signed on 28 February 2011. It defines a common foundation for the Group's companies in order to improve the quality of life at work and, as part of this, prevent, treat, eliminate and, otherwise, reduce, beyond the actions and measures already implemented within the Group's companies, any problems related to psychosocial risks such as stress, harassment and violence in the workplace as well as internal or external incivility, particularly public incivility.

The agreement mainly focuses on the following areas:

- consolidate, at the Group level, as part of an annual assessment, indicators making it possible to detect the risks of ill-being at work;
- establish prevention actions in order to train Directors, Managers and all employees on psychosocial risks; raise awareness about improving workplace well-being, conduct actions for prevention and support for employees in case of public incivility or aggression;
- offer mechanisms for Internal Regulation including a psychological counselling centre open to all employees and a mechanism to seek a jointed solution for any event likely to affect the physical and/or mental health of an employee;
- create a Group Quality of Life at Work Committee: this joint committee, a place for discussion and recommendations, examines the "quality of life at work" component of structuring projects presented to the Group Committee. It is informed of the implementation, deployment and monitoring of these major projects, any impacts on working conditions and implemented HR support.

In 2013, it met twice, particularly on the monitoring of approaches to optimise commercial performance and the finalisation of the Group prevention plan on psychosocial risks, to be implemented in all of the companies.

The purpose of the commission for monitoring the Group agreement on quality of life at work is to monitor the application of the Group agreement: presentation of an annual assessment with the indicators of the agreement and the actions taken.

These efforts are also made as part of the following 2013-2015 CSR objectives:

- 100% of the companies will have conducted an audit or diagnostic analysis of psychosocial risks by 2015;
- 100% of the Group's companies will have initiated an action plan resulting from this audit or diagnostic analysis.

Since 2012, 17 of the Group's companies in France (or 83% of employees) have thus carried out a diagnostic analysis of psychosocial risks with an authorised outside organisation.

In 2013, 135 workplace and commuting accidents resulting in a work stoppage were identified at the consolidated scope level, including 125 in France. The frequency rate of these accidents in France was 8.11, and the severity rate was 0.31.

### Training

The training policy is implemented within each Group company in order to take into account its specific circumstances (strategy, activities, business lines, age pyramid, etc.). Based on this finding, Groupama University provides the companies with a community training catalogue, produced based on the needs expressed by the companies, particularly through the network of Training Managers, who meet two to three times per year.

Given the current developments in inter-professional negotiation and legislation, the negotiation initiated on professional training has been suspended.

On the consolidated scope:

- 564,480 training hours were provided;
- 46 training hours were provided on average per trained employee.

### Equality of treatment

The Group Ethics Committee, made up of two Chief Executive Officers of regional mutuals, two members of the executive management of Groupama SA, as well as the Chief Executive Officer and Deputy Chief Executive Officer of Groupama SA, meets twice per year, including once on the topic of equal opportunities.

As a socially responsible employer, the Groupama group and its companies write up their actions to prevent discrimination and promote diversity consistent with the CSR priority areas.

The Groupama group's commitment against discrimination and for diversity is particularly reflected by:

- its accession to the United Nations Global Compact. Effective since 7 February 2007, it commits the entire Group to respect the ten principles of the Compact. Each year, Groupama publishes its "Communication on Progress" on the website of the United Nations Global Compact and presents the Group's actions in France and the renewal of its commitments;
- its accession to the diversity charter. Entered into on 26 June 2007, it commits the entire Group in France to establish a policy favouring diversity;
- its accession to the parenthood charter dated 14 December 2010. It confirms the Group's commitments in France regarding professional gender equality. It promotes a better quality of life at work based on a rich social framework as well as the professional development of employees who are parents;
- its accession to the Tremplin Jeunes Apec charter dated 13 August 2012. Through this charter, companies have the goal of assisting young people in their access to employment. This plan is expected to support 30,000 young people in the working world for the 2012-2014 period.

Groupama also continues its partnership with the Agefiph, signed on 18 November 2010, for the purpose of promoting professional inclusion and maintaining the employment of people with disabilities within the Group's companies in France. This partnership particularly allows job offers from the Group's companies, posted on the website, to be published on the Agefiph website: www.groupama-gan-recrute.com.

The Groupama group's commitment has been formalised since 24 October 2008 by the Group agreement relating to diversity and equal opportunities signed with the trade union organisations for an indefinite period. It seeks to ensure equal treatment among employees of the Group's companies in France, to prevent any form of discrimination in development and access to employment throughout the professional life and to promote equal opportunities.

This agreement particularly covers the following:

- professional gender equality;
- maintaining the employment of senior workers;
- professional inclusion and maintaining the employment of people with disabilities;
- integration of young people in working life.

The Group's commitment continued in 2011 with the signing of an amendment to the agreement on Diversity and Equal Opportunity (14 October 2011). Its main subjects are as follows:

- equal family rights;
- equal parental rights;
- reconciliation of family life/work life;
- professional gender equality;
- informing and communicating to Managers and employees.

The Group's companies have also strengthened their commitments to young people and seniors by entering into agreements (or action plans) on the generation contract to improve access for young people to employment, keep seniors employed and ensure the transmission of knowledge, skills and experience.

The deployment of the Group's diversity policy is particularly relayed in each company in France by a diversity correspondent:

- ensuring the implementation of the Group's diversity policy;
- serving as the point of contact for the Group diversity correspondent;
- serving as the relay with the staff representative bodies, the expanded diversity committee and on action plans developed on this subject.

A Group-level diversity correspondent appointed by the Group HRD implements the Group's policy regarding discrimination, promotion of diversity and equal treatment by ensuring that these topics are communicated and relayed internally by the diversity correspondents of the companies.

The diversity correspondent has the following responsibilities in particular:

- assist companies in the implementation of actions;
- ensure the proper appropriation and application of the Group's policy by the HR teams of the various companies and communicate the good practices of the Group's entities;
- promote the development of actions to raise awareness among all employees;
- act as mediator between company Managers and the employees concerned; any dispute involving discriminatory statements, actions or attitudes may be brought before the diversity correspondent;
- present to the Group Committee an assessment relating to the implementation of the agreement within the entities, experiments conducted, as well as good practices identified in the various Group's companies.

In 2013, the Diversity correspondents met particularly in order to:

- communicate about the Group's various partnerships;
- discuss the review of the 2012 national disability week;
- examine the interest of the participation of the Group's companies in various exhibitions, employment forums, events and diversity awards planned over the year;
- distribute a guide entitled "Everyday management of diversity";
- send a support guide for the diversity correspondents;
- hold discussions following involvement or action by professionals;
- take note of French social, legal and case-law news and projects in progress within the Group.

Between 2009 and 2013, pursuant to the agreement relating to diversity and equal opportunities, the Group HRD established training actions on topics relating to diversity. Groupama University made this training available to the Group's companies in France for all of their employees.

The diversity issue has been integrated into all management training, and the following training topics have been proposed:

- "Diversity awareness for management". The purpose of this training is to raise awareness among Managers, provide them with academic items necessary for diversity management, allow them to discuss discrimination and give thoughts about the interest and the challenges for the Company in dealing with this topic;
- "Persons with disabilities: integrating them and retaining them in employment". This training provides basic knowledge about the legislative and regulatory framework of employment of persons with disabilities, identifies the institutional and associative players of professional inclusion and defines criteria for success, inclusion and retention of employment.

As part of implementing the agreement, the companies have developed additional training adapted to their particular circumstances.

#### MEASURES TAKEN TO PROMOTE GENDER EQUALITY

With 55% women on permanent contracts within the consolidated scope in France as at 31 December 2013, Groupama considers gender equality to be a true asset for the Group. Pursuant to the aforementioned Group agreement of 24 October 2008, the Group reaffirms its ambition to achieve a balanced representation of women and men. In order to achieve this goal, the companies have established a number of actions succeeding in the following positive developments:

At 31 December 2013, women represented:

- 46% of executives;
- 62% of non-executives;
- 29% of managing executives.

And were distributed as follows as at 31 December 2013:

- 51% in the "sales" business line family;
- 58% within the other families.

Furthermore, on the consolidated France scope, 7% of women were promoted in 2013.

#### MEASURES TAKEN TO PROMOTE EMPLOYMENT AND INCLUDE PERSONS WITH DISABILITIES

In order to realise its commitments on inclusion and retention of employment of employees with disabilities, the Group:

- regularly communicates about disabilities internally with all employees through items posted online on the Kiosque (1) (articles, interviews, brochures, films, etc.) and externally (through guides, directories, press articles, participation in conferences, exhibitions and forums, intended for professionals or the general public);
- renews its partnership each year with ADAPT, the association behind the week for employment of persons with disabilities, in which the Group has participated for six years.

This same year, the Group (France consolidated scope) reached an average rate of employment of 2.30% (2).

Out of the entire workforce of the consolidated scope at 31 December 2013, 379 employees had disabilities, including 266 in France.

During 2013, 323 (3) job vacancies posted by Group companies were published on the Agefiph website:

- 203 people applied directly through www.groupama-gan-recrute.com;
- 103 employees were recruited within the Group's companies.

#### RETENTION OF EMPLOYMENT OF SENIOR WORKERS

In a context of longer working lives, the Groupama group encourages motivation in the second part of its employees' careers and promotes a non-discriminatory age management policy.

As part of establishing the generation contract, 12 company agreements and two action plans were entered into, taking into account the needs, situations (age pyramids, etc.) and strategic outlook specific to each company.

These agreements and action plans were entered into for three years. They mainly address the following topics:

- recruitment and retention of senior workers;
- improvement of their working conditions and prevention of work overload;
- anticipation of their career development;
- development of their skills;
- planning for the end of their career;
- transmission of their knowledge.

The consolidated scope accounts for 31% of senior workers age 50 or more within its staff as at 31 December 2013 including:

- 59% of non-executives;
- 38% of executives;
- 3% of managing executives.

Among this same population:

- 32% work in an activity in the sales business line family;
- 68% work in an activity in the other families.

*(1) Group intranet.*

*(2) Mandatory declaration of employment of workers with disabilities over fiscal year 2012.*

*(3) Source: météojob 2012.*

### Promotion of and compliance with the stipulations of the related ILO fundamental conventions

Groupama reiterates its commitment to respect the stipulations of the ILO fundamental conventions in its ethics charter, deployed in all of its companies and brought to the knowledge of all of its employees.

### Ethics charter

Developed by a dedicated working group, the Groupama ethics charter was presented before the Steering Committee, the Group Executive Committee and the Board of Directors, then appended to the Internal Regulations of the Group's companies by following the procedures for informing and consulting the staff representative bodies (Group Committee and European Works Council, WHSC, EC, labour inspector, registry of the labour tribunal and posting). It was also distributed to all employees (electronically and posted on the Group's intranet) as well as to the general agents of Gan Assurances, the agents of Gan Patrimoine and the secretaries/agents of Groupama d'Oc.

The main purpose of the ethics charter, created and deployed across the entire Group between 2008 and 2010, is to unite and mobilise the Group's employees around its policy principles of proximity, responsibility and solidarity, by defining the Group's commitments in terms of ethics; for example: always honouring the trust placed in us by our members and customers, promoting the development of individual and collective talents of employees and affirming our mission as a socially responsible, community-oriented player. These commitments are set forth in rules of conduct to be adopted by employees. In particular, they are required to show proof of integrity and loyalty in carrying out their duties, both inside and outside their company when they represent it, and are prohibited from any act of active or passive corruption. The ethics charter also defines the responsibilities of the Ethics Committee, made up of the Group's senior executives, which meets twice per year. In 2013, it met on 19 March and 19 November. It was presented with an update on data protection within the Group as well as the status of the Group's progress on its three major CSR objectives regarding HR (gender equality, diversity and quality of life at work, as well as a standard for managerial values to be deployed in the Group's entities in 2014).

## (e) Environmental actions

Aware of its responsibility in terms of indirect impacts, Groupama has developed incentives with regard to the environment with its customers and suppliers for several years, through its insurance offerings, its prevention and awareness actions, its SRI products, and its purchase contracts. Furthermore, we are convinced that we can improve our direct impacts particularly by reducing our emissions.

We would thus like to continue our efforts and reduce our $CO_2$ emissions and our paper consumption.

### General environmental policy

As our businesses are service-oriented (insurance and banking), Groupama's direct impact on the environment is limited: our businesses do not constitute threats to biodiversity, water or soil use. However, we have developed a policy to reduce our consumption (paper, water, energy), our $CO_2$ emissions and our waste, particularly WEEE, managed at the Group level by the CSR Department/Groupama Health Foundation, in collaboration with Groupama Supports & Services (G2S). In addition to these in-house commitments and informing employees, Groupama is aware of the role it can play in raising awareness about the protection of the environment, among its various stakeholders and particularly among its customers.

In terms of environmental certification, the HEQ initiative is contemplated during the creation of a new operating site or the restructuring of a building. The Group's 2014 property budget provides for a significant number of renovations for the purpose of obtaining HQE or BREEAM certification. When work is performed, sustainable development is kept in mind in choose the materials to be used. Currently, the Montreuil site, which has 749 employees (*i.e.* a large share of the workforce of Groupama Banque, Groupama Épargne Salariale and the headquarters of the Paris-Centre-Picardy region of Gan Assurances) has an HQE certification Moreover, the Vigeo agency evaluation, carried out in 2011, emphasised the positive dynamics of the Group's environmental effort. Our Datacenter IT centres in Bourges and Mordelles monitor the good practices of the Green Grid, and a majority of our companies have carried out or are producing their BEGES (greenhouse gas emissions assessments).

Regarding protection of the environment, our employees are regularly informed of environmental issues, particularly through the Sustainable Development week, the existence of a manual of environmentally friendly actions in the office and the distribution of an eco pass responsible events charter allowing internal communicators to organise their events with the greatest respect for the environment. One-off actions supplement these recommendations, such as campaigns to raise awareness of eco-driving or the establishment of car-pooling in certain entities.

Regarding prevention of environmental risks and pollution, technical diagnostics are carried out at our operating sites.

Because of its service businesses, with environmental impacts limited and reduced to low-pollution consumption (paper, electricity, etc.), Groupama has no financial provision for environmental risk.

### Sustainable use of resources

Groupama's businesses do not require water outside of the everyday consumption of its office buildings. In this context, "water prevention" campaigns intended to reduce consumption are regularly conducted with the entities' employees. In 2013, the Group consumed 114,994 $m^3$ of water, or 7.98 $m^3$ per FTE.

In 2013, office paper consumption amounted to 541.1 tonnes, 70% of which was certified. In order to reduce this consumption, there is an ongoing plan in place to rationalise the use of printers and copiers for companies (excluding regional mutuals) that are members of GIE Groupama Support & Services (G2S). Moreover, the Group continues to work towards paperless exchanges with its customers in order to achieve a sustainable reduction in the number of hard copy documents sent and thus in the corresponding carbon emissions. Orders placed through the G2S portal have also been streamlined by further restricting the choice of paper types, thus encouraging the entities to avoid accumulating inventories of various paper types.

◄ CONTENTS ►

In 2013, the Group's energy consumption (electricity, gas, fuel oil, heat and chilled water) amounted to 81,431,883 kWh (details in the table below), *i.e.* 5,392 kWh per FTE. Total energy consumption therefore decreased by 1.9% between 2012 and 2013, mainly due to the release of buildings. Total energy consumption reported per FTE increased by 4.8%.

Over several years, Groupama has implemented many measures to reduce these consumption levels, including establishing free cooling in the Mordelles Datacenter, reducing the temperature set points in offices and systematically turning off office lights outside of hours of occupation for most of the buildings managed by the EIG G2S.

In addition, by virtue of our service businesses (insurance and banking), Groupama is not affected by the issue of soil use.

**Details of the different consumptions:**

| | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Water consumption ($m^3$) (1) | 148,432.30 | 114,993.9 | 94.27 |
| *Water consumption per person ($m^3$/FTE) (1)* | *10.09* | *7.98* | |

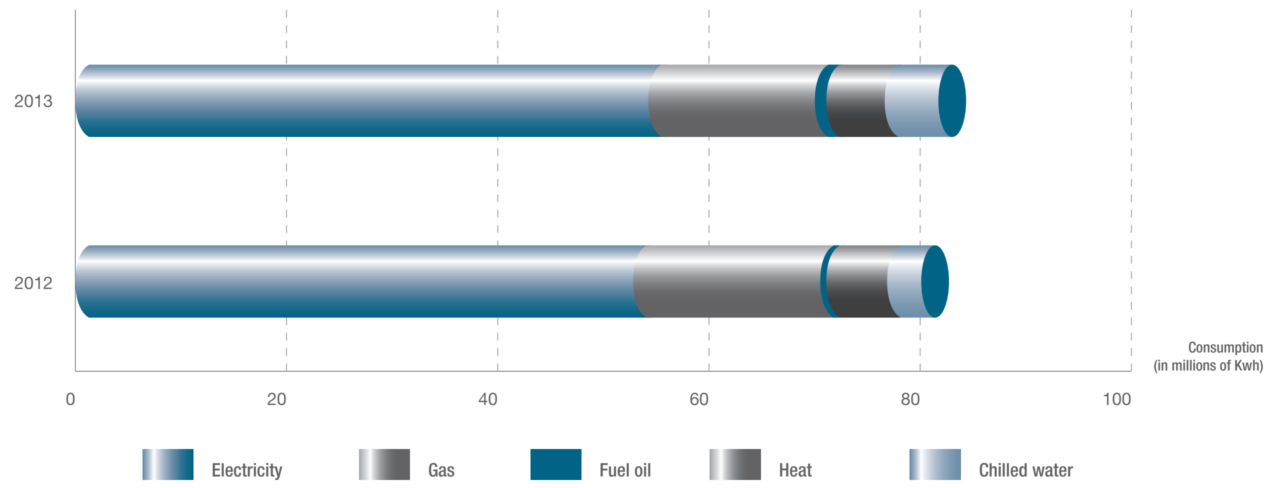
| | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| **Total energy consumption** *(kWh)* (1) | **83,020,028.8** | **81,431,882.6** | **NA** |
| **Total energy consumption per person** *(kWh/FTE)* (1) | **5,144.74** | **5,392.08** | |
| Electricity consumption *(kWh)* (1) | 57,263,589.7 | 54,520,080.0 | 98.89 |
| *Electricity consumption per person (kWh/FTE) (1)* | *3,582.24* | *3,608.91* | |
| Gas consumption *(kWh)* (1) | 16,047,913.3 | 17,622,403.8 | 98.58 |
| *Gas consumption per person (kWh/FTE) (1)* | *980.99* | *1,170.15* | |
| Fuel oil consumption *(kWh)* (1) | 723,919.00 | 261,906.0 | 99.56 |
| *Fuel oil consumption per person (kWh/FTE) (1)* | *43.59* | *17.22* | |
| Heat consumption *(kWh)* (1) | 5,317,727.00 | 5,784,648.6 | 99.18 |
| *Heat consumption per person (kWh/FTE) (1)* | *318.38* | *381.78* | |
| Chilled water consumption *(kWh)* (1) | 3,666,87980 | 3,242,844.2 | 99.18 |
| *Chilled water consumption per person (kWh/FTE)* | *219.54* | *214.02* | |

The sharp decline in the fuel oil consumption per FTE resulted from moving staff to other buildings not being heated with fuel oil or from renovation work carried out on the existing buildings, replacing fuel oil heating with electric or gas heating. These scenarios occurred notably in 2013 in Turkey (Groupama Emeklilik and Groupama Sigorta) as well as in Greece (Groupama Phoenix).

The transfer from fuel oil to another energy type in some sites and the low temperatures in 2013 May explain the increase in consumption per FTE of electricity (+0.74%), gas (+19.28%) and heat (+19.91%), as well as the decrease in consumption per FTE of chilled water (-2.51%) between 2012 and 2013.

*(1) Water and energy consumption were recalculated for 2012 based on the proportions applied in 2013 for buildings managed by G2S and shared with external employees or with employees of entities excluded from the consolidated non-financial reporting scope (see methodology note, § 5.1.13.3.d).*

**ENERGY CONSUMPTION: CHANGE AND COMPOSITION (IN MILLIONS OF KWH)**




| | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Office paper consumption *(tonnes)* | 701.27 | 540.32 | 99.56 |
| *Office paper consumption (kg/FTE)* | *41.99* | *35.52* | |
| Paper consumption for marketing and technical documents *(tonnes)* | 1,566.17 | 1,700.49 | 99.56 |

## Climate change

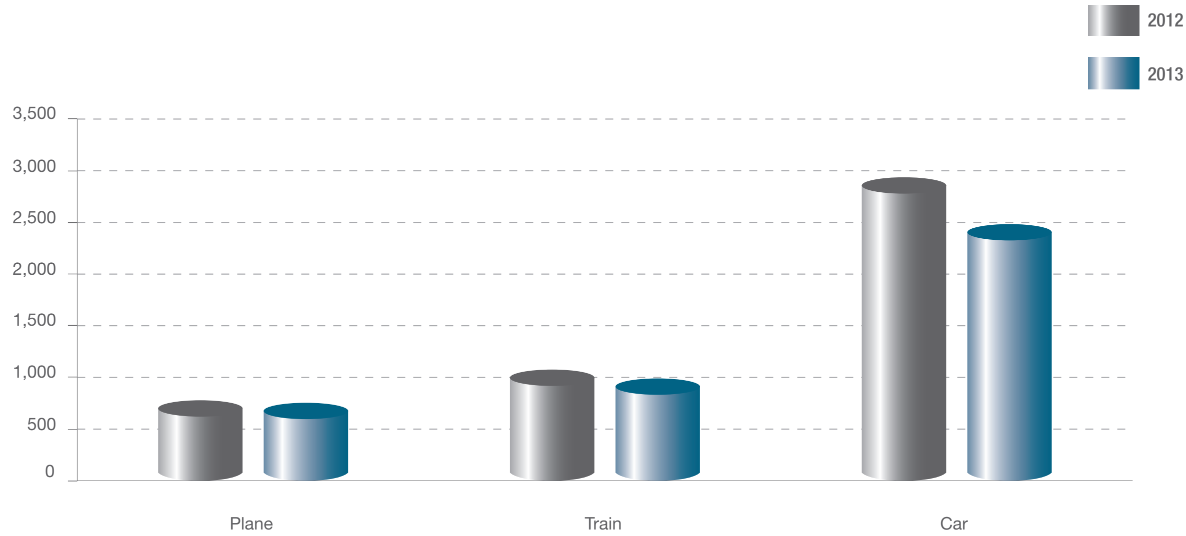
As part of its Group CSR strategy, Groupama wishes to reduce its $CO_2$ emissions. The levers considered to achieve this end pertain to energy consumption, business travel and paper consumption.

A Group inter-company working group, put in place at the end of 2013, steers this objective and is responsible for putting the necessary prerequisites in place.

**Details of the various types of business travel:**

| | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Business travel by plane *(km)* | 12,977,504.0 | 11,478,406.1 | 99.56 |
| *Business travel by plane per FTE (km/FTE)* | *778.84* | *754.67* | |
| Business travel by train *(km)* | 15,562,050.0 | 15,018,478.0 | 99.28 |
| *Business travel by train per FTE (km/FTE)* | *1,076.08* | *990.22* | |
| Business travel by car *(km)* | 41,862,681.0 | 32,241,346.0 | 84.97 |
| *Business travel by car per FTE (km/FTE)* | *2,936.78* | *2,483.78* | |

**CHANGE IN BUSINESS TRAVEL PER FTE BETWEEN 2012 AND 2013 (NUMBER OF KM)**




The decline in the number of kilometres travelled per FTE for business between 2012 and 2013 (plane – 3.1%; train – 7.98%; car – 15.42%) is explained first of all by an overhead cost reduction policy applied to the entire group – employees are encouraged to take fewer trips when possible and to choose train travel over air travel – as well as reducing travel by car by holding video conferences, for example.

The efforts made as part of the $CO_2$ emissions reduction work are intended to reinforce these changes.

In 2013, $CO_2$ emissions totalled the equivalent of 20,413 tonnes of $CO_2$, or the equivalent of 1.411 tonnes of $CO_2$ per FTE (details according to the three scopes of the GHG Protocol in the tables below).

$CO_2$ emissions for the 2013 reporting period according to the three scopes defined by the GHG Protocol and according to the operational control consolidation method:

| Direct emissions – Scope 1 ($TeqCO_2$) | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Direct $CO_2$ emissions related to gas boilers | 2,888.62 | 3,260.14 | 99.56 |
| *Direct $CO_2$ emissions related to gas boilers per FTE* | *0.176114* | *0.214346* | |
| Direct $CO_2$ emissions related to fuel oil boilers | 195.46 | 64.17 | 99.56 |
| *Direct $CO_2$ emissions related to fuel oil boilers per FTE* | *0.011769* | *0.004219* | |
| Direct $CO_2$ emissions related to business travel in owned land vehicles | 2,726.16 | 1,668.29 | 84.97 |
| *Direct $CO_2$ emissions related to business travel in owned land vehicles per FTE* | *0.191247* | *0.128520* | |
| **TOTAL DIRECT GHG EMISSIONS_01** | **5,861.74** | **4,992.60** | **NA** |
| **TOTAL DIRECT GHG EMISSIONS_01 PER FTE** | **0.379130** | **0.347085** | |

| Indirect emissions – Scope 2 ($TeqCO_2$) | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Direct $CO_2$ emissions related to electricity consumption | 9,369.49 | 8,367.59 | 98.89 |
| *Direct $CO_2$ emissions related to electricity consumption per FTE* | *0.603150* | *0.553886* | |
| Direct $CO_2$ emissions related to heat consumption | 1,187.45 | 1,291.71 | 99.18 |
| *Direct $CO_2$ emissions related to heat consumption per FTE* | *0.071094* | *0.085251* | |
| Direct $CO_2$ emissions related to chilled water consumption | 112.94 | 117.72 | 99.18 |
| *Direct $CO_2$ emissions related to chilled water consumption per FTE* | *0.006762* | *0.007769* | |
| **TOTAL INDIRECT GHG EMISSIONS_02** | **10,683.60** | **9,777.02** | **NA** |
| **TOTAL INDIRECT GHG EMISSIONS_02 PER FTE** | **0.681006** | **0.646905** | |

| Other emissions – Scope 3 ($TeqCO_2$) | 2012 | 2013 | 2013 scope (%) |
|---|---|---|---|
| Direct $CO_2$ emissions related to business travel in non-owned land vehicles | 5,168.93 | 4,075.20 | 84.97 |
| *Direct $CO_2$ emissions related to business travel in non-owned land vehicles per FTE* | *0.362614* | *0.313942* | |
| Direct $CO_2$ emissions related to business travel by plane | 1,648.14 | 1,457.76 | 99.56 |
| *Direct $CO_2$ emissions related to business travel by plane per FTE* | *0.098912* | *0.095844* | |
| Direct $CO_2$ emissions related to business travel by train | 426.90 | 110.29 | 99.28 |
| *Direct $CO_2$ emissions related to business travel by train per FTE* | *0.028853* | *0.007271* | |
| **TOTAL INDIRECT GHG EMISSIONS_03** | **7,243.97** | **5,643.25** | **NA** |
| **TOTAL INDIRECT GHG EMISSIONS_03 PER FTE** | **0.490379** | **0.417057** | |

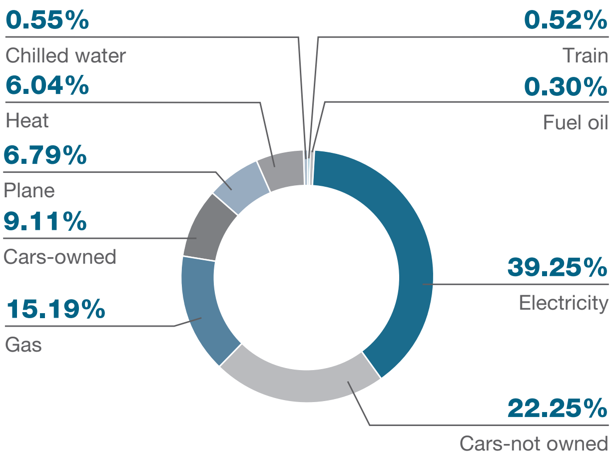
Total $CO_2$ emissions per FTE decreased by 9.03% between 2012 and 2013.

Overall, the change in $CO_2$ emissions between 2012 and 2013 was comparable to that of the items to which they are related: emissions related to gas consumption (+21.71%), fuel oil consumption (-64.15%), heat consumption (+19.91%), business travel by air (-3.10%) and business travel by car (-20.11%, including -32.80% for owned vehicles and -13.42% for non-owned vehicles).

However, for three sources of emissions, note that the updating of the emission factors (see methodological note, paragraph 5.1.13.3 - d) had a significant impact on the change in related $CO_2$ emissions between 2012 and 2013:

- in the case of business travel by train, the change in emission factor for France emphasised the decrease in emissions (-74.80%, whereas the number of kilometres decreased by -7.98%);
- for electricity and chilled water consumption, emissions moved in the opposite direction from the related consumption: -8.17% for electricity (for an increase in consumption per FTE of 0.72%) and +14.89% for chilled water (consumption down 2.51%).

**SOURCE OF $CO_2$ EMISSIONS BY ETP IN 2013**




### Pollution and waste management

Groupama's service businesses do not directly generate waste or pollution other than office waste. However, we feel there is more we can do in terms of waste reclamation, for example by developing selective sorting.

### Protection of biodiversity

Groupama is one of the leading private owner of forests and one of the leading insurer of forests in France. In addition, all forests managed by Groupama are PEFC-certified (certification guaranteeing sustainable management of wood resources in forests).

## (f) Relations with stakeholders

### Subcontractors and suppliers

Groupama has very limited recourse to subcontracting. Project management, project ownership and Interim purchases represent 16.62% of the Group's total purchases [(1)].

In application of the 10 principles of the charter of the global compact and the diversity charter, CSR commitments have been integrated into the Group's purchasing policy, including a purchasing ethics charter, which has been incorporated into the Internal Regulations of Groupama SA. It discusses three aspects in particular: consideration of methods of manufacture of materials, the behaviour of suppliers in respect of these methods of manufacture, and the supplier's compliance with the labour law and the rules of the ILO.

Groupama has signed the inter-company charter, which particularly favours long-term relationships with SMEs, incorporation of CSR criteria in the choice of suppliers and consideration of the territorial responsibility of a large group. In this regard, Groupama participated in "working groups" in 2013 with the ombudsman of the Ministry for Industrial Renewal, relating to relations with computer service firms.

A guide to eco-responsible purchasing, produced by the Group Purchasing Department, was distributed to all Group buyers starting in 2007 in order to help them take social and environmental criteria into account in their calls for tenders and purchases: identification of issues and areas for improvement, information about the offering and assessment of present purchases.

In addition, in our calls for tenders, we ask our suppliers, as part of specific contractual clauses, to declare whether they respect the principles of the ILO, the universal declaration of human rights and the charter of the Global Compact (working conditions, respect for the environment, ethics), and we encourage them to adopt eco-responsible behaviour (product design, staff training, routing, waste management).

A supplier CSR charter, being finalised in 2013, will be deployed in 2014 for all purchases made by the Group. These purchases mainly pertain to three areas:

- IT and telecommunications;
- intellectual services (strategy consulting, HR consulting, training, marketing, travel, etc.);
- general resources (management of the building overall: construction, service for occupants, etc.).

### Other stakeholders

On the one hand, membership, the decentralised operating base of Groupama's Mutual Insurance Division, allows our 4 million French members to take part in each level of the elective system: local mutual, regional mutual, departmental or national federation. Thus, 300,000 members participate each year in the General Meetings of our some 3,400 local mutuals, which gives them decision-making power within the mutual company. On the other hand, the four Gan specialised networks have strong territorial anchoring in France, and the Group also has local networks abroad. In addition, we are particularly attentive to our customers, thanks to satisfaction polls on the management of claims carried out with our private customers every month, as well as regular detailed satisfaction surveys, on a very large number of individuals from all of our customer types.

*(1) This percentage reflects project management, project ownership and Interim purchases, including all taxes, carried out in 2012 in relation to the Group's total purchases, including all taxes, in 2012 (excluding international subsidiaries).*

Regarding dialogue with professional organisations, Groupama participates in the CSR working groups of many federations or institutes: Association Française de l'Assurance, MEDEF, AFEP, Institut des Responsables du Reporting RSE, Club Finance de l'Orse, Agrion. Our subsidiary Groupama Asset Management has been a member of UNEP-Fi since 2002 (Asset Management Working Group), Chairman of the Sustainable Finance and Responsible Investment Forum of AFG (French Management Association), Board member of the SRI Commission of AFG, general secretary of the FIR (Responsible Investment Forum) and executive member of EUROSIF.

For several years, Groupama has maintained partnerships with various actuarial schools and is one of the four founding members of the Risk Foundation, which seeks to encourage and coordinate teaching and research projects in all areas of risk (financial risks, industrial risks, environmental risks, wealth risks or individual health in particular) in close relationship with partner institutions: Polytechnique, Centre d'Études Actuarielles, Université Paris-Dauphine and ENSAE.

### (g) Fair practices

#### Compliance

Groupama has established a major compliance system, governed by a compliance charter. This charter covers all Groupama businesses and aims to ensure that Group practices comply with legal provisions, regulations, administrative requirements and trade standards, as well as the Group's internal rules, charters and procedures.

#### Actions against money laundering and terrorist financing and CIL (Data Protection Correspondent)

In this regard, a network of Managers has been established, covering the entire Group, responsible for the fight against money laundering and the financing of terrorism. This is coordinated by the Group Legal Department and involves regular meetings and newsletters, monthly reporting and semi-annual updates for the Group's General Management and an annual report to the Board of Directors of Groupama SA on actions taken within the Group.

The key elements of the system include risk mapping, incorporating an evaluation of the risks of money laundering and financing of terrorism based on products, operations, customers and methods of distribution; the collection of information about customers and the source of funds depending on the significance of the risks; a tool for automatic detection of individuals appearing on lists of terrorists and persons considered to be politically exposed; the implementation of a profiling tool; a system for checking proper application of procedures; e-learning training tools on the principles of anti-money laundering and financing of terrorism.

Lastly, in 2007 Groupama created the Group's data protection agent (CIL) function, whose responsibilities are defined by law; these particularly consist in establishing and maintaining the list of computer and data processes used within the Group in order to guarantee compliance with regulation in this area. This function maintains relations with the CNIL.

Groupama adheres to the Universal Declaration of Human Rights of 1948 and the European Convention on Human Rights and the principles of the International Labour Organisation (ILO) and the guidelines of the OECD for multinational enterprises.

## 5.1.13.3 Table of concordance and methodological note

In accordance with the provisions of Article L. 225-102-1 of the Commercial Code, Groupama SA presents in its management report the actions and directions taken by the Company to take into account the social and environmental consequences of its activity and to fulfil its societal commitments regarding sustainable development. The correspondence with the disclosures required by the regulations (mentioned in Article R. 225-105-1 of the Commercial Code) is presented below.

(a) Social information

| | |
|---|---|
| **Employment:** | |
| Total staff and the breakdown of employees by gender, age and geographic area | § 5.1.13.2 (d) |
| Hires and redundancies | § 5.1.13.2 (d) |
| Remuneration and its changes | § 5.1.13.2 (d) |
| **Organisation of work:** | |
| Organisation of working time | § 5.1.13.2 (d) |
| Absenteeism | § 5.1.13.2 (d) |
| **Employee relations:** | |
| Organisation of the corporate dialogue; in particular, the procedures for informing and consulting the staff and negotiating with the staff | § 5.1.13.2 (d) |
| Assessment of collective agreements | § 5.1.13.2 (d) |
| **Health and safety:** | |
| Workplace health and safety conditions | § 5.1.13.2 (d) |
| Assessment of agreements signed with union organisations or staff representatives regarding workplace health and safety | § 5.1.13.2 (d) |
| Workplace accidents, particularly their frequency and severity, as well as occupational illnesses | § 5.1.13.2 (d) |
| **Training:** | |
| Training policies implemented | § 5.1.13.2 (d) |
| Total number of training hours | § 5.1.13.2 (d) |
| **Diversity and equal opportunity/equal treatment** | |
| Policy implemented and measures taken to promote gender equality | § 5.1.13.2 (d) |
| Policy implemented and measures taken to promote employment and inclusion of persons with disabilities | § 5.1.13.2 (d) |
| Policy implemented and measures taken to fight discrimination | § 5.1.13.2 (d) |
| **Promotion of and compliance with the terms of the ILO fundamental conventions related to:** | |
| Respect for the freedom of association and the right to collective bargaining | § 5.1.13.2 (d) |
| Elimination of discrimination in employment and professions | § 5.1.13.2 (d) |
| Elimination of forced or compulsory labour | § 5.1.13.2 (d) |
| Effective abolition of child labour | § 5.1.13.2 (d) |

### (b) Environmental information

| General environmental policy: | |
|---|---|
| The Company's organisation to take into account environmental issues and, where appropriate, the approaches for evaluation or certification in environmental matters | § 5.1.13.2 (e) |
| Actions taken to train and inform employees about protection of the environment | § 5.1.13.2 (e) |
| Resources devoted to the prevention of environmental risks and pollution | § 5.1.13.2 (e) |
| Amount of reserves and coverage for environmental risks, provided that this information is not likely to cause serious harm to the Company in a current dispute | § 5.1.13.2 (e) |
| **Pollution and waste management:** | |
| Measures to prevent, reduce or repair of releases into the air, water and soil seriously affecting the environment | § 5.1.13.2 (e) |
| Measures to prevent, recycle and eliminate waste | § 5.1.13.2 (e) |
| Consideration of noise and any other form of pollution specific to an activity | § 5.1.13.2 (e) |
| **Sustainable use of resources:** | |
| Water consumption and water supply based on local constraints | § 5.1.13.2 (e) |
| Consumption of raw materials and measures taken to improve efficiency in their use | § 5.1.13.2 (e) |
| Energy consumption, measures taken to improve energy efficiency and use of renewable energies | § 5.1.13.2 (e) |
| Use of soil | § 5.1.13.2 (e) |
| **Climate change:** | |
| Releases of greenhouse gases | § 5.1.13.2 (e) |
| Adapting to the impact of climate change | § 5.1.13.2 (e) |
| **Protection of biodiversity:** | |
| Measures taken to develop biodiversity | § 5.1.13.2 (e) |

### (c) Societal information

| Territorial, economic and social impact of the Company's business: | |
|---|---|
| Jobs and regional development | § 5.1.13.2 (c) |
| Surrounding and local communities | § 5.1.13.2 (c) |
| **Relations with persons or organisations concerned by the Company's activities:** | |
| Conditions for dialogue with these persons or organisations | § 5.1.13.2 (f)<br>§ 5.1.13.2 (c) |
| Partnerships and corporate sponsorship | § 5.1.13.2 (b)<br>§ 5.1.13.2 (c) |
| **Subcontractors and suppliers:** | |
| Incorporation of CSR criteria into the Company's purchasing policy | § 5.1.13.2 (f) |
| Importance of outsourcing and incorporation of CSR criteria into relations with suppliers and subcontractors | § 5.1.13.2 (f) |
| **Fair practices:** | |
| Human rights initiatives | § 5.1.13.2 (d)<br>§ 5.1.13.2 (g) |
| Measures taken for consumer health and safety | § 5.1.13.2 (a) |
| **Other human rights initiatives:** | |
| Human rights initiatives | § 5.1.13.2 (g) |

### (d) Methodology note

This note is intended to provide a reminder of Groupama's CSR reporting methodology and to clarify certain points about the scope taken into account and the calculations made on certain indicators.

#### Data collection

##### COLLECTION PROCESS

The information published in the management report of the registration document of Groupama SA is collected thanks to the contributions of the Group's network of reporting correspondents.

Most of the environmental and societal data are reported by the entities concerned through SCOOP, a solution offered by Enablon and fully dedicated to the CSR reporting within the Group. The list of employees to the reporting is updated each year before the beginning of the reporting campaign, and training on the use of SCOOP and the reporting process in general is offered by the CSR Department/Groupama Health Foundation to employees where appropriate.

Certain environmental and societal data, by virtue of their specificity (when they relate to only one entity of the Group for example) or for practical reasons (difficulty of access to the tool, compliance with deadlines), are collected directly by the CSR Department/Groupama Health Foundation from the correspondents or departments concerned.

Regarding social information, for 46% of the indicators and 98% of the workforce in France, the information is retrieved from the SIPGRH (Group human resources information and management system), populated by each of the corporate information systems.

For indicators not available in the SIPGRH (theoretical work time, overtime, temporary staff, payroll, training, agreements, interim, payroll, training, workplace/commuting accidents, occupational illness, disabled employees), the data are collected through a reporting survey carried out in ORCCI-D, the equivalent of SCOOP for social data. This information is therefore reported by our HR correspondents at the Company directly through the ORCCI-D interface.

For non-SIPGRH businesses in France without access to ORCCI-D (property activities, Gan Outre-Mer Antilles, Gan Outre-Mer Pacifique) as well as international subsidiaries, the information collection process involves an Excel template, e-mailed directly by the Group Human Resources Department (DRHG) to the HR correspondents of the entities concerned.

The CSR data collection process is improved each year, particularly by reinforcing the degree of precision required from employees upstream (specify the method of estimation or extrapolation used if such is the case, sending of attachments – invoices, meter readings, information received by service providers or suppliers in particular – supporting the reported results) and by refining the criteria for whether values are taken into account during the consolidation downstream (see paragraph "Data Consolidation and Publication" ), which improves the reliability of the published data.

Moreover, following last year's "dry run", improvements were made on the basis of the recommendations from the statutory auditors, particularly on the reporting period for certain indicators. Thus, regarding training, the information in 2013 came from data reported by the companies for calendar year 2013 (as a reminder, the consolidation of 2,483 reports from companies for 2011 had been communicated in 2012).

##### REFERENCE SOURCE AND DEFINITIONS OF INDICATORS

The indicators collected and published in the CSR section of the management report were developed in accordance with Article R. 225-105-1 of the Commercial Code and consistent with the guidelines of Groupama's CSR strategy.

The list of collected environmental indicators as well as the methods for calculating these indicators and the rules for collection are defined in a Group Reporting Reference Source in force since 2010 and updated each year. The methods for calculating $CO_2$ emissions are also defined in this Reference Sources and carried out subsequently by the CSR Department/Groupama Health Foundation.

The collection of societal and social indicators is based on a glossary of definitions updated for each reporting period and made available to employees before each new reporting campaign.

##### REPORTING PERIOD

The reporting period was determined in order to be able to meet the deadlines for verification and publication of the disclosures required by Article R. 225-105-1 of the Commercial Code.

As such, since 2012, the societal and environmental indicators have been collected by rolling year, from 1 November N-1 to 31 October N, *i.e.* from 1 November 2012 to 31 October 2013 in the present case. When it is impossible to obtain a data in advance for this period, an extrapolation by proportion or an estimate (according to the methods defined by the Reporting Reference Source or consistent with the values of previous years) may be performed, and the method used is specified by the employees.

As regards social information, it is collected over a calendar year, *i.e.* from 1 January 2013 to 31 December 2013 in this case.

#### Reporting Scope

The 30 entities that are part of the reporting scope published in the CSR section of the management report are those integrated and consolidated in the Financial Reporting of Groupama SA's registration document (see list in the Appendix).

The published environmental and societal information relate to 25 entities detailed in the Appendix (or 97.16% of the workforce of the consolidated scope).

The social information pertains to the 30 entities on the list in the Appendix.

Companies accounted for under the equity method in the accounting results are not taken into account in terms of social and environmental indicators, and Groupama Avic Property Insurances Company, Groupama's subsidiary in China, was removed from the non-financial reporting scope in 2013 for a better balance between the consolidated financial and non-financial scope.

Other entities were removed from the non-financial reporting scope in 2013: Groupama Private Equity, which was divested in April 2013; Groupama Poistvona Slovakia, which became a branch of Groupama Garancia Biztosito (Hungary), and all data are therefore grouped together and reported by Groupama Garancia Biztosito; Groupama Antilles-Guyane, Groupama Indian Ocean and GIE Groupama Gan Antilles-Guyane (50.6% held by the Groupama Antilles-Guyane mutual and 49.4% held by Gan Outre-Mer Antilles), which are part of the combined and non-consolidated scope; Groupama Vietnam General, which is not part of the financial reporting consolidated scope.

The distinction between consolidated scope and combined scope (including all Group subsidiaries in France and abroad as well as the regional mutuals) during the environmental and societal data consolidation phase was made by the CSR Department/Groupama Health Foundation on the basis of reports generated by the SCOOP tool. The SCOOP tool makes it possible to collect data for the combined scope, which are then published in the annual report.

The corporate data reported by the SIPGRH, ORCCI-D or the Excel template are pooled, distinguished between consolidated scope and combined scope, and then consolidated by the Group Human Resources Department (DRHG) at the end of the information collection campaign.

### Consolidation and publication of data

#### CONSOLIDATION PROCESS

All environmental and societal data reported by the employees are consolidated by the CSR Department/Groupama Health Foundation. The consolidation is preceded by a validation for each indicator and for each entity through the following checks:

- not applicable/not available distinction: when the zero value is entered for an indicator, the CSR Department/Groupama Health Foundation asks the employees concerned to specify whether this is due to the fact that the indicator is not applicable to their entity (in this case, the entity is included in the consolidation of this indicator) or because the information is not available (in which case, the entity is excluded from the consolidation of this indicator);
- comparison of N and N-1 data: when an entity reports a value fluctuating by +/-30% compared with the figure reported in 2012, the employee concerned is alerted by the CSR Department/Groupama Health Foundation, and the figure is confirmed only if the difference can be justified, with the help of supporting documents if necessary;
- other consistency tests: in the event that there is no information about an indicator's significant difference in relation to 2012, the indicator's ratio per FTE for the entity concerned is compared with the average ratio per FTE for the same indicator, and the weight of this entity in the consolidated scope is considered – if the entity represents an significant share of the scope or if its ratio per FTE for the indicator concerned seems abnormal, validation of the unsupported data is not possible.

Similar consistency checks are performed by the DRHG for social information:

- comparison of N and N-1 data;
- comparison of data from the SIPGRH and data from the reporting campaign carried out in ORCCI-D (company reporting);
- functional consistency tests (example: employees in 2013 = employees in 2012 – 2013 departures + 2013 arrivals);
- on a case-by-case basis, if the data seem inconsistent, the correspondents concerned are alerted and send their data files as support.

After consolidation of an indicator, the final total value and the ratio per FTE are compared with those of the 2012 reporting.

#### SCOPE COVERED

The coverage of the collection scope of each environmental and societal indicator is the ratio of the number of FTEs of entities having provided information validated by the CSR Department/Groupama Health Foundation for this indicator to the total number of FTEs of the environmental and societal reporting scope (detailed in the Reporting Scope paragraph). The coverage of the collection scope of each environmental and societal indicator is the ratio of the number of FTEs of entities having provided information validated by the CSR Department/Groupama Health Foundation for this indicator to the total number of FTEs of the consolidated scope. The FTEs are provided by the Group HRD as at 31 October 2013 when this information is available. For entities with quarterly workforce counts, the number of FTEs as at 30 September 2013 was used. This was the case with Groupama Emeklilik, Groupama Sigorta, GOM Pacifique, Groupama Asigurari, Groupama Assicurazioni, Groupama Garancia Biztosito, Groupama Phoenix, Groupama Phoenix and Groupama Zastrahovane EAD. Lastly, as the number of FTEs was unavailable at Groupama Emeklilik, Groupama Sigorta and Groupama Phoenix, the CSR Department/Groupama Health Foundation estimated the number by multiplying the number of employees of these entities by the average rate of activity of the Group in 2013, *i.e.* 0.98.

Note that the Centaure Centre driving training figures (see 5.1.13.2 – a – Road safety) pertains to the Group's entire France scope and may therefore include actions carried out by the regional mutuals (Groupama Loire Bretagne in particular).

#### BUILDINGS MANAGED BY GIE G2S

The following rule was applied for consideration of the consumption of buildings formerly managed by GIE G2S and recently released:

- buildings released before the beginning of the reporting period (1 November 2012 – 31 October 2013) were removed completely from the consolidation tables;
- buildings that were occupied for 0 to 6 months during the 2013 reporting period appear in the consolidation tables, but the date on which they were released is mentioned, and their consumption levels are not taken into account;
- buildings that were occupied for 6 or more months during the 2013 reporting period appear in the consolidation tables; the date on which they were released is mentioned, and their consumption levels are taken into account in the consolidation of the indicators.

The reliability of the published environmental and societal data was improved by applying proportions concerning consumption of shared buildings, whether this was with employees outside the Group, employees of the regional mutuals (combined scope), or employees of entities not consolidated. The energy and water consumption for 2012 was also recalculated according to these proportions for a more meaningful comparison of the two years.

#### DETAILS ON THE CALCULATION OF $CO_2$ EMISSIONS

$CO_2$ emissions are now published according to the three scopes defined by the GHG Protocol and according to the operational control consolidation method, as detailed below:

- scope 1, direct emissions related to consumption of gas and fuel oil and business travel in land vehicles owned by the Group's entities;
- scope 2, indirect emissions related to consumption of electricity, heat and chilled water;
- scope 3, other emissions related to business travel by air, train and land vehicles not owned by the entities (leased vehicles, reimbursement of mileage costs).

The emission factors used in the calculations were updated for the 2013 reporting based on the Carbon Assessment v7.1. A few clarifications for certain emission factors:

- for electricity, an 8% increase in the emission factors is made to take account of waste related to distribution (this waste is recognised in the regulatory greenhouse gas emissions assessment in scope 2, while the international reference sources, such as the GHG Protocol, recommend recognising it in scope 3).

In addition, the emission factors used for entities present in the overseas departments and territories were calculated as follows based on the Carbon Assessment v7.1: for GOM Antilles, the average between the emission factors of Guadeloupe and Martinique/for GOM Pacifique, the average between the emission factors of New Caledonia, Tahiti and French Polynesia excluding Tahiti;

- for natural gas and heating oil, the emission factors of the Carbon Assessment v7.1 were converted from NCV to GCV by the CSR Department/Groupama Health Foundation using the conversion factor 1.11 appearing in Groupama's Reporting Reference Source;
- for consumption of steam and chilled water, the CSR Department/ Groupama Health Foundation used an average of the various factors provided for France by the Carbon Assessment v7.1;
- for air travel, the emission factor used by the CSR Department/ Groupama Health Foundation was an average between the short-haul and long-haul emission factors;
- for travel by train in France, the emission factor used by the CSR Department/Groupama Health Foundation was the average of the main-line train in France; the "Train – National Rail" emission factor mentioned by Groupama's Reporting Reference Source for countries whose emission factor is not applicable has not been updated.

#### DETAILS ON THE CALCULATION OF THE RATES CONTAINED IN THE SOCIAL DATA

- rate of absenteeism in France = number of days of absence (permanent contracts & fixed-term contracts in working days)/ [(monthly average workforce on permanent contracts & fixed-term contracts)*(number of work days – 25 paid leave days)];
- accident frequency rates = number of workplace and commuting accidents with work stoppage * 1,000,000/annual theoretical hours worked;
- accident severity rates = (working) days lost for workplace and commuting accidents with work stoppage * 1,000/annual theoretical hours worked.

For these two indicators, the annual theoretical hours worked by business = theoretical weekly duration * 47 weeks * workforce on permanent contracts & fixed-term contracts as at 31.12.2013.

## APPENDIX – LIST OF ENTITIES TAKEN INTO ACCOUNT IN THE NON-FINANCIAL REPORTING CONSOLIDATION SCOPE

| Entity (Country) | Information provided for this entity |
|---|---|
| AMALINE ASSURANCES (France) | Social, environmental and societal |
| CAROLE NASH (United Kingdom) | Social |
| GAN ASSURANCES (France) | Social, environmental and societal |
| GAN PATRIMOINE (France) | Social, environmental and societal |
| GAN PRÉVOYANCE (France) | Social, environmental and societal |
| GROUPAMA GAN VIE (France) | Social, environmental and societal |
| GAN IA HONG KONG | Social |
| GAN OUTRE-MER ANTILLES (France) | Social, environmental and societal |
| GAN OUTRE-MER PACIFIQUE (France) | Social, environmental and societal |
| GROUPAMA ASIGURARI (Romania) | Social, environmental and societal |
| GROUPAMA ASSET MANAGEMENT (France) | Social, environmental and societal |
| GROUPAMA ASSICURAZIONI (Italy) | Social, environmental and societal |
| GROUPAMA ASSURANCE-CRÉDIT (France) | Social, environmental and societal |
| GROUPAMA BANQUE (France) | Social, environmental and societal |
| GROUPAMA EMEKLILIK (Turkey) | Social, environmental and societal |
| GROUPAMA ÉPARGNE SALARIALE (France) | Social, environmental and societal |
| GROUPAMA GARANCIA BIZTOSITO (Hungary/Slovakia) | Social, environmental and societal |
| GROUPAMA IMMOBILIER (France) | Social, environmental and societal |
| OTHER PROPERTY SUBSIDIARIES (France) | Social |
| GROUPAMA JIVOTOZASTRAHOVANE LIFE (Bulgaria) | Social |
| GROUPAMA PHOENIX (Greece) | Social, environmental and societal |
| GROUPAMA PROTECTION JURIDIQUE (France) | Social, environmental and societal |
| GROUPAMA SA (France) | Social, environmental and societal |
| GROUPAMA SEGUROS (Portugal) | Social, environmental and societal |
| GROUPAMA SEGUROS De Vida (Portugal) | Social, environmental and societal |
| GROUPAMA SIGORTA (Turkey) | Social, environmental and societal |
| GIE GROUPAMA SUPPORTS ET SERVICES (France) | Social, environmental and societal |
| GROUPAMA ZASTRAHOVANE NON LIFE (Bulgaria) | Social, environmental and societal |
| MASTERCOVER (United Kingdom) | Social |
| MUTUAIDE ASSISTANCE (France) | Social, environmental and societal |

### 5.1.14 OUTLOOK (SCOPE OF THE ENTIRE GROUPAMA GROUP)

At end of 2013, the Group was fully committed to the path that it established for itself. The year focused on underwriting and operational profitability and strengthening the balance sheet. All of the actions implemented in this regard yielded results:

- an improvement in the non-life attritional claims ratio of 3.1 points at the Group level;
- a significant orientation of the life insurance business in France towards risky products (health, protection) and, in savings, towards unit-linked policies, with premium income increasing by more than 50% and now representing nearly 30% of premium income in individual savings;
- control of overhead costs, which decreased in absolute value by €96 million in 2013, after a decrease of €172 million in 2012;
- continued reduction of the balance sheet's sensitivity, with the €576 million reduction of exposure to Portuguese debt and the full disposal of stakes in Société Générale and Eiffage;
- a solvency margin of 200%.

This performance was achieved despite an exceptional level of weather-related claims, the excess cost of which was strong (€180 million before tax) in relation to average observations due to the high frequency of medium-sized events.

As part of its strategic directions, the Group will continue to strengthen its underwriting and operational profitability by making customers the focus of its commitment. This goal will be pursued particularly by establishing an integrated, cross-channel organisation, making it possible to be continuously accessible to customers, as well as an innovative approach in terms of products offered, tools, and processes.

Thanks to its mutualist values and the commitment of its employees and elected representatives, Groupama is confident in its ability to achieve its goals.

◄ CONTENTS ►

# 5.2 DIVIDEND DISTRIBUTION POLICY

## 5.2.1 DIVIDENDS PAID OVER THE PAST THREE FISCAL YEARS

| Fiscal years | Total dividends distributed | Total dividends distributed eligible for reduction | Total dividends distributed not eligible for reduction |
|---|---|---|---|
| 2012 | - | - | - |
| 2011 | - | - | - |
| 2010 | €104,181,645.60 | €93,457.35 | €104,088,188.25 |

## 5.2.2 DISTRIBUTION POLICY

Groupama SA pays dividends in euros.

The future dividend distribution policy will depend on, among other things, the earnings generated and the financial position of Groupama SA and its subsidiaries.

The dividend proposal is submitted to the General Meeting after the allocation of the earnings is proposed by the Board of Directors.

Groupama SA determines its dividend distribution policy on the basis of its consolidated current income minus subsidies paid to regional mutuals.

In previous years, before 2012, Groupama SA distributed a dividend of approximately 20% of this income. Although Management intends to maintain this distribution policy over the long term, the dividend proposed by the Board of Directors for a particular year depends on various factors (including the Company's performance, market conditions and the overall economic environment) that are likely, in certain years, to affect this target distribution amount. When considering the dividend to be paid for a given year, Management seeks to reconcile (i) the prudent management of capital, (ii) the reinvestment of past earnings to support the development of businesses and (iii) the attractiveness of the dividend for the shareholders.

Note that 99.95% of the dividend is paid to the controlling shareholder of Groupama SA and 0.05% is paid to the minority shareholders.

For fiscal year 2013, a proposal will be made to the General Meeting of 11 June 2014 to not pay any dividend.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Gross dividend | €0 | €0 | €0 |
| Dividend per share | €0 | €0 | €0 |
| Consolidated net income | €135 million | €(622) million | €(1.812) million |
| Distribution rate | Not applicable | Not applicable | Not applicable |

## 5.2.3 STATUTE OF LIMITATIONS

Dividends not claimed within five years are subject to the statute of limitations. They then revert to the Public Treasury, pursuant to Article L. 1126-1 of the "Code général de la propriété des personnes publiques" (French General Public Property Code).

# 5.3 CASH AND GROUP FINANCING

## 5.3.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents totalled €1,074 million as at 31 December 2013, down €987 million compared with 31 December 2012.

The distribution of cash flows for fiscal year 2013 among the various business lines is as follows:

- operational business cash flows -€3,822 million;
- investment and financial business cash flows €2,835 million;
- **Total -€987 million.**

## 5.3.2 ISSUER'S FINANCING STRUCTURE

Groupama SA debt totalled €1.9 billion as at year-end 2013.

Total subordinated debt as at 31 December 2013 remained stable compared with 31 December 2012 and totalled €1.24 billion.

Group external debt totalled €683 million, stable compared with 31 December 2012.

Financial debt to banking sector businesses originates primarily from borrowings under the €650 million credit facility over one year at a rate of 0.503%, increased by a margin of 0.8%, due on 5 December 2014.

Groupama SA's debt-to-equity ratio, excluding revaluation reserves (including subordinated liabilities and minority interests) stood at 42.2% at the end of 2013, compared with 42.4% as at 31 December 2012.

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | <1 year | 1-5 years | >5 years | Total | <1 year | 1-5 years | >5 years | Total |
| Subordinated debt | | | 1.238 | 1.238 | | | 1.238 | 1.238 |
| Financing debts represented by securities | | | | | | | | |
| Financing debts to banking sector companies | 651 | 4 | 28 | 683 | 651 | 4 | 29 | 684 |
| **TOTAL FINANCING DEBT** | **651** | **4** | **1,266** | **1,921** | **651** | **4** | **1,268** | **1,922** |

The subordinated debt corresponds to:

- a bond in the form of redeemable subordinated bonds (TSRs) was issued on 27 October 2009 as part of the financing of the July 1999 call on this bond, redeemed on 22 January 2010 following the agreement of French Prudential Supervisory Authority (ACP) in late 2009. This 30-year bond has a fixed annual rate of 7.875% until the call date of 27 October 2019. After that date, the rate applied will be the three-month Euribor plus a margin of 5.36%. As at 31 December, the price for this issue was 104%, compared with 86% as at 31 December 2012;
- a fixed rate perpetual subordinated bond (TSDI) issued by Groupama SA in July 2005 for a par value of €500 million, at the fixed rate of 4.375% for the first 10 years, then at the variable three-month Euribor rate plus a margin of 2.25%. This bond includes a "10-year call" that allows the issuer to redeem the bond early as from the tenth year. On 3 December 2012, €7 million in debt was cancelled after redemption during the fiscal year. As at 31 December, these perpetual bonds (TSDI) were trading at 92%, compared with 63% as at 31 December 2012;
- in addition, Groupama SA issued a perpetual super-subordinated bond (TSS) in October 2007 for €1,000 million. Under IFRS, these securities constitute a shareholders' equity instrument and thus do not appear in the tables above. They were issued at a fixed rate of 6.298% for the first 10 years, and then at a variable rate equal to the 3-month Euribor rate plus a margin of 2.60%. They will be eligible for early full redemption starting on 22 October 2017. As at 31 December, these super-subordinated bonds (TSS) were trading at 87%, compared with 55% as at 31 December 2011.

## 5.3.3 EMPLOYMENT AND CASH

In terms of cash, interest expenses paid by the Group in 2013 amounted to €93 million (€128 million in 2012), including perpetual subordinated bonds/subordinated bonds/credit line of €92 million.

◄ CONTENTS ►

## 5.4 PROPERTY, PLANT AND EQUIPMENT

The registered office of Groupama SA is located at 8-10, rue d'Astorg, 75008 Paris.

As an insurance group, Groupama holds significant real estate assets, managed primarily by Groupama Immobilier, for a total value of €3.4 billion. These assets are located primarily in Paris and Île de France.

Investment property and operating activities property are described in the Note 4 and Note 5 of the consolidated financial statements in this registration document.

## 5.5 ADMINISTRATIVE, JUDICIAL, OR ARBITRATION PROCEEDINGS

Over the past twelve months, the Company has not been subject to any governmental, judicial, or arbitration proceedings, including any pending or threatened proceedings known to the Company, which might have had, or has had over the last 12 months, significant effects on its financial situation or profitability, or that of the Group.

# FINANCIAL STATEMENTS 6

*Pursuant to Article 28 of Commission Regulation (EC) 809/2004 of 29 April 2004, the following information has been incorporated into this registration document by reference:*

- *Groupama SA's consolidated financial statements for the year ended 31 December 2012 and the corresponding statutory auditors' report, which can be found on pages 160-289 and 290-291 respectively of registration document D13-0427 filed with the AMF on 25 April 2013;*
- *Groupama SA's consolidated financial statements for the year ended 31 December 2011 and the corresponding statutory auditors' report, which can be found on pages 168–275 and 276-277 respectively of registration document D12-0466 filed with the AMF on 27 April 2012.*

# 6.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## 6.1.1 CONSOLIDATED BALANCE SHEET

### ASSETS

| *(in millions of euros)* | Notes | 31.12.2013 | 31.12.2012 |
|---|---|---|---|
| Goodwill | Note 2 | 2,182 | 2,234 |
| Other intangible assets | Note 3 | 328 | 486 |
| **Intangible assets** | | **2,510** | **2,720** |
| Investment property excluding unit-linked items | Note 4 | 1,055 | 1,097 |
| Unit-linked investment property | Note 7 | 104 | 102 |
| Operating property | Note 5 | 645 | 614 |
| Financial investments excluding unit-linked items | Note 6 | 62,333 | 66,198 |
| Unit-linked financial investments | Note 7 | 5,212 | 3,856 |
| Derivatives and separated embedded derivatives | Note 8 | 280 | 80 |
| **Insurance business investments** | | **69,630** | **71,947** |
| **Funds used in banking sector activities and investments of other activities** | **Note 9** | **3,265** | **3,487** |
| **Investments in related companies** | **Note 10** | **1,053** | **1,039** |
| **Share of outward reinsurers and retrocessionaires in liabilities related to insurance policies and financial contracts** | **Note 11** | **8,683** | **1,687** |
| Other property plant and equipment | Note 12 | 167 | 189 |
| Deferred acquisition costs | Note 13 | 224 | 313 |
| Deferred profit-sharing assets | Note 14 | | 75 |
| Deferred tax assets | Note 15 | 365 | 252 |
| Receivables from insurance and inward reinsurance | Note 16 | 2,282 | 2,203 |
| Receivables from outward reinsurance transactions | Note 17 | 235 | 276 |
| Current tax receivables and other tax receivables | Note 18 | 290 | 215 |
| Other receivables | Note 19 | 1,877 | 1,753 |
| **Other assets** | | **5,441** | **5,275** |
| **Assets held for sale and discontinued activities** | | | |
| **Cash and cash equivalents** | **Note 20** | **815** | **1,791** |
| **TOTAL** | | **91,397** | **87,946** |

## LIABILITIES

| *(in millions of euros)* | Notes | 31.12.2013 | 31.12.2012 |
|---|---|---|---|
| Capital | | 1,687 | 1,687 |
| Revaluation reserve | Note 21 | 558 | 417 |
| Other reserves | | 1,850 | 2,494 |
| Foreign exchange adjustments | | (414) | (321) |
| Consolidated income | | 135 | (622) |
| **Shareholders' equity (Group share)** | | **3,816** | **3,655** |
| Minority interests | | 54 | 58 |
| **Total shareholders' equity** | | **3,870** | **3,713** |
| **Contingent liabilities** | **Note 22** | **417** | **447** |
| **Financing debt** | **Note 24** | **1,921** | **1,923** |
| **Liabilities related to insurance policies** | **Note 25** | **49,886** | **47,546** |
| **Liabilities related to financial contracts** | **Note 26** | **18,761** | **21,003** |
| **Deferred profit-sharing liabilities** | **Note 14** | **328** | **204** |
| **Resources of banking sector activities** | **Note 9** | **2,861** | **3,120** |
| Deferred tax liabilities | Note 15 | 311 | 516 |
| Debts to unit holders of consolidated UCITS | Note 28 | 641 | 974 |
| Operating debts to banking sector companies | Note 20 | 103 | 203 |
| Debts arising from insurance or inward reinsurance operations | Note 29 | 629 | 611 |
| Debts arising from outward reinsurance | Note 30 | 7,491 | 423 |
| Current taxes payable and other tax liabilities | Note 31 | 233 | 221 |
| Derivatives liabilities | Note 8 | 543 | 429 |
| Other debt | Note 32 | 3,402 | 6,612 |
| **Other liabilities** | | **13,354** | **9,989** |
| **Liabilities of activities to be sold or discontinued** | | | |
| **TOTAL** | | **91,397** | **87,946** |

## 6.1.2 CONSOLIDATED INCOME STATEMENT

### INCOME STATEMENT

| *(in millions of euros)* | Notes | 31.12.2013 | 31.12.2012 |
|---|---|---|---|
| Written premiums | Note 33 | 10,155 | 10,764 |
| Change in unearned premiums | | 46 | (1) |
| **Earned premiums** | | **10,201** | **10,763** |
| **Net banking income, net of cost of risk** | | **202** | **231** |
| Investment income | | 2,335 | 2,453 |
| Investment expenses | | (603) | (551) |
| Capital gains or losses from disposal of investments net of impairment and depreciation write-backs | | 1,076 | 465 |
| Change in fair value of financial instruments recorded at fair value through income | | 383 | 446 |
| Change in impairment on investments | | (19) | (270) |
| **Investment income net of expense** | **Note 34** | **3,171** | **2,543** |
| **Total income from ordinary activities** | | **13,574** | **13,538** |
| Insurance policy servicing expenses | Note 35 | (10,251) | (10,301) |
| Income on outward reinsurance | Note 36 | 1,244 | 1,523 |
| Expenses on outward reinsurance | Note 36 | (1,563) | (1,806) |
| **Outward reinsurance expenses and income** | | **(10,571)** | **(10,583)** |
| Banking operating expenses | Note 37 | (200) | (223) |
| Policy acquisition costs | Note 38 | (1,300) | (1,387) |
| Administrative costs | Note 39 | (595) | (800) |
| Other current operating income and expenses | Note 40 | (609) | (318) |
| **Total other current income and expense** | | **(13,274)** | **(13,312)** |
| **Current operating income** | | **300** | **226** |
| Other operating income and expenses | Note 41 | (150) | (302) |
| **Operating income** | | **149** | **(76)** |
| Financing expenses | Note 42 | (93) | (128) |
| Share in income of related companies | Note 10 | (10) | (5) |
| Corporate income tax | Note 43 | 91 | (60) |
| **Net income from continuing activities** | | **138** | **(269)** |
| Net income from discontinued activities | | | (334) |
| **OVERALL NET INCOME** | | **138** | **(603)** |
| of which, minority interests | | 3 | 19 |
| **OF WHICH, NET INCOME (GROUP SHARE)** | | **135** | **(622)** |

## 6.1.3 STATEMENT OF NET INCOME AND GAINS (LOSSES) RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY

| *(in millions of euros)* | 31.12.2013 Group share | 31.12.2013 Minority interests | 31.12.2013 Total | 31.12.2012 Group share | 31.12.2012 Minority interests | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Net income for fiscal year** | **135** | **3** | **138** | **(622)** | **19** | **(603)** |
| **Gains and losses recognised directly in shareholders' equity** | | | | | | |
| **Recyclable items** | | | | | | |
| Change in foreign exchange adjustments | (93) | | (93) | 69 | | 69 |
| Change in gross unrealised capital gains and losses on available-for-sale assets | (306) | (3) | (309) | 6,236 | 21 | 6,257 |
| Revaluation of hedging derivatives | | | | 47 | | 47 |
| Change in shadow accounting | 267 | 1 | 268 | (4,431) | (16) | (4,447) |
| Change in deferred taxes | 180 | 1 | 181 | (505) | (2) | (507) |
| Other changes | 13 | | 13 | (57) | | (57) |
| **Non-recyclable items** | | | | | | |
| Restatement of net actuarial debt from pension commitments (defined-benefit schemes) | 16 | | 16 | (23) | | (23) |
| Change in deferred taxes | (6) | | (6) | 8 | | 8 |
| Other changes | | | | | | |
| **TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY** | **71** | **(1)** | **70** | **1,344** | **3** | **1,347** |
| **NET INCOME AND GAINS (LOSSES) RECOGNISED IN SHAREHOLDERS' EQUITY** | **206** | **2** | **208** | **722** | **22** | **744** |

The statement of net income and gains (losses) recognised directly in shareholders' equity – an integral part of the financial statements includes, in addition to the net income for the year, the change in the reserve for unrealised capital gains (losses) on available-for-sale assets, net of deferred profit-sharing and deferred taxes, as well as the change in the reserve for foreign exchange adjustments and the actuarial gains (losses) on post-employment benefits.

## 6.1.4 CHANGE IN SHAREHOLDERS' EQUITY

| *(in millions of euros)* | Capital | Income | Deeply subordinated instruments | Consolidated reserves | Revaluation reserve | Foreign exchange adjustment | Share-holders' equity (Group share) | Share of minority interests | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY AS OF 31.12.2011** | **1,687** | **(1,812)** | **1,000** | **3,378** | **(930)** | **(390)** | **2,933** | **54** | **2,987** |
| Allocation of 2011 income (loss) | | 1,812 | | (1,812) | | | | | |
| Dividends | | | | | | | | (8) | (8) |
| Change in capital | | | | | | | | (10) | (10) |
| Business combination | | | | | | | | | |
| **Impact of transactions with shareholders** | | **1,812** | | **(1,812)** | | | | **(18)** | **(18)** |
| Foreign exchange adjustments | | | | | | 69 | 69 | | 69 |
| Available-for-sale assets | | | | | 6,236 | | 6,236 | 21 | 6,257 |
| Shadow accounting | | | | | (4,431) | | (4,431) | (16) | (4,447) |
| Deferred taxes | | | | 8 | (505) | | (497) | (2) | (499) |
| Actuarial gains (losses) of post employment benefits | | | | (23) | | | (23) | | (23) |
| Other | | | | (57) | 47 | | (10) | | (10) |
| Net income for fiscal year | | (622) | | | | | (622) | 19 | (603) |
| **Total income (expenses) recognised over the period** | | **(622)** | | **(72)** | **1,347** | **69** | **722** | **22** | **744** |
| **Total changes over the period** | | **1,190** | | **(1,884)** | **1,347** | **69** | **722** | **4** | **726** |
| **SHAREHOLDERS' EQUITY AS OF 31.12.2012** | **1,687** | **(622)** | **1,000** | **1,494** | **417** | **(321)** | **3,655** | **58** | **3,713** |
| Allocation of 2012 income (loss) | | 622 | | (622) | | | | | |
| Dividends (1) | | | | (41) | | | (41) | (2) | (43) |
| Change in capital | | | | | | | | | |
| Business combination | | | | (4) | | | (4) | (4) | (8) |
| **Impact of transactions with shareholders** | | **622** | | **(667)** | | | **(45)** | **(6)** | **(51)** |
| Foreign exchange adjustments | | | | | | (93) | (93) | | (93) |
| Available-for-sale assets | | | | | (306) | | (306) | (3) | (309) |
| Shadow accounting | | | | | 267 | | 267 | 1 | 268 |
| Deferred taxes | | | | (6) | 180 | | 174 | 1 | 175 |
| Actuarial gains (losses) of post employment benefits | | | | 16 | | | 16 | | 16 |
| Other | | | | 13 | | | 13 | | 13 |
| Net income for fiscal year | | 135 | | | | | 135 | 3 | 138 |
| **Total income (expenses) recognised over the period** | | **135** | | **23** | **141** | **(93)** | **206** | **2** | **208** |
| **Total changes over the period** | | **757** | | **(644)** | **141** | **(93)** | **161** | **(4)** | **157** |
| **SHAREHOLDERS' EQUITY AS OF 31.12.2013** | **1,687** | **135** | **1,000** | **850** | **558** | **(414)** | **3,816** | **54** | **3,870** |

*(1) These being dividends that impact the change in shareholders' equity (Group share), they are treated as compensation for deeply subordinated instruments classed as shareholders' equity according to IFRS rules.*

## 6.1.5 CASH FLOWS

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Operating income (losses) before tax | 149 | (76) |
| Capital gains (losses) on the sale of investments | (256) | 2,261 |
| Net provisions for amortisation | 285 | 236 |
| Change in deferred acquisition costs | 83 | 44 |
| Change in impairment | (780) | (2,177) |
| Net provisions for technical liabilities related to insurance policies and financial contracts | (6,415) | (715) |
| Other net provisions | (15) | 78 |
| Change in fair value of financial instruments and investments recorded at fair value through income (excluding cash and cash equivalents) | (383) | (445) |
| Other elements with no cash outflow included in the operating income | 28 | 54 |
| **Correction of elements included in the operating income other than cash flows and reclassification of investment and financing flows** | **(7,453)** | **(664)** |
| Change in operating receivables and payables | 6,728 | 415 |
| Change in banking operating receivables and payables | (160) | 275 |
| Change in inward and outward repurchase securities | (3,349) | 1,337 |
| Cash flows from other assets and liabilities | 377 | (29) |
| Net tax paid | (114) | (60) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **(3,822)** | **1,198** |
| Acquisitions/disposals of subsidiaries and joint ventures, net of cash acquired | 1 | 969 |
| Shareholdings/disposals in related companies | (12) | 3 |
| **Cash flows due to changes in scope of consolidation** | **(11)** | **972** |
| Net acquisitions of financial investments (including unit-linked investments) and derivatives | 3,151 | (1,710) |
| Net acquisitions of investment property | 48 | 680 |
| Net acquisitions and/or issues of investments and derivatives relating to other activities | | |
| Other items not relating to cash flows | (10) | (12) |
| **Cash flows relating to investment acquisitions and issues** | **3,189** | **(1,042)** |
| Net acquisitions of property plant and equipment, intangible fixed assets and operating property | (160) | (144) |
| Cash flows from acquisitions and disposals of property plant and equipment and intangible fixed assets | (160) | (144) |
| **Investment cash flows from activities to be sold or discontinued** | | |
| **NET CASH FLOWS FROM INVESTMENT ACTIVITIES** | **3,018** | **(214)** |
| Membership fees | | |
| Issue of capital instruments | | |
| Reimbursement of capital instruments | | (10) |
| Transactions involving own shares | | |
| Dividends paid (1) | (44) | (8) |
| **Cash flows from transactions with shareholders and members** | **(44)** | **(18)** |
| Cash allocated towards financing debt | (2) | (210) |
| Interest paid on financing debt | (92) | (128) |
| Cash flows from Group financing | (94) | (338) |
| **Financing cash flows from activities to be sold or discontinued** | | |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | **(138)** | (356) |
| **CASH AND CASH EQUIVALENTS AS OF 1 JANUARY** | **2,061** | 1,549 |
| Net cash flows from operating activities | (3,822) | 1,198 |
| Net cash flows from investment activities | 3,018 | (214) |
| Net cash flows from financing activities | (138) | (356) |
| Cash flows from sold or discontinued assets and liabilities | | (123) |
| Effect of foreign exchange variation on cash flow | (45) | 7 |
| **CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER** | **1,074** | **2,061** |

*(1) Compensation for deeply subordinated instruments classed as shareholders' equity under IFRS rules.*

◄ CONTENTS ►

The fall in the line item “Change in inward and outward repurchase securities” is offset by the increase in the line item “Net acquisitions of financial investments”.

| | |
|---|---|
| Cash and cash equivalents | 1,791 |
| Petty cash, central banks, postal accounts and debit accounts for banking sector activities | 473 |
| Operating debts to banking sector companies | (203) |
| **CASH AND CASH EQUIVALENTS AS OF 1 JANUARY 2013** | **2,061** |
| Cash and cash equivalents | 815 |
| Petty cash, central banks, postal accounts and debit accounts for banking sector activities | 361 |
| Operating debts to banking sector companies | (102) |
| **CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER 2013** | **1,074** |

## 6.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary

# 1 SIGNIFICANT EVENTS AND POST-BALANCE SHEET EVENTS

## 1.1 Significant events

### 1.1.1 Changes in the regulatory framework

#### (a) Law on the separation and regulation of banking activities

The law of 26 July 2013 on the separation and regulation of banking activities, published in the Journal Officiel on 27 July, establishes Groupama SA as the central body of a network made up of agricultural insurance and reinsurance companies and mutuals. It confirms and strengthens for the future the mutual nature of the Group and its cohesion, based on the solidarity of its member companies.

#### (b) Regulatory changes

A certain number of regulatory changes occurred during the fiscal year in the various countries in which the Group operates. In France, the reform to the Fonds de Garantie des Assurances Obligatoires de dommages have resulted in a cost of approximatively €13 million net of taxes.

### 1.1.2 Changes in the Group

#### (a) In France

**SALE OF THE ASSET MANAGEMENT COMPANY GROUPAMA PRIVATE EQUITY**

Groupama sold 100% of the share capital of Groupama Private Equity to the ACG group. Announced on 7 January 2013, the transaction was completed on 29 March 2013. It comes as part of Groupama's strategy to dispose of its non-strategic businesses.

In connection with this sale, Groupama took the opportunity to partially sell the interests held by the Group in the private equity funds (FCPR Acto and FCPR Acto Capital II) to Acto Capital, a simplified joint-stock company in the process of formation represented by Luxempart and Five Arrows Secondary Opportunities III, a Rothschild group fund.

**ALLIANZ FRANCE AND CAPSAUTO PARTNERSHIP**

In September, Allianz France decided to team up with CapsAuto, a Groupama subsidiary, creator and leader of Accident Management in France, in order to roll out its vehicle accident repair solution. As part of this partnership, Allianz has acquired a 15% stake in CapsAuto.

#### (b) International changes

**SALE OF BOLLINGTON**

On 15 March 2013, Gan UK Broking Services sold 51% of its stake in the brokerage firm Bollington. The impact of this transaction had been anticipated in the financial statements as at 31 December 2012.

**GROUPAMA STRENGTHENS ITS PARTNERSHIP WITH THE CHINESE GROUP AVIC**

On 25 April 2013, Groupama and the Chinese aviation group Avic (Aviation Industry Corporation of China) signed a second partnership agreement relating to the insurance sector.

Under the terms of this agreement, the capital of Groupama Avic Property Insurance Company will be doubled to 1 billion Yen (€125 million). This capital increase, which will be shared equally by the two partners, is intended in particular to support the strong growth of Groupama Avic Insurance on the agricultural and rural insurance market in China, which is exceeding the initial forecasts.

**BANCASSURANCE AGREEMENTS IN ITALY**

During the first half of 2013, Groupama Assicurazioni signed several bancassurance agreements with medium-sized and independent regional banking institutes located in the central northern part of Italy. Groupama Assicurazioni does not own a share of these banks, but the aim is to pool procedures and tools in order to streamline and improve insurance product investment. Thie business will initially involve only motor third party liability insurance. It will then be extended to other products from the main branches of insurance.

### 1.1.3 Other items

#### (a) Financial rating

On 6 March 2013, Fitch upgraded the insurer financial strength rating of Groupama SA and its subsidiaries from BB+ to BBB-. The outlook associated with the ratings of Groupama SA and its subsidiaries is stable.

On 30 October 2013, Fitch upgraded the rating of Groupama SA's undated deeply subordinated securities from B- to BB- following the resumption of the coupon payment on 22 October 2013. Groupama's other ratings have remained the same.

#### (b) Change in the strategic securities held by Groupama

Groupama disposed of its stakes in Société Générale and in Eiffage, allowing it to strengthen its financial flexibility and reduce its exposure to market risks:

- on 13 August 2013, Groupama sold the remainder of its stake in Société Générale – representing around 1.9% of the Company's share capital – for approximately €517 million. The impact of the disposals of Société Général securities, including those carried out in the first half of 2013, was €88 million net of profit sharing and tax;
- on 9 September 2013, Groupama disposed of its entire stake in Eiffage – representing around 6.9% of the Company's share capital – for approximately €250 million. The impact of this disposal amounted to €82 million net of profit sharing and tax.

On 1 October 2013, Groupama announced its withdrawal from the Mediobanca shareholders' agreement, in accordance with the terms of the agreement. The withdrawal took effect on 31 December 2013.

#### (c) Reinsurance

In July 2013, but effective as of 1 January 2013, Groupama signed a 3-year contract for a 15% quota share treaty in life insurance with a top-ranking international life insurer.

Groupama continued to diversity its storm covers in France, with the issue of a new "cat bond" for €280 million in early July.

Swiss Re Capital Markets has placed a new structured bond, Green Fields II Capital Limited, on behalf of Groupama SA, providing €280 million of storm cover in France for a risk period from 2 July 2013 to 31 December 2016. The collateral used to back the issue was a dedicated structured bond issued by the European Bank for Reconstruction and Development (AAA rating from S&P, Moody's and Fitch).

### 1.2 Post-balance sheet events

#### (a) Financial rating

On 11 February 2014, the rating agency Fitch upgraded the rating of Groupama SA and its subsidiaries from BBB- to BBB. It also assigned a "positive" outlook to this rating.

## 2 CONSOLIDATION PRINCIPLES, METHODS AND SCOPE

### 2.1 Explanatory note

Groupama SA 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 ("specialised mutuals", regional mutuals), which form the Mutual Insurance 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 as at 31 December 2013 was as follows:

- 90.96% by Groupama Holding;
- 8.99% by Groupama Holding 2;
- 0.05% 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 Equity Management 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 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 business;
- to prepare the consolidated and combined financial statements.

The consolidated financial statements of Groupama SA incorporate the reinsurance ceded by the regional mutuals as well as the activity of the subsidiaries.

The combined financial statements relate to the Groupama group, made up of all local mutuals, regional mutuals, Groupama SA and its subsidiaries.

For its activities, the Company is governed by the French Commercial Code and the French Insurance Code and is supervised by the Prudential Control and Resolution Authority.

The various entities of the Group are connected:

- within the Groupama SA Division, by capital ties. 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 Groupama SA environment, particularly in terms of control;
- in the Mutual Insurance Division:
  - by an Internal Reinsurance treaty that links 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 Agricoles that are members of the Fédération Nationale Groupama", which was signed on 17 December 2003).

### 2.2 General presentation of the consolidated financial statements

The consolidated financial statements as at 31 December 2013 were approved by the Board of Directors, which met on 19 February 2014.

For the purposes of preparing the consolidated financial statements, the financial statements of each consolidated entity are prepared consistently and in accordance with the International Financial Reporting Standards and the interpretations applicable as at 31 December 2013 as adopted by the European Union, the principal terms of which are applied by Groupama SA as described below.

All standards and interpretations which are mandatory for financial years starting on or after 1 January 2013 were applied when producing the Group's financial statements as at 31 December 2013. They have had no significant effect on the Group's financial statements as at 31 December 2013. They are summarised below and in the appended notes:

- amendment to IAS 1: Presentation of other comprehensive income;
- revised IAS 19: Personnel benefits;
- amendment to IFRS 7: Disclosures on offsetting of financial assets and liabilities;
- IFRS 13: Fair value valuation.

The new consolidation standards adopted by the European Union and applicable no later than in fiscal years opened on or after 1 January 2014 were not applied early. An analysis is currently underway into their potential impact on the Group's financial statements. They are summarised below and in the appended notes:

- IFRS 10: Consolidated financial statements;
- IFRS 11: Joint arrangements;
- IFRS 12: Disclosure of interests in other entities;

- revised IAS 28: Investments in related companies and joint ventures;
- amendments to IFRS 10, IFRS 11 and IFRS 12: Transition guidance;
- amendments to IFRS 10, IFRS 12 and IFRS 27: Investment entities.

The amendments to standards IAS 32 "Offsetting Financial Assets and Financial Liabilities" and to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets", adopted by the European Union in December 2012 and December 2013 respectively, were not applied early. They are not considered to have a significant impact on the Group's consolidated financial statements.

Decisions taken by the Group are based particularly on the summary of the work undertaken by the CNC working groups on the specifics of implementing IFRS by insurance organisations.

Subsidiaries, joint ventures, and associated entities within the consolidation scope are consolidated in accordance with the provisions of IAS 27, IAS 28, and IAS 31.

The Group adopted IFRS for the first time for the preparation of the 2005 financial statements.

In the notes, all amounts are stated in millions of euros unless specified otherwise.

In order to prepare the Group's financial statements in accordance with IFRS, Groupama's management must choose assumptions and make estimates that have an impact on the amount of assets, liabilities, income, and expenses as well as on the drafting of 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 which can be reasonably expected to occur under the circumstances.

The actual future results of operations for which estimates were necessary may prove to be different and may 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 3.1.1 and 3.1.2);
- evaluation of technical reserves (Note 3.12);
- estimate of certain fair values on unlisted assets or property (Notes 3.2.1 and 3.2.2);
- estimate of certain fair values of illiquid listed assets (Notes 3.2.1);
- recognition of profit-sharing assets (Note 3.12.2.b) and deferred tax assets (Note 3.13);
- calculation of contingent liabilities and particularly valuation of personnel benefits (Note 3.10).

## 2.3 Consolidation principles

### 2.3.1 Scope and methods of consolidation

A company is included in the consolidation scope once its consolidation, or that of the sub-group which it heads, whether 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 scope of consolidation. An insurance and banking operational entity is presumed to need to be consolidated once this entity's shareholders' equity, balance sheet, or earned premiums represent, respectively, €30 million on the consolidated shareholders' equity or €50 million on the total of the consolidated balance sheet, or €10 million on the Group's earned premiums.

In accordance with the provisions of IAS 27 and IAS 28, UCITS and property investment companies are consolidated either through full consolidation or through the equity method. Control is examined for each UCITS on a case-by-case basis. However, control is assumed for UCITS with outstanding funds exceeding €100 million once the Group directly or indirectly holds at least 50% of the voting rights. Minority interests pertaining to UCITS subject to full consolidation are disclosed separately as a special financial liability item in the IFRS balance sheet. Underlying financial assets appear in the Group's insurance business investments.

#### (a) Consolidating company

A consolidating company is one that exclusively or jointly controls other companies, regardless of their form, or that has a considerable influence over other companies.

#### (b) Exclusively controlled entities

Regardless of their structure and provided they are controlled exclusively by the Group, companies are consolidated using the full integration method. These entities are consolidated from the moment they are controlled. Control means the power to direct the financial and operational policies of the entity in order to obtain the benefits of its activities.

An entity ceases to be fully integrated once the Group no longer exerts effective control over the entity.

Full integration comprises:

- integrating into the consolidating company's financial statements the items in the financial statements of the consolidated companies, after any restatements;
- eliminating transactions and accounts between the fully consolidated company and other consolidated companies;
- distributing shareholders' equity and net income among the interests of the consolidating company and the interests of the other "minority interest" shareholders or partners.

#### (c) De facto controlled companies

When the Group considers itself to have de facto control of an entity, the Group may be required to apply the full integration method in order to consolidate this company despite a holding rate below the 50% threshold.

De facto control may be presumed when several of the following criteria are met:

- the Group is the largest shareholder in the Company;

- the other shareholders do not directly or indirectly, exclusively or jointly own equity shares or voting rights which exceed the Group's interest;
- the Group exerts significant influence over the Company;
- the Group has the authority to influence the Company's financial and operational policies;
- the Group has the power to appoint or arrange the appointment of Directors of the Company.

#### (d) Related companies

Companies over which the Group exerts a significant influence are accounted for using the equity method.

When the consolidating company directly or indirectly owns 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 company directly or indirectly owns less than 20% of the voting rights of the entity, 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 carrying amount of the shares held by the Group and the share of shareholders' equity converted at year end, including the net income for the fiscal year, in accordance with consolidation rules.

#### (e) Deconsolidation

When an entity is in run-off (*i.e.,* it has ceased taking on new business) and if the principal balance sheet and income statement totals do not exceed, (except in exceptional circumstances), the limits of 0.5% of written premiums, employees, income, 1% of consolidated shareholders' equity, technical reserves and balance sheet assets, as well as 3% of goodwill (these limits are measured in relation to the Group total), the entity ceases to be consolidated.

The securities of the entity are then posted, at their equivalent value, under securities held for sale at the time of deconsolidation. Subsequent changes in values are recorded in accordance with the methodology defined for this type of securities.

### 2.3.2 Changes in scope of consolidation

Changes in the scope of consolidation are described in Note 48 of the notes to the Financial Statements.

### 2.3.3 Uniformity of accounting principles

The Groupama SA consolidated financial statements are presented consistently across 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, elimination of local tax accounting entries).

Restatements under the principles of consistency are made when they are material.

### 2.3.4 Conversion of financial statements of foreign companies

Balance sheet items are translated to euros (the functional and presentation currency of the Group's financial statements) at the official exchange rate on the balance sheet date, with the exception of shareholders' equity, excluding net income, which is translated at historic rates. The Group share of the resulting unrealised foreign exchange adjustment is recorded under "Unrealised foreign exchange adjustments" and the remaining balance is included in "Minority interests".

Transactions on the income statements are translated at the average rate. The Group share of the difference between income translated at the average rate and income translated at the closing rate is recorded under "Unrealised foreign exchange adjustments" and the remaining balance is included in "Minority interests".

### 2.3.5 Internal transactions between companies consolidated by Groupama SA

All transactions within the Group are eliminated.

When these transactions affect consolidated income, the elimination of income and losses as well as capital gains and losses is done at 100% then divided between the interests of the consolidating company and the minority interests in the company having generated the income. When eliminating losses, the Group ensures that the value of the disposed asset is not changed for the long term. Eliminating the impacts of internal transactions involving assets brings them down to their original value when they entered the consolidated balance sheet (consolidated historical cost).

Inter-company transactions involving the following must be therefore 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;
- inward reinsurance, outward reinsurance and retrocessions;
- co-insurance and co-reinsurance operations and pooled management;
- broker and intermediation transactions;
- contractual sharing of premium income of Group policies;
- reserves for the write-down of equity interests funded by the Company holding the securities and, if applicable, contingent liabilities recognised because of losses suffered by exclusively controlled companies;
- transactions on forward financial instruments;
- capital gains and losses from internal transfer of insurance investments;
- intra-group dividends.

# 3 ACCOUNTING PRINCIPLES AND VALUATION METHODS USED

## 3.1 Intangible assets

### 3.1.1 Goodwill

Goodwill on first-time consolidation corresponds to the difference between the acquisition cost of the securities of consolidated companies and the Group's share in restated shareholders' equity as at 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.

Residual goodwill results from a price paid above the Group's share in the fair value of the identifiable assets and liabilities of the acquired company as at the acquisition date, revalued for any intangible assets identified in the acquisition accounting according to revised IFRS 3 (fair value of assets and liabilities acquired). The price paid is the best possible estimate of the price supplements (earn-outs, payment deferrals, etc.).

The residual balance therefore corresponds to the valuation of the share of income expected on future production. This expected performance, which is reflected in the value of future production, results from the combination of intangible items that are not directly measurable. Such assets are assessed based on multiples or forecast future income that served as the valuation base for the price paid on acquisition and are used to establish the value of goodwill stated above.

For combinations prior to 1 January 2010, adjustments of future earn-outs are accounted for as an adjustment cost, and in income for combinations made starting from 1 January 2010.

For business combinations completed on or after 1 January 2010, the costs directly attributable to the acquisition are recorded in expenses as and when they are incurred.

For each acquisition, a decision is made whether to value minority interests at fair value or for their share of the identifiable net assets of the acquired company.

The subsequent acquisition of minority interests does not result in the creation of additional goodwill.

Operations for the acquisition and disposal of minority interests in a controlled company that have no impact on the control exercised over that company are recorded in the Group's shareholders' equity.

Goodwill is allocated to the cash-generating units (CGU) of the acquiring company and/or the acquired company which are expected to take advantage of the business combination. A CGU is defined as the smallest group of assets that produces cash flows independently of other assets or groups of assets. With management units, management tools, geographic regions or major business lines, a CGU is created by combining entities of the same level.

Goodwill resulting from the acquisition of a foreign entity outside the eurozone is recorded in the local currency of the acquired entity and translated to euros at the closing rate. Subsequent foreign exchange fluctuations are posted to foreign exchange translation reserves.

For entities acquired during the fiscal year, the Group has twelve months from the acquisition date to assign a final value to the acquired assets and liabilities.

For a business combination achieved in stages, any previously acquired stake is revalued at fair value and the resulting adjustment recorded through income.

Residual goodwill is not amortised, but is subject to an impairment test at least once a year on the same date. The Group reviews the goodwill's book value in case of an unfavourable event occurring between two annual tests. Impairment is recorded when the recoverable amount of the cash generating unit to which the goodwill is allocated is less than its net book value. Recoverable value is defined as fair value less cost of sales, or value in use, whichever is higher.

Fair value, less sales costs, is computed as follows, in accordance with the recommendations of IAS 36 (§25 to 27):

- the sales price shown in a final sales agreement;
- the market value less selling costs if there is an active market;
- otherwise, using the best possible information, with reference to comparable transactions.

Value in use corresponds to the current expected value of future cash flows to be generated by the cash generation unit.

Goodwill, recorded at the initial business combination, the value of which is not material or requires disproportionate valuation work in relation to its value, is immediately expensed in the year.

An impairment of goodwill recognised during a previous fiscal year may not be subsequently written back.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and reserves exceeds the acquisition cost of the Company's shares, the identification and valuation of the assets, liabilities and reserves 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 in income.

If an entity is taken over, a sale option may be granted to minority interests. The option to sell results in the Group's obligation to buy the securities held by the minority at a specified strike price and at a future date (or period of time) if the minority holder exercises its right. This obligation is reflected in the financial statements by a debt valued at the strike price of this discounted right.

The offset of this debt, equal to the price of the option (value of the share), is recognised in goodwill for put options granted before 1 January 2010 or as a reduction of minority interests and/or shareholders' equity for put options contracted subsequent to this date.

### 3.1.2 Other intangible assets

Intangible fixed assets are identifiable assets, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

They primarily include values in force and investment contracts, customer relations values and network values and brands, determined during business combinations, as well as software acquired and developed.

Amortisable intangible insurance assets (specifically including values in force and investment contracts, the value of customer relations and the value of the networks) are depreciated as margins are discharged over the lifetime of the policy portfolios. A recoverability test is performed each year, based on experience and anticipated changes in major assumptions, and may result in impairment.

Software acquired and developed has a finite lifetime and is generally amortised on a straight-line basis over that lifetime.

Other intangible assets that do not have a finite lifetime are not amortised but do routinely undergo an impairment.

Start-up costs are expensed rather than capitalised.

## 3.2 Insurance business 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 financial assets.

#### (a) Classification

Financial assets are classified in one of the following four categories:

- assets at fair value through income, of which there are two types:
  - investments held for trading, which are investments for which the management intention is to generate income in the short term. If there have been short-term sales in the past, such assets may also be classified in this category;
  - financial assets designated as optional (held-for-trading or even fair value option), provided they comply with the following criteria:
    - asset/liability matching to avoid any accounting mismatch,
    - hybrid instruments including one or more embedded derivatives,
    - group of financial assets and/or liabilities that are managed and the income of which is valued at fair value;
- assets held to maturity include fixed-term investments that the Company expressly intends, and is able, to hold until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above;
- the loans and receivables category includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market;
- available-for-sale assets (stated at fair value via shareholders' equity) include by default all other fixed-term financial investments, equities, loans and receivables that are not included in the other categories.

#### (b) Reclassification

A financial asset may, under exceptional circumstances, be reclassified outside the category of investments held for trading.

A financial asset classified as available-for-sale may be reclassified outside the assets available-for-sale category, into:

- the category of investments held to maturity when the intent or capacity of the Company changes or when the entity no longer has a reliable assessment of fair value;
- the category of loans and receivables when the financial asset meets the definition of loans and receivables on the date of the reclassification and when the entity has the intent and the capacity to hold the financial asset for the foreseeable future or until its maturity.

A financial asset classified in the category of investments held to maturity may be reclassified exceptionally as available-for-sale if the entity's intent or capacity has changed.

#### (c) Initial recognition

The Group recognises its financial assets when it becomes 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; for assets not valued at fair value through income, the transaction costs directly chargeable to the acquisition. However, when immaterial the transaction costs are not included in the acquisition cost of the financial assets.

Repurchase transactions are maintained as assets on the balance sheet.

#### (d) Fair value valuation methods

The fair value of financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.

The fair value of a financial instrument corresponds to its listed stock price on an active market. When the market for this financial instrument is not active, its fair value is valued by valuation techniques using observable market data when available or, when not available, by resorting to assumptions that imply some judgement.

Pursuant to the amendment to IFRS 7 issued by the IASB in March 2009 and IFRS 13, financial instruments (assets and liabilities) valued at fair value are classified according to a three-level hierarchy. These levels depend on whether a valuation model is used and the data sources used to populate the valuation models:

- level 1 corresponds to a price listed in an active market to which the entity may have access on the valuation date;
- level 2 corresponds to the fair value determined on the basis of a valuation model using data directly observable in an active market or data that can be determined from prices observed;
- level 3 corresponds to the fair value determined on the basis of an assumption model which uses data not observable in a market.

Valuation techniques include the use of recent transactions under conditions of normal competition between informed and consenting parties, if available, reference to the current fair value of another instrument identical in substance, analysis of discounted cash flows, and option valuation models.

### (e) Valuation rules

The valuation rules and any impairment must be interpreted in the light of the classification of the financial instrument in one of the four categories given above.

Assets held for trading and those for which the option to include them in this category has been applied are recorded in the income statement at the closing fair value.

Financial assets held to maturity, unlisted equities for which the fair value cannot be valued 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 reserves for impairment.

The differences between the redemption value and the acquisition price are distributed actuarially as expenses (agio) 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.

Available-for-sale assets are valued at their fair value, and unrealised capital gains or losses are recorded in a separate line of shareholders' equity.

Investments representing unit-linked policies are valued at fair value through income, as an option.

### (f) Reserves for impairment

At each closing date, the Group looks for the existence of objective presumptions of impairment in its investments.

#### DEBT INSTRUMENTS CLASSIFIED AS AVAILABLE-FOR-SALE ASSETS

For debt instruments classified as available-for-sale assets, a loss of value is recognised through income in the event of a proven counterparty risk.

Impairments recognised on debt instruments are written back through income in the event of reduction or disappearance of the counterparty risk.

#### EQUITY INSTRUMENTS CLASSIFIED AS AVAILABLE-FOR-SALE ASSET

For equity instruments classified as available-for-sale assets, the Group has taken into account the clarifications made by the IFRS Interpretations Committee (IFRIC) in its July 2009 update on the notion of significant or prolonged decrease in paragraph 61 of IAS 39.

As at 31 December 2013, there is objective evidence of impairment in the following cases:

- the financial investment was already covered by a reserve at the previous published close; or
- a 50% discount is observed as at the closing date; or
- the financial investment has been in a continuous unrealised loss position with respect to its book value over the last 36 months prior to the closing date.

For the securities considered strategic securities detailed in the notes, held by the Group for the long term, characterised by the Group's representation on their governance bodies or significant, long-term contractual relations or a significant stake in the capital (in absolute or relative value), without significant influence being exerted, this reference period is 48 months.

Where such objective evidence of impairment is observed then the impairment amount corresponding to the difference between the acquisition cost and the fair value for that fiscal year, less any loss in value previously recognised through income, is automatically booked to income.

These criteria may undergo changes over time, by applying good judgement, in order to take account of changes in the environment in which they were postulated. This should allow for the handling of abnormal circumstances (such as a sharp and abnormal drop in net asset values on the balance sheet date).

In addition, in all other cases in which these thresholds are not reached, the Group identifies securities in its portfolio constantly presenting a significant unrealised capital loss over the last six months based on the volatility of the financial markets. For the thus separated securities the Group then carries out a review, based on its judgement, security by security, and decides whether to post an impairment through income.

In the event that the financial management of a line of securities is done in a comprehensive manner at the Group level, even when these securities are held by several entities, the determination of whether objective evidence of impairment exists can be done based on the Group's cost price.

The impairment recorded on a shareholders' equity instrument will only be reversed to income when the asset in question is sold.

#### INVESTMENTS VALUED AT AMORTISED COST

For investments valued at amortised cost, the amount of the reserve 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 reserves. The amount of the loss is included in the net income or loss for the fiscal year. The reserve may be written back through income.

### (g) Derecognition

Financial assets are derecognised when the contractual risks expire or the Group transfers the financial asset.

The gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of the securities carried by UCITS. The method used for UCITS 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 Investment property

The Group has chosen to recognise investment property using the cost method. It is valued using the component approach.

### (a) Initial recognition

Freehold land and property appear on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly attributable to the transaction, except in the specific case of investment property representing unit-linked commitments that may be posted, by discretion, to income at fair value.

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 investment property only if the latter is immaterial.

At the time of the initial recognition, property is subdivided by components and recorded separately.

The impairment periods applied by the Group for each component depend on the nature of the property under consideration and are as follows:

- building shell (impairment period between 30 and 120 years);
- building envelope (impairment period between 30 and 35 years);
- heavy equipment (impairment period between 20 and 25 years);
- secondary equipment, fixtures and fittings (impairment period between 10 and 15 years);
- maintenance (impairment period: 5 years).

### (b) Valuation

The cost of the property is the amount at which the property was recorded at the time of initial recognition, minus cumulative amortisation and impairment and corrected for any reserves for impairment. The acquisition cost of the property is dependent either on an outright acquisition, or on the acquisition of a company that owns the property. In the latter case, the cost of the property is equal to its fair value on the date of acquisition of the owner company.

Each component is identified by its duration and depreciation rate.

The residual value of the shell component cannot be valued 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 investment property is determined on the basis of the five-year independent appraisal conducted by an expert approved by domestic regulators (in France, the Autorité de Contrôle Prudentiel et de Résolution). During each five-year period, the property is subject to an annual appraisal certified by the expert.

### (c) Subsequent expenditure

Subsequent expenditure must be added to the book value of the property:

- if it is probable that these expenses will allow the asset to generate economic benefits;
- and these expenses can be reliably valued.

### (d) Reserves for impairment

On each closing date of its financial statements, the Group determines whether there is evidence of potential loss of value on property recorded at amortised cost. If this is the case, the realisable value of the property is calculated as being the higher of two values: the sale price net of sale costs and the value in use. If the recoverable value is less than the net book value, the Group recognises a loss of value in income for the difference between the two values, and the net book value is discounted to reflect only the recoverable value.

When the value of the property increases at a later time, the reserve for impairment is written back through income.

### (e) Derecognition

Gains or losses from the disposal of property investments are booked 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 requires a zero or low initial net investment compared with other instruments that react in the same way to market changes;
- it is settled at a future date.

All derivatives are recorded on the balance sheet at their fair value on the original date and following their subsequent revaluation. Changes in fair value are posted to income except for derivatives designated as cash flow hedges and net foreign investments.

## 3.3.2 Hedging derivatives

The use of hedge accounting is subject to obligations regarding documentation and periodic demonstration of the efficacy of the hedge.

Hedging derivatives are recorded at fair value with changes in the income statement, except for cash flow hedges and hedges of net foreign investments considered as effective, for which the changes in fair value are deferred into equity until the cash flows hedges are recognised in the income statement or when the foreign subsidiary is sold.

For a fair value hedge of an available-for-sale asset, the changes in fair value of the hedged item are recognised in income or loss so that they exactly offset the changes in the hedging derivative.

The ineffective portion of hedges is recognised in the income statement.

### 3.3.3 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 recognised 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.

## 3.4 Investments in related companies

Investments in related companies 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 particularly the income or losses as well as the change in fair value of financial assets in proportion to the investor's stake.

## 3.5 Non-current assets held for sale and discontinued activities

A non-current asset (or a group intended to be sold) is considered to be held for sale if its book value will be mainly recovered through a sale transaction rather than through continued use. In order for this to be the case, the asset (or the group intended to be sold) must be available for immediate sale in its current state, and its sale must be highly probable (within the next 12 months).

Non-current assets (or a group intended to be sold) classified as held for sale are valued at the lower value between the net book value and the fair value minus transfer costs. In case of an unrealised capital loss, impairment is recorded in income. In addition, non-current assets cease to be depreciated once they are reclassified as held-for-sale assets.

A discontinued activity is any component from which the entity is separated or that is classified as held for sale and is in one of the following situations:

- it constitutes a line of business or a major, separate geographical area; or
- it is part of a single, coordinated plan for disposal of a line of business or a major, separate geographical area; or
- it is a subsidiary acquired exclusively in order to be sold.

The following are presented on a particular line of the income statement:

- net income after taxes from discontinued activities until the transfer date;
- income or loss after taxes resulting from the disposal and valuation at fair value less the costs of the sale of the assets and liabilities constituting the discontinued activities.

## 3.6 Property plant and equipment

The Group has chosen to value operating property using the cost method. This property is presented on a line separate from Investment property as assets. The recognition and valuation method is identical to the method described for investment property.

Property plant and equipment other than operating property are initially recorded 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.

## 3.7 Operating receivables and payables, other assets and other liabilities

Operating receivables and other assets are recorded at face value, taking into account any 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.

Moreover, minority interests in fully consolidated UCITS are included in other liabilities. 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 liability is recognised through the income statement.

## 3.8 Cash and cash equivalents

Cash corresponds to available cash.

Cash equivalents are short-term liquid investments, easily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

## 3.9 Shareholders' equity

### 3.9.1 Revaluation reserve

The revaluation reserve contains the differences resulting from the revaluation at fair value of balance sheet items, particularly:

- the effects of the revaluation of derivatives assigned to cash flow hedges and net investments in currencies pursuant to IAS 21;
- 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 for available-for-sale financial assets;
- the cumulative impact of the deferred tax gain or loss generated by the transactions described above.

### 3.9.2 Other reserves

Other reserves consist of the following items:

- retained earnings;
- Group consolidation reserves;
- other regulated reserves;
- the impact of changes in accounting methods;
- equity instruments akin to TSS (deeply subordinated instruments) whose features allow recognition in shareholders' equity. Compensation for these instruments is treated like a dividend drawn from shareholders' equity.

### 3.9.3 Foreign exchange adjustments

Foreign exchange adjustments result from the consolidation process owing to the translation of statutory financial statements of foreign subsidiaries prepared in a currency other than the euro.

### 3.9.4 Minority interests

Minority interests represent the share in the net assets and net income 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 UCITS, refer to Note 3.11).

## 3.10 Contingent liabilities

Contingent liabilities are liabilities for which the due date or the amount is uncertain. A reserve 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 an outflow 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 reserve.

When the impact of the time value of the money is substantial, the amount of the reserves is discounted to the present value of the expected expenditures, which the Company believes necessary to discharge the obligation.

### 3.10.1 Personnel benefits

#### (a) Pension commitments

The Group's companies have different retirement 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 retirement scheme 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 top up the scheme in the event that the assets are not sufficient to pay, to all employees, the benefits due for services rendered during the current fiscal year and previous fiscal 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 schemes and similar schemes correspond to the discounted value of the obligation linked to the defined-benefit schemes at closing, after deducting the closing fair value of the scheme assets.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recognised directly in equity.

The costs of past services are immediately recognised in income, regardless of whether the rights are ultimately acquired in the event of a change of pension scheme.

With regard to defined-contribution schemes, the Group pays contributions to retirement insurance schemes and is not bound by any other payment commitment. The contributions are booked as expenses related to personnel 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.

In the absence of a specific IFRIC interpretation, commitments to purchase minority interests are recorded in financing debt at current fair value (strike price of the option). The cross-entry of these debts is recognised either in goodwill for put options granted before 1 January 2010 or as a reduction in shareholders' equity for put options contracted subsequent to this date.

◄ CONTENTS ►

### 3.11.1 Initial recognition

Financing debt is recognised when the Group becomes party to the contractual provisions of this debt. 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 debt.

### 3.11.2 Valuation rules

Financing debt is subsequently valued at amortised cost using the effective interest rate method.

### 3.11.3 Derecognition

Financing debt is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## 3.12 Technical operations

### 3.12.1 Classification and method of recognition

There are two categories of contract issued by the Group's insurance companies:

- 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.

#### (a) Insurance policies

An insurance policy is a contract under which one party (the insurer) accepts a significant insurance risk of another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. An insurance risk is a risk, other than a 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 subject to IFRS 4 continue to be maintained, with the exception of the equalisation reserves as defined by IFRS 4 which have been annulled, provided that the reserves thus established meet the solvency tests stipulated by international standards (see Note 3.12.2.c).

#### (b) Financial contracts

Contracts that do not meet the definition of insurance policy as described above are classified as financial contracts. Financial contracts are broken down into two categories: financial contracts with or 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 maturity of which is fully or partially at the discretion of the insurer and the valuation of which is based either on the performance of a set of contracts or a determined contract, either on the income or loss of the insurer, a fund, or any other entities having issued the contract or on realised and/or unrealised investment returns of 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 3.12.3.

### 3.12.2 Insurance policies under IFRS 4

#### (a) Non-life insurance policies

PREMIUMS

Written premiums represent the gross premiums, before reinsurance and tax, net of cancellations, reductions, rebates, of the change in premiums still to be written and of the change in premiums to be cancelled.

Written premiums adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

INSURANCE POLICY SERVICING EXPENSES

Non-life insurance policy servicing expenses mainly include benefits and expenses paid and the change in reserves for claims and other technical reserves.

Benefits and expenses paid relate to the claims settled net of claims receivable collected for the fiscal year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment for services.

TECHNICAL 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 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.

**Outstanding claims reserves**

The outstanding claims reserves represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the fiscal 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 outstanding claims reserves (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 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.

#### DEFERRED ACQUISITION COSTS

In non-life insurance, acquisition costs related to unearned premiums are deferred and recorded in assets on the balance sheet.

## (b) Life insurance policies and financial contracts with discretionary profit sharing

#### PREMIUMS

Written premiums represent the gross premiums, before reinsurance and tax, net of cancellations, reductions, rebates, of the change in premiums still to be written and of the change in premiums to be cancelled.

#### INSURANCE POLICY SERVICING EXPENSES

Servicing expenses for life insurance policies and financial contracts with discretionary profit sharing means:

- 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.

#### TECHNICAL 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 policyholders 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 underwriting value, before reinsurance and deferred acquisition costs.

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.

### Profit-sharing reserve

The profit-sharing reserve consists of a reserve for profit-sharing payable and potentially as a reserve for deferred profit sharing.

The reserve for payable profit sharing includes the identifiable amounts, from regulatory or contractual obligations, intended for the policyholders or beneficiaries of contracts in the form of 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 individual company and the consolidated financial statements;
- the reserve for conditional profit sharing, which relates to the difference in liabilities between the individual company statements and the consolidated financial statements, the payment of which depends on a management decision or the occurrence of an event.

In the particular case of restatement in the consolidated financial statements of the capitalisation reserve, a reserve for deferred profit sharing is determined when the Asset/Liability Management assumptions demonstrate a probable permanent write-back of the total capitalisation reserve. The Group recognised no deferred 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 policies, the effects of taking into account the unrealised gains and losses on financial assets valued at fair value. The resulting deferred profit sharing is recognised through the revaluation reserve or the income statement, depending on whether these gains and losses have been recognised in the 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 the past three years.

In case of an overall unrealised capital loss of the entity's asset portfolio, the Group records a deferred profit-sharing asset limited to the fraction of deferred profit sharing actually recoverable. A recoverability test based on the projected future performance of insurance portfolios is carried out. This test specifically includes unrealised capital gains on assets posted at amortised cost.

### Other technical reserves

*Overall management expenses reserve*

The management expenses reserve is established for all future contract management expenses not covered by mark-ups on premiums or by deductions on investment income provided for by them. This approach is carried out according to the grid of departmental categories.

#### DEFERRED ACQUISITION COSTS

Variable costs directly attributable to the acquisition of life insurance policies are recorded in assets in the consolidated financial statements. These amounts may not under any circumstances be greater than the present value of future income 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 lapse rate). Since these acquisition costs are capitalised, the actuarial reserves appearing on the balance sheet are presented as non-zillmerised.

Every year the expected present value of future margins by homogeneous product family is compared with the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, an extraordinary impairment charge is taken to the income statement.

The Group applies shadow accounting for deferred acquisition costs.

#### (c) Liabilities adequacy test

An adequacy test is performed at each balance sheet date for liabilities under IFRS 4, 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 values of business in force recorded at the time of business combinations or transfers of the related policies.

In case of inadequacy, the potential losses are recognised in full through income.

This test is performed at each balance sheet date and for each consolidated entity.

#### (d) Unit-linked policies under IFRS 4

Unit-linked policies under IFRS 4 are either insurance policies containing a significant insurance risk, such as a death risk, or financial contracts with discretionary profit sharing, for which the financial risk is assumed by the policyholder.

The technical reserves for unit-linked policies are valued at the market value of the unit of account at the inventory date.

#### (e) Embedded derivatives in insurance policies and financial contracts with discretionary profit sharing

Embedded derivatives are components of insurance policies that meet the definition of a derivative product.

If the same contract contains a financial component and an insurance component, the financial component is valued separately at fair value when it is not closely tied to the host contract or when the accounting standards do not require recognising all of the rights and obligations associated with the deposit component, in application of the provisions of IFRS 4. In other cases, the entire contract is treated as an insurance policy.

### 3.12.3 Financial contracts under IAS 39

Liabilities related to 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 booked on the balance sheet. Management charges and expenses for the contracts are recorded in income. Unearned income is deferred over the estimated life of the contract.

This category primarily includes unit-linked policies and indexed policies that do not meet the definition of insurance policies and financial contracts with discretionary profit sharing. Commitments under these policies are valued at the unit-linked fair value in inventory.

The additional costs directly related to management of the investments of a contract are booked 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 on income resulting from the management of investments, is amortised over the duration of this management and symmetrically with recognition of the corresponding income.

### 3.12.4 Reinsurance operations

#### (a) Inward reinsurance

Inward reinsurance is booked treaty by treaty without difference on the basis of an assessment of the business accepted. These operations are classified according to the same rules as those described for insurance policies or financial contracts in Note 3.12.1. In the absence of sufficient information from the outward reinsurer, estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the ceding and retroceding companies.

Securities used as hedges are recorded in the statement of commitments given and received.

#### (b) Outward reinsurance

Outward reinsurance is recognised in accordance with the terms of the various treaties and according to the same rules as described in Note 3.12.1 on insurance policies and financial contracts. A liabilities deposit is recorded for the amount of the corresponding asset received from outward reinsurers and retrocessionaires.

Securities from reinsurers (outward reinsurers and retrocessionaires) remitted as collateral are recorded in the statement of commitments given and received.

## 3.13 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 fiscal years. It appears as an asset or liability on the balance sheet as applicable.

Operations carried out by the Group may have positive or negative tax consequences other than those taken into consideration for calculating the payable tax. The result is tax assets or liabilities classified as deferred.

This is particularly the case when, because of completed transactions that are posted in either the individual company statements or only in the consolidated financial statements as restatements and eliminations of inter-company income 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 fiscal year are taxable only in the following fiscal year. These differences are classified as timing differences.

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.

All deferred tax liabilities are recognised. Deferred tax assets are recognised when their recovery is considered as “more probable than improbable”, *i.e.,* if it is likely that sufficient taxable income will be available in the future to offset the deductible timing differences. In general, a 3-year horizon is considered to be a reasonable period to assess whether the entity can recover the capitalised deferred tax. However, an impairment charge is booked against the deferred tax assets if their recoverability appears doubtful.

Deferred tax assets and liabilities are computed on the basis of tax rates (and tax regulations), which have been adopted as at the balance sheet date.

Deferred tax assets and liabilities are not discounted to present value.

## 3.14 Segment reporting

A business segment is a component of an entity whose operating income is regularly examined by the Group’s principal operational decision-makers in order to assess the segment’s performance and decide on the resources to allocate to it.

The Group is organised into three operational segments: insurance in France, insurance abroad, and banking and financial businesses. The banking and financial activity segment, which is also the subject of specific notes (Notes 9.1, 9.2, and 33.3), has been grouped with the insurance segment in France in order to create an overall operational segment entitled France.

The various activities of each segment are as follows:

#### LIFE AND HEALTH INSURANCE

The life and health insurance business covers the traditional life insurance business as well as personal injury (largely health risks, disability and long-term care).

#### PROPERTY AND CASUALTY INSURANCE

Property and casualty insurance covers, by default, all the Group’s other insurance businesses.

#### BANKING AND FINANCE BUSINESS

The banking and finance business relates to distribution of banking products, including fund management activities, real estate management, private equity and employee savings.

#### HOLDING COMPANY ACTIVITY

This mainly comprises income and expenses arising from managing the Group and holding the shares of the companies included in the Groupama SA scope of consolidation.

## 3.15 Costs by category

Management fees and commissions related to insurance business are classified according to their purpose, by applying allocation keys defined based on the structure and organisation of each of the insurance entities.

Expenses are classified into the following six purposes:

- acquisition costs;
- administrative costs;
- claims settlement costs;
- investment expenses;
- other technical expenses;
- non-technical expenses.

## NOTE 1 SEGMENT REPORTING

### Note 1.1 - Segment reporting by operating segment

#### Note 1.1.1 - Segment reporting by operating segment – Balance sheet

| *(in millions of euros)* | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | France | International | Total | France | International | Total |
| Intangible assets | 847 | 1,664 | 2,510 | 893 | 1,827 | 2,720 |
| Insurance business investments | 63,461 | 6,168 | 69,629 | 65,825 | 6,122 | 71,947 |
| Funds used in banking sector activities and investments of other activities | 3,265 | | 3,265 | 3,487 | | 3,487 |
| Investments in related companies | 877 | 176 | 1,053 | 882 | 157 | 1,039 |
| Share of outward reinsurers and retrocessionaires in liabilities related to insurance policies and financial contracts | 8,418 | 265 | 8,683 | 1,429 | 258 | 1,687 |
| Other assets | 4,498 | 943 | 5,441 | 4,338 | 937 | 5,275 |
| Assets held for sale and discontinued activities | | | | | | |
| Cash and cash equivalents | 431 | 384 | 815 | 1,335 | 456 | 1,791 |
| **CONSOLIDATED TOTAL ASSETS** | **81,796** | **9,601** | **91,397** | **78,189** | **9,757** | **87,946** |
| Contingent liabilities | 329 | 87 | 417 | 354 | 93 | 447 |
| Financing debt | 1,921 | | 1,921 | 1,923 | | 1,923 |
| Liabilities related to insurance policies | 44,805 | 5,080 | 49,886 | 42,276 | 5,270 | 47,546 |
| Liabilities related to financial contracts | 17,447 | 1,314 | 18,761 | 19,792 | 1,212 | 21,003 |
| Deferred profit-sharing liabilities | 281 | 47 | 328 | 199 | 5 | 204 |
| Resources of banking sector activities | 2,861 | | 2,861 | 3,120 | | 3,120 |
| Other liabilities | 12,966 | 388 | 13,354 | 9,580 | 409 | 9,989 |
| Liabilities of activities to be sold or discontinued | | | | | | |
| **TOTAL CONSOLIDATED LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY** | **80,610** | **6,917** | **87,527** | **77,244** | **6,989** | **84,233** |

### Note 1.1.2 - Segment reporting by operating segment – Income statement

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Earned premiums | 7,667 | 2,534 | 10,201 | 8,218 | 2,545 | 10,763 |
| Net banking income, net of cost of risk | 202 | | 202 | 231 | | 231 |
| Investment income | 2,068 | 267 | 2,335 | 2,179 | 275 | 2,453 |
| Investment expenses | (555) | (47) | (603) | (511) | (40) | (551) |
| Capital gains or losses from disposal of investments net of impairment and depreciation write-backs | 1,047 | 29 | 1,076 | 497 | (32) | 465 |
| Change in fair value of financial instruments recorded at fair value through income | 355 | 28 | 383 | 380 | 66 | 446 |
| Change in impairment on investments | (8) | (11) | (19) | (285) | 15 | (270) |
| **Total income from ordinary activities** | **10,775** | **2,799** | **13,574** | **10,708** | **2,829** | **13,538** |
| Insurance policy servicing expenses | (8,288) | (1,963) | (10,251) | (8,307) | (1,994) | (10,301) |
| Income on outward reinsurance | 1,041 | 202 | 1,244 | 1,194 | 329 | 1,523 |
| Expenses on outward reinsurance | (1,287) | (276) | (1,563) | (1,358) | (448) | (1,806) |
| Banking operating expenses | (200) | | (200) | (223) | | (223) |
| Policy acquisition costs | (882) | (418) | (1,300) | (964) | (423) | (1,387) |
| Administrative costs | (430) | (164) | (595) | (629) | (171) | (800) |
| Other current operating income and expenses | (550) | (59) | (609) | (259) | (60) | (318) |
| **CURRENT OPERATING INCOME** | **179** | **121** | **300** | **163** | **63** | **226** |
| Other operating income and expenses | (39) | (111) | (150) | 60 | (362) | 303 |
| **OPERATING INCOME** | **140** | **9** | **149** | **223** | **(299)** | **(76)** |
| Financing expenses | (93) | | (93) | (127) | | (128) |
| Share in income of related companies | (2) | (8) | (10) | (13) | 8 | (5) |
| Corporate income tax | 108 | (16) | 91 | (57) | (4) | (60) |
| **NET INCOME FROM CONTINUING ACTIVITIES** | **153** | **(15)** | **138** | **26** | **(295)** | **(269)** |
| Net income from discontinued activities | | | | (160) | (174) | (334) |
| **OVERALL NET INCOME** | **153** | **(15)** | **138** | **(134)** | **(469)** | **(603)** |
| of which, minority interests | 3 | | 3 | 19 | | 19 |
| **OF WHICH, NET INCOME (GROUP SHARE)** | **150** | **(15)** | **135** | **(153)** | **(469)** | **(622)** |

## Note 1.2 - Segment reporting by business

### Note 1.2.1 - Segment reporting by business – Balance sheet

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | Insurance | Banking | Inter-segment eliminations | Total | Insurance | Banking | Inter-segment eliminations | Total |
| Goodwill | 2,162 | 20 | | 2,182 | 2,214 | 20 | | 2,234 |
| Other intangible assets | 320 | 9 | | 329 | 473 | 13 | | 486 |
| Insurance business investments | 71,565 | 8 | (1,944) | 69,629 | 73,869 | | (1,923) | 71,947 |
| Funds used in banking sector activities and investments of other activities | | 3,287 | (22) | 3,265 | | 3,511 | (25) | 3,487 |
| Investments in related companies | 1,053 | | | 1,053 | 1,039 | | | 1,039 |
| Share of outward reinsurers and retrocessionaires in liabilities related to insurance policies and financial contracts | 8,854 | | (171) | 8,683 | 1,842 | | (155) | 1,687 |
| Other assets | 5,658 | 127 | (344) | 5,441 | 5,425 | 175 | (326) | 5,275 |
| Assets held for sale and discontinued activities | | | | | | | | |
| Cash and cash equivalents | 815 | 6 | (6) | 815 | 1,791 | 20 | (20) | 1,791 |
| **CONSOLIDATED TOTAL ASSETS** | **90,427** | **3,457** | **(2,487)** | **91,397** | **86,653** | **3,740** | **(2,448)** | **87,946** |
| Contingent liabilities | 396 | 21 | | 417 | 418 | 29 | | 447 |
| Financing debt | 3,213 | 27 | (1,320) | 1,920 | 3,212 | 27 | (1,316) | 1,923 |
| Liabilities related to insurance policies | 50,057 | | (171) | 49,886 | 47,705 | | (159) | 47,546 |
| Liabilities related to financial contracts | 18,761 | | | 18,761 | 21,003 | | | 21,003 |
| Deferred profit-sharing liabilities | 328 | | | 328 | 204 | | | 204 |
| Resources of banking sector activities | | 2,885 | (24) | 2,861 | | 3,165 | (45) | 3,120 |
| Other liabilities | 14,175 | 151 | (972) | 13,354 | 10,240 | 677 | (927) | 9,989 |
| Liabilities of activities to be sold or discontinued | | | | | | | | |
| **TOTAL CONSOLIDATED LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY** | **86,930** | **3,084** | **(2,487)** | **87,527** | **82,782** | **3,898** | **(2,448)** | **84,233** |

## Note 1.2.2 - Segment reporting by business – Income statement

| | 31.12.2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | France | | | | | International | | | | Total |
| *(in millions of euros)* | P&C | L&H | Banking | Holding | Total | P&C | L&H | Holding | Total | |
| **Earned premiums** | **3,227** | **4,441** | | | **7,667** | **1,785** | **749** | | **2,534** | **10,201** |
| **Net banking income, net of cost of risk** | | | **202** | | **202** | | | | | **202** |
| Investment income | 115 | 1,948 | | 5 | 2,068 | 118 | 146 | 2 | 267 | 2,335 |
| Investment expenses | (67) | (531) | | 43 | (555) | (32) | (15) | | (47) | (603) |
| Capital gains or losses from disposal of investments net of impairment and depreciation write-backs | 68 | 974 | | 6 | 1,047 | 33 | (4) | | 29 | 1,076 |
| Change in fair value of financial instruments recorded at fair value through income | 14 | 378 | | (37) | 355 | | 28 | | 28 | 383 |
| Change in impairment on investments | (1) | (2) | | (6) | (8) | (7) | (4) | | (11) | (19) |
| **TOTAL INCOME FROM ORDINARY ACTIVITIES** | **3,355** | **7,207** | **202** | **10** | **10,775** | **1,898** | **900** | **2** | **2,799** | **13,574** |
| Insurance policy servicing expenses | (2,281) | (6,007) | | | (8,288) | (1,235) | (728) | | (1,963) | (10,251) |
| Income on outward reinsurance | 514 | 527 | | | 1,041 | 194 | 8 | | 202 | 1,244 |
| Expenses on outward reinsurance | (739) | (548) | | | (1,287) | (269) | (7) | | (276) | (1,563) |
| Banking operating expenses | | | (200) | | (200) | | | | | (200) |
| Policy acquisition costs | (457) | (425) | | | (882) | (325) | (93) | | (418) | (1,300) |
| Administrative costs | (276) | (154) | | | (430) | (108) | (57) | | (164) | (595) |
| Other current operating income and expenses | (84) | (355) | 3 | (115) | (550) | (48) | (8) | (3) | (59) | (609) |
| **CURRENT OPERATING INCOME** | **32** | **246** | **6** | **(104)** | **179** | **107** | **15** | **(2)** | **121** | **300** |
| Other operating income and expenses | (9) | (23) | | (7) | (39) | (104) | (7) | | (111) | (150) |
| **OPERATING INCOME** | **22** | **223** | **6** | **(111)** | **140** | **3** | **8** | **(2)** | **9** | **149** |
| Financing expenses | (1) | (1) | | (91) | (93) | | | | | (93) |
| Share in income of related companies | (7) | 5 | | | (2) | (8) | | | (8) | (10) |
| Corporate income tax | (7) | 32 | (3) | 86 | 108 | (21) | 5 | | (16) | 91 |
| **NET INCOME FROM CONTINUING ACTIVITIES** | **9** | **259** | **2** | **(117)** | **153** | **(26)** | **13** | **(2)** | **(15)** | **138** |
| Net income from discontinued activities | | | | | | | | | | |
| **TOTAL NET INCOME** | **9** | **259** | **2** | **(117)** | **153** | **(26)** | **13** | **(2)** | **(15)** | **138** |
| of which, minority interests | | 2 | | | 3 | | | | | 3 |
| **OF WHICH, NET INCOME (GROUP SHARE)** | **9** | **256** | **2** | **(117)** | **150** | **(26)** | **13** | **(2)** | **(15)** | **135** |

| | 31.12.2012 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | France | | | | | International | | | | Total |
| *(in millions of euros)* | P&C | L&H | Banking | Holding | Total | P&C | L&H | Holding | Total | |
| **Earned premiums** | **3,259** | **4,959** | | | **8,218** | **1,825** | **721** | | **2,545** | **10,763** |
| **Net banking income, net of cost of risk** | | | **231** | | **231** | | | | | **231** |
| Investment income | 136 | 2,033 | | 9 | 2,179 | 116 | 157 | 2 | 275 | 2,453 |
| Investment expenses | (74) | (466) | | 28 | (511) | (28) | (11) | | (40) | (551) |
| Capital gains or losses from disposal of investments net of impairment and depreciation write-backs | 83 | 438 | | (24) | 497 | (2) | (30) | | (32) | 465 |
| Change in fair value of financial instruments recorded at fair value through income | 8 | 411 | | (39) | 380 | 8 | 58 | | 66 | 446 |
| Change in impairment on investments | (12) | (272) | | (1) | (285) | 16 | (1) | | 15 | (270) |
| **TOTAL INCOME FROM ORDINARY ACTIVITIES** | **3,401** | **7,103** | **231** | **(27)** | **10,708** | **1,935** | **893** | **2** | **2,829** | **13,538** |
| Insurance policy servicing expenses | (2,368) | (5,939) | | | (8,307) | (1,228) | (766) | | (1,994) | (10,301) |
| Income on outward reinsurance | 912 | 282 | | | 1,194 | 322 | 8 | | 329 | 1,523 |
| Expenses on outward reinsurance | (1,068) | (289) | | | (1,358) | (440) | (8) | | (448) | (1,806) |
| Banking operating expenses | | | (223) | | (223) | | | | | (223) |
| Policy acquisition costs | (453) | (511) | | | (964) | (327) | (95) | | (423) | (1,387) |
| Administrative costs | (261) | (368) | | | (629) | (113) | (58) | | (171) | (800) |
| Other current operating income and expenses | (103) | (37) | 3 | (121) | (259) | (50) | (6) | (4) | (60) | (318) |
| **CURRENT OPERATING INCOME** | **60** | **240** | **11** | **(148)** | **163** | **98** | **(33)** | **(2)** | **63** | **226** |
| Other operating income and expenses | 85 | (21) | | (4) | 60 | (54) | (9) | (299) | (362) | (302) |
| **OPERATING INCOME** | **145** | **219** | **11** | **(152)** | **223** | **44** | **(42)** | **(301)** | **(299)** | **(76)** |
| Financing expenses | (1) | (1) | | (126) | (127) | | | | | (128) |
| Share in income of related companies | (8) | (5) | | | (13) | 8 | | | 8 | (5) |
| Corporate income tax | (70) | (45) | (6) | 64 | (57) | (36) | 32 | | (4) | (60) |
| **NET INCOME FROM CONTINUING ACTIVITIES** | **66** | **168** | **6** | **(214)** | **26** | **16** | **(10)** | **(301)** | **(295)** | **(269)** |
| Net income from discontinued activities | | | | (160) | (160) | (2) | 2 | (174) | (174) | (334) |
| **OVERALL NET INCOME** | **66** | **168** | **6** | **(374)** | **(134)** | **14** | **(8)** | **(475)** | **(469)** | **(603)** |
| of which, minority interests | 7 | 12 | | | 19 | | | | | 19 |
| **OF WHICH, NET INCOME (GROUP SHARE)** | **59** | **156** | **6** | **(374)** | **(153)** | **14** | **(8)** | **(475)** | **(469)** | **(622)** |

## NOTE 2 GOODWILL

| *(in millions of euros)* | 31.12.2013 Gross value | Impairment | Foreign exchange adjustment | Net value | 31.12.2012 Net value |
|---|---|---|---|---|---|
| **OPENING VALUE** | **3,040** | **(581)** | **(226)** | **2,234** | **2,950** |
| **Newly consolidated entities** | | | | | |
| **Eliminations from the scope of consolidation** | | | | | **(439)** |
| Central and Eastern European countries | | | (4) | (4) | (252) |
| Turkey | | | (46) | (46) | 8 |
| United Kingdom | | | (2) | (2) | (25) |
| Greece | | | | | (9) |
| **Other changes during the fiscal year** | | | **(52)** | **(52)** | **(278)** |
| **CLOSING VALUE** | **3,040** | **(581)** | **(278)** | **2,182** | **2,234** |

The grouping within a single cash-generating unit for all countries of Central and Eastern Europe is explained by common tools and a common platform as well as centralised management bancassurance agreements.

### Other changes during the fiscal year

The only changes that affected goodwill on the balance sheet were exchange-rate differences.

### Impairment test

Goodwill is tested for impairment at least once a year. This test is carried out at the level of the cash-generating unit.

As for those insurance entities acquired during the fiscal year where no index on loss in value exists, no impairment test is carried out. Nevertheless, an internal audit is conducted on a simplified basis so as to link in to the purchase price.

Each cash-generating unit provides its underwriting income forecasts calculated based on an estimated increase in premium income and a target combined ratio for the plan period. These assumptions are adapted on the basis of past experience and external constraints imposed by the local market (competition, regulation, market shares, etc.). Financial assumptions (discount rate and yield rate) are fixed by the Group and used to determine the financial income forecasts and discounted cash flows.

The benchmark value in use applied to justify impairment tests corresponds to the current value of future cash flows to be generated by this cash-generating unit.

As a general rule, the flows used correspond to:

- an explicit period based on the Group's operational strategic planning in the early years. This is subject to an iterative discussion process between local management and the Group;
- beyond the explicit horizon, the cash flow column is completed by a terminal value. This terminal value is based on long-term growth assumptions applied to an updated projection of normative cash flows.

In mature countries, the explicit life insurance period is generally 10 years, and 6 years for non-life insurance. It may be extended over a longer period (which may be 10 or 15 years) for emerging countries. In effect, this period is necessary for the market to attain a sufficient level of maturity for the normative cash flow to be representative of recurring long-term performance.

The discount rates are set based on risk-free rates for each country, plus a risk premium specific to the insurance business itself.

The rate thus applied in the major countries of Western and Southern Europe, excluding Greece, is 8%. Despite the current crisis, the use of such a rate by the countries of Western and Southern Europe is deemed relevant. The tightening measures applied by countries not part of the support plan will lead to a reassessment of their situation, which could be captured in the yield curves.

For emerging countries, the yield curve used takes into account a higher explicit risk premium and then incorporates future changes in the country's macroeconomic situation and the expected higher level of maturity in these economies. This is particularly the case for the "new countries" of the European Union, which are assumed to have a strong possibility of joining the eurozone.

With regard to Hungary, the yield curve used falls within a bracket of 13 to 14% up to 2016, converging in the medium term at approximately 9%.

Regarding Romania, the yield curve used falls within a bracket of 14 to 16% up to 2017, converging in the medium term at approximately 12.5%.

In Turkey, the yield curve shows a profile similar to that of Romania, but with a shift in the medium term towards 12%, with rates sitting slightly above 14% in the first two years.

As for Greece, despite the subsidiary's good performance indicators (income, level of activity), the general context in Greece creates some uncertainty with regard to future cash flows. In view of this specific situation, the discount rate for all modelled cash flows was maintained at 14%, in order to take this uncertainty into account. The rate of return on assets was also adjusted to take into account the accrued risk premium.

The growth rate applied for valuation after the explicit period depends on market maturity. It is based on indicators resulting from strategic studies. The rates used for Western and Southern European mature markets are within the 1% to 3% bracket. In the emerging markets with a low insurance penetration level this rate may be up to 5%.

Legal reforms, such as the end of the automatic renewal scheme for certain contracts in Italy as well as the perenniality of the tax on insurance activities in Hungary, have been incorporated into future cash flow projections.

Applying these impairment tests did not result in any additional devaluation of goodwill as at 31 December 2013.

Ex-post comparative analyses of business plan data and actual data for the main income statement totals (combined ratio, underwriting income etc.) have been carried out and have not had any impact on the impairment tests.

Sensitivity tests have been carried out on the value in use applied, with the following change assumptions:

- rise of 100 basis points in the discount rate; and
- decline of 50 basis points in the long-term rate of growth.

For the goodwill of the CGU in countries of Central and Eastern Europe, a combined increase of 100 basis points in the discount rate and yield rate would lead to a need for additional coverage of €27 million (while a lowering by 100 basis points would result in a positive coverage effect of €38 million).

On this same CGU, the sensitivity test on the long-term growth rate would also result in a negative coverage effect of €19 million if it fell by 50 basis points (it would be in excess of €23 million with an increase of 50 basis points).

For the goodwill of the CGU of the Greek subsidiary, Groupama Phoenix, an increase of 100 basis points in the discount rate would lead to a loss in value of €6 million (while a lowering of the discount rate by 100 basis points would result in a surplus of €18 million). The sensitivity test on the long-term growth rate would not have a particularly significant impact (around €3 million).

The simultaneous occurrence of all adverse or favourable scenarios would have an impact nearly identical to the accumulation of impacts taken in isolation.

Sensitivity tests on other cash-generating units would not result in any impairment, other than for the subsidiaries Gan Assurances and Groupama Assicurazioni (Italy), where a joint rise in the discount rate and yield rate of 100 basis points would cause a shortfall of €10 million and €5 million respectively.

## Note 2.1 - Goodwill – Broken down by cash-generating unit

| | 31.12.2013 | | | |
|---|---|---|---|---|
| *(in millions of euros)* | Gross value | Impairment | Foreign exchange adjustment | Net value |
| Countries of Central and Eastern Europe | 1,026 | (502) | (164) | 360 |
| Italy | 781 | | | 781 |
| Turkey | 262 | | (81) | 181 |
| United Kingdom | 142 | (31) | (33) | 78 |
| Greece | 131 | (48) | | 83 |
| **Total International** | **2,342** | **(581)** | **(278)** | **1,483** |
| Groupama Gan Vie | 470 | | | 470 |
| Gan Assurances | 196 | | | 196 |
| Financial businesses, property and other insurance companies | 32 | | | 32 |
| **Total France and Overseas** | **698** | | | **698** |
| **CLOSING VALUE** | **3,040** | **(581)** | **(278)** | **2,182** |

| | 31.12.2012 | | | |
|---|---|---|---|---|
| *(in millions of euros)* | Gross value | Impairment | Foreign exchange adjustment | Net value |
| Countries of Central and Eastern Europe | 1,026 | (502) | (160) | 365 |
| Italy | 781 | | | 781 |
| Turkey | 262 | | (35) | 227 |
| United Kingdom | 142 | (31) | (31) | 80 |
| Greece | 131 | (48) | | 83 |
| **Total International** | **2,342** | **(581)** | **(226)** | **1,536** |
| Groupama Gan Vie | 470 | | | 470 |
| Gan Assurances | 196 | | | 196 |
| Financial businesses, property and other insurance companies | 32 | | | 32 |
| **Total France and Overseas** | **698** | | | **698** |
| **CLOSING VALUE** | **3,040** | **(581)** | **(226)** | **2,234** |

It should also be recalled that in the 2009 to 2012 fiscal years, the Group devalued goodwill by €581 million for the following cash-generating units:

- €502 million for central and eastern Europe, of which: €113 million in 2009 corresponding to start-up risk in the emerging countries of Eastern Europe where the OTP Bank group is active, €79 million in 2010, €51 million in 2011 and €260 million in 2012;
- Greece: €39 million in 2011 and €9 million in 2012;
- United Kingdom: €30 million for the brokerage firm Bollington in 2012.

## NOTE 3 OTHER INTANGIBLE ASSETS

| *(in millions of euros)* | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | **Intangible assets related to insurance business** | **Other intangible assets** | **Total** | **Intangible assets related to insurance business** | **Other intangible assets** | **Total** |
| **Opening gross value** | **531** | **1,033** | **1,564** | **641** | **977** | **1,618** |
| Increase | 5 | 64 | 69 | | 103 | 103 |
| Decrease | (5) | (16) | (21) | (58) | (30) | (88) |
| Foreign exchange adjustments | (24) | (2) | (26) | 10 | 2 | 12 |
| Change in scope of consolidation | | 3 | 3 | (62) | (19) | (81) |
| **Closing gross value** | **507** | **1,082** | **1,589** | **531** | **1,033** | **1,564** |
| **Opening cumulative amortisation & impairment** | **(222)** | **(795)** | **(1,017)** | **(214)** | **(703)** | **(917)** |
| Increase | (31) | (109) | (140) | (36) | (114) | (150) |
| Decrease | | 7 | 7 | 26 | 5 | 31 |
| Foreign exchange adjustments | 19 | 1 | 20 | (6) | (1) | (7) |
| Change in scope of consolidation | | (2) | (2) | 8 | 18 | 26 |
| **Closing cumulative amortisation & impairment** | **(234)** | **(898)** | **(1,132)** | **(222)** | **(795)** | **(1,017)** |
| **Opening cumulative long-term impairment** | **(61)** | | **(61)** | **(71)** | **(4)** | **(75)** |
| Long-term impairment recognised | (72) | | (72) | | | |
| Long-term impairment write-backs | | | | 11 | 4 | 15 |
| Foreign exchange adjustments | 4 | | 4 | (1) | | (1) |
| Change in scope of consolidation | | | | | | |
| **Closing cumulative long-term impairment** | **(129)** | | **(129)** | **(61)** | **0** | **(61)** |
| **OPENING NET VALUE** | **248** | **238** | **486** | **356** | **270** | **626** |
| **CLOSING NET VALUE** | **144** | **184** | **328** | **248** | **238** | **486** |

The Group's intangible assets can be split into two groups:

- intangible assets related to insurance business;
- other intangible assets.

### Intangible assets related to insurance business

Intangible assets related to insurance business primarily correspond to values in force, values of the distribution networks, values of customer relationships and brands.

Impairment of values in force totalled €31 million as at 31 December 2013, compared with €36 million at 31 December 2012. The end of the automatic renewal system in Italy as well as the perenniality of the tax on insurance activities in Hungary led to a revision of the assumptions initially used to recognise these values in force, as a result of which an additional impairment of intangible assets was posted for €59 million and €13 million respectively.

### Other intangible assets

Other intangible assets consist primarily of software acquired and developed internally.

They also include €13 million as the estimated recoverable amount of the termination compensation provided for in Article 26 of the law of 9 November 2010 on retirement reform.

### Note 3.1 - Other intangible assets – by operating segment

| | 31.12.2013 | | | | | | 31.12.2012 | |
|---|---|---|---|---|---|---|---|---|
| | Intangible assets related to insurance business | | Other intangible assets | | Total | | Total | |
| *(in millions of euros)* | France | International | France | International | France | International | France | International |
| **Closing gross value** | **2** | **505** | **927** | **155** | **929** | **660** | **891** | **673** |
| Closing cumulative amortisation & impairment | | (234) | (780) | (117) | (780) | (351) | (696) | (321) |
| Closing cumulative long-term impairment | (1) | (128) | | | (1) | (128) | (1) | (61) |
| **Amortisation and reserves** | **(1)** | **(362)** | **(780)** | **(117)** | **(781)** | **(479)** | **(697)** | **(382)** |
| **NET BOOK VALUE** | **1** | **143** | **147** | **38** | **148** | **181** | **194** | **291** |

## NOTE 4 INVESTMENT PROPERTY, EXCLUDING UNIT-LINKED INVESTMENTS

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Property | SCI units | Total | Property | SCI units | Total |
| **Opening gross value** | **1,264** | **87** | **1,351** | **1,423** | **217** | **1,640** |
| Acquisitions | 23 | 2 | 25 | 13 | 2 | 15 |
| Change in scope of consolidation | | | | (124) | (106) | (230) |
| Subsequent expenditure | | | | | | |
| Assets capitalised in the year | 7 | | 7 | 12 | | 12 |
| Transfer from/to unit-linked property | | | | | | |
| Transfer from/to operating property | 8 | | 8 | 113 | | 113 |
| Foreign exchange adjustments | (1) | | (1) | 1 | | 1 |
| Outward reinsurance | (63) | (4) | (67) | (151) | (26) | (177) |
| Other | | | | (23) | | (23) |
| Closing gross value | 1,238 | 85 | 1,323 | 1,264 | 87 | 1,351 |
| **Opening cumulative amortisation & impairment** | **(248)** | | **(248)** | **(295)** | | **(295)** |
| Increase | (21) | | (21) | (34) | | (34) |
| Change in scope of consolidation | | | | 26 | | 26 |
| Transfer from/to unit-linked property | | | | | | |
| Transfer from/to operating property | | | | (16) | | (16) |
| Decrease | 11 | | 11 | 48 | | 48 |
| Other | | | | 23 | | 23 |
| **Closing cumulative amortisation & impairment** | **(258)** | | **(258)** | **(248)** | | **(248)** |
| **Opening cumulative long-term impairment** | **(6)** | | **(6)** | **(4)** | | **(4)** |
| Long-term impairment recognised | (4) | | (4) | (5) | | (5) |
| Change in scope of consolidation | | | | | | |
| Long-term impairment write-backs | | | | 3 | | 3 |
| **Closing cumulative long-term impairment** | **(10)** | | **(10)** | **(6)** | | **(6)** |
| **OPENING NET VALUE** | **1,010** | **87** | **1,097** | **1,124** | **217** | **1,341** |
| **CLOSING NET VALUE** | **970** | **85** | **1,055** | **1,010** | **87** | **1,097** |
| **CLOSING FAIR VALUE OF INVESTMENT PROPERTY** | **2,316** | **174** | **2,490** | **2,363** | **171** | **2,534** |
| **UNREALISED CAPITAL GAINS** | **1,346** | **89** | **1,435** | **1,353** | **84** | **1,437** |

◄ CONTENTS ►

We recall that the changes in the scope of consolidation at 31 December 2012 arose from the disposal of businesses both in France (Gan Eurocourtage) and abroad (Spain) as well as the disposal of two OPCIs (real estate mutual funds).

The realisation of unrealised capital gains on property representing life insurance commitments would give rise to rights in favour of policy beneficiaries as well as taxation.

Unrealised gains accruing to the Group, including property operating activities (see Note 5), amount to €382 million as at 31 December 2013 (net of profit sharing and tax), compared with €422 million as at 31 December 2012.

The table also shows property under leasing contracts for an amount at the net book value of €37 million as at 31 December 2013, compared to €39 million as at 31 December 2012. The fair value of this property is estimated at €51 million (*i.e.,* unrealised capital gains of €14 million as at 31 December 2013, compared with €13 million as at 31 December 2012).

As per the fair value hierarchy established in IFRS 13, the fair value of investment property is ranked as Level 2 for an amount of €2,403 million, and Level 3 for an amount of €87 million. The Level 2 investment property comprises mainly property located in Paris or the Greater Paris region, whose fair value is based on observable data.

## Note 4.1 - Investment property – by operating segment

| | 31.12.2013 | | | | | | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Property | | | SCI units | | | Property | | | SCI units | | |
| *(in millions of euros)* | France | International | Total | France | International | Total | France | International | Total | France | International | Total |
| **Gross value** | **1,181** | **57** | **1,238** | **85** | | **85** | **1,195** | **69** | **1,264** | **87** | | **87** |
| Cumulative amortisation & impairment | (241) | (17) | (257) | | | | (231) | (17) | (248) | | | |
| Long-term impairment | (2) | (8) | (10) | | | | (1) | (5) | (6) | | | |
| **Closing net value** | **938** | **32** | **970** | **85** | | **85** | **963** | **47** | **1,010** | **87** | | **87** |
| **Closing fair value of investment property** | **2,260** | **56** | **2,316** | **174** | | **174** | **2,281** | **82** | **2,363** | **171** | | **171** |
| **UNREALISED CAPITAL GAINS** | **1,322** | **24** | **1,346** | **89** | | **89** | **1,318** | **35** | **1,353** | **84** | | **84** |

## Note 4.2 - Investment property by business

### Note 4.2.1 - Investment property by business – France

| | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | **930** | **251** | **1,181** | **63** | **22** | **85** |
| Cumulative amortisation & impairment | (188) | (53) | (241) | | | |
| Long-term impairment | (1) | (1) | (2) | | | |
| **Closing net value** | **741** | **197** | **938** | **63** | **22** | **85** |
| **Closing fair value of investment property** | **1,811** | **449** | **2,260** | **110** | **64** | **174** |
| **UNREALISED CAPITAL GAINS** | **1,070** | **252** | **1,322** | **47** | **42** | **89** |

| | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | **941** | **254** | **1,195** | **65** | **22** | **87** |
| Cumulative amortisation & impairment | (181) | (50) | (231) | | | |
| Long-term impairment | (1) | | (1) | | | |
| **Closing net value** | **760** | **203** | **963** | **65** | **22** | **87** |
| **Closing fair value of investment property** | **1,822** | **459** | **2,281** | **109** | **63** | **171** |
| **UNREALISED CAPITAL GAINS** | **1,062** | **256** | **1,318** | **43** | **41** | **84** |

### Note 4.2.2 - Investment property by business – International

| | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | **33** | **23** | **57** | | | |
| Cumulative amortisation & impairment | (11) | (5) | (17) | | | |
| Long-term impairment | (5) | (3) | (8) | | | |
| **Closing net value** | **18** | **15** | **32** | | | |
| **Closing fair value of investment property** | **29** | **27** | **56** | | | |
| **UNREALISED CAPITAL GAINS** | **12** | **12** | **24** | | | |

| | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | **32** | **38** | **69** | | | |
| Cumulative amortisation & impairment | (11) | (6) | (17) | | | |
| Long-term impairment | (3) | (2) | (5) | | | |
| **Closing net value** | **18** | **29** | **47** | | | |
| **Closing fair value of investment property** | **35** | **47** | **82** | | | |
| **UNREALISED CAPITAL GAINS** | **17** | **18** | **35** | | | |

CONTENTS

## NOTE 5 OPERATING PROPERTY

| *(in millions of euros)* | 31.12.2013 Property | 31.12.2013 SCI units | 31.12.2013 Total | 31.12.2012 Property | 31.12.2012 SCI units | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Opening gross value** | **680** | **12** | **692** | **908** | **12** | **921** |
| Acquisitions | 58 | | 58 | 1 | | 1 |
| Change in scope of consolidation | | | | (71) | | (71) |
| Assets capitalised in the year | 1 | | 1 | 3 | | 3 |
| Transfer from/to investment property | (9) | | (9) | (113) | | (113) |
| Foreign exchange adjustments | (1) | | (1) | 1 | | 1 |
| Outward reinsurance | (2) | (1) | (3) | (3) | | (3) |
| Other | | | | (46) | | (46) |
| **Closing gross value** | **727** | **11** | **738** | **680** | **12** | **692** |
| **Opening cumulative amortisation & impairment** | **(78)** | | **(78)** | **(144)** | | **(144)** |
| Increase | (16) | | (16) | (14) | | (14) |
| Change in scope of consolidation | | | | 12 | | 12 |
| Transfer from/to investment property | | | | 16 | | 16 |
| Decrease | 1 | | 1 | 6 | | 6 |
| Other | | | | 46 | | 46 |
| **Closing cumulative amortisation & impairment** | **(93)** | | **(93)** | **(78)** | | **(78)** |
| **Opening cumulative long-term impairment** | | | | | | |
| Long-term impairment recognised | | | | | | |
| Change in scope of consolidation | | | | | | |
| Long-term impairment write-backs | | | | | | |
| **Closing cumulative long-term impairment** | | | | | | |
| **OPENING NET VALUE** | **602** | **12** | **614** | **764** | **12** | **776** |
| **CLOSING NET VALUE** | **634** | **11** | **645** | **602** | **12** | **614** |
| **CLOSING FAIR VALUE OF OPERATING PROPERTY** | **817** | **17** | **834** | **824** | **16** | **840** |
| **UNREALISED CAPITAL GAINS** | **183** | **6** | **189** | **222** | **4** | **226** |

We recall that the changes in the scope of consolidation at 31 December 2012 arose from the disposal of businesses both in France (Gan Eurocourtage) and abroad (Spain).

## Note 5.1 - Operating property – by operating segment

| *(in millions of euros)* | 31.12.2013 | | | | | | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Property | | | SCI units | | | Property | | | SCI units | | |
| | France | International | Total | France | International | Total | France | International | Total | France | International | Total |
| **Gross value** | 612 | 114 | 727 | 11 | | 11 | 617 | 64 | 681 | 12 | | 12 |
| Cumulative amortisation & impairment | (84) | (8) | (93) | | | | (70) | (8) | (78) | | | |
| Long-term impairment | | | | | | | | | | | | |
| **Closing net value** | 528 | 106 | 634 | 11 | | 11 | 547 | 55 | 602 | 11 | | 11 |
| **Closing fair value of operating property** | 712 | 105 | 817 | 17 | | 17 | 759 | 65 | 824 | 16 | | 16 |
| **UNREALISED CAPITAL GAINS** | 184 | (1) | 183 | 6 | | 6 | 212 | 10 | 222 | 5 | | 5 |

## Note 5.2 - Operating property by business

### Note 5.2.1 - Operating property by business – France

| *(in millions of euros)* | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | 519 | 93 | 612 | 6 | 5 | 11 |
| Cumulative amortisation & impairment | (70) | (14) | (84) | | | |
| Long-term impairment | | | | | | |
| **Closing net value** | 449 | 79 | 528 | 6 | 5 | 11 |
| **Closing fair value of operating property** | 532 | 179 | 712 | 9 | 8 | 17 |
| **UNREALISED CAPITAL GAINS** | 83 | 100 | 184 | 3 | 3 | 6 |

| *(in millions of euros)* | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | 523 | 94 | 617 | 6 | 6 | 12 |
| Cumulative amortisation & impairment | (59) | (11) | (70) | | | |
| Long-term impairment | | | | | | |
| **Closing net value** | 464 | 83 | 547 | 6 | 6 | 12 |
| **Closing fair value of operating property** | 585 | 174 | 759 | 8 | 8 | 16 |
| **UNREALISED CAPITAL GAINS** | 121 | 91 | 212 | 2 | 2 | 5 |

### Note 5.2.2 - Operating property by business – International

| | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | **49** | **66** | **114** | | | |
| Cumulative amortisation & impairment | (3) | (5) | (8) | | | |
| Long-term impairment | | | | | | |
| **Closing net value** | **45** | **60** | **106** | | | |
| **Closing fair value of operating property** | **46** | **59** | **105** | | | |
| **UNREALISED CAPITAL GAINS** | **1** | **(1)** | **(1)** | | | |

| | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|
| | Property | | | SCI units | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total |
| **Gross value** | **24** | **40** | **64** | | | |
| Cumulative amortisation & impairment | (3) | (5) | (8) | | | |
| Long-term impairment | | | | | | |
| **Closing net value** | **20** | **35** | **56** | | | |
| **Closing fair value of operating property** | **26** | **39** | **65** | | | |
| **UNREALISED CAPITAL GAINS** | **6** | **4** | **10** | | | |

## NOTE 6 FINANCIAL INVESTMENTS (EXCLUDING UNIT-LINKED ITEMS)

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| *(in millions of euros)* | Net value | Net value |
| Assets valued at fair value | 61,167 | 65,345 |
| Assets valued at amortised cost | 1,166 | 853 |
| **TOTAL FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEM** | **62,333** | **66,198** |

Total financial investments (excluding real estate, unit-linked items, and derivatives) as at 31 December 2013 were €62.333 million, marking a decrease of €3,865 million *versus* 31 December 2012. This decline can be largely explained by a very clear reduction in the bond repurchase activity.

## Note 6.1 - Investments valued at fair value – by operating segment

| | 31.12.2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value [1] | | | Gross unrealised capital gains (losses) | | |
| *(in millions of euros)* | France | International | Total | France | International | Total | France | International | Total |
| **Available-for-sale assets** | | | | | | | | | |
| Equities and other variable-income investments | 3,163 | 198 | 3,361 | 3,642 | 252 | 3,894 | 479 | 54 | 533 |
| Bonds and other fixed-income investments | 40,965 | 4,254 | 45,219 | 42,536 | 4,465 | 47,001 | 1,571 | 211 | 1,782 |
| Other investments | 5 | | 5 | 5 | | 5 | | | |
| **Total available-for-sale assets** | **44,133** | **4,452** | **48,585** | **46,183** | **4,717** | **50,900** | **2,050** | **265** | **2,315** |
| **Assets held for trading** | | | | | | | | | |
| Equities and other variable-income investments classified as “trading” | 6 | | 6 | 6 | | 6 | | | |
| Equities and other variable-income investments classified as “held for trading” | 625 | 140 | 765 | 625 | 140 | 765 | | | |
| Bonds and other fixed-income investments classified as “trading” | 176 | | 176 | 176 | | 176 | | | |
| Bonds and other fixed-income investments classified as “held for trading” | 1,908 | 55 | 1,963 | 1,908 | 55 | 1,963 | | | |
| Cash UCITS classified as “trading” | 6,265 | 24 | 6,289 | 6,265 | 24 | 6,289 | | | |
| Cash UCITS classified as “held for trading” | 916 | 150 | 1,066 | 916 | 150 | 1,066 | | | |
| Other investments classified as “trading” | | | | | | | | | |
| Other investments classified as “held for trading” | 2 | | 2 | 2 | | 2 | | | |
| **Total assets held for trading** | **9,898** | **369** | **10,267** | **9,898** | **369** | **10,267** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **54,031** | **4,821** | **58,852** | **56,081** | **5,086** | **61,167** | **2,050** | **265** | **2,315** |

*(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

As at 31 December 2013, capital gains that were unrealised but recognised for accounting purposes through equity (revaluation reserves) as investment assets available-for-sale and through income as trading investment assets were €2,315 million and €153 million, respectively, compared with €2,624 million and €113 million as at 31 December 2012.

The Group has significantly reduced its bond repurchase activity. As at 31 December 2013, the amount in question was €1,775 million, compared to €5,091 million as at 31 December 2012. The cash from these repurchase agreements is invested in specific funds held directly.

| | 31.12.2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value (1) | | | Gross unrealised capital gains (losses) | | |
| *(in millions of euros)* | France | International | Total | France | International | Total | France | International | Total |
| **Available-for-sale assets** | | | | | | | | | |
| Equities and other variable-income investments | 3,672 | 234 | 3,906 | 4,073 | 239 | 4,312 | 401 | 5 | 406 |
| Bonds and other fixed-income investments | 37,459 | 4,330 | 41,789 | 39,462 | 4,545 | 44,007 | 2,003 | 215 | 2,218 |
| Other investments | 10 | | 10 | 10 | | 10 | | | |
| **Total available-for-sale assets** | **41,141** | **4,564** | **45,705** | **43,545** | **4,784** | **48,329** | **2,404** | **220** | **2,624** |
| **Assets held for trading** | | | | | | | | | |
| Equities and other variable-income investments classified as "trading" | 6 | | 6 | 6 | | 6 | | | |
| Equities and other variable-income investments classified as "held for trading" | 698 | 142 | 840 | 698 | 142 | 840 | | | |
| Bonds and other fixed-income investments classified as "trading" | 174 | 1 | 175 | 174 | 1 | 175 | | | |
| Bonds and other fixed-income investments classified as "held for trading" | 2,365 | 46 | 2,411 | 2,365 | 46 | 2,411 | | | |
| Cash UCITS classified as "trading" | 9,054 | 14 | 9,068 | 9,054 | 14 | 9,068 | | | |
| Cash UCITS classified as "held for trading" | 4,514 | | 4,514 | 4,514 | | 4,514 | | | |
| Other investments classified as "trading" | | | | | | | | | |
| Other investments classified as "held for trading" | 2 | | 2 | 2 | | 2 | | | |
| **Total assets held for trading** | **16,813** | **203** | **17,016** | **16,813** | **203** | **17,016** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **57,954** | **4,767** | **62,721** | **60,358** | **4,987** | **65,345** | **2,404** | **220** | **2,624** |

*(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

## Note 6.2 - Investments valued at fair value – by business

### Note 6.2.1 - Investments valued at fair value – by business – France

| | 31.12.2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value (1) | | | Gross unrealised capital gains (losses) | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total | L&H | P&C | Total |
| **Available-for-sale assets** | | | | | | | | | |
| Equities and other variable-income investments | 2,814 | 349 | 3,163 | 3,165 | 477 | 3,642 | 352 | 127 | 479 |
| Bonds and other fixed-income investments | 38,956 | 2,009 | 40,965 | 40,440 | 2,096 | 42,536 | 1,484 | 88 | 1,571 |
| Other investments | | 5 | 5 | | 5 | 5 | | | |
| **Total available-for-sale assets** | **41,769** | **2,364** | **44,133** | **43,605** | **2,578** | **46,183** | **1,836** | **214** | **2,050** |
| **Assets held for trading** | | | | | | | | | |
| Equities and other variable-income investments classified as “trading” | | 6 | 6 | | 6 | 6 | | | |
| Equities and other variable-income investments classified as “held for trading” | 539 | 86 | 625 | 539 | 86 | 625 | | | |
| Bonds and other fixed-income investments classified as “trading” | 164 | 12 | 176 | 164 | 12 | 176 | | | |
| Bonds and other fixed-income investments classified as “held for trading” | 1,583 | 325 | 1,908 | 1,583 | 325 | 1,908 | | | |
| Cash UCITS classified as “trading” | 5,228 | 1,037 | 6,265 | 5,228 | 1,037 | 6,265 | | | |
| Cash UCITS classified as “held for trading” | 916 | | 916 | 916 | | 916 | | | |
| Other investments classified as “trading” | | | | | | | | | |
| Other investments classified as “held for trading” | 1 | 1 | 2 | 1 | 1 | 2 | | | |
| **Total assets held for trading** | **8,431** | **1,467** | **9,898** | **8,431** | **1,467** | **9,898** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **50,200** | **3,831** | **54,031** | **52,036** | **4,045** | **56,081** | **1,836** | **214** | **2,050** |

(1) *For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

| *(in millions of euros)* | 31.12.2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value [1] | | | Gross unrealised capital gains (losses) | | |
| | L&H | P&C | Total | L&H | P&C | Total | L&H | P&C | Total |
| **Available-for-sale assets** | | | | | | | | | |
| Equities and other variable-income investments | 3,107 | 565 | 3,672 | 3,408 | 665 | 4,073 | 301 | 100 | 401 |
| Bonds and other fixed-income investments | 35,559 | 1,900 | 37,459 | 37,462 | 2,000 | 39,462 | 1,903 | 100 | 2,003 |
| Other investments | 1 | 9 | 10 | 1 | 9 | 10 | | | |
| **Total available-for-sale assets** | **38,667** | **2,474** | **41,141** | **40,871** | **2,674** | **43,545** | **2,204** | **200** | **2,404** |
| **Assets held for trading** | | | | | | | | | |
| Equities and other variable-income investments classified as “trading” | | 6 | 6 | | 6 | 6 | | | |
| Equities and other variable-income investments classified as “held for trading” | 613 | 85 | 698 | 613 | 85 | 698 | | | |
| Bonds and other fixed-income investments classified as “trading” | 172 | 2 | 174 | 172 | 2 | 174 | | | |
| Bonds and other fixed-income investments classified as “held for trading” | 1,970 | 395 | 2,365 | 1,970 | 395 | 2,365 | | | |
| Cash UCITS classified as “trading” | 8,019 | 1,035 | 9,054 | 8,019 | 1,035 | 9,054 | | | |
| Cash UCITS classified as “held for trading” | 4,472 | 42 | 4,514 | 4,472 | 42 | 4,514 | | | |
| Other investments classified as “trading” | | | | | | | | | |
| Other investments classified as “held for trading” | 1 | 1 | 2 | 1 | 1 | 2 | | | |
| **Total assets held for trading** | **15,247** | **1,566** | **16,813** | **15,247** | **1,566** | **16,813** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **53,914** | **4,040** | **57,954** | **56,118** | **4,240** | **60,358** | **2,204** | **200** | **2,404** |

*(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

### Note 6.2.2 - Investments valued at fair value – by business – International

| | 31.12.2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value [1] | | | Gross unrealised capital gains (losses) | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total | L&H | P&C | Total |
| **Available-for-sale assets** | | | | | | | | | |
| Equities and other variable-income investments | 94 | 104 | 198 | 136 | 116 | 252 | 42 | 12 | 54 |
| Bonds and other fixed-income investments | 2,277 | 1,977 | 4,254 | 2,396 | 2,069 | 4,465 | 119 | 92 | 211 |
| Other investments | | | | | | | | | |
| **Total available-for-sale assets** | **2,371** | **2,081** | **4,452** | **2,532** | **2,185** | **4,717** | **161** | **104** | **265** |
| **Assets held for trading** | | | | | | | | | |
| Equities and other variable-income investments classified as "trading" | | | | | | | | | |
| Equities and other variable-income investments classified as "held for trading" | 69 | 71 | 140 | 69 | 71 | 140 | | | |
| Bonds and other fixed-income investments classified as "trading" | | | | | | | | | |
| Bonds and other fixed-income investments classified as "held for trading" | 31 | 24 | 55 | 31 | 24 | 55 | | | |
| Cash UCITS classified as "trading" | 23 | 1 | 24 | 23 | 1 | 24 | | | |
| Cash UCITS classified as "held for trading" | 89 | 61 | 150 | 89 | 61 | 150 | | | |
| Other investments classified as "trading" | | | | | | | | | |
| Other investments classified as "held for trading" | | | | | | | | | |
| **Total assets held for trading** | **212** | **157** | **369** | **212** | **157** | **369** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **2,583** | **2,238** | **4,821** | **2,744** | **2,342** | **5,086** | **161** | **104** | **265** |

*(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

| | 31.12.2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value (1) | | | Gross unrealised capital gains (losses) | | |
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total | L&H | P&C | Total |
| **Available-for-sale assets** | | | | | | | | | |
| Equities and other variable-income investments | 141 | 93 | 234 | 135 | 104 | 239 | (6) | 11 | 5 |
| Bonds and other fixed-income investments | 2,347 | 1,983 | 4,330 | 2,458 | 2,087 | 4,545 | 111 | 104 | 215 |
| Other investments | | | | | | | | | |
| **Total available-for-sale assets** | **2,488** | **2,076** | **4,564** | **2,593** | **2,191** | **4,784** | **105** | **115** | **220** |
| **Assets held for trading** | | | | | | | | | |
| Equities and other variable-income investments classified as "trading" | | | | | | | | | |
| Equities and other variable-income investments classified as "held for trading" | 69 | 73 | 142 | 69 | 73 | 142 | | | |
| Bonds and other fixed-income investments classified as "trading" | | 1 | 1 | | 1 | 1 | | | |
| Bonds and other fixed-income investments classified as "held for trading" | 30 | 16 | 46 | 30 | 16 | 46 | | | |
| Cash UCITS classified as "trading" | 13 | | 13 | 13 | | 13 | | | |
| Cash UCITS classified as "held for trading" | | | | | | | | | |
| Other investments classified as "trading" | | | | | | | | | |
| Other investments classified as "held for trading" | | | | | | | | | |
| **Total assets held for trading** | **112** | **90** | **202** | **112** | **90** | **202** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **2,600** | **2,166** | **4,766** | **2,705** | **2,281** | **4,986** | **105** | **115** | **220** |

*(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

## Note 6.3 - Investments valued at fair value – by type

| | 31.12.2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value (1) | | | Gross unrealised capital gains (losses) | | |
| *(in millions of euros)* | France | International | Total | France | International | Total | France | International | Total |
| **Equities and other variable-income investments** | | | | | | | | | |
| Available-for-sale assets | 3,163 | 198 | 3,361 | 3,642 | 252 | 3,894 | 479 | 54 | 533 |
| Assets classified as “trading” | 6 | | 6 | 6 | | 6 | | | |
| Assets classified as “held for trading” | 625 | 140 | 765 | 625 | 140 | 765 | | | |
| **Total equities and other variable-income investments** | **3,794** | **338** | **4,132** | **4,273** | **392** | **4,665** | **479** | **54** | **533** |
| **Bonds and other fixed-income investments** | | | | | | | | | |
| Available-for-sale assets | 40,965 | 4,254 | 45,219 | 42,536 | 4,465 | 47,001 | 1,571 | 211 | 1,782 |
| Assets classified as “trading” | 176 | | 176 | 176 | | 176 | | | |
| Assets classified as “held for trading” | 1,908 | 55 | 1,963 | 1,908 | 55 | 1,963 | | | |
| **Total bonds and other fixed-income investments** | **43,049** | **4,309** | **47,358** | **44,620** | **4,520** | **49,140** | **1,571** | **211** | **1,782** |
| **Cash UCITS** | | | | | | | | | |
| Assets classified as “trading” | 6,265 | 24 | 6,289 | 6,265 | 24 | 6,289 | | | |
| Assets classified as “held for trading” | 916 | 150 | 1,066 | 916 | 150 | 1,066 | | | |
| **Total other cash UCITS** | **7,181** | **174** | **7,355** | **7,181** | **174** | **7,355** | | | |
| **Other investments** | | | | | | | | | |
| Available-for-sale assets | 5 | | 5 | 5 | | 5 | | | |
| Assets classified as “trading” | | | | | | | | | |
| Assets classified as “held for trading” | 2 | | 2 | 2 | | 2 | | | |
| **Total other investments** | **7** | | **7** | **7** | | **7** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **54,031** | **4,821** | **58,852** | **56,081** | **5,086** | **61,167** | **2,050** | **265** | **2,315** |

(1) *For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

| | 31.12.2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net amortised cost | | | Fair value [1] | | | Gross unrealised capital gains (losses) | | |
| *(in millions of euros)* | France | International | Total | France | International | Total | France | International | Total |
| Equities and other variable-income investments | | | | | | | | | |
| Available-for-sale assets | 3,672 | 234 | 3,906 | 4,073 | 239 | 4,312 | 401 | 5 | 406 |
| Assets classified as "trading" | 6 | | 6 | 6 | | 6 | | | |
| Assets classified as "held for trading" | 698 | 142 | 840 | 698 | 142 | 840 | | | |
| **Total equities and other variable-income investments** | **4,376** | **376** | **4,752** | **4,777** | **381** | **5,158** | **401** | **5** | **406** |
| Bonds and other fixed-income investments | | | | | | | | | |
| Available-for-sale assets | 37,459 | 4,330 | 41,789 | 39,462 | 4,545 | 44,007 | 2,003 | 215 | 2,218 |
| Assets classified as "trading" | 174 | 1 | 175 | 174 | 1 | 175 | | | |
| Assets classified as "held for trading" | 2,365 | 46 | 2,411 | 2,365 | 46 | 2,411 | | | |
| **Total bonds and other fixed-income investments** | **39,998** | **4,377** | **44,375** | **42,001** | **4,592** | **46,593** | **2,003** | **215** | **2,218** |
| Cash UCITS | | | | | | | | | |
| Assets classified as "trading" | 9,054 | 14 | 9,068 | 9,054 | 14 | 9,068 | | | |
| Assets classified as "held for trading" | 4,514 | | 4,514 | 4,514 | | 4,514 | | | |
| **Total other cash UCITS** | **13,568** | **14** | **13,582** | **13,568** | **14** | **13,582** | | | |
| Other investments | | | | | | | | | |
| Available-for-sale assets | 10 | | 10 | 10 | | 10 | | | |
| Assets classified as "trading" | | | | | | | | | |
| Assets classified as "held for trading" | 2 | | 2 | 2 | | 2 | | | |
| **Total other investments** | **12** | | **12** | **12** | | **12** | | | |
| **TOTAL INVESTMENTS VALUED AT FAIR VALUE** | **57,954** | **4,767** | **62,721** | **60,358** | **4,987** | **65,345** | **2,404** | **220** | **2,624** |

*(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.*

## Note 6.4 - Investments valued at amortised cost in net value

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| Loans | 107 | 67 | 174 | 113 | 76 | 189 |
| Deposits | 708 | 30 | 738 | 439 | 68 | 507 |
| Other | 254 | | 254 | 156 | | 156 |
| **TOTAL ASSETS VALUED AT AMORTISED COST** | **1,069** | **97** | **1,166** | **708** | **144** | **852** |

## Note 6.5 - Reserves for long-term impairment of investments

| *(in millions of euros)* | 31.12.2013 Gross | 31.12.2013 Reserves | 31.12.2013 Net | 31.12.2012 Gross | 31.12.2012 Reserves | 31.12.2012 Net |
|---|---|---|---|---|---|---|
| Available-for-sale assets | | | | | | |
| Equities and other variable-income investments | 4,551 | (1,190) | 3,361 | 5,901 | (1,996) | 3,905 |
| Bonds and other fixed-income investments | 45,223 | (4) | 45,219 | 41,794 | (4) | 41,790 |
| Other investments | 5 | | 5 | 10 | | 10 |
| **TOTAL AVAILABLE-FOR-SALE ASSETS** | **49,779** | **(1,194)** | **48,585** | **47,705** | **(2,000)** | **45,705** |
| Financial investments valued at amortised cost | 1,170 | (4) | 1,166 | 857 | (4) | 853 |
| **FINANCIAL INVESTMENTS VALUED AT AMORTISED COST** | **1,170** | **(4)** | **1,166** | **857** | **(4)** | **853** |

As at 31 December 2013, total long-term impairment reserves for investments valued at fair value were €1,194 million, compared with €2,000 million as at 31 December 2012. In total, the reserves for loss in value of insurance financial assets valued at fair value represent 1.95%. The reserve has changed from one fiscal year to the next due to a write-back of reserves on sold securities of €825 million, in particular strategic securities, and to a €19 million reserve of which €9 million was for already-impaired securities and €10 million for securities for which an objective indication of impairment has been observed.

The amount of reserves for long-term impairment on investments valued at amortised cost remains unchanged at €4 million.

Reserves for impairment of investments were determined in accordance with the rules set out in paragraph 3.2.1 of the accounting principles.

Regarding the sovereign debts of peripheral countries of the eurozone (Ireland, Italy, Spain, and Portugal) and Hungary, the Group has seen that certain issuing countries have had their rating downgraded or even been offered a rescue package from the International Monetary Fund. However, it should be emphasised that to date:

- there has been no default on the payment of interest or principal for any of these debts;
- no insolvency proceedings or financial restructuring has been undertaken nor, given the current state of our knowledge and view of the situation, does this seem likely.

Consequently, the Group believes that there is no proven risk of impairment on these debt securities and therefore that there is no reason to establish a reserve for these securities.

Regarding equities, the reserve for impairment includes an impairment on strategic securities for €1,005 million.

◄ CONTENTS ►

## Note 6.6 - Financial investments – by currency

| *(in millions of euros)* | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|
| | **Euro** | **Dollar** | **Pound** | **Yen** | **Other** | **Total** |
| **Available-for-sale assets** | | | | | | |
| Equities and other variable-income investments | 2,969 | 532 | 16 | | 377 | 3,894 |
| Bonds and other fixed-income investments | 46,246 | | 268 | 12 | 475 | 47,002 |
| Other investments | 5 | | | | | 5 |
| **Total available-for-sale assets** | **49,220** | **532** | **284** | **12** | **852** | **50,900** |
| **Assets held for trading** | | | | | | |
| Equities and other variable-income investments classified as “trading” | 6 | | | | | 6 |
| Equities and other variable-income investments classified as “held for trading” | 765 | 1 | | | | 766 |
| Bonds and other fixed-income investments classified as “trading” | 176 | | | | | 176 |
| Bonds and other fixed-income investments classified as “held for trading” | 1,935 | | | | 27 | 1,962 |
| Cash UCITS classified as “trading” | 6,288 | | | | | 6,288 |
| Cash UCITS classified as “held for trading” | 1,065 | | | | | 1,065 |
| Other investments classified as “trading” | 0 | | | | | |
| Other investments classified as “held for trading” | 3 | | | | | 3 |
| **Total assets held for trading** | **10,238** | **1** | **0** | **0** | **27** | **10,266** |
| **Loans and receivables** | | | | | | |
| Loans | 173 | | | | 1 | 174 |
| Deposits | 714 | | | | 24 | 738 |
| Other investments | 254 | | | | | 254 |
| **Total loans and receivables** | **1,141** | | | | **25** | **1,166** |
| **TOTAL FINANCIAL INVESTMENTS (NET OF DERIVATIVES AND UNIT-LINKED ITEMS)** | **60,599** | **533** | **284** | **12** | **904** | **62,333** |

The above figures do not include the hedging for foreign exchange risk established in 2013 (forward currency sales or currency swaps).

| *(in millions of euros)* | 31.12.2012 Euro | Dollar | Pound | Yen | Other | Total |
|---|---|---|---|---|---|---|
| **Available-for-sale assets** | | | | | | |
| Equities and other variable-income investments | 3,930 | 1 | | | 381 | 4,312 |
| Bonds and other fixed-income investments | 43,432 | 13 | 60 | | 502 | 44,007 |
| Other investments | 10 | | | | | 10 |
| **Total available-for-sale assets** | **47,372** | **14** | **60** | **0** | **883** | **48,329** |
| **Assets held for trading** | | | | | | |
| Equities and other variable-income investments classified as "trading" | 6 | | | | | 6 |
| Equities and other variable-income investments classified as "held for trading" | 839 | 1 | | | | 840 |
| Bonds and other fixed-income investments classified as "trading" | 175 | | | | | 175 |
| Bonds and other fixed-income investments classified as "held for trading" | 2,373 | 1 | | | 37 | 2,411 |
| Cash UCITS classified as "trading" | 9,067 | | | | | 9,067 |
| Cash UCITS classified as "held for trading" | 4,513 | 1 | | | | 4,514 |
| Other investments classified as "trading" | | | | | | |
| Other investments classified as "held for trading" | 2 | | | | | 2 |
| **Total assets held for trading** | **16,975** | **3** | **0** | **0** | **37** | **17,015** |
| **Loans and receivables** | | | | | | |
| Loans | 189 | | | | 1 | 190 |
| Deposits | 471 | | | | 36 | 507 |
| Other investments | 156 | | | | | 156 |
| **Total loans and receivables** | **816** | **0** | **0** | **0** | **37** | **853** |
| **TOTAL FINANCIAL INVESTMENTS (NET OF DERIVATIVES AND UNIT-LINKED ITEMS)** | **65,163** | **17** | **60** | **0** | **957** | **66,197** |

## Note 6.7 - Breakdown of listed investments

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Equities | 2,563 | 3,061 |
| Shares in fixed-income UCITS | 2,991 | 3,079 |
| Shares in other UCITS | 1,895 | 1,865 |
| Cash UCITS | 7,353 | 13,582 |
| Bonds and other fixed-income securities | 46,000 | 43,375 |
| **TOTAL LISTED INVESTMENTS** | **60,802** | **64,961** |

As at 31 December 2013, total long-term impairment reserves for listed investments valued at fair value were €1,112 million, compared with €1,926 million as at 31 December 2012.

## Note 6.8 - Breakdown of unlisted investments

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Equities at fair value | 207 | 232 |
| Bonds and other fixed-income securities at fair value | 149 | 139 |
| Other investments at fair value | 8 | 12 |
| Loans at amortised cost | 174 | 189 |
| Other investments at amortised cost | 993 | 664 |
| **TOTAL UNLISTED INVESTMENTS** | **1,531** | **1,237** |

As at 31 December 2013, total long-term impairment reserves for unlisted investments valued at fair value were €82 million, compared with €74 million as at 31 December 2012.

## Note 6.9 - Significant investments in non-consolidated companies

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | % interest | Acquisition cost net of impairment | Fair value | Revaluation reserve (before profit sharing and tax) (1) | % interest | Acquisition cost net of impairment | Fair value | Revaluation reserve (before profit sharing and tax) (1) |
| Société Générale | | | | | 2.47% | 337 | 542 | 205 |
| Veolia Environnement | 5.15% | 241 | 332 | 91 | 5.51% | 241 | 258 | 17 |
| Saint Gobain | 1.82% | 440 | 405 | (35) | 1.91% | 440 | 325 | (116) |
| Eiffage | | | | | 6.89% | 112 | 202 | 90 |
| **French companies** | | **681** | **737** | **56** | | **1,130** | **1,327** | **196** |
| Mediobanca | 4.93% | 147 | 269 | 122 | 4.93% | 147 | 198 | 51 |
| OTP Bank | 8.30% | 261 | 317 | 79 | 8.28% | 262 | 331 | 93 |
| **Foreign companies** | | **408** | **586** | **201** | | **409** | **529** | **144** |
| **TOTAL SIGNIFICANT INVESTMENTS IN NON-CONSOLIDATED COMPANIES** | | **1,089** | **1,323** | **257** | | **1,539** | **1,856** | **340** |

*(1) The revaluation reserve takes account of the effects of hedging instruments.*

The securities presented in this note correspond exclusively to securities considered "strategic securities", the treatment of which with regard to impairment is indicated in point 3.2.1 of the accounting principles.

Point 3.2.1 also confirms that strategic securities are held by the Group for the long term. They are characterised by the Group's representation on their governance bodies or significant, lasting contractual relations or a significant stake in the capital (in absolute or relative value), without significant influence being exerted.

### Changes during the fiscal year

During the 2013 fiscal year the Group continued its equity derisking policy with the partial disposal of its Véolia Environnement securities and the disposal of all its Société Générale and Eiffage securities. In accordance with IAS 39, these disposals gave rise to a partial write-back of the impairment totalling €598 million.

The stock of impairment of strategic securities therefore stood at €1,005 million as at 31 December 2013.

## Note 6.10 - Breakdown of the bond portfolio

At the end of December 2013, based on market values, bond instruments accounted for 79% of total financial investments excluding unit-linked items, 75% of which were classified as "available-for-sale assets" and 4% as "assets held for trading".

The presentations below pertain to only bond investments held directly or through consolidated mutual fonds and do not take into account other investments with similar features (bond mutual funds, rate mutual funds, bond funds, etc.).

### Note 6.10.1 - Bond portfolio – by rate

The table below shows the Group's exposure to interest rate risks at the close of each fiscal year.

| *(in millions of euros)* | 31.12.2013 Fixed rate | 31.12.2013 Variable rate | 31.12.2013 Total | 31.12.2012 Fixed rate | 31.12.2012 Variable rate | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Listed bonds** | | | | | | |
| Available-for-sale | 44,336 | 1,350 | 45,687 | 41,209 | 1,967 | 43,176 |
| Classified as "trading" | 13 | | 13 | 3 | 3 | 6 |
| Classified as "held for trading" | 257 | 44 | 300 | 85 | 107 | 192 |
| **Total listed bonds** | **44,606** | **1,394** | **46,000** | **41,297** | **2,077** | **43,374** |
| **Unlisted bonds** | | | | | | |
| Available-for-sale | 82 | 41 | 123 | 82 | 49 | 131 |
| Classified as "trading" | | | | | | |
| Classified as "held for trading" | 6 | 20 | 27 | 8 | 1 | 9 |
| **Total unlisted bonds** | **88** | **61** | **149** | **90** | **50** | **140** |
| **TOTAL BOND PORTFOLIO** | **44,693** | **1,455** | **46,149** | **41,387** | **2,127** | **43,514** |

### Note 6.10.2 - Bond portfolio – by maturity

The annual maturities of the bond portfolios, including consolidated mutual funds, are as follows:

| *(in millions of euros)* | 31.12.2013 <1 year | 31.12.2013 1 to 5 years | 31.12.2013 >5 years | 31.12.2013 Total | 31.12.2012 <1 year | 31.12.2012 1 to 5 years | 31.12.2012 >5 years | 31.12.2012 Total |
|---|---|---|---|---|---|---|---|---|
| **Listed bonds** | | | | | | | | |
| Available-for-sale | 1,715 | 8,974 | 34,998 | 45,687 | 1,975 | 7,475 | 33,726 | 43,176 |
| classified as "trading" | | 3 | 10 | 13 | 2 | | 4 | 6 |
| Classified as "held for trading" | 89 | 31 | 180 | 300 | 49 | 12 | 131 | 192 |
| **Total listed bonds** | **1,805** | **9,007** | **35,188** | **46,000** | **2,026** | **7,487** | **33,861** | **43,374** |
| **Unlisted bonds** | | | | | | | | |
| Available-for-sale | 4 | 25 | 93 | 123 | 15 | 27 | 89 | 131 |
| classified as "trading" | | | | | | | | |
| Classified as "held for trading" | 1 | 2 | 24 | 27 | 1 | 4 | 4 | 9 |
| **Total unlisted bonds** | **5** | **27** | **117** | **149** | **16** | **31** | **93** | **140** |
| **TOTAL BOND PORTFOLIO** | **1,810** | **9,035** | **35,305** | **46,149** | **2,042** | **7,518** | **33,954** | **43,514** |

From this breakdown of the bond portfolio we see that the types of investments favoured by the Group are primarily long-term bonds (over 5 years) with fixed rates.

1
2
3
4
5
6
7

## Note 6.10.3 - Bond portfolio – by rating

The rating indicated is an average of the ratings published at year-end 2013 by the three main agencies (S&P, Moody's and Fitch Ratings) for Group bonds.

| | 31.12.2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | **AAA** | **AA** | **A** | **BBB** | **<BBB** | **Not rated** | **Total** |
| **Listed bonds** | | | | | | | |
| Available-for-sale | 4,162 | 20,193 | 5,142 | 14,434 | 932 | 823 | 45,687 |
| classified as "trading" | | | | | 3 | 10 | 13 |
| Classified as "held for trading" | 24 | 9 | 106 | 26 | 20 | 115 | 300 |
| **Total listed bonds** | **4,186** | **20,202** | **5,248** | **14,460** | **955** | **948** | **46,000** |
| **Unlisted bonds** | | | | | | | |
| Available-for-sale | | 38 | 78 | 3 | 4 | | 123 |
| classified as "trading" | | | | | | | |
| Classified as "held for trading" | | 5 | 10 | | 6 | 5 | 27 |
| **Total unlisted bonds** | | **43** | **88** | **3** | **10** | **5** | **149** |
| **TOTAL BOND PORTFOLIO** | **4,186** | **20,245** | **5,336** | **14,463** | **965** | **953** | **46,149** |

| | 31.12.2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | **AAA** | **AA** | **A** | **BBB** | **<BBB** | **Not rated** | **Total** |
| **Listed bonds** | | | | | | | |
| Available-for-sale | 6,791 | 19,257 | 3,252 | 12,257 | 1,392 | 227 | 43,176 |
| classified as "trading" | 1 | | | 1 | 1 | 3 | 6 |
| Classified as "held for trading" | 23 | 11 | 7 | 29 | 27 | 95 | 192 |
| **Total listed bonds** | **6,815** | **19,268** | **3,259** | **12,287** | **1,420** | **325** | **43,374** |
| **Unlisted bonds** | | | | | | | |
| Available-for-sale | | 36 | 83 | 3 | 2 | 7 | 131 |
| classified as "trading" | | | | | | | |
| Classified as "held for trading" | | | | | 9 | | 9 |
| **Total unlisted bonds** | | **36** | **83** | **3** | **11** | **7** | **140** |
| **TOTAL BOND PORTFOLIO** | **6,815** | **19,304** | **3,342** | **12,290** | **1,431** | **332** | **43,514** |

## Note 6.10.4 - Bond portfolio – by type of issuer

| *(in millions of euros)* | **31.12.2013** | **31.12.2012** |
|---|---|---|
| Bonds issued by EU Member States | 29,144 | 24,750 |
| Bonds issued by States outside the EU | 157 | 159 |
| Bonds from public and semi-public sectors | 3,456 | 3,965 |
| Corporate Bonds | 12,875 | 14,289 |
| Other bonds (including bond funds) | 517 | 351 |
| **TOTAL BOND PORTFOLIO** | **46,149** | **43,514** |

## Note 6.11 - Debt securities of peripheral countries of the eurozone

### Note 6.11.1 - Sovereign debt securities of peripheral countries of the eurozone

| | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Gross discounted cost price | Reserves for impairment | Net discounted cost price | Fair value | Gross unrealised capital gains (losses) | Unrealised capital gains (losses) net of taxes and profit-sharing |
| Spain | 2,670 | | 2,670 | 2,645 | (25) | |
| Greece | | | | | | |
| Ireland | 18 | | 18 | 20 | 2 | |
| Italy | 7,529 | | 7,529 | 7,658 | 129 | 39 |
| Portugal | 443 | | 443 | 383 | (60) | (9) |
| **TOTAL** | **10,660** | **0** | **10,660** | **10,706** | **46** | **30** |

| | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Gross discounted cost price | Reserves for impairment | Net discounted cost price | Fair value | Gross unrealised capital gains (losses) | Unrealised capital gains (losses) net of taxes and profit-sharing |
| Spain | 2,719 | | 2,719 | 2,443 | (276) | (27) |
| Greece | | | | | | |
| Ireland | 52 | | 52 | 54 | 2 | |
| Italy | 7,785 | | 7,785 | 7,570 | (215) | (10) |
| Portugal | 1,015 | | 1,015 | 822 | (193) | (28) |
| **TOTAL** | **11,571** | | **11,571** | **10,888** | **(682)** | **(65)** |

As indicated in Note 6.5, the Group feels that there is no proven risk of impairment on the sovereign debt securities of peripheral countries of the eurozone (Ireland, Italy, Spain, and Portugal) and that, therefore, there is no reason to establish an impairment for these securities. As at 31 December 2013, exposure to sovereign debt securities of peripheral eurozone countries included directly-owned securities and look-through reporting which is now only required on consolidated mutual funds. Unrealised capital gains on these securities totalled €30 million (net of taxes and profit sharing).

The exposure presented on 31 December 2012 incorporated the exposure through sovereign debt securities of peripheral eurozone countries owned by non-consolidated mutual funds, which at 31 December 2012 was non-material.

All sovereign debt securities of peripheral eurozone countries are classed as Level 1 using the fair value hierarchy established by IFRS 7; these securities are listed on an active market and their prices can be easily and regularly obtained.

We recall that the Group sold its entire exposure to Greek sovereign debt during the 2012 fiscal year.

In addition, the exposure level on Hungary is approximately €252 million, mainly held by the Hungarian subsidiary.

The sovereign debt securities of the peripheral eurozone countries have the following maturities:

| *(in millions of euros)* | 31.12.2013 < 3 years | 3 to 7 years | 7 to 10 years | > 10 years | Total |
|---|---|---|---|---|---|
| Spain | 197 | 175 | 7 | 2,266 | 2,645 |
| Greece | | | | | |
| Ireland | 2 | 17 | 1 | | 20 |
| Italy | 405 | 1,359 | 1,253 | 4,641 | 7,658 |
| Portugal | 2 | 21 | 262 | 98 | 383 |
| **TOTAL** | **606** | **1,572** | **1,523** | **7,005** | **10,706** |

The table below shows the change in directly-owned sovereign debt securities of peripheral eurozone countries, at fair value.

| *(in millions of euros)* | 31.12.2013 Spain | Greece | Ireland | Italy | Portugal | Total |
|---|---|---|---|---|---|---|
| **Opening sovereign debt securities** | **2,386** | | **54** | **7,059** | **812** | **10,312** |
| Change in unrealised capital gains or losses | 252 | | 1 | 283 | 66 | 602 |
| Change in scope of consolidation | | | | | | |
| Acquisitions | 1 | | | 1,307 | | 1,308 |
| Disposals/Redemptions | (1) | | (35) | (1,293) | (495) | (1,824) |
| Foreign exchange adjustments | | | | | | |
| **CLOSING SOVEREIGN DEBT SECURITIES** | **2,638** | | **20** | **7,356** | **383** | **10,398** |

To date, the consolidated mutual funds hold €310 million in sovereign debt securities of peripheral eurozone countries, including €7 million in Spanish sovereign debt and €303 million in Italian sovereign debt.

### Note 6.11.2 - Non-sovereign debt securities of peripheral countries of the eurozone

| *(in millions of euros)* | 31.12.2013 Gross discounted cost price | Reserves for impairment | Net discounted cost price | Fair value | Gross unrealised capital gains (losses) | Unrealised capital gains (losses) net of taxes and profit-sharing |
|---|---|---|---|---|---|---|
| Spain | 597 | | 597 | 643 | 46 | 5 |
| Greece | | | | | | |
| Ireland | 30 | | 30 | 29 | (1) | |
| Italy | 855 | | 855 | 886 | 31 | 6 |
| Portugal | 28 | | 28 | 29 | 1 | |
| **TOTAL** | **1,510** | **0** | **1,510** | **1,587** | **77** | **11** |

| *(in millions of euros)* | 31.12.2012 Gross discounted cost price | Reserves for impairment | Net discounted cost price | Fair value | Gross unrealised capital gains (losses) | Unrealised capital gains (losses) net of taxes and profit-sharing |
|---|---|---|---|---|---|---|
| Spain | 725 | | 725 | 686 | (38) | (4) |
| Greece | | | | | | |
| Ireland | 112 | | 112 | 114 | 1 | |
| Italy | 902 | | 902 | 890 | (12) | (1) |
| Portugal | 29 | | 29 | 27 | (2) | |
| **TOTAL** | **1,768** | | **1,768** | **1,717** | **(51)** | **(5)** |

The balance sheet value of the Group's investments in bonds issued by companies, banks, local authorities and para-governmental organisations located in peripheral countries of the eurozone (mainly Spain and Italy) was €1,587 million as at 31 December 2013. These securities presented an unrealised capital gain net of taxes and profit sharing of €11 million.

As at 31 December 2013, exposure to non-sovereign debt securities of peripheral eurozone countries included directly-owned securities and look-through reporting which is now only required on consolidated mutual funds.

The exposure presented on 31 December 2012 incorporated the exposure through non-sovereign debt securities of peripheral eurozone countries owned by non-consolidated mutual funds, which at 31 December 2012 was non-material.

## Note 6.12 - Fair value hierarchy

Pursuant to the amendment to IFRS 7 issued by the IASB in March 2009, financial instruments (assets and liabilities) valued at fair value are classified according to a three-level hierarchy. These levels depend on whether a valuation model is used and the data sources used to populate the valuation models:

- level 1 corresponds to a price listed in an active market to which the entity may have access on the valuation date;
- level 2 corresponds to the fair value determined on the basis of a valuation model using data directly observable in an active market or data that can be determined from prices observed;
- level 3 corresponds to the fair value determined on the basis of an assumption model which uses data not observable in a market.

A financial instrument is considered to be listed on an active market if prices are easily and regularly available from a stock exchange, broker, trader, business sector, or price valuation service and if these prices represent real transactions properly carried out on the market under conditions of normal competition.

In order to determine whether a market is active, indicators are particularly used such as a significant decrease in the volume of transactions and the level of activity on the market, high dispersion of prices available over time and between the various market participants, or the fact that the prices no longer correspond to sufficiently recent transactions.

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Available-for-sale assets** | | | | | | | | |
| Equities and other variable-income investments | 3,645 | 53 | 196 | 3,894 | 4,039 | 48 | 226 | 4,313 |
| Bonds and other fixed-income investments | 46,112 | 697 | 192 | 47,001 | 42,940 | 944 | 122 | 44,006 |
| Other investments | 4 | | 1 | 5 | 4 | | 5 | 9 |
| **Total available-for-sale assets** | **49,761** | **750** | **389** | **50,900** | **46,983** | **992** | **353** | **48,328** |
| **Assets held for trading** | | | | | | | | |
| Equities and other variable-income investments classified as "trading" or "held for trading" | 238 | | 534 | 772 | 291 | | 555 | 846 |
| Bonds and other fixed-income investments classified as "trading" or "held for trading" | 2,013 | 31 | 95 | 2,139 | 2,511 | 5 | 70 | 2,586 |
| Cash mutual funds classified as "trading" or "held for trading" | 7,353 | | | 7,353 | 13,582 | | | 13,582 |
| Other investments | | | 2 | 2 | | | 2 | 2 |
| **Total assets held for trading** | **9,604** | **31** | **631** | **10,266** | **16,384** | **5** | **627** | **17,016** |
| **SUB-TOTAL OF FINANCIAL INVESTMENTS (EXCLUDING UNIT-LINKED ITEMS)** | **59,365** | **781** | **1,020** | **61,166** | **63,367** | **997** | **980** | **65,344** |
| Investments in unit-linked policies | 3,479 | 106 | 1,731 | 5,316 | 3,188 | 104 | 667 | 3,959 |
| Derivative financial assets and liabilities | | (262) | (1) | (263) | | (348) | (1) | (349) |
| **TOTAL FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE** | **62,844** | **625** | **2,750** | **66,219** | **66,555** | **753** | **1,646** | **68,954** |

As these are investments in unit-linked policies, the risk is borne by policyholders.

Derivative instruments posted to assets totalled €280 million and derivative instruments posted to liabilities on the balance sheet totalled €543 million as at 31 December 2013. These instruments are mainly Level 2.

◄ CONTENTS ►

The Level 3 investments comprise:

- for shares, private equity funds and unlisted equities. The private equity fund units are valued based on the latest net asset values. Unlisted equities are valued using several methods, such as discounted cash flow or the restated net asset method;
- for bonds, securities valued based on a model using extrapolated data;
- for investments in unit-linked policies classified as Level 3 or in structured products not listed on an active market where the compensation is indexed either on indexes, baskets of shares or rates.

Beyond the financial assets and liabilities described in the table, the Group recorded fair-value financial contracts without discretionary profit sharing in its technical liabilities. This amount totalled €51 million as at 31 December 2013, compared with €43 million as at 31 December 2012.

| | 31.12.2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Available-for-sale assets | | | Assets held for trading | | | | | |
| *(in millions of euros)* | Equities | Bonds | Other investments | Equities | Bonds | Cash mutual funds | Other investments | Unit-linked policies investments | Derivative assets and liabilities |
| **Level 3 opening amount** | **226** | **122** | **5** | **555** | **70** | | **2** | **667** | **(1)** |
| Change in unrealised capital gains or losses recognised in: | | | | | | | | | |
| ▪ income | (11) | | | 41 | (2) | | | 95 | |
| ▪ gains and losses recognised directly in shareholders' equity | 8 | 18 | | | | | | | |
| Transfer to level 3 | | 48 | | 17 | | | | 408 | |
| Transfer outside of level 3 | (1) | | | | (18) | | | | |
| Reclassification to loans and receivables | | | | | | | | | |
| Change in scope of consolidation | (3) | | | | | | | | |
| Acquisitions | | 70 | | 78 | 63 | | | 641 | |
| Disposals/Redemptions | (18) | (66) | (4) | (157) | (18) | | | (75) | |
| Foreign exchange adjustments | (5) | | | | | | | (5) | |
| **LEVEL 3 CLOSING AMOUNT** | **196** | **192** | **1** | **534** | **95** | | **2** | **1,731** | **(1)** |

## NOTE 7 INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Variable-income and related securities | | 3 | 3 | | 5 | 5 |
| Bonds | 1,174 | 648 | 1,822 | 561 | 738 | 1,299 |
| Equity mutual funds units | 3,120 | 69 | 3,190 | 2,354 | 55 | 2,409 |
| Bond and other mutual funds units | 71 | 51 | 123 | 53 | 40 | 92 |
| Other investments | | 74 | 74 | | 51 | 51 |
| **Subtotal of unit-linked financial investments** | **4,366** | **846** | **5,212** | **2,968** | **888** | **3,856** |
| Unit-linked investment property | 104 | | 104 | 102 | | 102 |
| **Subtotal of unit-linked investment property** | **104** | | **104** | **102** | | **102** |
| **TOTAL** | **4,470** | **846** | **5,316** | **3,070** | **888** | **3,958** |

The unit-linked investments are solely connected to the Life and Health Insurance business.

## NOTE 8 ASSET AND LIABILITY DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES

| | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|
| | France | | International | | Total | |
| *(in millions of euros)* | Positive fair value | Negative fair value | Positive fair value | Negative fair value | Positive fair value | Negative fair value |
| Swaps | 136 | (530) | | | 136 | (530) |
| Options | 137 | (13) | 1 | | 138 | (13) |
| Foreign currency futures | 6 | | | | 6 | |
| Other | | | | | | |
| **TOTAL** | **279** | **(543)** | **1** | | **280** | **(543)** |

| | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|
| | France | | International | | Total | |
| *(in millions of euros)* | Positive fair value | Negative fair value | Positive fair value | Negative fair value | Positive fair value | Negative fair value |
| Swaps | 79 | (427) | | | 79 | (427) |
| Options | | | | | | |
| Foreign currency futures | 2 | (2) | | | 2 | (2) |
| Other | | | | | | |
| **TOTAL** | **81** | **(429)** | | | **81** | **(429)** |

As at 31 December 2013, the following derivative instruments were available to the Group:

- variable interest rate swap contracts, mainly for providing macro protection for the bond portfolio against rising interest rates;
- currency or inflation-indexed swaps. The economic aim of this strategy is to invest in a fixed-rate euro bond;
- currency risk hedges;
- synthetic exposure to the credit risk of private issuers through optional strategies;
- share risk hedges through purchases of index call options.

These derivative instruments are not recorded as hedging transactions in the sense of IAS 39. As per the principles described in section 3.3, they are recognised at fair value on the balance sheet through income.

The counterparty credit risk was taken into account when determining the fair value of the financial instruments, as per IFRS 13, but this had no significant impact on the fair value of the derivative instruments thanks to the “collateralisation” system put in place by the Group.

◄ CONTENTS ►

# NOTE 9 USES AND SOURCES OF FUNDS FOR BANKING SECTOR OPERATIONS

## Note 9.1 - Uses of funds for banking sector activities

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Gross value | Reserves | Net value | Gross value | Reserves | Net value |
| Cash, central banks and postal accounts | 275 | | 275 | 219 | | 219 |
| Financial assets at fair value through profit and loss | 73 | | 73 | 58 | | 58 |
| Hedging derivatives | | | | | | |
| Available-for-sale financial assets | 400 | | 400 | 912 | | 912 |
| Loans and receivables from credit institutions | 228 | | 228 | 277 | | 277 |
| Loans and receivables on customers | 1,640 | (26) | 1,613 | 1,551 | (27) | 1,524 |
| Revaluation difference of interest rate hedged portfolios | 5 | | 5 | 7 | | 7 |
| Held-to-maturity financial assets | 670 | | 670 | 489 | | 489 |
| Investment property | | | | | | |
| **TOTAL** | **3,291** | **(26)** | **3,265** | **3,513** | **(27)** | **3,487** |

## Note 9.2 - Sources of funds for banking sector activities

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Central banks, postal accounts | | |
| Financial liabilities at fair value through income | 5 | 19 |
| Hedging derivatives | 5 | 7 |
| Debts to credit institutions | 128 | 372 |
| Debts to customers | 2,307 | 2,656 |
| Debts represented by securities | 415 | 65 |
| Revaluation difference of interest rate hedged portfolios | | |
| **TOTAL** | **2,861** | **3,120** |

The structure of uses and sources of banking activities have been altered in particular by a combination of several elements:

- the dynamic development of commercial banking has contributed to the growth in "Customer Loans and Receivables", particularly with growth in progressive interest rate accounts;
- over the 2013 fiscal year the cash and equivalents available to the bank diminished, with a marked fall in "Debts to customers" due to a reduction in the cash flows provided by Group companies. This was offset by a rise in "Debts represented by securities" following the issue of securities. At the same time, the Group reduced its loan from the European Central Bank, which resulted in a decrease in the line item "Debt owed to credit institutions";
- a change in investment strategy entailed a modification in the asset management intention, resulting in a share decline in the portfolio of financial assets available-for-sale, offset by an increase in held-to-maturity investments.



1 2 3 4 5 6 7

## NOTE 10 INVESTMENTS IN RELATED COMPANIES

| *(in millions of euros)* | 31.12.2013 Equivalent value | 31.12.2013 Share of income | 31.12.2012 Equivalent value | 31.12.2012 Share of income |
|---|---|---|---|---|
| Bollington | | (1) | | |
| Günes Sigorta | 31 | (13) | 45 | 3 |
| CEGID | 71 | 3 | 71 | 6 |
| La Banque Postale IARD | 74 | (7) | 80 | (8) |
| STAR | 76 | 2 | 82 | 4 |
| GROUPAMA – AVIC Property Insurance Co. | 70 | 5 | 29 | 2 |
| HOLDCO | 731 | 1 | 730 | (11) |
| **TOTAL** | **1,053** | **(10)** | **1,039** | **(5)** |

### Note 10.1 - Key data

| *(in millions of euros)* | 2013 Premium income | 2013 Net income | 2013 Total assets | 2013 Shareholders' equity | 2012 Premium income | 2012 Net income | 2012 Total assets | 2012 Shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| Bollington | 17 | (1) | 36 | 0 | | | | |
| Günes Sigorta (1) | 389 | (27) | 410 | 114 | 394 | 9 | nc | 126 |
| CEGID (2) | 268 | 17 | 366 | 189 | 258 | nc | nc | nc |
| La Banque Postale IARD | 131 | (19) | 278 | 25 | 74 | (21) | 173 | 44 |
| STAR (2) | 121 | 9 | 364 | 111 | nc | 8 | 361 | 115 |
| GROUPAMA – AVIC Property Insurance Co. | 184 | 5 | 139 | 275 | 60 | 3 | 121 | 59 |
| HOLDCO (real estate company) (2) | 1,593 | 5 | 11,516 | 2,934 | 1,673 | (44) | 11,880 | 2,930 |

*nc: Not provided*
*(1) Premium income: actual figures; other figures are estimates.*
*(2) Estimated.*

Bollington, a subsidiary of GUK Broking Services, has since 1 January 2013 been consolidated using the equity method following the sale of the 51% stake held by GUK Broking Services in March 2013.

◄ CONTENTS ►

## NOTE 11 SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN LIABILITIES RELATED TO INSURANCE POLICIES AND FINANCIAL CONTRACTS

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| **Share of reinsurers in non-life insurance reserves** | | | | | | |
| Reserves for unearned premiums | 22 | 30 | 52 | 32 | 32 | 64 |
| Outstanding claims reserves | 1,138 | 224 | 1,363 | 1,181 | 216 | 1,396 |
| Other technical reserves | 184 | 4 | 188 | 174 | 5 | 179 |
| **Total** | **1,344** | **258** | **1,602** | **1,387** | **252** | **1,639** |
| **Share of reinsurers in life insurance reserves** | | | | | | |
| Life insurance reserves | 6,941 | 3 | 6,944 | 12 | 3 | 15 |
| Outstanding claims reserves | 114 | 4 | 118 | 12 | 3 | 15 |
| Profit-sharing reserves | 19 | | 19 | 19 | | 19 |
| Other technical reserves | | | | | | |
| **Total** | **7,074** | **7** | **7,081** | **43** | **6** | **49** |
| **Share of reinsurers in financial contract reserves** | | | | | | |
| **TOTAL** | **8,418** | **265** | **8,683** | **1,429** | **258** | **1,687** |

The rise in France of the reinsurers' share of life insurance reserves compared to the previous year can be explained by the existence of a 3-year quota share reinsurance treaty.

### Note 11.1 - Change in the share of outward reinsurers and retrocessionaires in non-life outstanding claims reserves – by operating segment

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| **SHARE OF REINSURERS IN OPENING OUTSTANDING CLAIMS RESERVES** | **1,181** | **215** | **1,396** | **874** | **167** | **1,041** |
| Portfolio transfers and changes in scope of consolidation | (1) | 1 | 0 | (149) | (54) | (203) |
| Share of reinsurers in total claims expense | 495 | 132 | 627 | 915 | 222 | 1,137 |
| Share of reinsurers in total payments | (536) | (118) | (654) | (460) | (121) | (581) |
| Foreign exchange variation | | (7) | (7) | | 1 | 1 |
| **SHARE OF REINSURERS IN CLOSING OUTSTANDING CLAIMS RESERVES** | **1,138** | **224** | **1,363** | **1,181** | **215** | **1,396** |

## NOTE 12 OTHER PROPERTY, PLANT AND EQUIPMENT

### Note 12.1 – Change in other property, plant and equipment

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Other property, plant and equipment | Other long-term operating assets | Total | Other property, plant and equipment | Other long-term operating assets | Total |
| **Opening gross value** | 441 | 51 | 492 | 497 | 50 | 547 |
| Acquisitions | 25 | 1 | 26 | 30 | 1 | 31 |
| Change in scope of consolidation | 2 | | 2 | (72) | | (72) |
| Assets capitalised in the year | 1 | | 1 | (3) | | (3) |
| Foreign exchange adjustments | (3) | | (3) | 2 | | 2 |
| Outward reinsurance | (56) | (2) | (58) | (13) | (1) | (14) |
| **Closing gross value** | **410** | **50** | **460** | **441** | **51** | **492** |
| **Opening cumulative amortisation & impairment** | **(300)** | | **(300)** | **(324)** | | **(324)** |
| Increase | (36) | | (36) | (40) | | (40) |
| Change in scope of consolidation | (2) | | (2) | 54 | | 54 |
| Foreign exchange adjustments | 3 | | 3 | (1) | | (1) |
| Decrease | 44 | | 44 | 11 | | 11 |
| **Closing cumulative amortisation & impairment** | **(291)** | **0** | **(291)** | **(300)** | | **(300)** |
| **Opening cumulative long-term impairment** | **(1)** | **(2)** | **(3)** | **(1)** | **(1)** | **(2)** |
| Long-term impairment recognised | | | | | | |
| Change in scope of consolidation | | | | | | |
| Foreign exchange adjustments | | | | | | |
| Long-term impairment write-backs | | 1 | 1 | | | |
| **Closing cumulative long-term impairment** | **(1)** | **(1)** | **(2)** | **(1)** | **(2)** | **(3)** |
| **Opening net value** | **140** | **49** | **189** | **172** | **49** | **220** |
| **Closing net value** | **118** | **49** | **167** | **140** | **49** | **189** |
| **Closing fair value of other property, plant and equipment** | **118** | **73** | **191** | **140** | **62** | **202** |
| **UNREALISED CAPITAL GAINS** | **0** | **24** | **24** | **0** | **13** | **13** |

Unrealised capital gains on long-term operating assets primarily include biological assets booked in accordance with IAS 41. These are largely forests.

### Note 12.2 - Other property, plant and equipment – by operating segment

| | 31.12.2013 | | | | | | 31.12.2012 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Other property, plant and equipment | | | Other long-term operating assets | | | Other property, plant and equipment | | | Other long-term operating assets | | |
| *(in millions of euros)* | France | International | Total | France | International | Total | France | International | Total | France | International | Total |
| **Gross value** | **301** | **109** | **410** | **50** | | **50** | **320** | **121** | **441** | **51** | | **51** |
| Cumulative amortisation & impairment | (204) | (86) | (291) | | | | (204) | (96) | (300) | | | |
| Long-term impairment | (1) | | (1) | (1) | | (1) | (1) | | (1) | (2) | | (2) |
| **Closing net value** | **96** | **23** | **118** | **48** | | **48** | **115** | **25** | **140** | **49** | | **49** |
| **Closing fair value** | **96** | **23** | **119** | **73** | | **73** | **115** | **25** | **140** | **62** | | **62** |
| **UNREALISED CAPITAL GAINS** | **0** | **0** | **0** | **25** | | **25** | **0** | **0** | **0** | **13** | | **13** |

## NOTE 13 DEFERRED ACQUISITION COSTS

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Gross | Deferred profit-sharing | Net | Gross | Deferred profit-sharing | Net |
| Non-life insurance policies | 77 | | 77 | 77 | | 77 |
| Life insurance policies and financial contracts with discretionary profit sharing | 74 | (3) | 71 | 159 | (8) | 152 |
| **France** | **150** | **(3)** | **148** | **236** | **(8)** | **229** |
| Non-life insurance policies | 59 | | 59 | 66 | | 66 |
| Life insurance policies and financial contracts with discretionary profit sharing | 19 | (2) | 17 | 20 | (2) | 18 |
| **International** | **78** | **(2)** | **76** | **86** | **(2)** | **84** |
| **TOTAL DEFERRED ACQUISITION COSTS** | **228** | **(4)** | **224** | **322** | **(9)** | **313** |

## NOTE 14 DEFERRED PROFIT SHARING

### Note 14.1 - Deferred profit sharing assets

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Deferred profit-sharing assets | | | | 75 | | 75 |
| **TOTAL** | **0** | | **0** | **75** | | **75** |

### Note 14.2 - Deferred profit sharing liabilities

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| Reserve for deferred profit sharing of insurance policies | 281 | 47 | 328 | 199 | 5 | 204 |
| Reserve for deferred profit sharing of financial contracts | | | | | | |
| **TOTAL** | **281** | **47** | **328** | **199** | **5** | **204** |

The rate of deferred profit sharing is determined entity by entity (based on regulatory requirements). It is based on the real rate of sharing of investment income between policyholders and shareholders and corresponds to the average real rates over the past three years. This average prevents the inclusion of non-recurring, atypical factors in the calculation. In the particular case of France, a prospective analysis of the profit-sharing rates was performed based on three-year business plans, which confirmed the rate used in the financial statements.

The deferred profit-sharing rates used in France as at 31 December 2013 fall within a bracket of between 78.11% and 90.79%, with 90.79% for Groupama Gan Vie.

## NOTE 15 DEFERRED TAXES

### Note 15.1 - Deferred tax assets – by operating segment

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 Total |
|---|---|---|---|---|
| Deferred tax assets | 347 | 18 | 365 | 252 |
| **TOTAL** | **347** | **18** | **365** | **252** |

### Note 15.2 - Deferred tax liabilities – by operating segment

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 Total |
|---|---|---|---|---|
| Deferred tax liabilities | 283 | 28 | 311 | 516 |
| **TOTAL** | **283** | **28** | **311** | **516** |

## Note 15.3 - Analysis of the major components of deferred taxes

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Deferred taxes resulting from timing differences** | | |
| Restatements on AFS & Trading financial instruments (net of deferred profit sharing) | (200) | (469) |
| Life acquisition costs and overall management expenses reserve | (49) | (72) |
| Consolidation restatements on technical reserves | (232) | (256) |
| Other differences on consolidation restatements | 121 | 89 |
| Deferred non-life acquisition costs | (23) | (23) |
| Tax differences on technical reserves and other contingent liabilities | 416 | 427 |
| Tax-deferred capital gains | | 1 |
| Valuation difference on UCITS | 7 | (10) |
| Foreign exchange hedge | 10 | 22 |
| Other temporary tax differences | 5 | 4 |
| **Subtotal of deferred taxes resulting from timing differences** | **55** | **(288)** |
| **Deferred taxes from stocks of ordinary losses** | **(2)** | **23** |
| **Deferred taxes recorded on the balance sheet** | **54** | **(265)** |
| of which, assets | 365 | 252 |
| of which, liabilities | (311) | (516) |

The Group's consolidated financial statements show overall deferred tax assets of 54 million. These deferred tax assets can be broken down as follows:

- a deferred tax asset of €365 million as at 31 December 2013 compared with €252 million as at 31 December 2012 *i.e.* an increase of €113 million;
- a deferred tax liability of €311 million as at 31 December 2013 compared with €516 million as at 31 December 2012 *i.e.* a decrease of €205 million.

Stocks of deferred taxes have not been corrected for the non-recurring contribution of 10.7% which applied to the taxable income for 2013, and of 5% on the taxable income for 2012, for companies with premium income exceeding €250 million (see the 2012 Amending Finance Law for the 5% rate, and the 2013 Amending Finance Law for the 10.7% rate).

As at 31 December 2013, the amount of unrecognised net assets was €101 million compared with €99 million as at 31 December 2012.

The recoverability of the tax asset in France, *i.e.* €64 million, will be realised in the next two years based on the business plan forecasts.

## NOTE 16 RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

### Note 16.1 - Receivables from insurance or inward reinsurance transactions – by operating segment

| | 31.12.2013 | | | | | | | 31.12.2012 |
|---|---|---|---|---|---|---|---|---|
| | France | | | International | | | | |
| *(in millions of euros)* | Gross value | Reserves | Net value | Gross value | Reserves | Net value | Total | Total |
| Earned unwritten premiums | 704 | | 704 | 19 | | 19 | 722 | 702 |
| Policyholders, intermediaries, and other third parties | 806 | (24) | 782 | 477 | (80) | 397 | 1,179 | 1,186 |
| Current accounts – co-insurers and other third parties | 62 | | 61 | 44 | (24) | 20 | 81 | 62 |
| Current accounts – ceding and retroceding companies | 297 | | 297 | 5 | (1) | 4 | 301 | 253 |
| **TOTAL** | **1,868** | **(24)** | **1,844** | **545** | **(105)** | **439** | **2,282** | **2,203** |

### Note 16.2 - Receivables from insurance or inward reinsurance transactions – by maturity

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Earned unwritten premiums | 722 | | | 722 | 702 | | | 702 |
| Policyholders, intermediaries, and other third parties | 1,171 | 8 | | 1,179 | 1,148 | 38 | | 1,186 |
| Current accounts – co-insurers and other third parties | 70 | 11 | | 81 | 61 | 2 | | 62 |
| Current accounts – ceding and retroceding companies | 182 | 78 | 41 | 301 | 236 | 16 | | 252 |
| **TOTAL** | **2,143** | **98** | **41** | **2,282** | **2,147** | **56** | | **2,203** |

## NOTE 17 RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

| | 31.12.2013 | | | 31.12.2012 |
|---|---|---|---|---|
| *(in millions of euros)* | Gross value | Reserves | Net value | Net value |
| Outward reinsurer and retrocessionaire current accounts | 74 | (6) | 68 | 116 |
| Other receivables from reinsurance transactions | 173 | (7) | 167 | 160 |
| **TOTAL** | **247** | **(13)** | **235** | **276** |

### Note 17.1 - Receivables from outward reinsurance transactions – by maturity

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Outward reinsurer and retrocessionaire current accounts | 49 | 19 | | 68 | 101 | 15 | | 116 |
| Other receivables from reinsurance transactions | 165 | 1 | 1 | 167 | 142 | 17 | 1 | 160 |
| **TOTAL** | **214** | **20** | **1** | **235** | **243** | **32** | **1** | **276** |

# NOTE 18 CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

## Note 18.1 - Current tax receivables and other tax receivables – by maturity

| *(in millions of euros)* | 31.12.2013 < 1 year | 1 to 5 years | > 5 years | Total | 31.12.2012 < 1 year | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Current tax receivables and other tax receivables | 280 | 11 | | 290 | 210 | 4 | | 215 |

The line item "Current tax receivables and other tax receivables" totalled €290 million as at 31 December 2013, compared to €215 million as at 31 December 2012. It includes corporation tax as well as other government and public authority receivables.

Current tax receivables totalled €49 million as at 31 December 2013, including €48 million for international subsidiaries, *versus* €30 million at 31 December 2012.

Other tax receivables totalled €241 million as at 31 December 2013, including €57 million for international taxation, *versus* €185 million at 31 December 2012.

## Note 18.2 - Current tax receivables and other tax receivables – by operating segment

| *(in millions of euros)* | 31.12.2013 France | International | Total | 31.12.2012 France | International | Total |
|---|---|---|---|---|---|---|
| Current tax receivables and other tax receivables | 185 | 105 | 290 | 134 | 81 | 215 |

# NOTE 19 OTHER RECEIVABLES

| *(in millions of euros)* | 31.12.2013 Gross Values | Reserves | Total | 31.12.2012 Total |
|---|---|---|---|---|
| Accrued interest not yet due | 746 | | 746 | 706 |
| Due from employees | 26 | | 26 | 19 |
| Social agencies | 19 | | 19 | 2 |
| Other debtors | 939 | (124) | 815 | 642 |
| Other receivables | 271 | | 271 | 385 |
| **TOTAL** | **2,002** | **(124)** | **1,877** | **1,753** |

## Note 19.1 - Other receivablesby maturity

| *(in millions of euros)* | 31.12.2013 < 1 year | 1 to 5 years | > 5 years | Total | 31.12.2012 < 1 year | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Accrued interest not yet due | 746 | | | 746 | 706 | | | 706 |
| Due from employees | 26 | | | 26 | 19 | | | 19 |
| Social agencies | 19 | | | 19 | 2 | | | 2 |
| Other debtors | 767 | 36 | 11 | 814 | 588 | 34 | 20 | 642 |
| Other receivables | 271 | | | 271 | 385 | | | 385 |
| **TOTAL** | **1,830** | **36** | **11** | **1,877** | **1,699** | **34** | 20 | **1,753** |

### Note 19.2 - Other receivables – by operating segment

| (in millions of euros) | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| Accrued interest not yet due | 665 | 82 | 746 | 626 | 79 | 706 |
| Due from employees | 25 | 1 | 26 | 19 | 1 | 19 |
| Social agencies | 19 | | 19 | 1 | | 1 |
| Other debtors | 757 | 57 | 814 | 573 | 69 | 642 |
| Other receivables | 247 | 24 | 271 | 337 | 47 | 385 |
| **TOTAL** | **1,712** | **165** | **1,877** | **1,556** | **196** | **1,753** |

## NOTE 20 CASH AND CASH EQUIVALENTS

### Note 20.1 - Cash and cash equivalents applied to balance sheet assets

| (in millions of euros) | 31.12.2013 | 31.12.2012 |
|---|---|---|
| France | 431 | 1,335 |
| International | 384 | 456 |
| **TOTAL** | **815** | **1,791** |

Cash and cash equivalents primarily represent the balances in the bank accounts of the Group's entities.

### Note 20.2 - Cash applied to balance sheet liabilities

| (in millions of euros) | 31.12.2013 < 1 year | 31.12.2013 1 to 5 years | 31.12.2013 > 5 years | 31.12.2013 Total | 31.12.2012 < 1 year | 31.12.2012 1 to 5 years | 31.12.2012 > 5 years | 31.12.2012 Total |
|---|---|---|---|---|---|---|---|---|
| Operating debts to banking sector companies | 103 | | | 103 | 203 | | | 203 |
| **TOTAL** | **103** | | | **103** | **203** | | | **203** |

| (in millions of euros) | 31.12.2013 Currency Eurozone | 31.12.2013 Currency Non eurozone | 31.12.2013 Rate Fixed rate | 31.12.2013 Rate Variable rate |
|---|---|---|---|---|
| Operating debts to banking sector companies | 103 | | 103 | |
| **TOTAL** | **103** | | **103** | |

◄ CONTENTS ►

## NOTE 21 SHAREHOLDERS' EQUITY, MINORITY INTERESTS

### Note 21.1 - Share capital limits for insurance companies

Insurance business operations are governed by regulatory constraints that define minimum share capital in particular. In France, in accordance with the European Directive and Articles R. 322-5 of the French Insurance Code, French public limited companies under the supervision of government authorities must have a share capital at least €480,000 or €800,000 depending on the insurance activity exercised.

In addition, in order to ensure the financial stability of insurance companies and protect policyholders, there is a prudential reserve in France under Article R. 334-1 of the French Insurance Code. It requires insurance companies to respect a minimum solvency margin on an ongoing basis relative to its activities (life and non-life). This obligation also exists abroad, according to similar mechanisms. This entire mechanism is reinforced at the level of the consolidated financial statements through the establishment of "adjusted" solvency by taking into account, where applicable, the banking businesses engaged in by the insurance group, according to the French accounting and regulatory framework.

### Note 21.2 - Impact of transactions with shareholders

#### Change in the Group's shareholders' equity during the 2013 fiscal year

Over the 2013 fiscal year, no transactions occurred that had any impact on share capital and issue premiums.

#### Accounting treatment of deeply subordinated instruments issued 10 October 2007

On 10 October 2007, Groupama issued an undated subordinated bond with a nominal value of €1,000 million at a fixed interest rate of 6.298%. This bond carries specific characteristics including the following:

- unlimited term;
- the ability to defer or cancel any interest payment to unitholders in a discretionary manner;
- an interest "step-up" clause that kicks in following the tenth year of the bond.

Taking into account the conditions specific to the issue and in application of IAS 32 §16 and 17, the loan is considered an equity instrument and not a financial liability. It is therefore recognised under shareholders' equity. Interest costs net of tax are charged directly against shareholders' equity in accordance with IAS 32 §35 (rather than as an expense in the income statement).

### Note 21.3 - Reserves related to changes in fair value recorded in shareholders' equity

The reconciliation between unrealised capital gains losses on available-for-sale investment assets and the corresponding reserve in shareholders' equity may be broken down as follows:

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Gross unrealised capital gains (losses) on available-for-sale assets | 2,315 | 2,624 |
| of which, unrealised gross capital gains (losses) on AFS assets allocated to life and health insurance | 1,997 | 2,309 |
| of which, unrealised gross capital gains (losses) on AFS assets allocated to property and casualty insurance | 318 | 315 |
| Shadow accounting | (1,602) | (1,870) |
| Cash flow hedge and other changes | (60) | (60) |
| Deferred taxes | (92) | (273) |
| Share of minority interests | (2) | (4) |
| **REVALUATION RESERVE – GROUP SHARE** | **558** | **417** |

The deferred tax amount shown in the table above corresponds to the application of first, a short-term and long-term tax rate on the unrealised capital gains on financial instruments classified as "available-for-sale assets"; and second, 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 4.13%).

The line item "Cash flow hedge and other changes" for (€60 million) is broken down as follows:

- €42 million for the revaluation reserve of the cash flow hedge, which corresponds to the effective portion of the cash flow hedges applied by the Group, which will be recognised in income upon the elimination of the hedged underlying assets;
- €18 million for the net investment hedge revaluation reserve, which will be recognised in income upon the disposal of the foreign subsidiary.

1
2
3
4
5
6
7

## NOTE 22 CONTINGENT LIABILITIES

| | 31.12.2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | France | | | International | | | Total |
| *(in millions of euros)* | Reserves for pensions and similar obligations | Other contingent liabilities [1] | Total | Reserves for pensions and similar obligations | Other contingent liabilities [1] | Total | |
| **OPENING BALANCE** | **205** | **149** | **354** | **44** | **50** | **94** | **447** |
| Changes in the scope of consolidation and changes in accounting methods | | | | | (3) | (3) | (3) |
| Increases for the year | 44 | 44 | 88 | 5 | 24 | 29 | 117 |
| Write-backs for the year | (48) | (65) | (113) | (4) | (26) | (30) | (143) |
| Foreign exchange variation | | | | (1) | (1) | (2) | (2) |
| **CLOSING BALANCE** | **201** | **128** | **329** | **44** | **44** | **88** | **417** |

*(1) Details are not provided for this line item because this information could seriously prejudice the Group in view of ongoing litigation proceedings.*

| | 31.12.2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | France | | | International | | | Total |
| *(in millions of euros)* | Reserves for pensions and similar obligations | Other contingent liabilities [1] | Total | Reserves for pensions and similar obligations | Other contingent liabilities [1] | Total | |
| **OPENING BALANCE** | **193** | **84** | **277** | **89** | **64** | **153** | **430** |
| Changes in the scope of consolidation and changes in accounting methods | (16) | (1) | (17) | (50) | (4) | (54) | (71) |
| Increases for the year | 63 | 89 | 152 | 7 | 23 | 30 | 182 |
| Write-backs for the year | (35) | (23) | (58) | (4) | (32) | (36) | (94) |
| Foreign exchange variation | | | | 2 | (1) | 1 | 1 |
| **CLOSING BALANCE** | **205** | **149** | **354** | **44** | **50** | **94** | **447** |

*(1) Details are not provided for this line item because this information could seriously prejudice the Group in view of ongoing litigation proceedings.*

## NOTE 23 INFORMATION PERTAINING TO PERSONNEL BENEFITS – DEFINED-BENEFIT PLANS

We note that the revised IAS 19, applicable since 1 January 2013, has not had any effect on the Group's financial statements since it has used the Sorie option ever since the IFRS methods were first used. The notes presented below all incorporate the changes required by the revised IAS 19.

### Note 23.1 - Pensions reserve

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Post-employment benefits | Other long-term benefits | Total | Post-employment benefits | Other long-term benefits | Total |
| Actuarial debt | 536 | 36 | 572 | 528 | 36 | 563 |
| Fair value of hedging assets | 327 | | 327 | 315 | | 315 |
| **NET ACTUARIAL DEBT** | **209** | **36** | **245** | **214** | **36** | **249** |

#### Note 23.1.1 - Pensions reserve – change in actuarial value of the debt

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Post-employment benefits | Other long-term benefits | Total | Post-employment benefits | Other long-term benefits | Total |
| **OPENING ACTUARIAL DEBT** | **528** | **36** | **563** | **494** | **35** | **529** |
| Cost of past services | 9 | 2 | 11 | 12 | 3 | 15 |
| Interest payable | 17 | 1 | 18 | 4 | 1 | 5 |
| Revaluations of actuarial debt | | | | | | |
| Actuarial differences resulting from changes in demographic assumptions | (4) | | (4) | (6) | | (6) |
| Actuarial differences resulting from changes in financial assumptions | 11 | (1) | 10 | 42 | 2 | 44 |
| Experience-related adjustments | (7) | (1) | (8) | (13) | (7) | (20) |
| Benefits paid directly by the employer | (7) | (2) | (9) | (6) | (1) | (7) |
| Benefits paid by hedging assets | (13) | | (13) | | | |
| Cost of past services and profit/loss on liquidation | | | | | | |
| Change in scope of consolidation | | | | (8) | (5) | (13) |
| Change in exchange rates | (7) | | (7) | 7 | | 7 |
| Other | 9 | | 9 | 3 | 7 | 10 |
| **CLOSING ACTUARIAL DEBT** | **536** | **36** | **572** | **528** | **36** | **563** |

### Note 23.1.2 - Pensions reserve – change in value of hedging assets

| *(in millions of euros)* | 31.12.2013 Post-employment benefits | 31.12.2013 Other long-term benefits | 31.12.2013 Total | 31.12.2012 Post-employment benefits | 31.12.2012 Other long-term benefits | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **OPENING FAIR VALUE OF HEDGING ASSETS** | **315** | | **315** | **246** | | **246** |
| Interest income | 13 | | 13 | | | |
| Revaluations of hedging assets | | | | | | |
| Portion of yield on hedging assets in excess of the discount rate | 16 | | 16 | | | |
| Change in effect of asset cap | | | | | | |
| Benefits paid | (13) | | (13) | | | |
| Employer contributions | 4 | | 4 | 13 | | 13 |
| Employee contributions | | | | | | |
| Change in scope of consolidation | | | | | | |
| Change in exchange rates | (6) | | (6) | 6 | | 6 |
| Other | (2) | | (2) | 51 | | 51 |
| **CLOSING FAIR VALUE OF HEDGING ASSETS (B)** | **327** | | **327** | **315** | | **315** |

## Note 23.2 - Post-employment benefits expense recognised in the income statement and profits/losses recognised directly through shareholders' equity

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Cost of services: | | |
| Cost of past services | (9) | (12) |
| Cost of past services and profit/loss on liquidation | | |
| Net interest on net actuarial debt | (4) | (4) |
| Other | | (1) |
| **COMPONENT OF THE EXPENSE RECOGNISED IN THE INCOME STATEMENT** | **(13)** | **(17)** |
| Revaluation of net actuarial debt: | | |
| Portion of return on hedging assets not recognised in the income statement | 16 | |
| Actuarial differences resulting from changes in demographic assumptions | 4 | 6 |
| Actuarial differences resulting from changes in financial assumptions | (11) | (42) |
| Experience-related adjustments | 7 | 13 |
| Change in effect of asset cap | | |
| **COMPONENT OF THE EXPENSE RECOGNISED THROUGH PROFIT/LOSSES POSTED DIRECTLY AS SHAREHOLDERS' EQUITY** | **16** | **(23)** |

## Note 23.3 - Information pertaining to employee benefits – distribution of hedging assets

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Equities | 168 | 223 |
| Bonds | 131 | 56 |
| General euro funds | 27 | 22 |
| Other | | 14 |
| **CLOSING FAIR VALUE OF ASSETS** | **326** | **315** |

## Note 23.4 - Principal actuarial assumptions

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | United Kingdom | Other | Total | France | United Kingdom | Other | Total |
| Actuarial debt | 203 | 325 | 44 | 572 | 203 | 317 | 45 | 565 |
| Fair value of hedging assets | 26 | 300 | 1 | 327 | 22 | 293 | 1 | 316 |
| **Net actuarial debt** | **177** | **25** | **43** | **245** | **181** | **24** | **44** | **249** |
| Principal actuarial assumptions | | | | | | | | |
| Financial assumptions | | | | | | | | |
| Discount rate | 3.00% | 4.40% | 3.50% | | 2.75% | 4.50% | 3.50% | |
| Yield expected from plan assets | 3.00% | 4.40% | | | 2.00% | 6.37% | | |
| Expected salary/pension increase | 1.85% | 3.30% | 5.50% | | 1.94% | 3.00% | 4.26% | |
| Staff turnover | | | | | | | | |
| ■ 18 to 34 years | 4.47% | NA | NS | | 6.10% | NA | NS | |
| ■ 35 to 44 years | 2.94% | NA | NS | | 4.30% | NA | NS | |
| ■ 45 to 54 years | 1.85% | NA | NS | | 1.20% | NA | NS | |
| ■ 55 and older | 0.00% | NA | NS | | 0.00% | NA | NS | |

The English pension fund operates autonomously and is managed by a Trustee Board. Its role is to act in the best interests of the beneficiaries by determining in particular the policy for investing and managing the hedging assets.

Only staff turnover rates for France are material in the context of the consolidated financial statements.

As in 2012, the discount rate used at 31 December 2013 to assess actuarial commitments is the interest rate on high-quality corporate bonds.

The sensitivity to an increase of 50 basis points in this discount rate is -4.97% on the gross actuarial debt total for France, and -8.6% for the United Kingdom.

Sensitivity to social commitments in relation to illness cover: as at 31 December 2013, actuarial debt for illness cover amounted to €9.7 million. The sensitivity of this debt to an increase of 50 basis points in the discount rate is -5.0%.

A 0.5% change in the increase in medical costs would not have a material impact on the Group's consolidated financial statements.

The average duration of the commitment in France is 12.2 years.

## NOTE 24 FINANCING DEBT

### Note 24.1 - Financing debt – by maturity

| *(in millions of euros)* | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Subordinated debt | | | 1,238 | 1,238 | | | 1,238 | 1,238 |
| of which subordinated debt of insurance companies | | | 1,238 | 1,238 | | | 1,238 | 1,238 |
| of which subordinated debt of banking companies | | | | | | | | |
| Financing debt represented by securities | | | | | | | | |
| Financing debt to banking-sector companies | 651 | 4 | 28 | 683 | 651 | 4 | 29 | 684 |
| **TOTAL** | **651** | **4** | **1,266** | **1,921** | **651** | **4** | **1,268** | **1,922** |

There was no change in the Group's external debt at 31 December 2013 compared to 31 December 2012.

### Note 24.2 - Financing debt – by currency and rate

| *(in millions of euros)* | 31.12.2013 | | | |
|---|---|---|---|---|
| | Currency | | Rate | |
| | Eurozone | Non eurozone | Fixed rate | Variable rate |
| Subordinated debt | 1,238 | | 1,238 | |
| Financing debt represented by securities | | | | |
| Financing debt to banking-sector companies | 683 | | 670 | 13 |
| **TOTAL** | **1,921** | | **1,908** | **13** |

The "Subordinated debt' line comprises several issues of bond loans as follows:

- a fixed-rate undated subordinated bond (TSDI) issued by Groupama SA in July 2005 for €488 million.

  This bond includes a clause that allows the issuer to redeem the bond early as from the tenth year.

  Groupama SA has the option of deferring interest payments if the Group's solvency is below 150%.

  At 31 December 2013, this issue was quoted at 92.2% compared with 63.4% at 31 December 2012. This quotation is the result of valuation of a counterparty as the liquidity of this security is very low;
- a fixed-rate dated subordinated bond (TSR) issued in October 2009 by Groupama SA for an amount of €750 million.

The key terms of this bond are as follows:

- the term of the bond is 30 years;
- an early redemption option available to Groupama SA that it may exercise as from the tenth year;
- a clause entitling Groupama SA to defer interest payments as follows, the deferred interest remaining is due to the holders of the securities.

Groupama SA has the option of deferring interest payments if the Group's solvency is below 100%.

At 31 December 2013, this issue was quoted at 104.3% compared with 85.6% at 31 December 2012.

In view of the specific terms and conditions of each issue pursuant to IAS 32 §16 and 17, these bonds are considered as financial liabilities rather than equity instruments. They are therefore recognised under financing debt. Interest costs net of tax are recognised in the income statement.

The item 'financing debt to companies in the banking sector' amounts to €683 million and corresponds mainly to the use of a syndicated loan totalling €651 million and a lease-loan debt for €27 million.

# NOTE 25 TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES

## Note 25.1 - Technical liabilities related to insurance policies – by operating segment

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Gross technical reinsurance reserves** | | | | | | |
| Life insurance reserves | 30,372 | 1,247 | 31,619 | 29,237 | 1,348 | 30,585 |
| Outstanding claims reserves | 582 | 61 | 643 | 671 | 69 | 740 |
| Profit-sharing reserves | 939 | 21 | 960 | 524 | 20 | 544 |
| Other technical reserves | 7 | 26 | 34 | 12 | 29 | 41 |
| **Total Life insurance** | **31,899** | **1,356** | **33,255** | **30,444** | **1,467** | **31,911** |
| Reserves for unearned premiums | 663 | 677 | 1,340 | 659 | 759 | 1,418 |
| Outstanding claims reserves | 5,909 | 2,174 | 8,083 | 5,866 | 2,109 | 7,975 |
| Other technical reserves | 1,907 | 46 | 1,953 | 1,874 | 49 | 1,923 |
| **Total Non-life insurance** | **8,479** | **2,897** | **11,376** | **8,399** | **2,917** | **11,317** |
| **Life insurance reserves for unit-linked policies** | **4,427** | **827** | **5,254** | **3,432** | **886** | **4,319** |
| **TOTAL** | **44,805** | **5,080** | **49,885** | **42,276** | **5,270** | **47,546** |

The technical liabilities of insurance policies had increased at 31 December 2013 by €2,339 million and primarily related to France (+€2,529 million).

The adequacy tests carried out on liabilities as at 31 December 2013 were found to be satisfactory and did not result in the recognition of any additional technical expense.

## Note 25.2 - Technical liabilities related to insurance policies – by business

### Note 25.2.1 - Technical liabilities related to insurance policies – by business – France

| *(in millions of euros)* | 31.12.2013 L&H | 31.12.2013 P&C | 31.12.2013 Total | 31.12.2012 L&H | 31.12.2012 P&C | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Gross technical reinsurance reserves** | | | | | | |
| Life insurance reserves | 30,371 | | 30,371 | 29,237 | | 29,237 |
| Outstanding claims reserves | 582 | | 582 | 671 | | 671 |
| Profit-sharing reserves | 939 | | 939 | 524 | | 524 |
| Other technical reserves | 7 | | 7 | 12 | | 12 |
| **Total Life insurance** | **31,899** | | **31,899** | **30,444** | | **30,444** |
| Reserves for unearned premiums | 45 | 618 | 663 | 42 | 617 | 659 |
| Outstanding claims reserves | 851 | 5,058 | 5,909 | 870 | 4,996 | 5,866 |
| Other technical reserves | 1,537 | 371 | 1,908 | 1,513 | 362 | 1,875 |
| **Total Non-life insurance** | **2,433** | **6,047** | **8,479** | **2,425** | **5,975** | **8,400** |
| **Life insurance reserves for unit-linked policies** | **4,427** | | **4,427** | **3,432** | | **3,432** |
| **TOTAL GROSS TECHNICAL RESERVES RELATING TO INSURANCE POLICIES** | **38,759** | **6,047** | **44,805** | **36,301** | **5,975** | **42,276** |

Note 25.2.2 - Technical liabilities related to insurance policies – by business – International

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | L&H | P&C | Total | L&H | P&C | Total |
| **Gross technical reinsurance reserves** | | | | | | |
| Life insurance reserves | 1,247 | | 1,247 | 1,348 | | 1,348 |
| Outstanding claims reserves | 61 | | 61 | 69 | | 69 |
| Profit-sharing reserves | 21 | | 21 | 20 | | 20 |
| Other technical reserves | 26 | | 26 | 29 | | 29 |
| **Total Life insurance** | **1,355** | | **1,355** | **1,466** | | **1,466** |
| Reserves for unearned premiums | 61 | 616 | 677 | 66 | 694 | 760 |
| Outstanding claims reserves | 86 | 2,088 | 2,174 | 103 | 2,006 | 2,110 |
| Other technical reserves | 9 | 37 | 46 | 8 | 40 | 48 |
| **Total Non-life insurance** | **156** | **2,741** | **2,897** | **177** | **2,740** | **2,918** |
| **Life insurance reserves for unit-linked policies** | **827** | | **827** | **886** | | **886** |
| **TOTAL GROSS TECHNICAL RESERVES RELATING TO INSURANCE POLICIES** | **2,339** | **2,741** | **5,080** | **2,530** | **2,740** | **5,270** |

## Note 25.3 - Breakdown of technical reserves for insurance policies – by main categories

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Gross life insurance reserves | Gross outstanding claims reserves | Total | Gross life insurance reserves | Gross outstanding claims reserves | Total |
| **Single-premium policies** | | | | | | |
| Capitalisation | 308 | 25 | 333 | 367 | 21 | 388 |
| Individual insurance | 10,198 | 208 | 10,406 | 9,736 | 257 | 9,993 |
| Group policies | 193 | 5 | 198 | 205 | 6 | 211 |
| Other | 2,831 | | 2,831 | 2,256 | | 2,256 |
| **Total reserves for single-premium policies** | **13,530** | **237** | **13,767** | **12,564** | **285** | **12,849** |
| **Periodic-premium contracts** | | | | | | |
| Capitalisation | 348 | 11 | 358 | 377 | 8 | 385 |
| Individual insurance | 7,359 | 125 | 7,484 | 7,186 | 180 | 7,366 |
| Group policies | 7,183 | 240 | 7,423 | 7,483 | 237 | 7,720 |
| Other | 698 | 4 | 702 | 603 | 3 | 606 |
| **Total reserves for periodic premium policies** | **15,588** | **379** | **15,968** | **15,649** | **429** | **16,077** |
| **Inward reinsurance** | **2,500** | **26** | **2,527** | **2,373** | **26** | **2,399** |
| **TOTAL** | **31,619** | **643** | **32,262** | **30,586** | **740** | **31,326** |

| (in millions of euros) | 31.12.2013 Reserves for unearned premiums | 31.12.2013 Outstanding claims reserves | 31.12.2013 Total | 31.12.2012 Reserves for unearned premiums | 31.12.2012 Outstanding claims reserves | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Non-life insurance** | | | | | | |
| Motor insurance | 582 | 2,299 | 2,881 | 650 | 2,227 | 2,877 |
| Bodily injury | 88 | 474 | 561 | 97 | 494 | 591 |
| Property damage | 273 | 598 | 870 | 268 | 588 | 856 |
| General third party liability | 49 | 436 | 485 | 50 | 454 | 504 |
| Marine, aviation, transport | 7 | 258 | 266 | 10 | 331 | 341 |
| Other risks | 164 | 691 | 855 | 166 | 688 | 854 |
| **Inward reinsurance** | **176** | **3,329** | **3,505** | **177** | **3,193** | **3,370** |
| **TOTAL NON-LIFE INSURANCE RESERVES** | **1,340** | **8,083** | **9,423** | **1,418** | **7,975** | **9,393** |

## Note 25.4 - Change in non-life outstanding claims reserves

| (in millions of euros) | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **OPENING RESERVES FOR NON-LIFE CLAIMS** | **5,866** | **2,109** | **7,975** | **7,196** | **2,979** | **10,175** |
| **Portfolio transfers** | **(25)** | **25** | **0** | **(1,711)** | **(923)** | **(2,634)** |
| Claims expense for the current year | 3,553 | 1,301 | 4,854 | 3,549 | 1,332 | 4,881 |
| Claims expense for previous years | (61) | 41 | (20) | 342 | 51 | 393 |
| **Total claims expense** | **3,492** | **1,342** | **4,834** | **3,891** | **1,383** | **5,274** |
| Claims payments for the current year | (1,716) | (601) | (2,317) | (1,718) | (649) | (2,367) |
| Claims payments for previous years | (1,707) | (654) | (2,361) | (1,792) | (688) | (2,481) |
| **Total payments** | **(3,423)** | **(1,255)** | **(4,678)** | **(3,510)** | **(1,337)** | **(4,848)** |
| **Foreign exchange variation** | **(1)** | **(47)** | **(49)** | | **7** | **7** |
| **CLOSING RESERVES FOR NON-LIFE CLAIMS** | **5,909** | **2,174** | **8,083** | **5,866** | **2,109** | **7,975** |

## Note 25.5 - Impact of gross claims

| (in millions of euros) | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Estimate of the claims expense** | | | | | |
| End N | 4,579 | 4,672 | 4,503 | 4,831 | 4,837 |
| End N+1 | 4,460 | 4,797 | 4,813 | 4,934 | |
| End N+2 | 4,420 | 4,791 | 4,730 | | |
| End N+3 | 4,432 | 4,758 | | | |
| End N+4 | 4,433 | | | | |
| End N+5 | | | | | |
| **Claims expense** | **4,433** | **4,758** | **4,730** | **4,934** | **4,837** |
| **Cumulative claims payments** | **4,037** | **4,245** | **4,034** | **3,815** | **2,307** |
| **Outstanding claims reserves** | **396** | **513** | **696** | **1,119** | **2,530** |
| **Earned premiums** | **5,656** | **6,030** | **6,340** | **6,755** | **6,620** |
| **CLAIMS RATIO** | **78.4%** | **78.9%** | **74.6%** | **73.0%** | **73.1%** |

The statement of claim trends shows changes in estimates of the gross claims expense per year of occurrence covering the years 2009 to 2013, *i.e.,* changes in the initial estimates and discounted expense as at the balance sheet date.

The reserve per year of occurrence is calculated as the difference between the estimated claim expense (revalued as at the balance sheet date) and the cumulative payments made.

### Note 25.6 - Impact of the discount in actuarial reserves for non-life annuities by operating segment

## GROSS VALUE

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Closing non-life annuity actuarial reserves (net of recoveries)** | **1,914** | **24** | **1,939** | **1,811** | **24** | **1,835** |
| Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate | 1,850 | 24 | 1,874 | 1,781 | 24 | 1,805 |
| Closing non-life annuity actuarial reserves (net of recoveries) excluding technical interest | 2,272 | 24 | 2,296 | 2,230 | 24 | 2,254 |
| Technical interest | (421) | | (421) | (449) | | (449) |
| Impact of change in discount rate | 64 | | 64 | 30 | | 30 |

## PROPORTION CEDED

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| **Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries)** | **128** | **(5)** | **123** | **121** | **(5)** | **116** |
| Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) before change in discount rate | 123 | (5) | 118 | 119 | (5) | 114 |
| Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) excluding technical interest | 154 | (5) | 149 | 153 | (5) | 147 |
| Technical interest | (31) | | (31) | (33) | | (33) |
| Impact of change in discount rate | 5 | | 5 | 2 | | 2 |

CONTENTS

## NOTE 26 TECHNICAL LIABILITIES RELATED TO FINANCIAL CONTRACTS

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **Reserves on financial contracts with discretionary profit sharing** | | |
| Life technical reserves | 18,480 | 20,607 |
| Reserves on unit-linked policies | 91 | 24 |
| Outstanding claims reserves | 93 | 243 |
| Profit-sharing reserves | 39 | 53 |
| Other technical reserves | | 27 |
| **Total** | **18,703** | **20,954** |
| **Reserves on financial contracts without discretionary profit sharing** | | |
| Life technical reserve | 7 | 7 |
| Reserves on unit-linked policies | 51 | 43 |
| Outstanding claims reserves | | |
| Profit-sharing reserves | | |
| Other technical reserves | | |
| **Total** | **58** | **50** |
| **TOTAL** | **18,761** | **21,004** |

### Note 26.1 - Liabilities related to financial contracts (excluding unit-linked items) – by operating segment

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Reserves on financial contracts – Life | 17,211 | 1,277 | 18,487 | 19,448 | 1,166 | 20,614 |
| Outstanding claims reserves | 88 | 5 | 93 | 238 | 5 | 243 |
| Profit-sharing reserves | 36 | 3 | 39 | 36 | 17 | 53 |
| Other technical reserves | | | | 27 | | 27 |
| **TOTAL** | **17,335** | **1,285** | **18,619** | **19,749** | **1,188** | **20,937** |

### Note 26.2 - Breakdown of liabilities related to financial contracts – by major category

| *(in millions of euros)* | 31.12.2013 Reserves on financial contracts – Life | Gross outstanding claims reserves | Total | 31.12.2012 Reserves on financial contracts – Life | Gross outstanding claims reserves | Total |
|---|---|---|---|---|---|---|
| **Single-premium policies** | | | | | | |
| Capitalisation | 273 | 6 | 279 | 301 | 6 | 307 |
| Individual insurance | 17,468 | 10 | 17,478 | 19,194 | 224 | 19,418 |
| Group policies | 89 | | 89 | 84 | | 84 |
| Other | | | | | | |
| **Total reserves for single-premium policies** | **17,830** | **16** | **17,845** | **19,578** | **230** | **19,809** |
| **Periodic-premium contracts** | | | | | | |
| Capitalisation | 119 | 1 | 120 | 124 | 1 | 125 |
| Individual insurance | 199 | 70 | 269 | 384 | 5 | 389 |
| Group policies | 336 | 5 | 342 | 524 | 6 | 530 |
| Other | 3 | 1 | 4 | 3 | | 3 |
| **Total reserves for periodic premium contracts** | **658** | **77** | **735** | **1,035** | **13** | **1,047** |
| **Inward reinsurance** | | | | | | |
| **TOTAL LIFE INSURANCE RESERVES** | **18,487** | **93** | **18,580** | **20,614** | **243** | **20,856** |

## NOTE 27 CHANGE IN ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES AND FINANCIAL CONTRACTS – BY OPERATING SEGMENT

| *(in millions of euros)* | 31.12.2013 France | International | Total | 31.12.2012 France | International | Total |
|---|---|---|---|---|---|---|
| **OPENING ACTUARIAL RESERVES** | **48,685** | **2,514** | **51,199** | **49,071** | **3,215** | **52,285** |
| Premiums for the year | 2,231 | 309 | 2,541 | 2,808 | 236 | 3,044 |
| Portfolio transfer/changes in scope of consolidation | | | | | (565) | (565) |
| Interest credited | 237 | 70 | 307 | 235 | 71 | 307 |
| Profit sharing | 896 | 14 | 910 | 1,179 | 14 | 1,193 |
| Policies at term | (302) | (127) | (429) | (528) | (127) | (655) |
| Redemptions | (2,143) | (220) | (2,362) | (2,783) | (318) | (3,101) |
| Annuity arrears | (521) | (3) | (523) | (490) | (3) | (492) |
| Death benefits | (976) | (10) | (986) | (890) | (11) | (902) |
| Other changes | (526) | (24) | (550) | 82 | 2 | 84 |
| **CLOSING ACTUARIAL RESERVES** | **47,583** | **2,523** | **50,106** | **48,685** | **2,514** | **51,199** |

Other changes are due largely to the arbitrage of euro contracts into unit-linked contracts.

## NOTE 28 DEBTS TO UNIT HOLDERS OF CONSOLIDATED MUTUAL FUNDS

| *(in millions of euros)* | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | Insurance | Banking | Total | Insurance | Banking | Total |
| Debts to unit holders of consolidated mutual funds | 641 | | 641 | 974 | | 974 |
| **TOTAL** | **641** | | **641** | **974** | | **974** |

## NOTE 29 DEBTS ARISING FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

| *(in millions of euros)* | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Policyholders, intermediaries, and other third parties | 482 | 4 | | 486 | 487 | 3 | | 490 |
| Co-insurers | 74 | | | 74 | 65 | 10 | | 75 |
| Current accounts – ceding and retroceding companies | 39 | 32 | | 71 | 42 | 4 | | 46 |
| **TOTAL** | **594** | **36** | | **630** | **594** | **17** | | **611** |

## NOTE 30 DEBTS ARISING FROM OUTWARD REINSURANCE TRANSACTIONS

| *(in millions of euros)* | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Outward reinsurer and retrocessionaire current accounts (1) | 7,343 | 22 | | 7,365 | 228 | 8 | | 237 |
| Other liabilities from reinsurance activities | 123 | 3 | | 127 | 182 | 4 | | 186 |
| **TOTAL** | **7,466** | **25** | | **7,491** | **410** | **13** | | **423** |

*(1) Including cash deposits received from reinsurers.*

The change in the line item “Outward reinsurer and retrocessionaire current accounts” compared to the previous year can be explained by the existence of a 3-year quota share reinsurance treaty.

## NOTE 31 CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

| *(in millions of euros)* | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Current taxes payable and other tax liabilities | 217 | 16 | | 233 | 217 | 4 | | 221 |
| **TOTAL** | **217** | **16** | | **233** | **217** | **4** | | **221** |

The line item "Current taxes payable and other tax liabilities" totalled €233 million as at 31 December 2013, compared to €221 million as at 31 December 2012. It includes tax on profit payable in France and abroad as well as other government and public authority debt.

Current tax payables totalled €101 million as at 31 December 2013, *versus* €91 million as at 31 December 2012, broken down as follows:

- €28 million for companies within the tax consolidation scope;
- €73 million for foreign companies.

Other tax liabilities totalled €132 million as at 31 December 2013, including €37 million for foreign companies, *versus* €130 million as at 31 December 2012.

## NOTE 32 OTHER DEBT

### Note 32.1 - Other debt – by operating segment

| *(in millions of euros)* | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | France | International | Total | France | International | Total |
| Employee creditors | 167 | 6 | 173 | 162 | 7 | 169 |
| Social agencies | 121 | 8 | 130 | 125 | 9 | 134 |
| Other loans and guarantee deposits received | 1,872 | 11 | 1,883 | 5,217 | 8 | 5,225 |
| Miscellaneous creditors | 655 | 43 | 698 | 740 | 50 | 790 |
| Other debts | 484 | 34 | 518 | 264 | 31 | 295 |
| **TOTAL** | **3,300** | **102** | **3,402** | **6,508** | **104** | **6,612** |

The "Other loans and guarantee deposits received" line item amounted to €1,883 million as at 31 December 2013, compared with €5,225 million as at 31 December 2012, a reduction of €3,342 million. This reduction mainly comes from debt resulting from the bond repurchase agreement, which amounted to €1,757 million as at 31 December 2013 compared with €5,110 as at 31 December 2012, a fall of €3,353 million, mainly from Groupama Gan Vie.

### Note 32.2 - Other debt – by maturity

| *(in millions of euros)* | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | < 1 year | 1 to 5 years | > 5 years | Total | < 1 year | 1 to 5 years | > 5 years | Total |
| Employee creditors | 160 | | 13 | 173 | 156 | | 14 | 169 |
| Social agencies | 130 | | | 130 | 134 | | | 134 |
| Other loans and guarantee deposits received | 1,797 | 14 | 72 | 1,883 | 5,141 | 13 | 71 | 5,225 |
| Miscellaneous creditors | 698 | | | 698 | 780 | | 10 | 790 |
| Other debts | 518 | | | 518 | 294 | | | 294 |
| **TOTAL** | **3,303** | **14** | **85** | **3,402** | **6,505** | **13** | **94** | **6,612** |

### Note 32.3 - Other debt – by currency and rate

| | 31.12.2013 | | | |
|---|---|---|---|---|
| | Currency | | Rate | |
| *(in millions of euros)* | Eurozone | Non eurozone | Fixed rate | Variable rate |
| Employee creditors | 171 | 3 | 173 | |
| Social agencies | 129 | 1 | 130 | |
| Other loans and guarantee deposits received | 1,879 | 4 | 1,874 | 9 |
| Miscellaneous creditors | 678 | 20 | 698 | |
| Other debts | 517 | | 518 | |
| **TOTAL** | **3,374** | **28** | **3,393** | **9** |

## NOTE 33 ANALYSIS OF PREMIUM INCOME

### Note 33.1 - Analysis of insurance premium income – by major category

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Individual retirement savings | 1,946 | 434 | 2,380 | 2,367 | 387 | 2,754 |
| Individual protection insurance | 441 | 112 | 553 | 438 | 107 | 545 |
| Individual health insurance | 562 | 64 | 626 | 559 | 67 | 626 |
| Other | 125 | | 125 | 119 | | 119 |
| **Individual life and health insurance** | **3,074** | **611** | **3,685** | **3,482** | **561** | **4,043** |
| Group retirement savings | 210 | 49 | 259 | 207 | 63 | 270 |
| Group protection scheme | 521 | 67 | 588 | 554 | 76 | 630 |
| Group health | 463 | 22 | 485 | 490 | 24 | 514 |
| Other | 172 | | 172 | 225 | | 225 |
| **Group life and health insurance** | **1,366** | **138** | **1,504** | **1,475** | **163** | **1,638** |
| **LIFE AND HEALTH INSURANCE** | **4,440** | **749** | **5,189** | **4,958** | **724** | **5,682** |
| Motor insurance | 898 | 1,238 | 2,136 | 891 | 1,341 | 2,232 |
| Other vehicles | 54 | | 54 | 52 | | 52 |
| Home insurance | 533 | 177 | 710 | 490 | 176 | 666 |
| Retail and professional property and casualty | 298 | 13 | 311 | 285 | 13 | 298 |
| Construction | 96 | | 96 | 102 | | 102 |
| **Private and professional** | **1,879** | **1,428** | **3,307** | **1,820** | **1,530** | **3,350** |
| Fleets | 240 | 8 | 248 | 219 | 12 | 231 |
| Business and local authorities property | 284 | 187 | 471 | 330 | 185 | 546 |
| **Businesses and local authorities** | **524** | **195** | **719** | **549** | **197** | **746** |
| Agricultural risks | 231 | 102 | 333 | 218 | 87 | 305 |
| Climate risks | 170 | | 170 | 153 | | 153 |
| Tractors and agricultural equipment | 96 | | 96 | 87 | | 87 |
| **Agricultural business segments** | **497** | **102** | **599** | **458** | **87** | **545** |
| Other business segments | 273 | 68 | 341 | 362 | 78 | 440 |
| **PROPERTY AND CASUALTY INSURANCE** | **3,173** | **1,793** | **4,966** | **3,189** | **1,893** | **5,081** |
| **TOTAL INSURANCE** | **7,613** | **2,541** | **10,154** | **8,146** | **2,617** | **10,763** |

## Note 33.2 - Analysis of premium income – by business

| *(in millions of euros)* | 31.12.2013 L&H | P&C | Financial activities | Total | %share | 31.12.2012 L&H | P&C | Financial activities | Total | %share |
|---|---|---|---|---|---|---|---|---|---|---|
| France | 4,440 | 3,173 | 268 | 7,881 | 76% | 4,958 | 3,189 | 269 | 8,416 | 76% |
| Southern Europe | 552 | 1,502 | | 2,054 | 20% | 542 | 1,581 | | 2,124 | 20% |
| CEEC | 196 | 291 | | 487 | 5% | 182 | 311 | | 493 | 4% |
| **TOTAL** | **5,189** | **4,966** | **268** | **10,423** | **100%** | **5,682** | **5,082** | **269** | **11,032** | **100%** |

The geographic areas are broken down as follows:

- France;
- Southern Europe: Portugal, Italy, Greece and Turkey;
- Central and Eastern European Countries (CEEC): Bulgaria, Hungary and Romania.

## Note 33.3 - Analysis of banking items contributing to premium income

| *(in millions of euros)* | 31.12.2013 Groupama Banque | Other companies | Total | 31.12.2012 Groupama Banque | Other companies | Total |
|---|---|---|---|---|---|---|
| Interest and related income | 71 | | 71 | 50 | | 50 |
| Commissions (income) | 60 | 125 | 185 | 59 | 140 | 199 |
| Gains on financial instruments at fair value through income | 10 | | 10 | 9 | 1 | 9 |
| Gains on available-for-sale financial assets | | 1 | 1 | 7 | 1 | 7 |
| Income from other activities | | 1 | 1 | 1 | 3 | 3 |
| **TOTAL** | **142** | **127** | **268** | **125** | **144** | **269** |

Banking premium income shown in the consolidated financial statements corresponds to banking income before taking into account refinancing costs.

The fall in the income for “Other companies” is related to the disposal of Groupama Private Equity. This has been offset by the growth of Groupama Banque.

◄ CONTENTS ►

## NOTE 34 INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

### Note 34.1 - Investment income net of investment expenses – by operating segment

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Interest on deposits and financial investments income | 1,836 | 243 | 2,080 | 1,915 | 256 | 2,171 |
| Gains on foreign exchange transactions | 21 | 18 | 39 | 23 | 13 | 36 |
| Income from differences on redemption prices to be received (premium-discount) | 107 | 4 | 111 | 110 | 5 | 115 |
| Income from property | 104 | 1 | 105 | 131 | 1 | 132 |
| Other investment income | | | | | | |
| **Income from investments** | **2,068** | **267** | **2,335** | **2,179** | **275** | **2,453** |
| Interest received from reinsurers | (2) | | (2) | (3) | | (4) |
| Losses on foreign exchange transactions | (24) | (15) | (39) | (32) | (11) | (43) |
| Amortisation of differences in redemption prices (premium-discount) | (185) | (17) | (202) | (131) | (10) | (141) |
| Impairment and reserves on property | (34) | (4) | (38) | (33) | (7) | (39) |
| Management expenses | (311) | (11) | (321) | (312) | (11) | (323) |
| **Investment expenses** | **(555)** | **(47)** | **(603)** | **(511)** | **(40)** | **(551)** |
| Held for trading | 219 | (18) | 201 | 198 | | 198 |
| Available-for-sale | 803 | 40 | 843 | (467) | (50) | (517) |
| Held to maturity | | | | | | |
| Other | 25 | 7 | 32 | 766 | 19 | 784 |
| **Capital gains (losses) from sales of investments, net of impairment reversals and write-backs** | **1,047** | **29** | **1,076** | **497** | **(32)** | **465** |
| Held for trading | 32 | 3 | 35 | 77 | 30 | 107 |
| Derivatives | 16 | | 16 | (116) | (1) | (117) |
| Adjustments on unit-linked policies | 307 | 25 | 332 | 419 | 36 | 455 |
| **Change in fair value of financial instruments recorded at fair value by income** | **355** | **28** | **383** | **380** | **66** | **446** |
| Available-for-sale | (5) | (11) | (16) | (287) | 15 | (272) |
| Held to maturity | | | | | | |
| Receivables and loans | (4) | | (4) | 3 | | 3 |
| **Change in impairment losses on financial instruments** | **(8)** | **(11)** | **(19)** | **(285)** | **15** | **(270)** |
| **TOTAL** | **2,906** | **265** | **3,171** | **2,259** | **284** | **2,543** |

## Note 34.2 - Investment income net of investment expenses – by business

### Note 34.2.1 - Investment income net of investment expenses – by business – France

| *(in millions of euros)* | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | P&C | L&H | Holding | Total | P&C | L&H | Holding | Total |
| Interest on deposits and financial investments income | 88 | 1,744 | 5 | 1,836 | 92 | 1,816 | 7 | 1,915 |
| Gains on foreign exchange transactions | 5 | 16 | | 21 | 16 | 5 | 2 | 23 |
| Income from differences on redemption prices to be received (premium-discount) | 1 | 106 | | 107 | 1 | 109 | | 110 |
| Income from property | 21 | 82 | | 104 | 27 | 104 | | 131 |
| Other investment income | | | | | | | | |
| **Investment income** | **115** | **1,948** | **5** | **2,068** | **136** | **2,033** | **9** | **2,179** |
| Interest received from reinsurers | (2) | | | (2) | (3) | (1) | | (3) |
| Losses on foreign exchange transactions | (7) | (15) | (3) | (24) | (19) | (12) | (1) | (32) |
| Amortisation of differences in redemption prices (premium-discount) | (10) | (175) | | (185) | (6) | (125) | | (131) |
| Impairment and reserves on property | (7) | (26) | | (34) | (6) | (26) | | (33) |
| Management expenses | (42) | (314) | 45 | (311) | (40) | (302) | 30 | (312) |
| **Investment expenses** | **(67)** | **(531)** | **43** | **(555)** | **(74)** | **(466)** | **28** | **(511)** |
| Held for trading | 1 | 219 | (1) | 219 | 79 | 119 | 1 | 198 |
| Available-for-sale | 55 | 742 | 6 | 803 | (212) | (230) | (25) | (467) |
| Held to maturity | | | | | | | | |
| Other | 13 | 12 | | 25 | 216 | 549 | | 766 |
| **Capital gains (losses) from sales of investments, net of impairment reversals and write-backs** | **68** | **974** | **6** | **1,047** | **83** | **438** | **(24)** | **497** |
| Held for trading | 12 | 57 | (37) | 32 | 10 | 107 | (40) | 77 |
| Derivatives | 1 | 15 | | 16 | (2) | (115) | 1 | (116) |
| Adjustments on unit-linked policies | | 307 | | 307 | | 419 | | 419 |
| **Change in fair value of financial instruments recorded at fair value by income** | **14** | **378** | **(37)** | **355** | **8** | **411** | **(39)** | **380** |
| Available-for-sale | | (4) | (1) | (5) | (14) | (273) | | (287) |
| Held to maturity | | | | | | | | |
| Receivables and loans | | 2 | (5) | (4) | 3 | 1 | (1) | 3 |
| **Change in impairment on financial instruments** | **(1)** | **(2)** | **(6)** | **(8)** | **(12)** | **(272)** | **(1)** | **(285)** |
| **TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES** | **129** | **2,767** | **10** | **2,906** | **142** | **2,144** | **(27)** | **2,259** |

◄ CONTENTS ►

### Note 34.2.2 - Investment income net of investment expenses – by business – International

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | P&C | L&H | Holding | Total | P&C | L&H | Holding | Total |
| Interest on deposits and financial investments income | 99 | 143 | 2 | 243 | 101 | 153 | 2 | 256 |
| Gains on foreign exchange transactions | 17 | 1 | | 18 | 12 | 1 | | 13 |
| Income from differences on redemption prices to be received (premium-discount) | 1 | 2 | | 4 | 2 | 3 | | 5 |
| Income from property | 1 | | | 1 | | | | 1 |
| Other investment income | | | | | | | | |
| **Investment income** | **118** | **146** | **2** | **267** | **116** | **157** | **2** | **275** |
| Interest received from reinsurers | | | | | | | | |
| Losses on foreign exchange transactions | (14) | (1) | | (15) | (11) | (1) | | (11) |
| Amortisation of differences in redemption prices (premium-discount) | (8) | (9) | | (17) | (5) | (5) | | (10) |
| Impairment and reserves on property | (4) | | | (4) | (6) | | | (7) |
| Management expenses | (6) | (5) | | (11) | (6) | (5) | | (11) |
| **Investment expenses** | **(32)** | **(15)** | | **(47)** | **(28)** | **(11)** | | **(40)** |
| Held for trading | | (18) | | (18) | | | | |
| Available-for-sale | 27 | 13 | | 40 | (17) | (33) | | (50) |
| Held to maturity | | | | | | | | |
| Other | 6 | 1 | | 7 | 15 | 4 | | 19 |
| **Capital gains (losses) from sales of investments, net of impairment reversals and write-backs** | **33** | **(4)** | | **29** | **(2)** | **(30)** | | **(32)** |
| Held for trading | | 3 | | 3 | 8 | 22 | | 30 |
| Derivatives | | | | | | | | (1) |
| Adjustments on unit-linked policies | | 25 | | 25 | | 36 | | 36 |
| **Change in fair value of financial instruments recorded at fair value by income** | | **28** | | **28** | **8** | **58** | | **66** |
| Available-for-sale | (7) | (4) | | (11) | 16 | (1) | | 15 |
| Held to maturity | | | | | | | | |
| Receivables and loans | | | | | | | | |
| **Change in impairment on financial instruments** | **(7)** | **(4)** | | **(11)** | **16** | **(1)** | | **15** |
| **TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES** | **113** | **150** | **2** | **265** | **110** | **173** | **2** | **284** |

## Note 34.3 - Investment income net of management expenses – by type of asset

| *(in millions of euros)* | 31.12.2013 Income and expenses | 31.12.2013 Proceeds of disposal * | 31.12.2013 Change in fair value | 31.12.2013 Change in reserves | 31.12.2013 Total | 31.12.2012 Income and expenses | 31.12.2012 Proceeds of disposal * | 31.12.2012 Change in fair value | 31.12.2012 Change in reserves | 31.12.2012 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Property | 105 | 32 | | | 137 | 132 | 784 | | | 916 |
| Equities | 121 | 296 | | | 417 | 142 | (401) | | | (259) |
| Bonds | 1,842 | 255 | 13 | | 2,110 | 1,963 | (160) | (22) | | 1,781 |
| Equity mutual funds | 26 | 260 | 64 | | 350 | 27 | 6 | 28 | | 61 |
| Mutual funds: Cash and cash equivalents (repurchase transactions) | | 6 | | | 6 | | 19 | 1 | | 20 |
| Other cash mutual funds | | 9 | 1 | | 10 | | 1 | 1 | | 2 |
| Bond mutual funds | 57 | (13) | (7) | | 37 | 65 | 114 | 99 | | 278 |
| Interest on cash deposits | 7 | | | | 7 | 9 | | | | 9 |
| Other investment income | 177 | 231 | (20) | (19) | 369 | 115 | 102 | (116) | (270) | (169) |
| **Investment income** | **2,335** | **1,076** | **51** | **(19)** | **3,443** | **2,453** | **465** | **(9)** | **(270)** | **2,639** |
| Internal and external management expenses and other investment expenses | (292) | | | | (292) | (299) | | | | (299) |
| Other investment expenses | (312) | | | | (312) | (252) | | | | (252) |
| **Investment expenses** | **(604)** | | | | **(604)** | **(551)** | | | | **(551)** |
| **Investment income, net of expenses** | **1,731** | **1,076** | **51** | **(19)** | **2,839** | **1,902** | **465** | **(9)** | **(270)** | **2,088** |
| Capital gains on securities representing unit-linked policies | | | 543 | | 543 | | | 555 | | 555 |
| Capital losses on securities representing unit-linked policies | | | (211) | | (211) | | | (99) | | (99) |
| **TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES** | **1,731** | **1,076** | **383** | **(19)** | **3,171** | **1,902** | **465** | **447** | **(270)** | **2,544** |

* *Net of write-back of impairment and amortisation.*

Investment income net of investment expenses increased by €628 million. This change is explained mainly by:

- the reduction in investment income by €118 million, including €27 million on property, €22 million on equities and equity mutual funds and €129 million on bonds and fixed-income mutual funds;
- the net increase in realised capital gains net of write-back of impairment, totalling €611 million;
- the lesser change in fair value of €63 million, including €123 million for securities representing unit-linked policies;
- the decrease in impairment recognised over the fiscal year of €251 million;
- an increase of investment management expenses of €52 million.

◄ CONTENTS ►

Note 34.3.1 - Investment income net of management expenses – by type of asset – France

| *(in millions of euros)* | 31.12.2013 | | | | | 31.12.2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Income and expenses | Proceeds of disposal * | Change in fair value | Change in reserves | Total | Income and expenses | Proceeds of disposal * | Change in fair value | Change in reserves | Total |
| Property | 104 | 25 | | | 129 | 131 | 766 | | | 897 |
| Equities | 118 | 312 | | | 430 | 138 | (396) | | | (258) |
| Bonds | 1,615 | 244 | 12 | | 1,871 | 1,733 | (19) | (24) | | 1,690 |
| Equity mutual funds | 24 | 257 | 64 | | 345 | 26 | 6 | 13 | | 45 |
| Mutual funds: Cash and cash equivalents (repurchase transactions) | | 6 | | | 6 | | 19 | 1 | | 20 |
| Other cash mutual funds | | 9 | 1 | | 10 | | | 1 | | 1 |
| Bond mutual funds | 50 | (13) | (7) | | 30 | 59 | 114 | 99 | | 272 |
| Interest on cash deposits | 3 | | | | 3 | 1 | | | | 1 |
| Other investment income | 154 | 207 | (22) | (8) | 331 | 91 | 6 | (128) | (285) | (316) |
| **Investment income** | **2,068** | **1,047** | **48** | **(8)** | **3,155** | **2,179** | **496** | **(38)** | **(285)** | **2,352** |
| Internal and external management expenses and other investment expenses | (284) | | | | (284) | (291) | | | | (291) |
| Other investment expenses | (272) | | | | (272) | (220) | | | | (220) |
| **Investment expenses** | **(556)** | | | | **(556)** | **(511)** | | | | **(511)** |
| **Investment income, net of expenses** | **1,512** | **1,047** | **48** | **(8)** | **2,599** | **1,668** | **496** | **(38)** | **(285)** | **1,841** |
| Capital gains on securities representing unit-linked policies | | | 512 | | 512 | | | 512 | | 512 |
| Capital losses on securities representing unit-linked policies | | | (205) | | (205) | | | (93) | | (93) |
| **TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES** | **1,512** | **1,047** | **355** | **(8)** | **2,906** | **1,668** | **496** | **381** | **(285)** | **2,260** |

* *Net of write-back of impairment and amortisation.*

1
2
3
4
5
6
7

### Note 34.3.2 - Investment income net of management expenses – by type of asset – International

| | 31.12.2013 | | | | | 31.12.2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | Income and expenses | Proceeds of disposal * | Change in fair value | Change in reserves | Total | Income and expenses | Proceeds of disposal * | Change in fair value | Change in reserves | Total |
| Property | 1 | 7 | | | 8 | 1 | 18 | | | 19 |
| Equities | 3 | (16) | | | (13) | 4 | (5) | | | (1) |
| Bonds | 227 | 11 | 1 | | 239 | 230 | (141) | 2 | | 91 |
| Equity mutual funds | 2 | 3 | | | 5 | 1 | | 15 | | 16 |
| Mutual funds: Cash and cash equivalents (repurchase transactions) | | | | | | | | | | |
| Other cash mutual funds | | | | | | | 1 | | | 1 |
| Bond mutual funds | 7 | | | | 7 | 6 | | | | 6 |
| Interest on cash deposits | 4 | | | | 4 | 8 | | | | 8 |
| Other investment income | 23 | 24 | 2 | (11) | 38 | 24 | 96 | 12 | 15 | 147 |
| **Investment income** | **267** | **29** | **3** | **(11)** | **288** | **274** | **(31)** | **29** | **15** | **287** |
| Internal and external management expenses and other investment expenses | (8) | | | | (8) | (8) | | | | (8) |
| Other investment expenses | (40) | | | | (40) | (32) | | | | (32) |
| **Investment expenses** | **(48)** | | | | **(48)** | **(40)** | | | | **(40)** |
| **Investment income, net of expenses** | **219** | **29** | **3** | **(11)** | **240** | **234** | **(31)** | **29** | **15** | **247** |
| Capital gains on securities representing unit-linked policies | | | 31 | | 31 | | | 43 | | 43 |
| Capital losses on securities representing unit-linked policies | | | (6) | | (6) | | | (6) | | (6) |
| **TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES** | **219** | **29** | **28** | **(11)** | **265** | **234** | **(31)** | **66** | **15** | **284** |

* *Net of write-back of impairment and amortisation.*

## NOTE 35 INSURANCE POLICY SERVICING EXPENSES

### Note 35.1 - Insurance policy servicing expenses – by operating segment

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| **Claims** | | | | | | |
| Paid to policyholders | (7,660) | (1,904) | (9,564) | (8,356) | (2,052) | (10,408) |
| **Change in technical reserves** | | | | | | |
| Outstanding claims reserves | 202 | (61) | 141 | (11) | (10) | (21) |
| Actuarial reserves | 1,602 | 81 | 1,683 | 1,788 | 260 | 2,048 |
| Unit-linked reserves | (406) | 32 | (374) | (462) | (48) | (510) |
| Profit sharing | (1,982) | (104) | (2,086) | (1,176) | (139) | (1,315) |
| Other technical reserves | (44) | (8) | (52) | (90) | (5) | (95) |
| **TOTAL INSURANCE POLICY SERVICING EXPENSES** | **(8,288)** | **(1,964)** | **(10,252)** | **(8,307)** | **(1,994)** | **(10,301)** |

### Note 35.2 - Insurance policy servicing expenses – by business

#### Note 35.2.1 - Insurance policy servicing expenses by business – France

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | P&C | L&H | Total | P&C | L&H | Total |
| **Claims** | | | | | | |
| Paid to policyholders | (2,197) | (5,463) | (7,660) | (2,134) | (6,222) | (8,356) |
| **Change in technical reserves** | | | | | | |
| Outstanding claims reserves | (74) | 277 | 202 | (245) | 235 | (11) |
| Actuarial reserves | | 1,602 | 1,602 | | 1,788 | 1,788 |
| Unit-linked reserves | | (406) | (406) | | (462) | (462) |
| Profit sharing | (2) | (1,981) | (1,983) | (2) | (1,174) | (1,176) |
| Other technical reserves | (7) | (37) | (44) | 13 | (103) | (90) |
| **TOTAL** | **(2,281)** | **(6,007)** | **(8,288)** | **(2,368)** | **(5,939)** | **(8,307)** |

### Note 35.2.2 - Insurance policy servicing expenses by business – International

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | P&C | L&H | Total | P&C | L&H | Total |
| **Claims** | | | | | | |
| Paid to policyholders | (1,139) | (765) | (1,904) | (1,210) | (842) | (2,052) |
| **Change in technical reserves** | | | | | | |
| Outstanding claims reserves | (94) | 33 | (61) | (17) | 7 | (10) |
| Actuarial reserves | | 81 | 81 | | 260 | 260 |
| Unit-linked reserves | | 32 | 32 | | (48) | (48) |
| Profit sharing | | (104) | (104) | | (139) | (139) |
| Other technical reserves | (2) | (6) | (8) | (1) | (5) | (5) |
| **TOTAL** | **(1,235)** | **(729)** | **(1,964)** | **(1,228)** | **(766)** | **(1,994)** |

## NOTE 36 OUTWARD REINSURANCE INCOME (EXPENSES)

### Note 36.1 - Outward reinsurance income (expenses) – by operating segment

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Acquisition and administrative costs | 282 | 65 | 348 | 244 | 121 | 364 |
| Claims expenses | (5,925) | 135 | (5,789) | 915 | 209 | 1,124 |
| Change in technical reserves | 6,938 | (1) | 6,937 | 23 | (2) | 21 |
| Profit sharing | (255) | 2 | (252) | 12 | 2 | 14 |
| Change in the equalisation reserve | | | | | | |
| **Income on outward reinsurance** | **1,041** | **203** | **1,244** | **1,194** | **330** | **1,523** |
| Outward premiums | (1,277) | (279) | (1,557) | (1,349) | (448) | (1,796) |
| Change in unearned premiums | (10) | 3 | (7) | (9) | | (9) |
| **Expenses on outward reinsurance** | **(1,287)** | **(276)** | **(1,563)** | **(1,358)** | **(448)** | **(1,806)** |
| **TOTAL** | **(246)** | **(74)** | **(319)** | **(164)** | **(118)** | **(282)** |

◄ CONTENTS ►

## Note 36.2 - Outward reinsurance income (expenses) – by business

### Note 36.2.1 - Outward reinsurance income (expenses) by business – France

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | P&C | L&H | Total | P&C | L&H | Total |
| Acquisition and administrative costs | 100 | 182 | 282 | 190 | 53 | 244 |
| Claims expenses | 411 | (6,335) | (5,925) | 719 | 196 | 915 |
| Change in technical reserves | 4 | 6,935 | 6,938 | 3 | 20 | 23 |
| Profit sharing | | (255) | (255) | | 12 | 12 |
| Change in the equalisation reserve | | | | | | |
| **Income from outward reinsurance** | **514** | **527** | **1,041** | **912** | **282** | **1,194** |
| Outward premiums | (727) | (550) | (1,277) | (1,059) | (290) | (1,349) |
| Change in unearned premiums | (12) | 2 | (10) | (10) | 1 | (9) |
| **Expenses on outward reinsurance** | **(739)** | **(548)** | **(1,287)** | **(1,068)** | **(289)** | **(1,358)** |
| **TOTAL** | **(225)** | **(21)** | **(246)** | **(156)** | **(8)** | **(164)** |

The rise in claims expenses and in the change in technical reserves for life and health insurance compared to the previous year can be explained by the existence of a 3-year quota share reinsurance treaty.

### Note 36.2.2 - Outward reinsurance income (expenses) by business – International

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | P&C | L&H | Total | P&C | L&H | Total |
| Acquisition and administrative costs | 64 | 1 | 65 | 120 | 1 | 121 |
| Claims expenses | 130 | 6 | 135 | 204 | 5 | 209 |
| Change in technical reserves | | | (1) | (2) | | (2) |
| Profit sharing | | 2 | 2 | | 2 | 2 |
| Change in the equalisation reserve | | | | | | |
| **Income from outward reinsurance** | **194** | **8** | **202** | **322** | **8** | **329** |
| Outward premiums | (272) | (7) | (279) | (439) | (9) | (448) |
| Change in unearned premiums | 3 | | 3 | (1) | 1 | 0 |
| **Expenses on outward reinsurance** | **(269)** | **(7)** | **(276)** | **(440)** | **(8)** | **(448)** |
| **TOTAL** | **(75)** | **2** | **(74)** | **(118)** | **0** | **(118)** |

## NOTE 37 OPERATING EXPENSES

### Note 37.1 - Operating expenses – by operating segment

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| External expenses | (458) | (95) | (553) | (549) | (88) | (637) |
| Taxes | (129) | (21) | (150) | (134) | (10) | (145) |
| Employee expenses | (749) | (164) | (913) | (783) | (188) | (971) |
| Commissions | (1,027) | (388) | (1,416) | (975) | (397) | (1,372) |
| Amortisation and reserves (net of write-backs) | (134) | (30) | (165) | (130) | (32) | (162) |
| Other expenses | (21) | (74) | (95) | (48) | (87) | (135) |
| **TOTAL OPERATING EXPENSES BY NATURE** | **(2,519)** | **(773)** | **(3,292)** | **(2,619)** | **(802)** | **(3,421)** |

### Note 37.2 - Operating expenses – by sector of activity

| *(in millions of euros)* | 31.12.2013 Insurance | 31.12.2013 Banking | 31.12.2013 Total | 31.12.2012 Insurance | 31.12.2012 Banking | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| External expenses | (487) | (66) | (553) | (570) | (66) | (637) |
| Taxes | (142) | (8) | (150) | (136) | (9) | (145) |
| Employee expenses | (797) | (116) | (913) | (850) | (122) | (971) |
| Commissions | (1,416) | | (1,416) | (1,372) | | (1,372) |
| Amortisation and reserves (net of write-backs) | (160) | (5) | (165) | (155) | (7) | (162) |
| Other expenses | (78) | (17) | (95) | (104) | (31) | (135) |
| **TOTAL OPERATING EXPENSES BY NATURE** | **(3,079)** | **(213)** | **(3,292)** | **(3,186)** | **(235)** | **(3,421)** |

### Note 37.3 - Breakdown of employee expenses

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 * |
|---|---|---|
| Salaries | (575) | (625) |
| Social security expenses | (212) | (240) |
| Post-employment benefits | | |
| Defined contribution plans | (54) | (41) |
| Defined benefit plans | (6) | (11) |
| Anniversary days and employee awards | (4) | (3) |
| Other personnel benefits | (62) | (54) |
| **ANNUAL SALARY EXPENSES** | **(913)** | **(974)** |

* *The figures as at 31 December 2012 have been further broken down, in particular for costs relating to defined-contribution schemes for which no particular distinction has been made.*

At 31 December 2013, the gross annual compensation (including profit-sharing and benefits in kind) paid to members of the Groupama SA Steering Committee was €5.9 million.

As regards the pension plan, the total commitment at 31 December 2013 amounted to €22.4 million.

# NOTE 38 POLICY ACQUISITION COSTS

## Note 38.1 - Policy acquisition costs – by operating segment

| *(in millions of euros)* | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | France | International | Total | France | International | Total |
| Commissions | (542) | (316) | (858) | (607) | (319) | (926) |
| Change in deferred acquisition costs | (85) | (1) | (86) | (16) | (6) | (23) |
| Other expenses | (255) | (101) | (355) | (341) | (98) | (439) |
| **TOTAL** | **(882)** | **(418)** | **(1,300)** | **(964)** | **(423)** | **(1,387)** |

## Note 38.2 - Policy acquisition costs – by business

### Note 38.2.1 - Policy acquisition costs – by business – France

| *(in millions of euros)* | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | P&C | L&H | Total | P&C | L&H | Total |
| Commissions | (354) | (188) | (542) | (342) | (265) | (607) |
| Change in deferred acquisition costs | | (85) | (85) | 1 | (18) | (16) |
| Other expenses | (104) | (151) | (255) | (113) | (228) | (341) |
| **TOTAL** | **(457)** | **(425)** | **(882)** | **(453)** | **(511)** | **(964)** |

### Note 38.2.2 - Policy acquisition costs by business – International

| *(in millions of euros)* | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| | P&C | L&H | Total | P&C | L&H | Total |
| Commissions | (249) | (67) | (316) | (254) | (65) | (319) |
| Change in deferred acquisition costs | | (1) | (1) | (3) | (4) | (6) |
| Other expenses | (75) | (25) | (101) | (71) | (27) | (98) |
| **TOTAL** | **(325)** | **(93)** | **(418)** | **(327)** | **(95)** | **(423)** |

# NOTE 39 ADMINISTRATIVE COSTS

## Note 39.1 - Administrative costs – by operating segment

| *(in millions of euros)* | 31.12.2013 France | 31.12.2013 International | 31.12.2013 Total | 31.12.2012 France | 31.12.2012 International | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| Commissions | (265) | (38) | (304) | (311) | (42) | (353) |
| Other expenses | (165) | (126) | (291) | (318) | (129) | (447) |
| **TOTAL** | **(430)** | **(164)** | **(595)** | **(629)** | **(171)** | **(800)** |

## Note 39.2 - Administrative costs – by business

### Note 39.2.1 - Administrative costs – by business – France

| *(in millions of euros)* | 31.12.2013 P&C | 31.12.2013 L&H | 31.12.2013 Total | 31.12.2012 P&C | 31.12.2012 L&H | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| Commissions | (169) | (96) | (265) | (173) | (138) | (311) |
| Other expenses | (107) | (58) | (165) | (88) | (230) | (318) |
| **TOTAL** | **(276)** | **(154)** | **(430)** | **(261)** | **(368)** | **(629)** |

### Note 39.2.2 - Administrative costs – by business – International

| *(in millions of euros)* | 31.12.2013 P&C | 31.12.2013 L&H | 31.12.2013 Total | 31.12.2012 P&C | 31.12.2012 L&H | 31.12.2012 Total |
|---|---|---|---|---|---|---|
| Commissions | (25) | (13) | (38) | (28) | (14) | (42) |
| Other expenses | (83) | (43) | (126) | (86) | (43) | (129) |
| **TOTAL** | **(108)** | **(57)** | **(164)** | **(113)** | **(58)** | **(171)** |

1
2
3
4
5
6
7

◄ CONTENTS ►

## NOTE 40 OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Commissions and other operating expenses, Life | (241) | (13) | (253) | (89) | (13) | (102) |
| Employee profit sharing, Life | (2) | | (2) | (5) | | (5) |
| Other operating income, Life | 5 | 9 | 13 | 22 | 11 | 33 |
| Transfer of operating expenses and capitalised production, Life | 19 | | 19 | 27 | | 27 |
| **Total income and expenses from current operations, Life** | **(219)** | **(4)** | **(223)** | **(44)** | **(2)** | **(46)** |
| Non-life commissions and other operating expenses | (345) | (96) | (440) | (267) | (124) | (391) |
| Employee profit sharing, Non-life | (1) | (1) | (2) | (3) | (1) | (4) |
| Other non-life operating income | 127 | 34 | 161 | 148 | 56 | 204 |
| Transfer of Non-life operating expenses and capitalised production | 13 | | 13 | 21 | | 21 |
| **Total income and expenses from current operations, Non-life** | **(206)** | **(62)** | **(269)** | **(101)** | **(69)** | **(171)** |
| Other non-operating expenses | (170) | (24) | (194) | (236) | (25) | (261) |
| Other non-operating income | 46 | 31 | 77 | 128 | 36 | 165 |
| **Total income and expenses from current operations, Non-technical** | **(124)** | **7** | **(117)** | **(108)** | **12** | **(96)** |
| **Total income and expenses from current operations, Banking** | | | | **(5)** | | **(5)** |
| **TOTAL** | **(550)** | **(59)** | **(609)** | **(259)** | **(60)** | **(318)** |

## NOTE 41 OTHER INCOME AND EXPENSES FROM NON-CURRENT OPERATIONS

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Income from non-current operations | 40 | 2 | 42 | 31 | 5 | 36 |
| Expenses from non-current operations | (79) | (113) | (192) | (121) | (70) | (190) |
| Goodwill impairment | | | | (2) | (298) | (299) |
| Other | | | | 151 | | 151 |
| **TOTAL** | **(39)** | **(111)** | **(150)** | **(60)** | **(362)** | **(302)** |

The other net income and expenses from non-current operations amounted to a loss of €150 million as at 31 December 2013 compared with a loss of €302 million at 31 December 2012.

The main items comprising this total include:

- amortisation and impairment of values in force totalling €103 million as at 31 December 2013, compared with €37 million at 31 December 2012. This includes an additional expense of €72 million for the Italian and Hungarian subsidiaries. In Italy, the legal reforms regarding the renewal of contracts (end of automatic renewal starting from 1 January 2013) has resulted in the technical assumptions originally used to calculate the values in force being downwardly revised by €59 million. In Hungary, new tax regulations came into force on 1 January 2013, replacing the former tax on financial institutions (which was only ever temporary) with a tax on insurance products, resulting in a €14 million loss in value of the remaining stock of intangible assets;
- additional restructuring costs relating to the various voluntary redundancy plans within the Group, totalling €7 million as at 31 December 2013 *versus* €63 million as at 31 December 2012;

- the restatement following pensions reform, for which Groupama Gan Vie posted a non-current operating expense of €13 million corresponding to the amortisation of the cancellation penalty.

It should be noted that as at 31 December 2012, this line item incorporated three non-recurring transactions: income of €151 million in HOLDCO (completely offset by the loss on the disposal of Silic shares for €157 million); an expense of €271 million for the goodwill impairment on the cash-generating units of Central and Eastern European Countries (€260 million), Greece (€9 million) and of Cegid (€2 million); and a loss in value of the intangible assets of the subsidiary Bollington amounting to €30 million.

## NOTE 42 FINANCING EXPENSES

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Interest expenses on loans and debts | (93) | (128) |
| Interest income and expenses – Other | | |
| **TOTAL FINANCING EXPENSES** | **(93)** | **(128)** |

Financing expenses were down €35 million as at 31 December 2013, mainly due to the repayment of preference shares to the Caisse des Dépôts et Consignations.

## NOTE 43 BREAKDOWN OF TAX EXPENSES

### Note 43.1 - Breakdown of tax expenses – by operating segment

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | International | Total | France | International | Total |
| Current taxes | 12 | (70) | (58) | (32) | (41) | (73) |
| Deferred taxes | 95 | 54 | 149 | (24) | 37 | 13 |
| **TOTAL** | **107** | **(16)** | **91** | **(57)** | **(4)** | **(60)** |

The Group underwent a tax audit in 2010. Reserves were set aside for all accepted assessments in 2010. By contrast, assessments relating largely to the level of technical reserves for property and casualty, which was deemed excessive by the tax authorities, as well as the risk of dependence, were not subject to reserves. The Group considers that the reasons for adjustments are highly questionable and has prepared technical arguments for a litigation process.

## Note 43.2 - Reconciliation between total accounting tax expense and theoretical tax expense calculations

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| **THEORETICAL TAX EXPENSE** | **(16)** | **72** |
| Impact of expenses or income defined as non-deductible or nontaxable | 76 | 37 |
| Impact of tax rate differences | 31 | (170) |
| Tax credit and various charges | | 1 |
| Charges of prior deficits | | |
| Losses for the fiscal year not capitalised | | |
| Deferred tax assets not accounted for | (1) | |
| Other differences | 1 | |
| **EFFECTIVE TAX EXPENSE** | **91** | **(60)** |

Overall, income tax corresponded to an income (deferred tax plus social tax) of €91 million at 31 December 2012, versus an expense of €60 million at 31 December 2012.

The variance between the two years is explained mainly by the change in “expenses or income defined as non-deductible or non-taxable” as well as the change in “impact of tax rate differences”.

The reconciliation with the theoretical statutory tax is as follows:

| | 31.12.2013 | | 31.12.2012 | |
|---|---|---|---|---|
| *(in millions of euros)* | Consolidated income (losses) before tax | Theoretical tax rate | Consolidated income (losses) before tax | Theoretical tax rate |
| France | 45 | 34.43% | 82 | 34.43% |
| Bulgaria | 1 | 10.00% | (14) * | 10.00% |
| China | 5 | 25.00% | 2 | 25.00% |
| Greece | 15 | 26.00% | (1) * | 20.00% |
| Hungary | (1) | 19.00% | 8 | 19.00% |
| Italy | (6) | 34.32% | 9 | 34.32% |
| Portugal | | 24.50% | (1) | 26.50% |
| Romania | (9) | 16.00% | (267) * | 16.00% |
| United Kingdom | 4 | 23.25% | (28) * | 24.50% |
| Slovakia | | 19.00% | (2) | 19.00% |
| Tunisia | 2 | 30.00% | 4 | 30.00% |
| Turkey | (9) | 20.00% | | 20.00% |
| **TOTAL** | **47** | | **(208)** | |

* *In 2012, the consolidated pre-tax income for Bulgaria, Greece, Romania and United Kingdom included non-recurring non-taxable items.*

The theoretical tax rate applicable in France remains at 34,43% and does not take account of the non-recurring contribution of 10.7% which applies to the taxable income for 2013, or of the 5% on the taxable income for 2012.

We recall the consolidated income before taxes as at 31 December 2012 was adjusted for the businesses of Gan Eurocourtage, Spain, and part of the United Kingdom, which were reclassified as income from activities held for sale discontinued activities.

The theoretical tax rates remained stable over the period, with the exception of the Portuguese rate which fell from 26.5% at 31 December 2012 to 24.5% at 31 December 2013, the British rate which fell from 24.5% at 31 December 2012 to 23.25% at 31 December 2013, and the Greek rate which rose from 20% at 31 December 2012 to 26% at 31 December 2013.



1 2 3 4 5 6 7

## NOTE 44 RELATED PARTIES

### 1 - General presentation

Groupama SA and its subsidiaries, which make up the Equity Management Division of the Groupama group, maintain close, long-lasting economic relationships with their controlling shareholders, the Groupama regional mutuals, which make up the Groupama group's Mutual Insurance Division. These relationships focus mainly on the reinsurance of the regional mutuals by Groupama SA, and, to a lesser degree, on business relationships amongst the subsidiaries of Groupama SA and the regional mutuals in the areas of insurance, banking and services.

Premium income earned by Groupama SA and its consolidated subsidiaries through the network of regional mutuals comes mainly from Groupama SA and Groupama Gan Vie. Considering just these two entities, the contribution of the network of regional mutuals to consolidated premium income totalled €3,181 million, or 31% of total consolidated premium income for 2013.

The resulting economic inter-dependence led the Group's two major divisions to enter into agreements to protect the security of the entity as a whole.

#### 1.1 - Reinsurance

The regional mutuals are required to obtain reinsurance exclusively from Groupama SA.

This requirement, drawn from regulation, is laid down in the bylaws of the regional mutuals. This reinsurance exclusivity engenders financial solidarity over time, resulting in a transfer of a substantial proportion of the non-life insurance business from the regional mutuals to Groupama SA.

The reinsurance relationship is based on the principle of "fate sharing" between the regional mutuals as ceding companies and their reinsurer Groupama SA. The principle aims to ensure that over the long term, there are neither winners nor losers between ceding companies and their reinsurer.

Implementing this principle means a major use of quota share reinsurance and the reinsurer's participation in the direct insurance management decisions which determine the financial return for the whole.

Thus, Groupama SA either helps to draft the technical terms and conditions for direct insurance, particularly regarding rates, or else it drafts those conditions itself depending on the nature of the risks being reinsured.

In addition, Groupama SA may participate in the handling of any claims file and jointly manages any claim with an estimated cost that exceeds certain thresholds.

Also under the reinsurance agreement, there is a certain number of mechanisms for quickly rectifying any imbalances.

The fate sharing introduced between the regional mutuals and Groupama SA also contributes to certain specific expenses in expanding insurance portfolios (project financing, experimentation, joint ventures, etc.) once those projects become part of the Group's strategy and have the potential to be replicated throughout the regional mutuals, as quota share reinsurance gives Groupama SA the means to contribute to the future results of the portfolios thus expanded.

This reinsurance relationship is designed to continue over the long term, and the duration of the reinsurance agreement between Groupama SA and the regional mutuals is equal to that of Groupama SA itself, which, unless extended, will expire in 2086. Any modifications to the agreement must be made via a consensus-based decision-making process, whereby final approval lies with the Groupama SA Board of Directors, after receiving the recommendation of the Agreements Committee.

This reinsurance relationship has led to a powerful community of interests between the regional mutuals and Groupama SA. On the one hand, the regional mutuals have a vital interest in preserving the economic and financial balance of their exclusive reinsurer. On the other hand, Groupama SA has a major interest not only in the economic and financial balance of the mutuals, but also in their growth, in which it participates in proportion to the non-life insurance business transferred.

The reinsurance agreement is described in more detail at § 2.1.

#### 1.2 - Business relationships between the subsidiaries of Groupama SA and the regional mutuals in the areas of insurance, banking and services

Groupama SA and the regional mutuals enjoy business relationships through various subsidiaries of Groupama SA. The role of these subsidiaries is either to offer products or services designed for members and customers in the areas of insurance, banking or services, or to provide financial resources to the entities of the Group.

These business relationships are governed by a principle of preference for the Group up to and including exclusivity, which is based on the interest of the regional mutuals in meeting their needs for products or services and in achieving a return on the investments made in the subsidiaries through Groupama SA.

The preferential nature of these relationships is laid out in an agreement approved by the Groupama SA Board of Directors in its meeting of 14 December 2005.

Under that agreement, the respective commitments of Groupama SA and the regional mutuals are:

- Groupama SA shall ensure that the subsidiaries offer products or services that meet the needs of the market (*i.e.,* products or services designed for members or customers) or the needs of the entities of the Group (*i.e.,* financial services designed for the Group entities) and that are competitive compared to the products offered by competing companies in terms of price and quality of service;

- the regional mutuals agree to the following:
  - concerning the subsidiaries offering products or services designed for members and customers:
    - not to distribute, under any circumstances, competing third party products or services,
    - to distribute the products or services of the life insurance, retail banking and employee savings subsidiaries,
    - to distribute the services of the non-life insurance subsidiaries or those of the insurance-related services subsidiaries if they themselves do not offer those services and decide to outsource them;
  - concerning subsidiaries offering financial services designed for the Group entities:
    - to give preference to those subsidiaries in terms of equal price and quality of service.

This agreement will last ten years, from 1 January 2006.

The creation and growth of subsidiaries offering insurance services or related services and banking services to members and customers of the Group is in response to the need for the regional mutuals, whose main business is limited by law to non-life insurance, to have a full range of financial services to offer while sharing amongst themselves through Groupama SA the investment required to create and run a profitable subsidiary.

Such is the case for the life insurance products of Groupama Gan Vie, the retail banking services offered by Groupama Banque, and the services offered by Groupama Épargne Salariale and a certain number of service subsidiaries (Mutuaide, CapsAuto, FMB, etc.).

It is in the interests of Groupama SA to make these investments, for three reasons:

- owing to their intrinsic return going forward;
- owing to the community of interests between it and the regional mutuals because of reinsurance, Groupama SA either benefits or suffers from any progress or setback in the position of the regional mutuals in the non-life insurance market. It is therefore in its direct interest for the regional mutuals to have a competitive offering in other sectors of the market (life insurance, financial services, etc.) so it can be on an equal footing with the other general insurance companies active in the market or with bancassurance companies;
- the investments made in those subsidiaries enable the subsidiaries of Groupama SA distributing the Gan brand to have a services offering as well; such is the case of retail banking, employee savings, insurance-related services, etc.

### 1.3 - Security systems

#### (a) The Groupama brand

The Groupama brand is solely owned by Groupama SA which grants user licences to its regional mutuals and subsidiaries. Groupama can therefore guarantee the brand is properly managed and provide protection for one of the Group's critical assets.

#### (b) Agreement for a security and solidarity system

On 17 December 2003, Groupama SA and the regional mutuals signed an agreement, amended by a rider on 27 April 2011, for a security and solidarity system, aimed at guaranteeing the security and the financial equilibrium of all the regional mutuals and Groupama SA and to arrange for solidarity. The signatories subsequently decided to amend the agreement in order to benefit from French law 2013-672 of 26 July 2013 on the separation and regulation of banking activities, Article 51 of which, enacted in Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code, appoints Groupama SA as the central body of a network made up of the sociétés and Caisses d'Assurances et de Réassurances Mutuelles Agricoles, and sets out a certain number of duties and obligations with which it must comply.

By virtue of its new role as central body, Groupama SA has the legal responsibility of ensuring the cohesion and smooth running of the network. It has administrative, technical and financial control over the organisation and management of the organisations within the network. It determines its strategic policies, issues any relevant instructions to this effect and oversees their successful implementation. It also takes any requisite measures to guarantee the solvency of not only each organisation within the network but of the Group as a whole, and to ensure they comply with all their respective obligations.

The agreement has been adapted to reflect these new circumstances. It is fundamentally a three-part agreement:

##### INSTRUCTIONS FROM THE CENTRAL BODY

The agreement defines the scope and system for issuing instructions, these being one of the methods available to the central body for performing its role.

##### AUDITS

The agreement allows Groupama SA to conduct audits to verify the current and future economic and financial balances of each regional mutual, compliance with regulatory requirements and with the reinsurance agreement. It may also, in certain conditions, conduct an audit following a loss or non-compliance with an instruction.

##### SOLIDARITY FUND

The regional mutuals and Groupama SA participate in a solidarity fund in order to assist the regional mutuals in the event their shareholders' equity and their results no longer guarantee they will be able to face their commitments and obligations over time.

As regards the regional mutuals this fund is fed, in proportion to the insurance contributions retained by them; in the form of an annual provision into the reserves until the total provisions by each regional mutual reach 3% of the contributions retained.

Groupama SA does not have such a reserve but has made a commitment to provide assistance to the solidarity fund, calculated according to the same method as the provisions paid by the mutuals.

It will provide this funding support if two conditions are met:

- the regional mutual has suffered a loss which if repeated three times would make it unable to meet its legally-required solvency margin;
- the regional mutual agrees to implement a recovery plan, the terms of which must be approved by Groupama SA.

The funding assistance decision is taken by the Groupama SA Board of Directors.

(c) The Agreements Committee

The Agreements Committee, the Research Committee of the Groupama SA Board of Directors, is chaired by an Independent Director.

Its main role is to prevent any potential conflict of interest between the regional mutuals or between Groupama SA and its subsidiaries, which is likely to result from their business relationships.

In particular, this committee is responsible for reviewing any amendments to the reinsurance agreement and the agreements entered into between Groupama SA, its subsidiaries and the regional mutuals, ensuring that said agreements are legally sound and that they are in the corporate interest of Groupama SA (conditions for remunerating and distributing the risks arising from said agreements).

## 2 - Agreements between Groupama SA and its subsidiaries and the regional mutuals

### 2.1 - The reinsurance agreement

The need for reinsurance has been behind the ties forged among the Groupama mutuals since they were founded more than a century ago. The geographical district covered by the mutuals, which at the time was limited to one or two French departments, led them to seek compensation for the risks taken at the national level in order to expand, following the example of the growth achieved by the large rival insurance companies. Thus as time went on, an Internal Reinsurance system grew up amongst the Regional Insurance Mutuals and a Central Mutual, whose reinsurance role is now assumed by Groupama SA.

The reinsurance of the regional mutuals by Groupama SA is intended, through an internal pooling of risks, to give each mutual, within its district, underwriting capabilities equivalent to those enjoyed by a single company covering the entire territory. It also limits the use of outside reinsurance to what would be needed by such a company.

In order to achieve this objective, the regional mutuals are reinsured within a common framework set by general regulations and not by individual reinsurance treaties. This agreement, which was designed a long time ago, is based on a certain number of founding principles that have outlasted the adjustments made to it over time.

(a) Permanent principles and amendments to the reinsurance agreement

The permanent principles are:

- reinsurance exclusively with Groupama SA;
- the reinsurance conditions laid down by the agreement are developed by consultative bodies whose members are from Groupama SA and all the mutuals. These conditions apply to all the regional mutuals;
- fate sharing among the mutuals and their internal reinsurer: all risks without exception are subject to outward reinsurance particularly as quota share outward reinsurance, which enables Groupama SA to participate in the business growth of the mutuals, including in those divisions where reinsurance is not technically indispensable (health insurance, for example); in consideration, Groupama SA automatically provides the mutuals with reinsurance when they embark on new, less well-known ventures (multi-risk crop insurance, long-term care insurance, etc.) by calculating the insurance terms and conditions regardless;
- retrocession to the regional mutuals by Groupama SA of a portion of the general profit/loss from its inward reinsurance business, which reduces the need for reinsurance outside the Group and involves all the mutuals in balancing the outward reinsurance business with Groupama SA.

Any amendment to the structural parameters of the reinsurance agreement and its schedules (rate of quota share, commission rates and loading rate by risk family, thresholds and floors for excess claims beyond their annual monetary indexation and additional retentions) must be made in the form of a written rider and approved by the Groupama SA regional mutuals via the following procedure:

- proposed amendments are drafted by a reinsurance working group made up of representatives of Groupama SA and the regional mutuals;
- subject to the approval of the Chief Executive Officer of Groupama SA, they are submitted for the agreement of the Chief Executive Officers of the regional mutuals;
- lastly, they are presented by the Groupama SA Chief Executive Officer to the meeting of the Groupama SA Board of Directors, which is as asked to approve the proposed amendments by a simple majority vote, after seeking the recommendations of the Agreements Committee.

The amendments made to the reinsurance agreement over the past two decades were prompted by one of two factors:

- changes in the structure of the mutuals (successive combinations, opening up the membership and takeover of the non-agricultural risk portfolio previously managed by the Samda subsidiary) that changed their size and therefore their holding capacity;
- certain risk categories (major weather-related events, imbalance in industrial risks, etc.) required greater empowerment of the mutuals in terms of underwriting control and the costs of claims by increasing their holdings in those areas.

As indicated previously, the reinsurance agreement encompasses all the risks underwritten by the regional mutuals. It is designed to take into account both the overall balance between them and their specific characteristics in terms of cover needs. To that end, all the risks are subject to classification, which makes it possible to differentiate amongst the reinsurance solutions offered while ensuring inter-company consistency.

(b) Classification of reinsured risks

Most of the risks belong to one of three main families, based on the nature of the cover required, which depends on their volatility:

- basic risks: these include professional and individual risks such as motor, general third-party liability, life and health insurance, individual health and fire, not including natural risks or highly specific risks such as construction, long-term care, etc. They are characterised by rather low volatility, which basically requires a cover for claims exceeding a certain threshold;

- atmospheric risks: these include risks of storms, hail and snow on buildings, on the one hand, and traditional crop insurance risks on the other hand (hail, storms, frost), which are sources of high volatility (especially with storms) owing to the total of small and medium-sized claims following the same natural event over a wide geographical area, or after successive events;
- heavy risks: these include risks of third-party liability, fire, breakage of machines, and business operating losses. They are potentially behind major individual, even disaster claims, which point to highly volatile results. Underwriting them requires tremendous technical skills, partly at the central level.

All risks belonging to the same family are subject to outward reinsurance operations at the same level, suited to their shared underwriting characteristics.

Risks that do not fall within these three groups because they are new or because of their specific features are handled accordingly, based, if possible, on the principles applicable to the risk family which they most resemble. These involve mainly natural disasters (legal system with State reinsurance), construction insurance (ten-year risk), long-term care insurance (recent and very long-term risk), terrorist attack risks (market pool), and multi-risk climate insurance (new risk). These risks are classified under the heading “other risks”.

#### BASIC RISKS

All basic risks are subject to a 30% quota share outward reinsurance (40% for overseas mutuals), which represented a premium income of €1,449 million for Groupama SA in 2013.

Thus the regional mutuals keep a high percentage, which is the best guarantee of the balance of their outward reinsurance to Groupama SA, since these risks account for more than 81% of their premium income. Specific regulations are provided, however, for the unlikely case where a regional mutual would reinsure outward with Groupama SA a total of two consecutive years of a loss under this quota share reinsurance.

This mandatory quota share reinsurance provides Groupama SA the wherewithal, the margin and the territory enabling it to be a financially sound reinsurer, providing the mutuals with the appropriate risk cover for high-volatility risks classified in other families, which, on the contrary, have a limited premium pool.

Through this quota share, Groupama SA participates directly in the growth of and the return on the core business of the regional mutuals.

Custody by the mutuals is protected by a claims excess with the same threshold for all the regional mutuals in metropolitan France and is indexed annually. This excess is set at a high level to limit the scope of this coverage to a share calculated in such a way that the overall amount covered does not exceed for Groupama SA an average of 3% of the total basic risk claims recorded by all the regional mutuals. The mutuals retain an interest in the excess portion, which is therefore not completely transferred, which gives them a stake in the total cost of these claims.

#### ATMOSPHERIC RISKS

All atmospheric risks are subject to a 50% quota share outward reinsurance (65% for overseas mutuals), which represented a premium income of €197 million for Groupama SA in 2013.

This custody by regional mutual is very significant and this important factor in the empowerment of the mutuals is supplemented by a system allowing a modulation of the contribution base of the contributions transferred based on the history of the claims reports observed over a long period.

This allows Groupama SA to automatically correct the rate charged (set by the mutuals), which determines this base, when the rate does not correspond to the risk balance over time, factoring in specifically the external reinsurance costs, which are substantial in these areas.

Custody by each mutual is protected by an annual stop loss, separately for the storm unit and for the hail unit; thus the total annual claims in a given area are cut back if they exceed a high threshold (higher than the premium income).

As for the quota share, and for the same reasons, the base for triggering this cover (activation threshold, contribution rate) is the premium income of the mutual adjusted for its claims history.

Nor is the excess portion completely transferred, and the mutuals retain an interest in the annual claims total with no limitation as to amount.

The portion of the claims paid by the annual stop loss represents an average over a long period of 50% of the claims under custody after reinsurance of the mandatory portion for the storm unit and 10% for hail coverage. These averages cover some substantial differences depending on the number of claims for the fiscal years (an expense most often zero in storm coverage, not including major events).

From its inward reinsurance operations, Groupama SA of course benefits from the coverage underwritten in external reinsurance, the cost of which it includes in the contributions requested from the regional mutuals (this is also valid in the other risk families).

#### HEAVY RISKS

All heavy risks are subject to a 50% quota share outward reinsurance (65% for overseas mutuals), which represented a premium income of €77 million for Groupama SA in 2013.

Custody by the mutuals is thus very significant; in fact it was recently bolstered, which greatly helped in cleaning up the portfolio.

It is protected by a stop loss above a certain threshold, beyond which, as in the other two risk families, the mutuals retain a portion of the total cost of the claim.

The claim expense paid by this coverage represents an average of 15% of the total cost of the claims under custody with the mutuals after reinsurance of the mandatory portion.

In this area with a low premium base, modulation mechanisms comparable to those applied to atmospheric risks would not be significant; on the contrary, the reinsurance agreement enables Groupama SA, which has a central team of specialised underwriters, to participate directly in setting the insurance terms and rates in underwriting heavy risks and in settling claims.

MAIN OTHER RISKS ("MISCELLANEOUS RISKS")

In natural disasters, the mutuals transfer a 70% quota share (the minimum outward reinsurance to the CCR being 50%), and the claims under their custody are protected by an annual stop loss.

Construction reinsurance is comparable to basic risks insurance with a quota share outward reinsurance of 30% and a stop loss on custody; however, because of its ten-year balancing and accounting principles, it cannot be classified in that family.

Long-term care is reinsured solely in quota share at the rate of 50%.

Risks of attempted attacks are transferred at 100% because they are then completely retroceded to the Gareat market pool.

With regard to a new and as yet experimental business, multi-risk climate insurance is transferred by each regional mutual at the rate of 100% to Groupama SA, but the insurance terms and rates are set by Groupama SA and 50% of the national profit/loss is then retroceded to the mutuals.

In all, these outward reinsurance operations accounted for premium income of €338 million for Groupama SA in 2013.

### (c) Retrocession

Outward reinsurance by the mutuals with a central reinsurer does 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 highest risks of reinsurance risks accepted to be shared between Groupama SA and the mutuals, and lowers the thresholds for assigning risks to third party reinsurers.

It is for that purpose that Groupama SA conveys back to the mutuals part of the profit/loss from its total inward reinsurance, net of the effect of outside coverage, in the only reinsurance risks or forms showing volatility justifying this use of additional mutual insurance.

Groupama SA's quota share inward reinsurance for basic risks is not, therefore, affected by the retrocession.

However, a significant percentage (15% to 50% depending on the risks), of the other main reinsurance inward reinsurance is retroceded, including the following:

- basic risk stop loss;
- quota share and annual stop loss for atmospheric risks and natural disasters;
- quota share and stop loss for heavy risks;
- share of multi-risk climate for crops.

The retroceded transactions are spread out amongst the regional mutuals in proportion to the gross contributions retained by each of them after the quota share transfer to Groupama SA, including basic, atmospheric and heavy risks.

Aside from its effect on internal mutual insurance, retrocession raises the awareness of and directly involves the mutuals community in the balances of their different outward reinsurance operations with Groupama SA, and as such constitutes an additional regulatory factor.

### (d) Amounts involved in fiscal year 2013

It should be noted that non-life premiums earned, policy servicing expenses, acquisition costs and administrative costs include inward reinsurance, 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:

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Non-life earned premiums | 2,061 | 2,001 |
| Insurance policy servicing expenses | (1,470) | (1,506) |
| Acquisition costs | (177) | (173) |
| Administrative costs | (177) | (173) |

As at 31 December 2013, the overall retrocession result was €58 million.

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Expenses on internal retrocession | (103) | (91) |
| Income on internal retrocession | 161 | 175 |

In summary

This entire presentation can be summed up as follows:

- the reinsurance agreement is a coherent and balanced whole that must be assessed in terms of its intended purpose and overall effects and not by isolating any one of its components from this context; in any event, this approach of placing the agreement in perspective is not opposed to a segmented, technical attitude to risks and to the reinsurance terms associated with them (see above);
- the internal insurance terms currently applicable are the result of amendments made over time to make this system fully effective in terms of its economic purpose of offsetting and controlling risks;
- the ongoing pursuit of this purpose has resulted in involving Groupama SA in the insurance business of the Groupama regional mutuals in a balanced and controlled way.

The premium income from reinsurance earned by Groupama SA with the regional mutuals amounted to a total of €2,061 million in 2013.

#### (e) New agreement in force from 1 January 2014

The reinsurance agreement was amended at the end of 2013 in order to support the Group in its major objective of improving operational profit.

Beyond just seeking to obtain a better explanation of the economic challenges facing Internal Reinsurance and to harmonise its structures with market practice, with the aim of facilitating their uptake by Operational Managers, the main aim of the amendments was to further implicate the regional mutuals in the quality of their technical results.

The dual aim of explanation and uptake resulted in the following principal changes:

- the concept of reinsurance family, which led to an overall approach to reinsurance costs, was replaced with the concept of segment (automotive, third party liability, fire, life and health insurance etc.) which is more in line with market practice;
- the role of stop loss reinsurance (this being the first-line of protection against major claims) compared to quota share reinsurance was reinforced, both in terms of its presentation (order of implementation) and in terms of its contribution to the results of the reinsurer, which is again more consistent with market practice;
- as far as possible, certain mechanisms have been simplified.

The following changes will be required in order to achieve this empowerment of the regional mutuals:

- stop loss thresholds for most segments must be raised;
- the basic fire risk and heavy fire risk segments must be merged, resulting in a reduction in the quota-share outward reinsurance for heavy risks;
- profit sharing of 40% must be established across all the reinsurance risk families (basic, heavy and health) under the General Reinsurance Regulations applicable up until 2013 *i.e.* approximately 85% of the premium income of the mutuals.

### 2.2 - Groupama Gan Vie

The relations between Groupama Gan Vie and the regional mutuals are governed by identical bilateral agreements. One agreement covers individual life, and another group insurance.

#### (a) 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 underwritten by participation in a voluntary group policy) from Groupama Gan Vie.

With regard to distribution, Groupama Gan Vie sets the marketing, subscription and pricing rules for the products as well as the contract documents and the communications media. The regional mutuals are responsible for sales relationships with customers.

At the management level, the regional mutuals must provide all administrative functions, including medical management, within certain limits including amounts, and in accordance with the conditions defined by Groupama Gan Vie.

The regional mutuals are required to comply with a number of ethical rules, particularly governing the treatment of health cases and the prevention of money laundering.

Groupama Gan Vie is authorised 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 mutuals are remunerated on the basis of three factors: 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 policy income (protection products) designed to involve the regional mutual in the quality of its management.

Groupama Gan Vie posted premium income under this agreement of €1,084.5 million in 2013. The fees earned by the regional mutuals amounted to €96.5 million.

#### (b) Group insurance agreement

The purpose of this agreement is the distribution and management by the regional mutuals of group insurance policies from Groupama Gan Vie.

Groupama SA, which provides technical support to Groupama Gan Vie, is also a party to this agreement.

At the distribution level, Groupama SA, through a delegation from Groupama Gan Vie, sets the rules for marketing, subscription, and pricing for the products as well as the contract documents and communications media. The regional mutuals are responsible for the commercial relationship with customers.

With regard to administration, the regional mutuals perform all administrative functions for life insurance policies, including medical management, with the exception of certain activities 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 authorised by Groupama Gan Vie to conduct on-site audits of documents and conditions under which the marketing and management functions are performed by the regional mutuals.

The regional mutuals' distribution and management are remunerated on the basis of several factors: 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 involve the regional mutual in the quality of its management. As an incentive for the development of group insurance, the regional mutuals receive a share of the profits from policies managed nationally based on type.

Groupama Gan Vie posted premium income under this agreement of €34.8 million in 2013. The fees earned by the regional mutuals amounted to €6.4 million.

### 2.3 - Groupama Banque

The relationships between Groupama Banque and the regional mutuals have been governed since the bank was founded in late 2002/early 2003 by identical bilateral agreements that break down into two components:

#### (a) A general marketing and management agreement

The general agreement lays down the respective roles of the bank and the regional mutual, which Groupama Banque licenses to market its offer under a temporary banking license defining a limited number of banking operations that the mutual is permitted to perform. The operations concerned are preparation or support for banking transactions, given that Groupama Banque is the sole party authorised to carry out banking operations in the strict sense.

The regional mutuals underwrite a certain number of commitments aimed at achieving the banking business growth plan in a controlled manner: mobilising the necessary workforce and seeing to it that they are trained, applying the quality charter, deploying an internal control system as well as a system to fight money laundering, etc.

This agreement, which has an initial life of five years, may be renewed by 1-year terms.

#### (b) An annual marketing and management agreement

This agreement supplements the general agreement on the points needing periodic updating: annual production targets of the regional mutual, compensation, quality objectives, etc.

The regional mutuals are compensated from the net banking income generated by the products held by customers less the payment processing costs and a percentage of the distribution costs related to the bank's remote sales centre.

The net banking income earned by Groupama Banque under its agreements amounted to €66.9 million in 2013. The fees earned by the regional mutuals amounted to €12.7 million.

### 2.4 - Groupama Supports & Services (G2S)

The purpose of Groupama Supports & Services is to facilitate the economic activities of its members, improve or increase the results of these activities by sharing and optimising IT, logistics and purchasing activities.

To this effect, the role of G2S is to:

- undertake any preliminary studies and perform, at the request of its members, all the IT work necessary for the exercise of their business;
- ensure the operation and maintenance of IT systems on behalf of its members;
- lease and manage buildings occupied by at least one member;
- provide its members with all general services;
- assist its members with their purchasing strategy and relationships with group suppliers.

Most services provided by this inter-company venture are exempt from VAT, except for services corresponding to the supply of goods.

The members of the G2S venture, which are not charged VAT, are mainly the regional mutuals, Groupama SA, its French insurance subsidiaries, Groupama Banque and other GIEs of the Group. Non-member clients, which are charged VAT, are mainly group financial management companies and international subsidiaries and, where appropriate, entities outside the Group affiliated through partnership agreements with Groupama.

IT services provided by G2S to Group entities are invoiced based on the following principles:

- G2S, as a non-profit inter-company venture, invoices all of its costs, whether they be its own operating costs, costs that are charged by other Group entities or costs of technical resources acquired on behalf of third parties;
- all costs are allocated according to a defined list of services (operating services, project services) that cover all areas of operation of the inter-company venture. Invoiced amounts are determined based on the following conditions:
  - charged directly when possible,
  - otherwise, according to allocation keys that can be modified each fiscal year if necessary, the principle of which is determined by G2S for each cost category based on significant criteria.

Special governance was put into place to ensure the relevance and stability of these invoicing keys. These are reviewed regularly by two different advisory bodies, depending on the nature of the services.

Operating services are reviewed by the "Keys Committee" which brings together IT Managers from member companies of the inter-company venture and the various services of the venture in charge of developing and implementing invoicing keys.

For projects, invoicing keys are reviewed by "Business Domain Committees".

Any proposed amendment issued by one of these committees is subject to approval by the Board of Directors of the inter-company venture. Furthermore, a review of the invoicing keys is carried out with the management controllers of G2S for validation of the distribution of the final invoice, and with the Tax Department to ensure compliance with the VAT regulations.

The auditors also ensure the expenses of the venture undergo correct analytical allocation for billing.

Based on the provision above, €366.3 million excluding taxes were billed as at 31 December 2013, €85.5 million of which to the regional mutuals.

### 2.5 - Other agreements

The amount of premium income generated by the other agreements entered into between the subsidiaries of Groupama SA and the regional mutuals in the areas of assistance, legal protection, employee savings and asset management proved immaterial for Groupama SA.

◄ CONTENTS ►

## 3 - Financing of large programmes

Groupama SA participates in the financing of major community programmes by paying subsidies to the regional mutuals designed as incentives for them to implement an overall policy in the general interest.

This system results from the Group's decentralised structure and from the role played in it by Groupama SA, which manages the Group and reinsures the regional mutuals.

### 3.1 - Operational structure of a decentralised organisation

In a so-called decentralised organisation, the central body arises from the regional level; its role is to embody the collective will and steer the resulting policies, but from a legal standpoint, it does not have the power to impose those policies at regional level. Financing is one lever used to facilitate the implementation of the Group policies.

Moreover, the programmes stemming from these policies usually generate high costs in the beginning with regard to the financial coverage of the regional mutual, with no immediate counterparty, and involve a business risk making the return on investment random. At the level of a regional mutual, implementing such programmes using its own resources seems contrary to its interests, at least in the short term.

Pooling the financing by Groupama SA makes it possible to remove this obstacle and to re-establish within the combination consisting of the regional mutuals the national dimension that would exist were this combination not legally divided into regional mutuals.

### 3.2 - Interest of the central reinsurer in expanding the business lines of the regional mutuals

As indicated above (see section 1.1), the reinsurance relationship between Groupama SA and the regional mutuals creates a powerful community of interests amongst them. Groupama SA itself has a major interest not only in the economic and financial balance of the mutuals but also in their growth, in which it participates in proportion to the non-life insurance business transferred. Hence it is directly in the interests of Groupama SA to participate in some expenses incurred in expanding the regional mutuals.

### 3.3 - A rational, efficient system

To qualify for financing by Groupama SA, a programme must meet several conditions:

- it must be part of the strategy defined by the Group;
- it must represent for most of the regional mutuals a financial expense that would disincentivise them from financing the programme alone;
- it must have the potential to be replicated across all the regional mutuals.

The financing is discontinued once it ceases to be necessary.

This system has demonstrated its effectiveness in the past few years. Two major programmes have already achieved significant results:

- since 1999, CCAMA, then Groupama SA, have financed a new supplemental individual health insurance product launched on an experimental basis in three regional mutuals, then expanded gradually to the other regional mutuals. This product entitled "Groupama Active Health" now gives the regional mutuals an innovative product that can help them stand out from the competition. Groupama is now the leading company in the French supplementary health insurance market. It should be noted that when this business line broke even financially in 2007, Groupama SA's financial monitoring came to an end;
- designed and implemented with financing from CCAMA in the early nineties, the SIGMA non-life management system was gradually deployed in the regional mutuals with the financial support of CCAMA, then of Groupama SA. Today this system is deployed in nearly all the regional mutuals, which keeps maintenance costs down and makes it easier to consider having common insurance products at the national level.

As part of the convergence research undertaken over many years, the community computer expenses programme involves 100% financing for exceptional projects and accounts closing, and 50% payment of the cost of the regional mutuals' merging-migrating and the cost of streamlining and developing community management tools (IAS-IFRS, archives, etc.). In 2013, Groupama SA contributed €1.8 million, net of corporation tax.

Another programme has been under way since 2004: support for the deployment of the retail banking business in the regional mutuals. This business requires a major effort on the part of the regional mutuals, especially in terms of sales force training and management. The subsidies related to achieving sales objectives are designed to end when the retail banking business reaches its financial breakeven point. For the fiscal year 2013, the amount of financial support devoted to deploying the banking business came to a total of €5.2 million, net of corporation tax.

Since 2008, Groupama SA has taken part in the development of the regional mutual Groupama Paris Val de Loire, by funding a portion of the special costs for creating 20 sales agencies in Paris. A total subsidy of €30 million net of corporation tax was approved by the Board of Directors. This payment was spread over five years as the agencies were opened. In consideration of this subsidy, Groupama Paris Val de Loire agreed to have the commission it received on the share of basic outward reinsurance risks from Groupama SA over the next 20 years reduced to a ratio of 3.5% of the issued premiums the project will generate for the regional mutual. As at 31 December 2013, the subsidy paid to Groupama Paris Val de Loire totalled €21 million.

Lastly, Groupama SA has since 2007 helped fund the effort to support and promote more widely the Groupama brand name spearheaded by the regional mutuals through sponsoring of high-profile athletic teams in football, rugby and basketball. During the 2012-2013 season, this funding amounted to €0.2 million.

Funding of major national programmes is subject to review by the Agreements Committee before being authorised by the Groupama SA Board of Directors.

1 2 3 4 5 6 7

## NOTE 45 EMPLOYEES OF CONSOLIDATED COMPANIES

This note is presented in §1.5 of this registration document.

## NOTE 46 COMMITMENTS GIVEN AND RECEIVED

### Note 46.1 - Commitments given and received – banking business

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Financing commitments received | | |
| Guarantee commitments received | 546 | 461 |
| Securities commitments receivable | | |
| Other commitments received | | |
| **Total commitments received on banking business** | **546** | **461** |
| Commitments received on currency transactions | | 25 |
| Other commitments received | 6 | 6 |
| **Total other commitments received on banking business** | **6** | **31** |
| Financing commitments given | 175 | 226 |
| Guarantee commitments given | 49 | 61 |
| Commitments on securities to be delivered | | |
| **Total commitments given on banking business** | **224** | **288** |
| Commitments given on currency transactions | | 25 |
| Commitments given on financial instrument transactions | | |
| **Total other commitments given on banking business** | | **25** |
| Other commitments given | 681 | 370 |
| **Total other commitments given** | **681** | **370** |

Off-balance sheet commitments received on banking business amounted to €546 million. For spot foreign exchange transactions, the position at 31 December 2013 was not significant.

Commitments given totalled €224 million and specifically concerned client commitments.

Other commitments were given for €681 million, representing eligible securities pledged to guarantee any drawdown of assets, as part of the refinancing with the ECB. This amount was €370 million as at 31 December 2012.

### Note 46.2 - Commitments given and received – insurance and reinsurance businesses

| *(in millions of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Endorsements, securities and guarantees received | 150 | 479 |
| Other commitments received | 379 | 426 |
| **Total commitments received, excluding reinsurance** | **529** | **905** |
| **Reinsurance commitments received** | **437** | **465** |
| Endorsements, securities and guarantees given | 376 | 405 |
| Other commitments related to stock, assets or income | 388 | 397 |
| Other commitments given | 21 | 14 |
| **Total commitments given excluding reinsurance** | **785** | **816** |
| **Reinsurance commitments given** | **4,003** | **3,894** |
| **Securities belonging to protection institutions** | | |
| **Other securities held on behalf of third parties** | **1** | |

**Endorsements, securities and guarantees received** totalled €150 million, consisting largely of the following major transactions:

- liability guarantees received on the acquisition of Nuova Tirrena;
- guarantee deposits received of €83 million.

The guarantees received in relation to the purchases of Asiban and OTP Garancia expired in 2013.

**Other commitments received** not excluding reinsurance primarily comprised the balance of the €1 billion credit facility taken out with a consortium of banks, from which Groupama SA has drawn down €650 million.

**Endorsements, securities and guarantees given** totalled €376 million, consisting largely of the following major transactions:

- guarantee valued at €57 million given in conjunction with Groupama UK's sale of Minster Insurance Company Limited (MICL). This company was sold during fiscal year 2006;
- guarantee given as part of the sale of Groupama Insurance for €140 million;
- guarantee given as part of the sale of Gan Eurocourtage for €56 million;
- guarantee given as part of the sale of Groupama Seguros for €81 million.

**Other commitments on securities, assets or income** consist of subscriptions to venture capital funds ("FCPR"). The remaining €388 million corresponds to the difference between the investment commitment of the subscribers and the total of calls for funds actually received.

**Other commitments given** totalled €21 million and consisted primarily of commitments on credit leasing agreements by the Groupama Gan Vie subsidiary.

### Unvalued commitment

TRIGGER CLAUSES:

Furthermore, in conjunction with issues of subordinated instruments ("TSR" and "TSDI"), Groupama SA has trigger clauses:

Groupama SA is entitled to defer payment of interest on the October 2009 TSR of €750 million should the Group solvency margin fall below 100%.

In conjunction with the issue of perpetual subordinated bonds ("TSDI") of €500 million in July 2005, Groupama SA also has the option of deferring payment of interest on TSDI should the hedge of the Group solvency margin fall below 150%. The Group did not use this option and paid the coupon on 6 July 2013.

The trigger is valued as of the closing date prior to the anniversary date (ex-dividend date).

## NOTE 47 RISK FACTORS AND SENSITIVITY ANALYSES

This note is presented in section 4.2 of the registration document.

## NOTE 48 LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION AND MAJOR CHANGES TO THE SCOPE OF CONSOLIDATION

The main changes in the scope of consolidation are the following:

### Inclusion in the scope of consolidation

None.

### Eliminations from the scope of consolidation

A memorandum of sale has been signed in relation to Groupama Private Equity, which left the scope of consolidation with effect from 1 January 2013.

CNF has undergone a simplified merger for the benefit of Groupama Gan Vie.

### Transfer of activity

None.

| | Sector of activity | Country | 31.12.2013 % control | 31.12.2013 % interest | 31.12.2013 Method | 31.12.2012 % control | 31.12.2012 % interest | 31.12.2012 Method |
|---|---|---|---|---|---|---|---|---|
| GROUPAMA SA | Holding | France | 100.00 | 100.00 | Parent company | 100.00 | 100.00 | Parent company |
| GIE GROUPAMA Supports et Services | EIG | France | 99.99 | 99.99 | FI | 99.99 | 99.99 | FI |
| GROUPAMA GAN VIE | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GAN PATRIMOINE | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| CAISSE FRATERNELLE D'ÉPARGNE | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| CAISSE FRATERNELLE VIE | Insurance | France | 99.78 | 99.78 | FI | 99.78 | 99.78 | FI |
| ASSU-VIE | Insurance | France | 50.00 | 50.00 | FI | 50.00 | 50.00 | FI |
| GAN PRÉVOYANCE | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA ASSURANCE-CRÉDIT | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| MUTUAIDE ASSISTANCE | Assistance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GAN ASSURANCES | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GAN OUTRE-MER | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA PROTECTION JURIDIQUE | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| AMALINE ASSURANCES | Insurance | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| LA BANQUE POSTALE IARD | Insurance | France | 35.00 | 35.00 | EM | 35.00 | 35.00 | EM |
| CEGID | Insurance | France | 26.89 | 26.89 | EM | 26.89 | 26.89 | EM |
| GROUPAMA SEGUROS de Vida Portugal | Insurance | Portugal | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GÜNES SIGORTA | Insurance | Turkey | 36.00 | 36.00 | EM | 36.00 | 36.00 | EM |
| GROUPAMA SIGORTA | Insurance | Turkey | 98.81 | 98.81 | FI | 98.81 | 98.81 | FI |
| GROUPAMA SIGORTA EMEKLILIK | Insurance | Turkey | 100.00 | 99.48 | FI | 90.89 | 90.37 | FI |
| GROUPAMA Investment BOSPHORUS | Holding | Turkey | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA POISTOVNA SLOVAQUIE | Insurance | Slovakia | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA ZIVOTNA SLOVAQUIE | Insurance | Slovakia | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| STAR | Insurance | Tunisia | 35.00 | 35.00 | EM | 35.00 | 35.00 | EM |
| GROUPAMA ZASTRAHOVANE NON LIFE | Insurance | Bulgaria | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA JIVOTOZASTRAHOVANE LIFE | Insurance | Bulgaria | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA GARANCIA BIZTOSITO | Insurance | Hungary | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA PHOENIX Hellenic Asphalistike | Insurance | Greece | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA AVIC PROPERTY INSURANCES | Insurance | China | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM |
| GUK BROKING SERVICES | Holding | United Kingdom | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| CAROLE NASH | Brokerage | United Kingdom | 90.00 | 90.00 | FI | 100.00 | 100.00 | FI |
| BOLLINGTON LIMITED | Brokerage | United Kingdom | 49.00 | 49.00 | EM | 100.00 | 100.00 | FI |
| HALVOR | Brokerage | United Kingdom | | | | 100.00 | 100.00 | FI |
| COMPUCAR LIMITED | Insurance brokerage | United Kingdom | 49.00 | 49.00 | EM | 100.00 | 100.00 | FI |
| GROUPAMA ASSICURAZIONI | Insurance | Italy | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA SEGUROS PORTUGAL | Insurance | Portugal | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA ASIGURARI | Insurance | Romania | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA ASSET MANAGEMENT | Portf. mgmt | France | 100.00 | 99.45 | FI | 100.00 | 99.45 | FI |
| GROUPAMA PRIVATE EQUITY | Portf. mgmt | France | | | | 100.00 | 99.46 | FI |
| GROUPAMA BANQUE | Banking | France | 99.45 | 99.45 | FI | 99.45 | 99.45 | FI |
| GROUPAMA ÉPARGNE SALARIALE | Portf. mgmt | France | 100.00 | 99.45 | FI | 100.00 | 99.45 | FI |
| GROUPAMA IMMOBILIER | Banking | France | 100.00 | 99.45 | FI | 100.00 | 99.45 | FI |
| HOLDCO | Real estate | France | 24.93 | 24.93 | EM | 24.93 | 24.93 | EM |

| | Sector of activity | Country | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|---|---|
| | | | % control | % interest | Method | % control | % interest | Method |
| COMPAGNIE FONCIÈRE PARISIENNE | Real estate | France | 95.32 | 95.32 | FI | 95.32 | 95.32 | FI |
| SCI DEFENSE ASTORG | Real estate | France | 100.00 | 95.32 | FI | 100.00 | 95.32 | FI |
| GAN FONCIER II | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| IXELLOR | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| 79 CHAMPS ELYSÉES | Real estate | France | 91.21 | 91.21 | FI | 91.21 | 91.21 | FI |
| CNF | Real estate | France | | | | 100.00 | 100.00 | FI |
| RENNES VAUGIRARD | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| SOCIETE FORESTIERE GROUPAMA | Real estate | France | 87.67 | 87.67 | FI | 87.67 | 87.67 | FI |
| OPCI OFI GB2 | UCITS | France | 100.00 | 95.32 | FI | 100.00 | 95.32 | FI |
| SCI GAN FONCIER | Real estate | France | 100.00 | 98.92 | FI | 100.00 | 98.92 | FI |
| VICTOR HUGO VILLIERS | Real estate | France | 100.00 | 98.71 | FI | 100.00 | 98.71 | FI |
| 1 BIS FOCH | Real estate | France | 100.00 | 98.92 | FI | 100.00 | 98.92 | FI |
| SCI TOUR GAN | Real estate | France | 100.00 | 98.88 | FI | 100.00 | 98.88 | FI |
| 16 MESSINE | Real estate | France | 100.00 | 98.92 | FI | 100.00 | 98.92 | FI |
| 40 RENE BOULANGER | Real estate | France | 100.00 | 98.92 | FI | 100.00 | 98.92 | FI |
| 9 MALESHERBES | Property | France | 100.00 | 98.92 | FI | 100.00 | 98.92 | FI |
| 97 VICTOR HUGO | Real estate | France | 100.00 | 98.92 | FI | 100.00 | 98.92 | FI |
| 44 THEATRE | Real estate | France | 100.00 | 98.92 | FI | 100.00 | 98.92 | FI |
| 261 RASPAIL | Real estate | France | 100.00 | 95.32 | FI | 100.00 | 95.32 | FI |
| 5/7 PERCIER (SASU) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GAN INVESTISSEMENT FONCIER | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| SCA CHATEAU D'AGASSAC | Real estate | France | 25.00 | 25.00 | EM | 25.00 | 25.00 | EM |
| LES FRERES LUMIERE | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| CAP DE FOUSTE (SCI) | Real estate | France | 61.31 | 61.31 | EM | 61.31 | 61.31 | EM |
| 150 RENNES (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| DOMAINE DE NALYS | Real estate | France | 69.57 | 69.57 | EM | 69.57 | 69.57 | EM |
| 99 MALESHERBES (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| 3 ROSSINI (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| CHAMALIERES EUROPE (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| 102 MALESHERBES (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| PARIS FALGUIERE (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| DOMAINE DE FARES | Real estate | France | 31.25 | 31.25 | EM | 31.25 | 31.25 | EM |
| 12 VICTOIRE (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| LABORIE MARCENAT | Real estate | France | 64.52 | 64.52 | EM | 64.52 | 64.52 | EM |
| SCIMA GFA | Real estate | France | 44.00 | 44.00 | EM | 44.00 | 44.00 | EM |
| 38 LE PELETIER (SCI) | Real estate | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA PIPACT | Real estate | France | 31.91 | 31.91 | EM | 31.91 | 31.91 | EM |
| FRANCE-GAN I D | UCITS | France | 45.71 | 45.71 | EM | 42.91 | 42.91 | EM |
| ASTORG STRUCTUR GAD D | UCITS | France | 100.00 | 100.00 | FI | | | |
| GROUPAMA CREDIT EURO LT I C | UCITS | France | | | | 62.19 | 62.19 | FI |
| ASTORG CTT C | UCITS | France | 99.77 | 99.77 | FI | 100.00 | 100.00 | FI |
| GROUPAMA AAEXA D | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| ASTORG EURO SPREAD D | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 10 FCP | UCITS | France | 99.83 | 99.83 | FI | 99.83 | 99.83 | FI |
| WASHINGTON EURO NOURRI 9 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 8 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 7 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 6 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 5 FCP | UCITS | France | 83.33 | 83.33 | FI | 83.33 | 83.33 | FI |

| | Sector of activity | Country | 31.12.2013 % control | 31.12.2013 % interest | 31.12.2013 Method | 31.12.2012 % control | 31.12.2012 % interest | 31.12.2012 Method |
|---|---|---|---|---|---|---|---|---|
| WASHINGTON EURO NOURRI 4 FCP | UCITS | France | 99.62 | 99.62 | FI | 99.62 | 99.62 | FI |
| WASHINGTON EURO NOURRI 3 FCP | UCITS | France | 99.62 | 99.62 | FI | 99.62 | 99.62 | FI |
| WASHINGTON EURO NOURRI 2 FCP | UCITS | France | 83.33 | 83.33 | FI | 83.33 | 83.33 | FI |
| WASHINGTON EURO NOURRI 1 FCP | UCITS | France | 99.89 | 99.89 | FI | 99.89 | 99.89 | FI |
| GROUPAMA INDEX INFLATION EURO I D | UCITS | France | | | | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 13 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 14 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 15 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA CONVERTIBLES I D | UCITS | France | 85.66 | 85.66 | FI | 84.41 | 84.41 | FI |
| GROUPAMA ENTREPRISES IC C | UCITS | France | 20.52 | 20.52 | EM | 22.27 | 22.27 | EM |
| GROUPAMA CREDIT EURO I C | UCITS | France | 62.11 | 62.11 | FI | 60.15 | 60.15 | FI |
| GROUPAMA CREDIT EURO I D | UCITS | France | 57.25 | 57.25 | FI | 57.25 | 57.25 | FI |
| WASHINGTON EURO NOURRI 11 FCP | UCITS | France | 80.00 | 80.00 | FI | 80.00 | 80.00 | FI |
| WASHINGTON EURO NOURRI 12 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 16 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 17 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 18 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA OBLIGATION MONDE I C | UCITS | France | 74.68 | 74.68 | FI | 67.32 | 67.32 | FI |
| WASHINGTON EURO NOURRI 19 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 20 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 21 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 22 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 23 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 24 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 25 FCP | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| WASHINGTON EURO NOURRI 26 FCP | UCITS | France | 88.89 | 88.89 | FI | 88.89 | 88.89 | FI |
| ASTORG STRUCTUR LIFE D | UCITS | France | 100.00 | 100.00 | FI | | | |
| ASTORG TAUX VARIABLE D | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| GROUPAMA EONIA I C | UCITS | France | 41.43 | 41.43 | EM | 60.83 | 60.83 | FI |
| GROUPAMA FP DETTE EMERGENTE | UCITS | France | 89.04 | 89.04 | FI | 88.46 | 88.46 | FI |
| ASTORG PENSION C | UCITS | France | 99.77 | 99.77 | FI | 100.00 | 100.00 | FI |
| ASTORG CASH MA C | UCITS | France | 98.20 | 98.20 | FI | 98.97 | 98.97 | FI |
| ASTORG CASH MT C | UCITS | France | 94.06 | 94.06 | FI | 99.68 | 99.68 | FI |
| ASTORG CASH G C | UCITS | France | 84.01 | 84.01 | FI | 98.28 | 98.28 | FI |
| GROUPAMA CREDIT EURO G D | UCITS | France | 44.37 | 44.37 | EM | 44.37 | 44.37 | EM |
| GROUPAMA CREDIT EURO LT G D | UCITS | France | 100.00 | 100.00 | FI | 99.53 | 99.53 | FI |
| GROUPAMA MONETAIRE ETAT G C | UCITS | France | 100.00 | 100.00 | FI | 100.00 | 100.00 | FI |
| ASTORG THESSALONIQUE 1 D | UCITS | France | 96.11 | 96.11 | FI | 96.05 | 96.05 | FI |
| ASTORG THESSALONIQUE 2 D | UCITS | France | 100.00 | 100.00 | FI | 99.98 | 99.98 | FI |
| ASTORG THESSALONIQUE 3 D | UCITS | France | 100.00 | 100.00 | FI | 99.96 | 99.96 | FI |
| ASTORG THESSALONIQUE 4 D | UCITS | France | 100.00 | 100.00 | FI | 99.98 | 99.98 | FI |
| ASTORG THESSALONIQUE 5 D | UCITS | France | 100.00 | 100.00 | FI | 99.98 | 99.98 | FI |
| ASTORG MONETAIRE C | UCITS | France | 99.96 | 99.96 | FI | | | |
| ASTORG DIV MONDE D | UCITS | France | 100.00 | 100.00 | FI | | | |

*FI: Full integration.*
*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 line item "property investments" and reclassifying in the income statement the dividends or share in the results of the companies on the "Income from property" line item.

# 6.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a free translation into English of the statutory auditors' report on rthe consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

(Year ended 31 December 2013)

| PricewaterhouseCoopers Audit<br>63, rue de Villiers<br>92208 Neuilly-sur-Seine Cedex | Mazars<br>Tour Exaltis<br>61, rue Henri-Régnault<br>92400 Courbevoie |
|---|---|

Dear Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying consolidated financial statements of Groupama SA;
- the justification of our assessments;
- the specific verifications required by law.

These 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 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 at 31 December 2013 and of the results of its operations for the year, in accordance with International Financial Reporting Standards as adopted by the European Union.

Without prejudice to the conclusion stated below, we draw your attention to Note 2.2 on new mandatory standards, which have not however had a significant impact on the financial statements as of 31 December 2013.

## II – JUSTIFICATION FOR 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 matters:

- certain technical items specific to insurance and reinsurance recorded under assets and liabilities in the Company's consolidated financial statements have been estimated on statistical and actuarial bases, in particular technical reserves, deferred profit sharing, deferred acquisition costs and values in force. The methods used to determine these items are described in sections 3.1.2 and 3.12 of the accounting principles and methods, as well as in Notes 3, 13, 14, 25 and 26 in the notes to the consolidated financial statements. We assessed the reasonableness of the assumptions used in the calculation models, based on the Group's experience, its regulatory and economic environment and the consistency of these assumptions taken as a whole;
- goodwill is subject to recoverability tests carried out at each inventory date in accordance with the methods described in section 3.1.1 of the accounting principles and methods and in Note 2 to the consolidated financial statements. We examined the conditions for performing these impairment tests, as well as the cash flow projections, assumptions used and sensitivity tests, and we ensured that the notes to the consolidated financial statements contained appropriate disclosures;

- financial assets and derivative instruments are recognised and valued in accordance with the methods described in sections 3.2.1 and 3.3 of the accounting principles and methods and in Notes 6 and 8 of the Notes to the consolidated financial statements. We reviewed the consistency of the classification applied with the documentation prepared by the Group. We assessed the appropriateness of the methods used for depreciating equity instruments classified as available-for-sale assets, and verified their proper application. We examined the analyses performed by the Company of any risks attached to sovereign debt and the assumptions applied in their valuation, and we ensured that the notes contained appropriate disclosures.

These assessments were made as part 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

As required by law and in accordance with the professional standards applicable in France, we have also verified the information presented 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 Courbevoie, 21 February 2014*

The Statutory Auditors

PricewaterhouseCoopers Audit
Éric Dupont Christine Billy

Mazars
Jean-Claude Pauly Christophe Berrard

◄ CONTENTS ►

# 6.3 ANNUAL FINANCIAL STATEMENTS AND NOTES

## 6.3.1 BALANCE SHEET

### ASSETS

| *(in thousands of euros)* | Notes | Net amount 31.12.2013 | Net amount 31.12.2012 |
|---|---|---|---|
| **Intangible assets** | **Note 4** | **13,415** | **16,458** |
| **Investments** | | **9,490,648** | **9,668,021** |
| Land and buildings | Note 5.1 | 485,590 | 488,573 |
| Investments in related companies and companies with equity-linked interest | Note 5.2 | 7,702,340 | 7,899,776 |
| Other investments | Note 5.3 | 1,302,718 | 1,279,672 |
| **Share of outward reinsurers and retrocessionaires in technical reserves** | **Note 6** | **1,043,195** | **1,083,524** |
| Reserves for unearned premiums | | 10,385 | 13,578 |
| Reserves for claims (Non-Life) | | 887,674 | 930,448 |
| Reserves for profit sharing and rebates (Non-Life) | | 345 | 416 |
| Equalisation reserves | | 3,547 | 3,203 |
| Other technical reserves (Non-Life) | | 141,244 | 135,879 |
| **Receivables** | **Note 7** | **705,852** | **712,808** |
| Receivables relating to direct insurance operations | | 62,311 | 77,893 |
| Receivables relating to reinsurance transactions | | 455,910 | 416,300 |
| Other receivables | | 187,631 | 218,615 |
| **Other assets** | | **155,570** | **448,220** |
| Tangible operating assets | | 1,814 | 10,600 |
| Cash and equivalents | | 153,756 | 437,620 |
| **Accruals – Assets** | **Note 8** | **19,114** | **22,994** |
| **Unrealised foreign exchange adjustments** | | | |
| **TOTAL ASSETS** | | **11,427,794** | **11,952,025** |

1
2
3
4
5
6
7

## LIABILITIES

| *(in thousands of euros)* | Notes | Net amount 31.12.2013 | Net amount 31.12.2012 |
|---|---|---|---|
| **Shareholders' equity** | **Note 9** | **2,320,351** | **2,658,200** |
| Share capital | | 1,686,569 | 1,686,569 |
| Additional paid-in capital | | 103,482 | 103,482 |
| Other reserves | | 170,361 | 169,984 |
| Retained earnings | | 698,202 | 1,394,770 |
| Net income for fiscal year | | (338,263) | (696,605) |
| **Subordinated debt** | **Note 10** | **2,238,445** | **2,238,445** |
| **Gross technical reserves** | **Note 11** | **4,296,586** | **4,296,508** |
| Reserves for unearned premiums | | 192,868 | 206,039 |
| Reserves for claims (Non-Life) | | 3,599,680 | 3,591,043 |
| Reserves for profit sharing and rebates (Non-Life) | | 1,985 | 1,717 |
| Equalisation reserve | | 135,509 | 138,161 |
| Other technical reserves (Non-Life) | | 366,544 | 359,548 |
| **Reserves for contingencies and charges** | **Note 12** | **133,076** | **197,918** |
| **Payables for cash deposits received from outward reinsurers and retrocessionaires representing technical commitments** | | **196,610** | **92,423** |
| **Other liabilities** | **Note 13** | **2,235,694** | **2,468,606** |
| Debts arising from direct insurance operations | | 24,790 | 12,906 |
| Debts relating to reinsurance transactions | | 236,742 | 270,599 |
| Bonds (including convertible bonds) | | 409,250 | 400,936 |
| Debt to credit institutions | | 650,683 | 795,079 |
| Other debts | | 914,229 | 989,086 |
| **Accruals – Liabilities** | **Note 14** | **7,032** | **(75)** |
| **Unrealised foreign exchange adjustments** | | **0** | **0** |
| **TOTAL LIABILITIES** | | **11,427,794** | **11,952,025** |

## 6.3.2 OPERATING INCOME STATEMENT

| *(in thousands of euros)* | Gross transactions | Outward reinsurance and retrocessions | Totals net 2013 | Totals net 2012 |
|---|---|---|---|---|
| **Earned premiums** | **2,341,013** | **717,435** | **1,623,578** | **1,422,756** |
| Written premiums | 2,328,581 | 714,242 | 1,614,339 | 1,412,584 |
| Change in unearned premiums | 12,432 | 3,193 | 9,239 | 10,172 |
| **Income from allocated investments** | **(149,356)** | | **(149,356)** | **(304,368)** |
| **Other underwriting income** | **281** | | **281** | **17** |
| **Claim expenses** | **(1,623,583)** | **(389,251)** | **(1,234,332)** | **(1,130,737)** |
| Benefits and expenses paid | (1,570,602) | (414,636) | (1,155,966) | (1,169,601) |
| Charges from provisions for claims | (52,981) | 25,385 | (78,366) | 38,864 |
| **Charges from other technical reserves** | **(7,355)** | **(5,294)** | **(2,061)** | **18,245** |
| **Profit-sharing** | **(1,043)** | | **(1,043)** | **(799)** |
| **Acquisition and administrative costs** | **(496,744)** | **(78,685)** | **(418,059)** | **(363,546)** |
| Acquisition costs | (273,618) | | (273,618) | (292,359) |
| Administrative costs | (223,126) | | (223,126) | (210,376) |
| Commissions received from reinsurers | | (78,685) | 78,685 | 139,189 |
| **Other underwriting expenses** | **(141,581)** | | **(141,581)** | **(151,840)** |
| **Change in provision for equalisation** | **2,651** | **(343)** | **2,994** | **(1,161)** |
| **OPERATING PROFIT FROM NON-LIFE INSURANCE** | **(75,717)** | **243,862** | **(319,579)** | **(511,433)** |

## 6.3.3 NON-OPERATING INCOME STATEMENT

| *(in thousands of euros)* | Notes | 2013 net transactions | 2012 net transactions |
|---|---|---|---|
| **Operating profit from Non-Life insurance** | | **(319,579)** | **(511,433)** |
| **Investment income** | **Note 18** | **254,419** | **808,826** |
| Investment income | | 124,521 | 185,901 |
| Other investment income | | 85,126 | 194,710 |
| Profits on the sale of investments | | 44,772 | 428,215 |
| **Investment expenses** | **Note 18** | **(510,870)** | **(1,387,362)** |
| Internal and external investment management costs | | (201,048) | (161,938) |
| Other investment expenses | | (254,971) | (480,651) |
| Losses on the sale of investments | | (54,851) | (744,773) |
| **Transferred investment proceeds** | | **149,356** | **304,368** |
| **Other non-technical income and expenses** | **Note 19** | **(7,096)** | **(16,215)** |
| **Extraordinary income** | **Note 20** | **(12,580)** | **(23,814)** |
| **Employee profit-sharing scheme** | | | **(218)** |
| **Income tax** | **Note 21** | **108,087** | **129,242** |
| **NET INCOME FOR FISCAL YEAR** | | **(338,263)** | **(696,606)** |

## 6.3.4 RESULTS OF THE PAST FIVE FISCAL YEARS

| *(in euros)* | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **I. Ending financial position** | | | | | |
| a) Share capital | 1,186,513,186 | 1,186,513,186 | 1,686,569,399 | 1,686,569,399 | 1,686,569,399 |
| b) Number of existing shares | 231,514,768 | 231,514,768 | 329,086,712 | 329,086,712 | 329,086,712 |
| c) Number of bonds convertible into shares | | | | | |
| **II. Transactions and results for the fiscal year** | | | | | |
| a) Premiums for the fiscal year | 2,001,650,526 | 2,100,713,950 | 2,179,799,113 | 2,388,816,836 | 2,341,013,114 |
| b) Income before tax, amortisation and provisions | (97,809,332) | 169,750,226 | 317,397,258 | (446,472,056) | (272,638,112) |
| c) Corporate income tax | (215,363,627) | (147,419,879) | (72,549,553) | (129,241,672) | (108,086,910) |
| d) Employee profit-sharing due for the fiscal year | | | | | |
| e) Income after tax, profit-sharing, amortisation and provisions | 148,366,525 | 147,266,208 | (235,698,495) | (696,605,564) | (338,263,557) |
| f) Distributed income | 104,181,645 | 104,181,645 | | | |
| **III. Income per share** | | | | | |
| a) Income after tax and employee profit-sharing but before amortisation and reserves | 0.51 | 1.37 | 1.18 | (0.96) | (0.50) |
| b) Income after tax and employee profit-sharing, amortisation and reserves | 0.64 | 0.64 | (0.72) | (2.12) | (1.03) |
| c) Dividend allotted per share | 0.45 | 0.45 | | | |
| **IV. Personnel** | | | | | |
| a) Number of employees | 1,677 | 1,669 | 1,722 | 1,573 | 1,375 |
| b) Amount of payroll costs | 115,851,594 | 130,006,779 | 128,997,568 | 134,392,499 | 106,259,853 |
| c) Amounts paid in employee benefits | 54,633,252 | 62,660,557 | 67,939,456 | 66,599,606 | 52,534,274 |

The amount of the payroll and sums paid for employee benefits corresponds to the gross expense in the accounts of the de facto grouping before billing back to each of its members.

## 6.3.5 NOTES TO THE ANNUAL FINANCIAL STATEMENT

Summary

# 1 SIGNIFICANT EVENTS OF THE YEAR

## 1.1 - Changes in the regulatory framework

### (a) Law on the separation and regulation of banking activities

The law of 26 July 2013 on the separation and regulation of banking activities, published in the Journal Officiel on 27 July, establishes Groupama SA as the central body of the network made up of agricultural insurance and reinsurance companies and mutuals. It confirms and reinforces for the future the Group's mutualist nature and its cohesion based on the solidarity of its member companies.

### (b) Regulatory changes

A number of regulatory changes occurred during the fiscal year in the various countries in which the Group operates. In France, the reform of the mandatory casualty insurance guarantee fund (FGAO) have resulted in a cost of approximately €26 million net of taxes.

## 1.2 - Changes in the Group

### (a) In France

#### SALE OF THE ASSET MANAGEMENT COMPANY GROUPAMA PRIVATE EQUITY

Groupama sold 100% of Groupama Private Equity's share capital to the ACG group. Announced on 7 January 2013, the transaction was completed on 29 March 2013. It comes as part of Groupama's strategy to dispose of its non-strategic businesses.

In connection with this sale, Groupama seized the opportunity to partially sell the interests held by the Group in the private equity funds (FCPR Acto and FCPR Acto Capital II) to Acto Capital, a simplified joint-stock company in the process of formation represented by Luxempart and Five Arrows Secondary Opportunities III, a Rothschild group fund.

### (b) Abroad

#### GROUPAMA STRENGTHENS ITS PARTNERSHIP WITH THE CHINESE GROUP AVIC

On 25 April 2013, Groupama and the Chinese aviation group Avic (Aviation Industry Corporation of China) signed a second partnership agreement relating to the insurance sector.

Under the terms of this agreement, the capital of Groupama Avic Property Insurance Company Limited will be doubled to 1 billion Yen (€125 million). This capital increase, which will be shared by the two partners, is intended in particular to support the strong growth of Groupama AVIC Insurance on the agricultural and rural insurance market  in China, which is exceeding the initial forecasts.

## 1.3 - Other items

### (a) Financial rating

On 6 March 2013, Fitch upgraded the insurer financial strength rating of Groupama SA and its subsidiaries from "BB+" to "BBB-". The outlook associated with the ratings of Groupama SA and its subsidiaries is stable.

On 30 October 2013, Fitch upgraded the rating of Groupama SA's undated deeply subordinated bonds from "B-" to "BB-", following the resumption of the coupon payment on 22 October 2013. Groupama's other ratings have remained the same.

### (b) Reinsurance

Groupama continued to diversify its storm covers in France with the issue of a new catastrophe ("cat") bond for €280 million in early July.

Swiss Re Capital Markets placed a new structured bond, Green Fields II Capital Limited, on behalf of Groupama SA, providing €280 million of storm cover in France for a risk period from 2 July 2013 to 31 December 2016. The collateral used to back this issue was a dedicated structured bond issued by the European Bank for Reconstruction and Development (AAA ratings by S&P, Moody's, and Fitch).

◄ CONTENTS ►

## 2 POST-BALANCE SHEET EVENTS

### (a) Financial rating

On 11 February 2014, the rating agency Fitch upgraded the rating of Groupama SA and its subsidiaries from "BBB-" to "BBB". It also assigned a "positive" outlook to this rating.

## 3 ACCOUNTING PRINCIPLES, RULES AND METHODS

Groupama SA's annual financial statements were drawn up and presented in accordance with the French Insurance Code as amended by Decrees no 94-481 and no 94-482 of 8 June 1994 and the Order of 20 June 1994 transposing Directive no 91-674/EEC of 19 December 1991 on the annual financial statements and consolidated financial statements of insurance undertakings.

### 3.1 - Underwriting operations

Groupama SA is engaged mainly in the following Non-life insurance operations:

- business underwritten directly and that conducted within coinsurance and reinsurance groups;
- the reinsurance of each of the regional mutuals under the reinsurance agreement entered into with each of them;
- the reinsurance of other entities of the Group in France and internationally.

Since the Antilles Guyane regional mutual is not licensed to conduct insurance operations, Groupama SA directly replaces this mutual to cover these operations. Under this principle, the corresponding figures reported in the financial statements contain the information reported as "direct business" after deducting "custody of the regional mutual".

#### 3.1.1 - Premiums

Premiums comprise:

- premiums written during the fiscal year, net of cancellations;
- variation in premiums still to be written;
- variation in premiums to be cancelled.

These premiums are corrected for variation in unearned premiums and constitute the amount of earned premiums.

#### 3.1.2 - Reserve for unearned premiums

The reserve for unearned premiums for all policies in force at the fiscal year-end shows the share of premiums written and premiums yet to be written relating to the risk coverage in effect for the year or years following the reporting year.

#### 3.1.3 - Acquisition and administration costs

These expenses mainly consist of:

- commissions paid by Groupama SA to the regional mutuals. These are determined pursuant to the provisions stipulated in the reinsurance agreement with the regional mutuals and are calculated based on the earned premiums that Groupama SA accepts from the regional mutuals;
- commissions assessed on direct business and other inward reinsurance business.

#### 3.1.4 - Deferred acquisition costs

A portion of the overhead expenses of Groupama SA allocated for the acquisition of contracts and commissions on direct and accepted business is posted to assets on the balance sheet. This is the share of acquisition expenses pertaining to unearned premiums.

#### 3.1.5 - Claims

The claims expense for the year consists mainly of:

- services and expenses paid for in connection with direct business or that accepted under reinsurance treaties which equate the claims paid net of remedies to be received for the year plus periodic annuity payments. They also include claims-related expenses. These claims also include periodic payments of annuities managed directly by Groupama SA, as well as management costs from the distribution of overhead expenses;
- the reserves for claims in direct business and inward reinsurance business represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the year, both declared and undeclared. These reserves also include actuarial reserves on the annuities accepted from the regional mutuals plus a charge for management expenses based on the rate of actual expenses observed by Groupama SA;
- the estimated value of reserves for claims is based on an actuarial approach, defined in accordance with a group methodology. By means of valuations of final costs based on payment triangles or costs (by risk segment), it permits a determination of the sufficient and adequate amount of reserves for claims payable (in accordance with Article R. 331-5 of the French Insurance Code). This valuation incorporates the valuation of delinquent claims into its approach.

In construction risk, the reserve for claims yet to be made comprises direct claims and claims from the regional mutuals is two-pronged. One component is set aside for ten-year coverage for general liability and the other is for ten-year coverage for property damages. The amount allocated to the reserve is determined using the method set out by Article A. 331-21 of the French Insurance Code.

The actuarial reserves, as determined by the regional mutuals and accepted by Groupama SA, represent the actual value of their commitments relating to annuities plus their ancillary expenses. The tables applied to assess these reserves are computed with a financial discount and are based on demographic trends.

In life and health insurance, the methods for determining the reserves for outstanding claims were introduced by the ministerial order of 28 March 1996 for temporary and permanent disability, are applied:

- using specific Groupama tables on the one hand certified by an independent actuary for individual risk and maintenance tables from the Bureau commun des assurances collectives (BCAC) for Group risk with respect to temporary disability coverage;
- using the BCAC maintenance tables for pending disability coverage.

Outstanding claims reserves for payments made for traffic accidents occurring as from 1 January 2013 include the annual adjustment calculated in accordance with the order of 27 December 2013 with an inflation rate of 2.25%.

### 3.1.6 - Equalisation reserve

The reserve for equalisation can be established to cover exceptional charges relating to the risks set forth in Article R. 331-6-6 of the French Insurance Code by Decree no 2001-1280 of 28 December 2001 and by Article 39 quinquies G of France's General Tax Code as modified by Decree no 2002-1242 of 4 October 2002, which granted the scope of application of the reserve for equalisation of insurance coverage relating to attacks, terrorism and air transport. Groupama SA computes this reserve based on the share of risks it insures or reinsures or that is obtained through its share of the results owing to its shareholding in certain professional pools.

### 3.1.7 - Commitment reserve

A commitment reserve is recognised for losses of rents for estimated losses until the extinction of this risk. The risk corresponds to the difference between the estimations of premiums, claims and commissions.

### 3.1.8 - Other technical reserves

A reserve for unexpired risks is allocated when the estimated amount of claims (including management costs) that could be reported after the year end on policies written up before that date exceeds the reserve for unearned premiums.

The reserve for increasing risks is the difference between the current values of the commitments taken respectively by the insurer and by the policyholders for insurance operations covering health and disability risks. This reserve concerns the reserves formed in dependency insurance as well as those on direct business managed by Groupama SA.

The actuarial reserves for annuities are based on the discounted values of annuities and annuity ancillaries still owed at the inventory date. This item includes the reserves set aside against direct business and supplementary reserves on inward reinsurance business.

In life and health insurance, the methods for determining actuarial reserves that were introduced by the ministerial order of 28 March 1996 for temporary and permanent disability, are applied. For disability annuities in progress, the reserves are determined by applying maintenance tables from the Bureau commun des assurances collectives (BCAC).

Regarding actuarial reserves for non-life annuity income, the business also incorporates the population's lengthening life expectancy. Consequently, actuarial reserves for additional non-life annuity income are posted at the balance-sheet close in order to calculate the principal to be paid to victims of bodily injury. These are now based on the TH/TF 2000-2002 mortality tables.

Pursuant to Article R. 331-5-1 of the French Insurance Code and Decree no 2008-1437 of 22 December 2008 and no 2013-717 of 2 August 2013, a reserve for liquidity risk is allocated when investments subject to Article R. 332-20, with the exception of amortisable securities that the Company is able and intends to hold until maturity, are found to be in a situation of overall net unrealised capital loss. This reserve is intended to deal with insufficient liquidity of investments, especially when there is a change in the pace at which claims are paid. Subject to compliance with the provisions of the French Insurance Code, which allow for an extended schedule for establishing this reserve, contributions to this reserve are spread out over three years.

### 3.1.9 - Inward reinsurance transactions

Inward reinsurance transactions are recognised according to the terms of Groupama SA's reinsurance agreement with its regional mutuals, reinsurance treaties entered into mainly with the Group's other entities and under the professional pools.

### 3.1.10 - Outward reinsurance and retrocessions

Outward reinsurance, mainly to reinsurers outside the Group, on accepted risks or direct insurance is accounted for under the terms of the various treaties. They may be supplemented by estimates if the current accounts with those reinsurers are incomplete at the end of the financial year. The securities taken as collateral by the reinsurers (outward reinsurers or retrocessionaires) are recorded in the statement of commitments received and given.

Pursuant to the reinsurance agreement, Groupama SA makes retrocessions with regional mutuals on various risks accepted or direct insurance; those transactions are recorded pursuant to the reinsurance agreement signed between Groupama SA and the regional mutuals.

## 3.2 - Investments

### 3.2.1 - Entry costs and valuation at year-end

#### (a) Land and buildings, shares in real-estate investment companies (SCIs)

Buildings and shares in unlisted SCIs are recorded at their purchase or cost price.

Pursuant to Regulation no 2004-06 of the Accounting Regulation Committee, the acquisition costs (transfer taxes, professional fees and registration costs, etc.) are incorporated into the acquisition cost of the shell component of the asset to which they refer.

Pursuant to Regulation no 2002-10 of the French Accounting Regulation Committee, real-estate properties are recorded in the financial statements by components.

The four components used by Groupama SA are the following:

- bare structure or shell;
- wind- and water-tight facilities;
- technical facilities;
- fixtures, finishings.

The lifespan and rate of amortisation of each component depend on the period of foreseeable use of the component and the nature of the real-estate property. Because the residual value of the bare structure component cannot be measured in a sufficiently reliable fashion, it is therefore not determined, and that component is amortised based on the acquisition cost.

The following table shows the amortisation periods and the percentages used by type of real-estate property:

| | Residences and offices before 1945 | | Residences and offices after 1945 | | Shops | | Offices or residential high-rises | |
|---|---|---|---|---|---|---|---|---|
| *Components* | **Period** | **Percentage** | **Period** | **Percentage** | **Period** | **Percentage** | **Period** | **Percentage** |
| **Building shell** | | | | | | | | |
| Frame, beams, columns, floors, walls | 120 yrs | 65% | 80 yrs | 65% | 50 yrs | 50% | 70 yrs | 40% |
| **Wind- and water-tight facilities** | **35 yrs** | **10%** | **30 yrs** | **10%** | **30 yrs** | **10%** | **30 yrs** | **20%** |
| Roof-terrace | | | | | | | | |
| Facades | | | | | | | | |
| Covering | | | | | | | | |
| External woodwork | | | | | | | | |
| **Technical facilities** | **25 yrs** | **15%** | **25 yrs** | **15%** | **20 yrs** | **25%** | **25 yrs** | **25%** |
| Lifts | | | | | | | | |
| Heating/Air conditioning, | | | | | | | | |
| Networks (electrical, plumbing, etc.) | | | | | | | | |
| **Fixtures, finishings** | **15 yrs** | **10%** | **15 yrs** | **10%** | **15 yrs** | **15%** | **15 yrs** | **15%** |
| Int. improvements | | | | | | | | |

The redemption value of buildings and shares in unlisted SCIs is determined in accordance with the French Insurance Code based on appraisals made every five years and reviewed annually.

#### (b) Fixed-income securities

Bonds and other fixed income securities are recorded at their purchase price net of accrued interest at the time of purchase. The difference between the purchase price and the redemption value is reported on the income statement using actuarial methods over the remaining term until their redemption date. An amortisation of the premium or discount is recorded up to the time of transfer in the year the fixed income marketable securities are sold.

Accrued interest is recognised on the balance sheet under asset accruals.

Bonds convertible into shares are stripped into two components after acquisition: into the traditional bond under Article R. 332-19, on the one hand, and an option to convert into shares under Article R. 332-20, on the other.

Pursuant to the provisions of decrees no 2002-1535 of 24 December 2002 and no 2006-1724 of 23 December 2006, inflation-linked change in the redemption value of bonds that are indexed on the general price levels is posted to income.

The redemption value recorded at the close is the most recent quoted price at the inventory date. For unlisted securities, it is the market value resulting from the price that would be obtained under normal market conditions and depending on their utility to the Company.

#### (c) Equities and other variable-income securities

Shares and other variable-income securities are recorded at their purchase price excluding accrued interest. As of fiscal year 2007, pursuant to the notice from the Emergency Committee of the CNC dated 15 June 2007, Groupama SA chose the accounting option allowing it to incorporate acquisition costs into the cost price of equity interests and to recognise, in its accounting, accelerated amortisation over 5 years.

The realisable value recorded at year end is:

- for listed securities, the last price listed on the day of the inventory;
- for unlisted securities, the market value corresponding to the price that would be obtained for them under normal market conditions and based on their utility for the Company;
- for shares of variable-capital investment companies and shares of mutual funds, the last purchase price published on the day of the inventory.

#### (d) Loans

Loans granted to companies belonging to the Group and to other entities are valued according to their contracts.

### 3.2.2 - Reserves

#### (a) Amortisable securities under Article R. 332-19 of the Insurance Code

Any unrealised capital losses resulting from comparing the book value, including the differences between the redemption prices (premium, discount), with the redemption value, do not normally carry a reserve for diminution in value. Nevertheless, a reserve for impairment is allocated when there is reason to believe that the debtor will not be able to honour his commitments, either to pay interest or to repay the principal.

#### (b) Investment properties, variable-income securities, loans

##### REAL-ESTATE INVESTMENTS

When the net carrying amount of buildings, equity shares, or shares in unlisted companies exceeds the realisation value of the aforesaid investments, a reserve for long-term impairment may be allocated. Such impairment reserves are applied to investment properties where this is significant but is not applied to properties used in the business where such business usage for the Company is not likely to change.

##### LISTED SECURITIES (EXCEPT EQUITY INTERESTS)

For those investments covered by Article R. 332-20, a line-by-line reserve for impairment may only be allocated when there is reason to deem that the impairment is permanent.

The long-term impairment of an investment line can be presumed in the following cases:

- there was a long-term reserve on this investment line in the previous published statement;
- the listed investment has consistently shown a significant unrecognised loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of permanent impairment.

In accordance with Regulation no 2013-03 of the ANC of 13 December 2013, long-term impairments of amortisable securities covered by Article R. 332-20 that the Company can and intends to hold until maturity are analysed in terms of credit risk only. A reserve for permanent impairment is established in the event of a proven credit risk, when there is reason to believe that the counterparty will not be able to honour his commitments, either to pay interest or to repay the principal.

In the event of permanent impairment of a security covered by Article R. 332-20, the amount of the impairment is the difference between historical cost price and recoverable amount.

The recoverable amount is determined based on a multi-criteria approach that depends on the nature of the assets and the holding strategy.

For amortisable securities covered by Article R. 332-20 that the Company does not have the intention or ability to hold until maturity, long-term impairments are established by analysing all of the risks identified on this investment based on the considered holding horizon.

##### EQUITY SECURITIES

The valuation of equity securities is based on multi-criteria methods chosen according to each particular situation (nature of assets, holding horizon, etc.).

A reserve for impairment is established when the value in use at the inventory date obtained through the valuation methods described above is less than the entry cost of those securities.

##### LOANS

When the estimate of the recoverable value of a loan at inventory date is below its gross amount plus any accrued and unpaid interest at the end of the period, a reserve for impairment is allocated for the difference.

### 3.2.3 - Investment income and expenses

Financial income includes the revenue from investments received during the fiscal year (rent, dividends, coupon payments, interest on loans and current accounts).

Other investment income includes the pro-rata share in the discount on the bond redemption differences and reversals of reserves for loss in value of investments.

Other investment expenses include the percentage of appreciation on the differences in redemption of bonds, and the depreciation allowance and reserves for investments, and the percentage of overhead expenses corresponding to investment-management activities.

The capital gains or losses on marketable securities are determined by applying the first-in first-out method (FIFO), and they are recorded in the income statement. However, with respect to bonds and other fixed income securities, the profit equivalent to the difference between the price for which the security was sold and its current value is allocated to the capitalisation reserve and is debited from the income statement. In the case of a loss, a write-back is made from this capitalisation reserve up to the limit of the previously allocated reserves.

For these same securities, a reversal is made during the year they are sold for the accumulated amortisation of the premium or discount recorded up to the date of sale.

In non-life insurance, investment income and expenses are recorded on the non-operating income statement.

A portion of financial income reverting to technical reserves is transferred to the non-life technical income statement on a basis prorated to the technical reserves and equity.

CONTENTS

#### 3.2.4 - Forward sale financial instruments

**(a) Forward sale currency hedging contracts**

Forward sale currency hedging contracts implemented by Groupama SA are aimed at protecting against the foreign exchange risk component present in certain assets. The currency gain or loss occurring when the hedge is unwound is recorded on a net basis with the capital gain or loss at the time the underlying asset is sold. Conversely, the currency gains or losses relating to renewal of the hedges are recorded in an accrual account.

Unrealised capital gains and losses on forward currency sale contracts are hedged using securities received or given, respectively, in guarantee as part of a collateralisation agreement.

Moreover, as part of anticipated foreign currency investments, Groupama SA may implement hedges through purchases of foreign currencies. In this case, the foreign exchange gain or loss at the time the investment is unwound is incorporated into the acquisition cost of the securities acquired.

### 3.3 - Other transactions

#### 3.3.1 - Intangible assets

Intangible assets mainly consist of:

- software under development;
- acquired software depreciated over a period of 1 to 4 years by the straight-line method;
- developed software depreciated over a period of 3 or 4 years by the straight-line method.

The software carries a reserve, if necessary, to recognise an additional impairment deemed to be irreversible at the year end.

#### 3.3.2 - Management fees and commissions

Management fees incurred by Groupama SA are recorded according to their nature within the de facto Groupama SA group; expenses pertaining to other members of the de facto group are billed back to them. They are then classified for the presentation of the financial statements according to their purpose, by applying allocation keys. These keys are determined analytically and reviewed annually according to Groupama SA's internal structure and organisation.

The management costs are classified under one of the following five categories:

- claims settlement costs, which specifically include claims services expenses and claims dispute expenses;
- acquisition expenses, which factor in a part of the commissions of the regional mutuals, commissions paid for direct business and other inward reinsurance, advertising, and marketing expenses;
- administrative costs, which include a portion of the commissions of the regional mutuals and management expenses for direct business and accepted reinsurance;
- investment expenses, which specifically include investment management services, including fees, commissions and brokerage commissions paid;
- other operating expenses, which include expenses that cannot be assigned directly or by applying a cost to one of the other categories.

Expenses arising from activities with no operating connection with the insurance business are reported as other non-operating expenses.

#### 3.3.3 - Foreign currency transactions

Pursuant to Accounting Regulation Committee Regulation no 2007.07 of 14 December 2007 on the accounting treatment of foreign currency transactions of companies governed by the French Insurance Code, operational foreign currency position accounts, converted at inventory price and the equivalent in euros, are offset against foreign exchange income.

For structural transactions, the foreign exchange difference is posted to the balance sheet in unrealised foreign exchange adjustment accounts.

#### 3.3.4 - Receivables

Receivables are recorded at their face redemption value (historical cost).

They specifically include:

- for direct insurance operations:
  - premiums yet to be written for policyholders,
  - premiums yet to be written for policyholders,
  - premiums yet to be collected from policyholders,
  - loans or advances from co-insurers;
- for inward reinsurance operations:
  - Groupama SA's share in the premiums yet to be written, and in the premiums to be cancelled by the ceding entities (notably the regional mutuals), net of reinsurance,
  - loans or advances with the ceding entities,
  - receivables due relating to transactions accepted from the ceding entities;
- for outward transactions:
  - loans or advances to outward reinsurers,
  - income owed relating to transactions ceded to outward reinsurers;
- for the other receivables:
  - tax combination loans or advances to daughter companies,
  - receivables from government bodies and social security agencies,
  - loans or advances to various other entities,
  - other income due.

When the inventory value at the financial year end is below the book value, a reserve for diminution in value is set aside.

1
2
3
4
5
6
7

### 3.3.5 - Tangible operating assets

The tangible operating assets account mainly includes:

- fixtures and improvements of premises;
- transportation equipment;
- office equipment;
- furniture;
- computer hardware;
- other tangible assets.

These assets are amortised using either the straight-line method or the accelerated method over the estimated useful lives, which ranges from 2 to 10 years depending on the type of asset.

### 3.3.6 - Accruals – Assets

The accruals accounts on the asset side are mainly composed of:

- interest accrued and income receivable;
- differences on bond-redemption prices;
- acquisition costs carried forward to future years.

### 3.3.7 - Reserves for contingencies and charges

The contingent liabilities reserves are established pursuant to CRC Regulation no 2000-06 dated 7 December 2000. This item also includes regulated reserves, especially accelerated amortisation.

### 3.3.8 - Corporate income tax

Groupama SA is the parent company of a tax combination group comprising 50 tax-combined entities.

Tax expenses are borne by the consolidated company, just as they are when there is no tax consolidation.

The tax savings realised by the Group relating to losses are reported at the Groupama SA parent company level. They are treated as an immediate gain for the year and not as a simple cash saving.

The tax savings realised by the Group not relating to losses are also reported at the Groupama SA parent company level and recorded as a reduction from the tax expense.

These two items are recorded in the financial statements pursuant to the provisions of notice 2005-G dated 12 October 2005 of the Emergency Committee of the Conseil national de la comptabilité.

### 3.3.9 - Debts

Payables mainly consist of:

- for direct insurance operations:
  - policyholders' credit accounts,
  - commissions on premiums earned but not written,
  - advances or loans from co-insurers;
- for inward reinsurance operations:
  - advances or loans with the ceding offices,
  - payables owed for inward transactions from these ceding entities;
- for outward transactions:
  - advances or loans with outward reinsurers,
  - payables owed for inward transactions from these outward reinsurers;
- for the other payables:
  - advances or loans of a financial and operational nature with various other entities,
  - bank overdrafts,
  - taxes and social security owed.

### 3.3.10 - Accruals – Liabilities

Accrual accounts on the liabilities side correspond mainly to the amortisation of differences on bond redemption prices.

### 3.3.11 - Non-operating expenses and income

Pursuant to the ministerial order of 31 December 2010 following the tax system change to the capitalisation reserve introduced by the 2011 financial law, contributions and reversals to the capitalisation reserve mentioned in paragraph 3.2.3 of the accounting principles, rules, and methods generate both a non-operating reversal and an allocation to the capitalisation reserve corresponding to the income and the theoretical tax expense on this reversal and allocation.

## 3.4 - Change in accounting method

The change in accounting method related to amortisable securities covered by Article R. 333-20, resulting from the ANC regulation of 13 December 2013, has no significant impact.

## NOTE 4 INTANGIBLE ASSETS

### STATEMENT OF MOVEMENTS DURING THE YEAR

| *(in thousands of euros)* | Amount as at 31.12.2012 | Transfers inclusions/ removals | Inclusions/ contributions to amortisation | Removals/ write-backs of amortisation | Amount as at 31.12.2013 |
|---|---|---|---|---|---|
| Gross values | 155,233 | | 6,853 | 503 | 161,583 |
| Amortisation | 138,775 | | 9,411 | 18 | 148,168 |
| **TOTAL NET AMOUNTS** | **16,458** | | **(2,558)** | **485** | **13,415** |

*(1) Mainly software.*

## NOTE 5 INVESTMENTS

### Note 5.1 - Land and buildings

### STATEMENT OF MOVEMENTS DURING THE YEAR

| *(in thousands of euros)* | Amount as at 31.12.2012 | Transfers inclusions/ removals | Inclusions during the year | Removals during the year | Amount as at 31.12.2013 |
|---|---|---|---|---|---|
| Gross values | | | | | |
| Fixed assets | 184,285 | | 520 | 375 | 184,430 |
| Shares of real-estate companies | 316,064 | | 260 | 601 | 315,723 |
| **Total gross amounts** | **500,349** | | **780** | **976** | **500,153** |
| Amortisation/Impairment | | | | | |
| Fixed assets | 11,748 | | 2,833 | 57 | 14,524 |
| Shares of real-estate companies | 29 | | 10 | | 39 |
| **Total amortisation** | **11,777** | | **2,843** | **57** | **14,563** |
| **TOTAL NET AMOUNTS** | **488,572** | | **(2,063)** | **919** | **485,590** |

1
2
3
4
5
6
7

## Note 5.2 - Investments in affiliated companies and in companies with which there is an equity tie

### SUMMARY TABLE

| *(in thousands of euros)* | Amount as at 31.12.2012 | Transfers inclusions/ removals | Inclusions during the year | Removals during the year | Amount as at 31.12.2013 |
|---|---|---|---|---|---|
| **Gross values** | | | | | |
| **Equities and similar instruments** | | | | | |
| Affiliated companies | 8,118,770 | 1,997 | 67,144 | 2,969 | 8,184,942 |
| Companies with which there is an equity tie | 639,405 | (2,000) | | 100,825 | 536,580 |
| **Loans and receivables** | | | | | |
| Affiliated companies | 785,451 | | 1,156 | 30,767 | 755,840 |
| Companies with which there is an equity tie | 350 | | | 90 | 260 |
| Cash deposits with ceding entities | 37,076 | | 77,799 | | 114,875 |
| **Total gross amounts** | **9,581,052** | **(3)** | **146,099** | **134,651** | **9,592,497** |
| **Reserves** | | | | | |
| **Equities and similar instruments** | | | | | |
| Affiliated companies | 1,512,484 | 46,273 | 228,503 | 39,804 | 1,747,456 |
| Companies with which there is an equity tie | 168,792 | | 12,072 | 38,163 | 142,701 |
| **Loans and receivables** | | | | | |
| Affiliated companies | | | | | |
| Companies with which there is an equity tie | | | | | |
| Cash deposits with ceding entities | | | | | |
| **Total reserves** | **1,681,276** | **46,273** | **240,575** | **77,967** | **1,890,157** |
| **TOTAL NET AMOUNTS** | **7,899,776** | **(46,276)** | **(94,476)** | **56,684** | **7,702,340** |

#### Equities and similar instruments

The principal changes occurring with regard to equities during the year were the strengthening of existing interests.

Groupama SA thus subscribed to the capital increases of Groupama Insurance China for €35.9 million, Amaline Insurance for €19.9 million and Groupama Asigurari for €11 million.

Moreover, as part of the equity derisking policy initiated in 2012, Groupama SA sold the remaining share of its Société Générale securities for €34.4 million as well as all of its Eiffage securities for €66.5 million in 2013.

The contributions for permanent depreciation recognised on the insurance subsidiaries mainly involve Gan Assurances for €55.9 million, Amaline Assurances for €47.8 million, Groupama Asigurari for €44.6 million, Groupama Garancia for €25.5 million, Gan Prévoyance for €23.7 million and Gan Patrimoine for €16.1 million.

Reserve write-backs mainly pertain to Eiffage for €25.2 million, Groupama Seguros Vida for €18.3 million and Groupama Bosphorus for €11.9 million.

#### Loans

The main movements on loans and advances granted by Groupama SA pertain to the repayment of the Groupama Assicurazioni loan for €30 million.

◄ CONTENTS ►

## Note 5.3 - Other investments

This involves investments other than those mentioned in 5.1 and 5.2, specifically other shares, bonds and mutual fund units.

### STATEMENT OF MOVEMENTS DURING THE YEAR

| *(in thousands of euros)* | Amount as at 31.12.2012 | Transfers inclusions/ removals | Inclusions during the year | Removals during the year | Amount as at 31.12.2013 |
|---|---|---|---|---|---|
| **Gross values** | | | | | |
| Fixed-return bonds and mutual funds | 337,919 | 125,633 | 56,658 | 113,433 | 406,777 |
| Variable-return equities and mutual funds | 399,493 | (125,630) | 35,097 | 186,484 | 122,476 |
| Cash UCITS | 468,730 | | 1,973,861 | 1,761,474 | 681,117 |
| Other | 115,178 | | 31,326 | 13,883 | 132,621 |
| **Total gross amounts** | **1,321,320** | **3** | **2,096,942** | **2,075,274** | **1,342,991** |
| **Reserves** | | | | | |
| Fixed-return bonds and mutual funds | 39,122 | | 39 | | 39,161 |
| Variable-return equities and mutual funds | 2,526 | | | 1,414 | 1,112 |
| **Total reserves** | **41,648** | | **39** | **1,414** | **40,273** |
| **TOTAL NET AMOUNTS** | **1,279,672** | **3** | **2,096,903** | **2,073,860** | **1,302,718** |

Inclusions and removals during the year mainly corresponded to transactions involving money-market funds.

As noted in Paragraph 3.2.2 of Note 3 on accounting principles, permanent impairment is assumed for listed, variable-return securities, particularly:

- there was a long-term reserve on this investment line in the previous published statement;
- if the investment has consistently shown a significant unrecognised loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of permanent impairment.

For fiscal year 2013, a significant unrecognised loss from its book value is assumed if over a period of six months the security is consistently discounted at 20% off its cost price.

### Sovereign debt instruments in peripheral countries of the eurozone

Investments in bonds issued by peripheral countries of the eurozone, *i.e.,* Spain, Greece, Ireland, Italy and Portugal, are presented as follows:

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Gross cost price | Sale Value | Gross unrealised capital gains/ losses | Gross cost price | Sale Value | Gross unrealised capital gains/ losses |
| Italy | 14,298 | 14,867 | 569 | 15,492 | 15,448 | (44) |
| Portugal | 46,777 | 40,898 | (5,879) | 47,000 | 37,795 | (9,204 |
| Ireland | 0 | 0 | 0 | 0 | 0 | 0 |
| Spain | 0 | 0 | 0 | 0 | 0 | 0 |
| Greece | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **61,075** | **55,765** | **(5,310)** | **62,492** | **53,243** | **(9,249)** |

The Company held no Greek, Spanish or Irish sovereign debt securities as at 31 December 2013.

Regarding sovereign debt securities of peripheral countries of the eurozone (excluding Greece), the Company observes that certain issuing countries were the subject of a downgrading of their rating or even a rescue package from the International Monetary Fund. Currently, however, the following should be noted:

- none of these debts has been subject to default on the payment of interest or principal;
- no collective proceeding or financial restructuring has been undertaken nor, given the current state of our knowledge and view of the situation, does this seem likely.

Consequently, in accordance with the provisions of opinion no 2006-07 of the CNC, the Company considers that there is no proven risk of depreciation of these debt securities and therefore no reason to recognise a reserve for permanent depreciation.

### Non-sovereign debt instruments in peripheral countries of the eurozone

The balance sheet value of the entity's direct investments in bonds issued by companies, banks, local authorities and para-governmental organisations located in peripheral countries of the eurozone (Spain and Italy) was €11.9 million as at 31 December 2013. These securities present a gross unrealised capital gain of €1.3 million.

## Note 5.4 - Summary table of investments

| | 2013 balance sheet | | |
|---|---|---|---|
| **Summary by type** *(in thousands of euros)* | **Gross Value** | **Net Value** | **Realisable Value** |
| 1. Real estate investments (incl. pending) | 212,110 | 195,459 | 268,850 |
| 2. Equities and other variable-income securities | 8,624,926 | 6,763,559 | 8,534,846 |
| 3. Variable-income mutual funds | 39,900 | 39,810 | 45,628 |
| FFI yield strategies | | | |
| 4. Fixed-income mutual funds | 274,576 | 274,576 | 274,929 |
| 5. Bonds and other fixed-income securities | 27,814 | 21,220 | 21,803 |
| 6. Mortgage loans | | | |
| 7. Other loans and similar notes | 772,163 | 772,163 | 772,021 |
| 8. Deposits with ceding companies | 1,446,456 | 1,377,256 | 1,409,339 |
| 9. Other deposits, cash guarantees and other investments | 129,213 | 129,213 | 129,213 |
| 10. Assets representing unit-linked contracts | | | |
| 11. Other FFI | | | |
| **TOTAL INVESTMENTS AND FFI** | **11,527,160** | **9,573,258** | **11,455,668** |
| Of which total FFI | | | (962) |
| Of which total investments | 11,527,160 | 9,573,258 | 11,456,630 |
| Other items [(1)] | (82,610) | (82,610) | |
| **TOTAL INVESTMENTS** | **11,444,550** | **9,490,648** | |

*(1) Corresponds specifically to pledges by an agency exempt from approval as well as the current financial statements of a Group entity (Groupama Investissements).*

## Summary table of investments (cont.)

| | 2013 balance sheet | | |
|---|---|---|---|
| *(in thousands of euros)* | Gross Value | Net Value | Realisable Value |
| A) Summary by estimating method | | | |
| Securities estimated according to Article R. 332-19 | 179,291 | 177,929 | 179,266 |
| Securities estimated according to Article R. 332-20 | 11,347,869 | 9,395,328 | 11,276,402 |
| Securities estimated according to Article R. 332-5 | | | |
| **Subtotal** | **11,527,160** | **9,573,257** | **11,455,668** |
| B) Summary by allocation method | | | |
| Securities allocatable to the representation of technical reserves | 9,220,287 | 7,439,075 | 9,289,492 |
| Securities that secure commitments toward protection institutions or hedge managed investment funds | | | |
| Securities deposited with ceding entities | 1,446,456 | 1,377,256 | 1,409,339 |
| ■ Of which joint surety | | | |
| Securities allocated to special technical reserves of other businesses in France | | | |
| Other allocations or no allocation | 860,416 | 756,926 | 756,837 |
| **Subtotal** | **11,527,159** | **9,573,257** | **11,455,668** |
| **II. Assets allocatable to the representation of technical reserves (other than the investments and the share of reinsurers in technical reserves)** | **166,842** | **166,842** | **166,842** |
| **III. - Securities belonging to protection institutions** | | | |
| A) Itemisation of land and buildings | | | |
| Operating activities property | | | |
| ■ Real assets | 185,403 | 170,601 | 217,000 |
| ■ Holdings in SCIs or real estate companies | 5,740 | 5,740 | 8,917 |
| Other fixed assets | | | |
| ■ Real assets | 3,726 | 1,915 | 4,602 |
| ■ Holdings in SCIs or real estate companies | 310,008 | 309,970 | 368,463 |
| B) Balance not yet amortised or not yet recovered corresponding to the difference in redemption price of securities valued pursuant to Article R. 332-19 | | | |
| ■ Including discount not yet amortised | | 926 | |
| ■ Redemption premium not recovered | | 8,770 | |

Within the context of the financial markets, possible uncertainties may result from the fact that sale values applied based on the most recent quotes or latest published purchase prices may differ significantly from the prices at which transactions might actually take place if the assets have to be ceded.

## NOTE 6 SHARE OF OUTWARD REINSURANCE AND RETROCESSIONAIRES IN TECHNICAL RESERVES

| *(in thousands of euros)* | 31.12.2013 Outward reinsurance on direct business* | Retro on inward reinsur. from RMs | Other Retrocessions | Total | 31.12.2012 Outward reinsurance on direct business* | Retro on inward reinsur. from RMs | Other Retrocessions | Total |
|---|---|---|---|---|---|---|---|---|
| Reserves for unearned premiums | 180 | 10,196 | 9 | 10,385 | 5,311 | 8,267 | | 13,578 |
| Reserves for claims: | 212,566 | 389,311 | 285,797 | 887,674 | 232,094 | 430,409 | 267,946 | 930,448 |
| Reserves for profit-sharing: | 345 | | | 345 | 416 | | | 416 |
| Equalisation reserves: | 1,740 | | 1,807 | 3,547 | 1,563 | | 1,640 | 3,204 |
| Other technical reserves: | 14,452 | 126,587 | 204 | 141,244 | 16,844 | 118,830 | 204 | 135,879 |
| **TOTAL** | **229,283** | **526,094** | **287,817** | **1,043,195** | **256,228** | **557,506** | **269,790** | **1,083,525** |

* *Including technical reserves related to contracts written by the Antilles-Guyane regional mutual exempt from licensing.*

## NOTE 7 RECEIVABLES

| *(in thousands of euros)* | 31.12.2013 Maturity: <1 year | 1 to 5 years | >5 years | Total | 31.12.2012 Maturity: <1 year | 1 to 5 years | >5 years | Total |
|---|---|---|---|---|---|---|---|---|
| **Receivables** | | | | | | | | |
| **Receivables relating to direct insurance operations:** | **47,732** | **14,579** | | **62,311** | **65,249** | **12,645** | | **77,894** |
| Earned premiums not written | 2,141 | | | 2,141 | 9,684 | | | 9,684 |
| Other receivables relating to direct insurance transactions: | 45,591 | 14,579 | | 60,170 | 55,565 | 12,645 | | 68,210 |
| Policyholders | (9,456) | 14,579 | | 5,123 | 3,986 | 3,287 | | 7,273 |
| Insurance intermediaries | 4,231 | | | 4,231 | 40,578 | 7,598 | | 48,176 |
| Co-insurers | 50,816 | | | 50,816 | 11,001 | 1,760 | | 12,761 |
| **Receivables relating to reinsurance transactions:** | **404,125** | **51,785** | | **455,910** | **383,909** | **32,391** | | **416,300** |
| Reinsurers | 82,179 | 10,720 | | 92,899 | 72,450 | 16,142 | | 88,592 |
| Ceding entities | 321,946 | 41,065 | | 363,011 | 311,459 | 16,249 | | 327,708 |
| **Other receivables:** | **159,843** | **27,788** | | **187,631** | **190,863** | **27,752** | | **218,615** |
| Personnel | 4,229 | | | 4,229 | 4,020 | | | 4,020 |
| Government, Social Security, public authorities and local authorities | 69,803 | | | 69,803 | 5,460 | | | 5,460 |
| Other debtors | 85,811 | 27,788 | | 113,599 | 181,383 | 27,752 | | 209,135 |
| **TOTAL RECEIVABLES** | **611,700** | **94,152** | | **705,852** | **640,021** | **72,788** | | **712,809** |

The increase in “Government, Social Security” is explained mainly by the recognition of the group CICE (job competitiveness tax credit) for €18.8 million as well as income receivable from the government for €47 million (see Note 21 – Tax audit update).

CONTENTS

## NOTE 8 ACCRUALS – ASSETS

| *(in thousands of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Accrued interest not yet due | 13,133 | 13,903 |
| Deferred acquisition costs | 5,350 | 7,557 |
| Reimbursement price differences receivable | 579 | 1,140 |
| Other accruals | 52 | 394 |
| **TOTAL ASSET ACCRUALS** | **19,114** | **22,994** |

## NOTE 9 SHAREHOLDERS' EQUITY

### Capital structure

329,086,712 shares with a par value of €5.125.

### STATEMENT OF MOVEMENTS IN RESERVES AND CHANGES IN SHAREHOLDERS' EQUITY

| *(in thousands of euros)* | 31.12.2012 | Allocation of income 2012 | Other mvts for the year | Income for the year | 31.12.2013 |
|---|---|---|---|---|---|
| **Shareholders' equity** | | | | | |
| **Share capital** | **1,686,569** | | | | **1,686,569** |
| Issue premiums | 62,530 | | | | 62,530 |
| Merger premiums | 38,805 | | | | 38,805 |
| Contribution premiums | 2,147 | | | | 2,147 |
| **Subtotal: Additional paid-in capital** | **103,482** | | | | **103,482** |
| Capitalisation reserve | 122,608 | | 377 | | 122,985 |
| Other reserves | 47,376 | | | | 47,376 |
| **Subtotal: Other reserves** | **169,984** | | **377** | | **170,361** |
| **Retained earnings** | **1,394,770** | **(696,606)** | **38** | | **698,202** |
| **Net income for fiscal year** | **(696,606)** | **696,606** | | **(338,263)** | **(338,263)** |
| **TOTAL** | **2,658,199** | | **415** | **(338,263)** | **2,320,351** |

## NOTE 10 SUBORDINATED DEBT

The item "subordinated debt", which amounted to €2,238.4 million, is itemised as follows:

- a fixed-rate bond issuance of €500 million written in July 2005 by Groupama SA in the form of indefinite-term subordinated bonds at an issue price of 99.089%, *i.e.,* a collected amount of €495.4 million. This bond issue may be fully redeemed in advance as at the tenth year. A €7 million redemption took place in 2012;
- super-subordinated perpetual bonds written by Groupama SA on 22 October 2007 for €1,000 million. This indefinite-term debt written at the fixed rate of 6.298% for the first ten years, then at the variable rate of 3-month Euribor plus a margin of 2.60%, may be redeemed early in full as at 22 October 2017;
- a bond issued on 16 October 2009 in the form of 30-year subordinated redeemable bonds (TSR) subscribed by Société Générale for an amount of €750 million at a fixed rate of 7.875% revisable in October 2019.

## NOTE 11 TECHNICAL RESERVES OF NON-LIFE INSURANCE

### Note 11.1 - Breakdown of gross technical reserves

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Direct business [(1)] | Inward reinsurance from regional mutuals | Other inward reinsurance | Total | Direct business [(1)] | Inward reinsurance from regional mutuals | Other inward reinsurance | Total |
| Reserves for unearned premiums | 3,989 | 174,861 | 14,018 | 192,868 | 10,567 | 168,172 | 27,300 | 206,039 |
| Reserves for claims | 343,005 | 2,792,749 | 463,925 | 3,599,679 | 461,486 | 2,654,294 | 475,264 | 3,591,044 |
| Reserves for profit-sharing | 1,985 | | | 1,985 | 1,717 | | | 1,717 |
| Equalisation reserves (including stability fund) | 121,868 | 9,261 | 4,381 | 135,510 | 127,307 | 6,843 | 4,011 | 138,161 |
| Other technical reserves | 126,108 | 235,699 | 4,737 | 366,544 | 138,674 | 215,933 | 4,940 | 359,547 |
| **TOTAL** | **596,955** | **3,212,570** | **487,061** | **4,296,586** | **739,751** | **3,045,242** | **511,515** | **4,296,508** |

*(1) Including technical reserves related to contracts written by the Antilles-Guyane regional mutual exempt from licensing.*

#### Equalisation reserves

Pursuant to Article R. 331-6-6 of the French Insurance Code, an insurance company may establish so-called equalisation reserves to cover extraordinary expenses relating to operations to guarantee risks due to natural factors, nuclear risk, risks of civil liability due to pollution, space risks, as well as risks relating to attacks, terrorism and air transport. These reserves are funded voluntarily. The French Insurance Code defines the calculation methods but does not stipulate the methods for writing back these reserves. Excluding professional pools, Groupama SA had no equalisation reserves as at 31 December 2013.

"Equalisation reserves" includes stability funds on group policies for a total amount of €118 million as at 31 December 2013.

### Note 11.2 - Change over the past five years in claims regulations applied since its inception, and reserves for claims pending settlement

#### Change in accrued premiums and claims

The data presented below correspond to changes in the following portfolios:

- inward reinsurance from regional mutuals;
- direct business;
- other inward reinsurance.

| | Fiscal years | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | 2008 and earlier | 2009 | 2010 | 2011 | 2012 | 2013 |
| Estimate of the claims expense: | | | | | | |
| At end of N | 14,361,188 | 1,540,902 | 1,513,352 | 1,376,443 | 1,596,886 | 1,617,055 |
| At end of N+1 | 14,326,285 | 1,503,255 | 1,513,438 | 1,439,919 | 1,534,876 | |
| At end of N+2 | 14,283,172 | 1,476,189 | 1,490,366 | 1,426,766 | | |
| At end of N+3 | 14,323,659 | 1,472,837 | 1,490,464 | | | |
| At end of N+4 | 14,334,678 | 1,480,363 | | | | |
| At end of N+5 | 14,358,469 | | | | | |
| **Claims expense (a)** | **14,358,469** | **1,480,363** | **1,490,464** | **1,426,766** | **1,534,876** | **1,617,055** |
| **Cumulative claims payments (b)** | **12,970,719** | **1,323,139** | **1,283,753** | **1,152,045** | **1,162,496** | **748,253** |
| **Outstanding claims reserves (a)-(b)=(c) (net of the retained share of the CDA)** | **1,387,750** | **157,225** | **206,711** | **274,722** | **372,380** | **868,802** |
| **Earned premiums** | **15,478,006** | **1,966,274** | **2,059,581** | **2,130,053** | **2,231,413** | **2,228,791** |
| **CLAIMS AND RESERVES/EARNED PREMIUM** | **92.77%** | **75.29%** | **72.37%** | **66.98%** | **68.78%** | **72.55%** |

This analysis does not incorporate the portfolio of businesses contributed as part of the merger/takeover of Gan Eurocourtage in 2012.

## Note 11.3 - Change in opening claims reserves

### Liquidation of claims reserves gross of reinsurance

| *(in thousands of euros)* | 2013 | 2012 |
|---|---|---|
| Opening claims reserves net of expected recoveries | 3,479,241 | 3,271,832 |
| Payments made during the year for previous years net of expected recoveries | (800,607) | (758,923) |
| Year-end net claims reserves net of expected recoveries | (2,643,885) | (2,619,931) |
| **SURPLUS/DEFICIT** | **34,749** | **(107,023)** |

The opening surplus posted in 2013 on claims reserves totalled €34.8 million. It is primarily made up of a discharge on the accepted risks of the regional mutuals for €21.5 million and of a surplus on the pecuniary loss risk for €13.4 million. In addition, the €7.8 million surplus generated on the branches offset the €7.9 million deficit recognised on the professional pools.

## NOTE 12 CONTINGENT LIABILITIES

| *(in thousands of euros)* | Total reserves as at 31.12.2012 | Transfer | Increase in reserves during the fiscal year | Write-backs for the year | Total reserves as at 31.12.2013 |
|---|---|---|---|---|---|
| Regulatory reserves | 38,475 | | 3,353 | 11 | 41,817 |
| Reserves for pensions and similar obligations | 59,228 | | 5,751 | 9,340 | 55,638 |
| Tax reserves | | | | | |
| Other contingent liabilities reserves | 100,215 | 45,275 | 6,467 | 25,785 | 35,621 |
| **TOTAL** | **197,918** | **45,275** | **15,570** | **35,137** | **133,076** |

The "contingent liabilities" item included in liabilities of the balance sheet as at 31 December 2013 for €133 million particularly includes reserves for pension and commitments, which includes a reserve related to pension commitments for employees and former employees of absorbed subsidiaries (SMDA), and a reserve for the pension fund closed since 1997 of Groupama Insurances in the UK taken over by Groupama SA following the disposal of the subsidiary Groupama Insurance.

However, a significant portion of the IFC commitments pertaining to Groupama SA employees is outsourced to Groupama Gan Vie, which does not generate any recognition of reserve for pension or off-balance sheet commitment.

The financial risk associated with an impairment of securities of an international subsidiary was confirmed in 2013. The risk has therefore been transferred to the asset side of the balance sheet in a reserve for equity securities impairment.

## NOTE 13 LIABILITIES

| *(in thousands of euros)* | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Maturity: | | | | Maturity: | | | |
| | <1 year | 1 to 5 years | >5 years | Total | <1 year | 1 to 5 years | >5 years | Total |
| **Other debts** | | | | | | | | |
| **Debts arising from direct insurance operations:** | **24,790** | | | **24,790** | **3,231** | **9,675** | | **12,906** |
| Policyholders | 389 | | | 389 | 2,681 | | | 2,681 |
| Insurance intermediaries | 197 | | | 197 | | | | |
| Co-insurers | 24,204 | | | 24,204 | 550 | 9,675 | | 10,225 |
| **Debts relating to reinsurance transactions:** | **196,886** | **39,856** | | **236,742** | **265,909** | **4,690** | | **270,599** |
| Reinsurers | 155,871 | 9,435 | | 165,306 | 209,634 | 1,955 | | 211,589 |
| Ceding entities | 41,015 | 30,421 | | 71,436 | 56,275 | 2,735 | | 59,010 |
| **Bonds (including convertible bonds)** | | | **409,250** | **409,250** | | | **400,936** | **400,936** |
| **Debt to credit institutions** | **48** | **650,635** | | **650,683** | **144,410** | **650,669** | | **795,079** |
| **Other liabilities:** | **910,204** | | **4,025** | **914,229** | **983,761** | | **5,325** | **989,086** |
| Other loans, deposits and guarantees received | 664,696 | | | 664,696 | 686,684 | | | 686,684 |
| Personnel, Social Security organisations and local authorities | 32,619 | | 4,025 | 36,644 | 34,445 | | 5,325 | 39,770 |
| Government, Social Security | 64,586 | | | 64,586 | 99,310 | | | 99,310 |
| Other creditors | 148,303 | | | 148,303 | 163,322 | | | 163,322 |
| **TOTAL** | **1,131,928** | **690,491** | **413,275** | **2,235,694** | **1,397,311** | **665,034** | **406,261** | **2,468,606** |

Pursuant to provisions of D. 441-4 of the French Commercial Code, note that all outstanding debt to outside suppliers has a maturity of less than six months.

## NOTE 14 ACCRUALS – LIABILITIES

| *(in thousands of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Deferred amortisation on reimbursement price | 3,432 | 1,822 |
| Other accruals | 3,600 | (1,897) |
| **TOTAL ACCRUED LIABILITIES** | **7,032** | **(75)** |

◄ CONTENTS ►

## NOTE 15 ASSETS AND LIABILITIES RELATED TO AFFILIATED COMPANIES AND EQUITY-LINKED COMPANIES

### Cash and receivables

| | 31.12.2013 | | | | 31.12.2012 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Affiliated companies | Equity-linked companies | Other | Total | Affiliated companies | Equity-linked companies | Other | Total |
| A ) Assets | | | | | | | | |
| **Intangible assets** | **11,563** | | **1,852** | **13,415** | **15,132** | | **1,326** | **16,458** |
| **Investments** | | | | | | | | |
| Real estate | 315,623 | 61 | 169,906 | 485,590 | 315,975 | 61 | 172,537 | 488,573 |
| Shares & other variable-income securities | 6,437,487 | 393,879 | 987,131 | 7,818,497 | 6,606,288 | 470,612 | 932,173 | 8,009,073 |
| Bonds & other fixed income securities | 11,175 | | 183,008 | 194,183 | 11,175 | | 224,957 | 236,132 |
| Loans | 744,235 | 875 | | 745,110 | 773,335 | 1,400 | | 774,735 |
| Deposits with other credit institutions | | | | | | | | |
| Other investments | 105,959 | | 26,433 | 132,392 | 95,707 | | 26,725 | 122,432 |
| Receivable cash at ceding entities | 8,098 | | 106,778 | 114,876 | 6,725 | | 30,351 | 37,076 |
| **Reinsurer share of technical reserves** | | | | | | | | |
| Unearned premiums (non-life) | | | 10,385 | 10,385 | | | 13,578 | 13,578 |
| Prov. Claims reserves (non-life) | 329,981 | | 557,693 | 887,674 | 302,101 | | 628,347 | 930,448 |
| Share of earnings and dividends (non-life) | 345 | | | 345 | 416 | | | 416 |
| Equalisation reserves | 3,547 | | | 3,547 | 3,203 | | | 3,203 |
| Other technical reserves (non-life) | 14,657 | | 126,587 | 141,244 | 17,048 | | 118,831 | 135,879 |
| **Receivables from direct insurance transactions** | | | | | | | | |
| Of which policyholders | (4,048) | | 11,312 | 7,264 | (2,187) | | 19,144 | 16,957 |
| Of which insurance intermediaries | | | 4,231 | 4,231 | | | 48,176 | 48,176 |
| Of which other third parties | | | 50,816 | 50,816 | | | 12,761 | 12,761 |
| **Receivables from reinsurance operations** | **252,483** | | **203,427** | **455,910** | **214,026** | | **202,274** | **416,300** |
| **Personnel** | | | **4,229** | **4,229** | | | **4,019** | **4,019** |
| **Government, Social Security & local authorities** | | | **69,803** | **69,803** | | | **5,460** | **5,460** |
| **Miscellaneous debtors** | **94,411** | **12** | **19,176** | **113,599** | **186,912** | **31** | **22,192** | **209,135** |
| **Tangible operating assets** | | | **1,814** | **1,814** | | | **10,600** | **10,600** |
| **Cash and equivalents** | **46,695** | | **107,061** | **153,756** | **374,806** | | **62,814** | **437,620** |
| **Interest & lease payments written and not due** | **10,078** | **4** | **3,051** | **13,133** | **10,412** | **6** | **3,485** | **13,903** |
| **Deferred acquisition costs** | **5,296** | | **54** | **5,350** | **7,503** | | **54** | **7,557** |
| **Other accruals – assets** | | | **631** | **631** | | | **1,534** | **1,534** |
| **Unrealised foreign exchange adjustments** | | | | | | | | |
| **TOTAL** | **8,387,585** | **394,831** | **2,645,378** | **11,427,794** | **8,938,577** | **472,110** | **2,541,338** | **11,952,025** |

## Liabilities and commitments

| *(in thousands of euros)* | 31.12.2013 Affiliated companies | 31.12.2013 Equity-linked companies | 31.12.2013 Other | 31.12.2013 Total | 31.12.2012 Affiliated companies | 31.12.2012 Equity-linked companies | 31.12.2012 Other | 31.12.2012 Total |
|---|---|---|---|---|---|---|---|---|
| **B ) Liabilities** | | | | | | | | |
| **Shareholders' equity** | **2,318,853** | | **1,498** | **2,320,351** | **2,656,339** | | **1,861** | **2,658,200** |
| Share capital | 1,685,388 | | 1,181 | 1,686,569 | 1,685,388 | | 1,181 | 1,686,569 |
| Other shareholders' equity | 633,465 | | 317 | 633,782 | 970,951 | | 680 | 971,631 |
| **Subordinated debt** | | | **2,238,445** | **2,238,445** | | | **2,238,445** | **2,238,445** |
| **Gross technical reserves** | | | | | | | | |
| Unearned premiums (non-life) | 188,242 | | 4,626 | 192,868 | 181,331 | | 24,708 | 206,039 |
| Claims reserves (non-life) | 3,110,226 | | 489,454 | 3,599,680 | 2,957,441 | | 633,602 | 3,591,043 |
| Share of earnings and dividends (non-life) | | | 1,985 | 1,985 | | | 1,717 | 1,717 |
| Equalisation reserves | 215 | | 135,294 | 135,509 | 215 | | 137,946 | 138,161 |
| Other technical reserves (non-life) | 256,473 | | 110,071 | 366,544 | 241,178 | | 118,370 | 359,548 |
| **Contingent liabilities** | **47,100** | **7,128** | **78,848** | **133,076** | **92,425** | **6,123** | **99,370** | **197,918** |
| **Debts for cession. cash** | | | **196,610** | **196,610** | | | **92,423** | **92,423** |
| **Debts from direct insurance transactions** | | | | | | | | |
| Owed to policyholders | | | 389 | 389 | | | 2,681 | 2,681 |
| Owed to insurance intermediaries | | | 197 | 197 | | | | |
| Owed to other third parties | | | 24,204 | 24,204 | | | 10,225 | 10,225 |
| **Debts from reinsurance transactions** | **30,845** | | **205,897** | **236,742** | **45,163** | | **225,436** | **270,599** |
| **Bond debt** | **409,250** | | | **409,250** | **400,936** | | | **400,936** |
| **Debts to credit establishments** | | | **650,683** | **650,683** | **142,760** | | **652,319** | **795,079** |
| **Other debts** | | | | | | | | |
| **Other loans, deposits and guarantees received** | **631,581** | | **33,115** | **664,696** | **653,569** | **33,115** | | **686,684** |
| **Personnel** | | | **36,644** | **36,644** | | | **39,770** | **39,770** |
| **Government, Social Security and local authorities** | | | **64,586** | **64,586** | | | **99,310** | **99,310** |
| **Miscellaneous creditors** | **92,020** | | **56,283** | **148,303** | **87,865** | | **75,457** | **163,322** |
| **Accruals – liabilities** | | | **7,032** | **7,032** | | | **(75)** | **(75)** |
| **Unrealised foreign exchange adjustments** | | | | | | | | |
| **TOTAL** | **7,084,805** | **7,128** | **4,335,861** | **11,427,794** | **7,459,222** | **39,238** | **4,453,565** | **11,952,025** |

## NOTE 16 COMMITMENTS RECEIVED AND GIVEN

| *(in thousands of euros)* | Total commitments to officers | Total commitments to affiliated companies | Total commitments to equity- linked companies | Other origins | Total 31.12.2013 | Total 31.12.2012 |
|---|---|---|---|---|---|---|
| **1. Commitments received** | | **154,528** | **2,220** | **400,000** | **556,749** | **926,424** |
| **2. Commitments given:** | | | | | | |
| 2a. Endorsements, securities and credit guarantees given | | 1,230 | 537 | 340,347 | 342,114 | 366,748 |
| 2b. Stock and assets acquired through sale commitment | | | | | | |
| 2c. Other commitments on securities, assets or income | | 7,669 | | 34,770 | 42,439 | 52,356 |
| 2d. Other commitments given | | 60,812 | | | 60,812 | 61,596 |
| **Total 2. Commitments given** | | **69,711** | **537** | **375,116** | **445,364** | **480,700** |
| **3. Securities received as collateral from outward reinsurers and retrocessionaires** | | | **41,339** | **153,386** | **194,726** | **193,157** |
| **4. Sureties given by reinsured entities with joint and several guarantee** | | | | **32,640** | **32,640** | **34,448** |
| **5. Securities belonging to mutuals** | | | | | | |
| **6. Other securities held on behalf of third parties** | | | | **26,202** | **26,202** | **72,107** |
| **7. Long-term financial instruments outstanding** | | | | **331,831** | **331,831** | |

### Commitments received

The €556.7 million of commitments received correspond mainly to:

- a contractual commitment given in mid-December 2004 in connection with the opening of a credit line of €350 million, maturing in February 2016;
- the guarantee of the €50 million debt received in connection with the acquisition of shares of Nuova Tirrena S.p.a.;
- a commitment related to the contribution of Holdco securities to Groupama Gan Vie for €152 million;
- various other commitments received for €4.7 million concerning affiliated companies or equity-linked companies.

### Commitments given

The €445.4 million of commitments given by Groupama SA correspond mainly to:

- commitments granted as real estate lease-loans totalling €5.5 million as a guarantee of the commitments of SCI Raspail;
- commitments on unlisted funds €34.8 million;
- the general liability guarantee of €57.0 million in connection with the sale of Minster Insurance Company Limited by Gan UK Holding Limited to BSG Insurance Holding Limited;
- a total of €80.9 million of guarantees on liabilities granted along with the sale of Groupama Seguros;
- guarantees granted as part of the sale of Groupama Insurance for €139.3 million;
- guarantees granted as part of the sale of Gan Eurocourtage's Brokerage portfolio for €50 million and Transport portfolio for €6.4 million;
- a loan agreement to GUK Brokerage Services for €41.8 million;
- an amendment to the cash advance agreement for €31.5 million between Groupama SA and Groupama Investissements for €7.7 million;
- various other commitments given for €3.0 million, including €1.8 million concerning affiliated companies or equity-linked companies.

### Securities received as collateral from outward reinsurers and retrocessionaires

The amount corresponds to securities received under pledge from outward reinsurers for €194.7 million.

### Sureties given by reinsured entities with joint and several guarantee

The amount corresponds to securities received from the Antilles Guyane regional mutual, of which Groupama is the substitute reinsurer, with respect to the representation of its technical reserves of €32.6 million held in custody.

### Long-term financial instruments outstanding

Groupama SA's long-term financial instruments outstanding totals €331.8 and corresponds to the establishment of three TRS swaps for a nominal value of €300 million to cover the entire issue of the Zen structured bond and to currency hedging transactions involving the sale of currency futures amounting to €31.8 million.

### Other unquantified and unlimited commitments received and given

Before or during the year, Groupama SA also granted or obtained unquantified or unlimited commitments involving notably:

- the guarantee given to Société d'Assurances de Consolidation des Retraites de l'Assurance (SACRA) to cover contractual obligations made by Groupama Asset Management to SACRA starting at the end of 2000;
- the letters of intent written by Groupama SA to the Comité des établissements de crédit et des entreprises d'investissement (CECEI) as part of the creation of Groupama Épargne Salariale and Groupama Banque;
- Groupama SA's assumption of the guarantee given by Groupama Reassurance to Sorema NA (now General Security National Insurance Company) regarding the payment of all obligations stemming from two retrocession contracts underwritten by Rampart (Le Mans Re and MMA portfolios);
- the unconditional guarantees granted by Groupama SA to Gan Assurances, which require it to supply if applicable the financial means necessary to satisfy the payment of claims relating to insurance contracts signed by said companies; these guarantees were designed to improve the debt ratings of these companies and terminated during fiscal year 2012, but rights and obligations under these guarantees remain. Groupama SA is also responsible for commitments of this type given previously by the CCAMA to Group entities (some of which have been divested) that have since been cancelled but for which certain rights and obligations still exist;
- unlimited technical guarantees, upon the disposal of Gan North America to Sorema North America on 2 August 1999, for the insurance and reinsurance portfolios underwritten by Gan National and Gan North America for 12 years, the benefits of which were transferred to Rampart Company Insurance on 30 July 2001;
- the usual specific and technical guarantees (run off) upon the disposal of The Gan Company of Canada Ltd. to CGU group Canada Ltd.;
- lastly, with respect to the right to training requirement (droit individuel à la formation "DIF") and in compliance with the 4 May 2004 law and the industry-wide agreement of 14 October 2004, the number of cumulative training hours corresponding to time earned under the DIF came to 123,631 hours. In 2013, 64 training actions under the DIF were conducted by employees of Groupama SA, for a total of 810 hours.

## NOTE 17 OPERATING INCOME STATEMENT BY SOURCE

| | 31.12.2013 | | | 31.12.2012 | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Direct Business (1) | Inward reinsurance | Total | Direct Business (1) | Inward reinsurance | Total |
| Earned premiums | 89,729 | 2,251,284 | 2,341,013 | 139,030 | 2,249,787 | 2,388,817 |
| Claims expense | 53,522 | 1,570,060 | 1,623,583 | 152,832 | 1,620,495 | 1,773,326 |
| Charges from other technical reserves | 12,301 | (19,656) | (7,355) | 16,371 | (8,927) | 7,444 |
| Change in the equalisation reserve | 1,195 | 1,455 | 2,651 | (159) | (1,273) | (1,432) |
| Profit-sharing | (1,043) | 0 | (1,043) | (799) | 0 | (799) |
| **A- Underwriting result** | **48,659** | **663,023** | **711,682** | **1,612** | **619,093** | **620,704** |
| Acquisition costs | 3,545 | 270,073 | 273,618 | 15,345 | 277,015 | 292,359 |
| Administration costs | 491 | 222,635 | 223,127 | 3,910 | 206,466 | 210,376 |
| Other technical costs and income | 888 | 140,412 | 141,300 | 1,650 | 150,173 | 151,823 |
| **B- Net acquisition and management expenses** | **4,924** | **633,120** | **638,044** | **20,904** | **633,654** | **654,558** |
| **C- Allocated investment income** | **(31)** | **(149,325)** | **(149,356)** | **(24,085)** | **(280,283)** | **(304,368)** |
| **D- Reinsurance result** | **34,457** | **209,404** | **243,861** | **8,498** | **164,713** | **173,210** |
| **OPERATING PROFIT/LOSS (A-B+C-D)** | **9,247** | **(328,826)** | **(319,579)** | **(51,876)** | **(459,557)** | **(511,433)** |

*(1) Including mutual exempt from licensing (Antilles Guyane).*

## NOTE 18 INVESTMENT INCOME AND EXPENSES

| *(in thousands of euros)* | 31.12.2013 Affiliated companies | Equity-linked companies | Other origins | Total | 31.12.2012 Affiliated companies | Equity-linked companies | Other origins | Total |
|---|---|---|---|---|---|---|---|---|
| **Investment income** | | | | | | | | |
| Investment income | 103,225 | 4,906 | 16,390 | 124,521 | 140,165 | 23,872 | 21,864 | 185,901 |
| Investment income | 94,792 | 4,906 | | 99,698 | 84,452 | 23,872 | | 108,324 |
| Income from real estate investments | 8,201 | | 328 | 8,529 | 54,804 | | 819 | 55,623 |
| Income from other investments | 232 | | 16,062 | 16,294 | 909 | | 21,045 | 21,954 |
| Other financial income | | | | | | | | |
| Other investment income | 44,397 | 38,271 | 2,458 | 85,126 | 147,621 | 45,115 | 1,974 | 194,710 |
| Profits on the sale of investments | 5,943 | 23,326 | 15,503 | 44,772 | 257,042 | 275 | 170,898 | 428,215 |
| **Total investment income** | **153,565** | **66,503** | **34,351** | **254,419** | **544,828** | **69,262** | **194,736** | **808,826** |
| **Investment expenses** | | | | | | | | |
| Internal and external investment management costs and financial expenses | 38,478 | | 162,570 | 201,048 | 38,013 | | 123,924 | 161,937 |
| Other investment expenses | 228,643 | 12,072 | 14,256 | 254,971 | 422,963 | 45,547 | 12,141 | 480,651 |
| Losses on the sale of investments | 6,796 | 26,129 | 21,926 | 54,851 | 445,339 | 115,291 | 184,143 | 744,773 |
| **Total investment expenses** | **273,917** | **38,201** | **198,752** | **510,870** | **906,315** | **160,838** | **320,208** | **1,387,361** |
| **NET INVESTMENT INCOME** | **(120,352)** | **28,302** | **(164,401)** | **(256,451)** | **(361,487)** | **(91,576)** | **(125,472)** | **(578,535)** |

The decrease in “Investment income” comes from the decrease in dividend distributions in 2013, particularly from subsidiaries.

“Other investment expenses” and “Other income” items include net contributions to reserves for long-term impairment for €161.4 million as at 31 December 2013 *versus* a net contribution of €283.2 million in 2012 (see detail in Notes 5.2 and 5.3).

## NOTE 19 OTHER NON-TECHNICAL INCOME AND EXPENSES

Other non-technical expenses of €15.9 million incorporate, in particular, the net book value of disposed fixed assets (boats) for €6.1 million.

Other non-technical income amounted to €8.8 million, notably made up of the selling price of the disposed fixed assets (boats) for €4.8 million as well as liability accruals no longer required.

## NOTE 20 EXTRAORDINARY INCOME AND EXPENSES

The 2013 extraordinary result presents an expense of -€12.6 million, primarily made up of subsidies granted to Group entities to fund major programmes for -€7.2 million, the scrapping of fixtures for -€5.3 million, the sale of the Italian transport branch for -€2.1 million, as well as reverse write-back of €6.5 million for retirement pensions.

## NOTE 21 INCOME TAX

### Tax charge

| *(in thousands of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Corporate income tax payable | (57,723) | (135,167) |
| Reserves linked to fiscal consolidation gains in year N | 157,609 | 272,860 |
| Other | 8,201 | (8,451) |
| **TOTAL INCOME TAX** | **108,087** | **129,242** |

### Specific nature and make-up of the "Corporate income tax" line

As at 31 December 2013, the "income tax" line includes a net tax credit of €108.1 million that breaks down as follows:

- tax consolidation income €186.9 million;
- tax consolidation expenses -€21.1 million;
- Group income tax expense -€57.7 million.

The "income tax" item consists of taxable income posted to individual tax income for the year from consolidated subsidiaries totalling €157.6 million.

Since the consolidated groups posted a gain of €145.7 million after allocation of losses, a short-term tax charge of €55.3 million was recorded for fiscal year 2013 as well as a LT tax charge of €2.41 million corresponding to transactions at a rate of 15%.

### Tax loss carry-forwards

At 31 December 2013, the consolidated group had €153.6 million in short-term carry-forwards.

### Groupama SA tax audit

The Group underwent a tax audit in 2010. Reserves have not been recognised for some of the adjustments considered to be excessive by the tax authorities for technical reserves for property and casualty as well as long-term care risk. The Group considers that the reasons for adjustments are highly questionable and has prepared technical arguments for a litigation process. The sums demanded in 2013 have been recorded in tax debts with an offset to income receivable from the government.

CONTENTS

## NOTE 22 BREAKDOWN OF EMPLOYEE EXPENSES

| *(in thousands of euros)* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Salaries | 68,740 | 83,996 |
| Social Security charges | 28,979 | 36,646 |
| Other | 5,141 | 6,430 |
| **TOTAL** | **102,860** | **127,072** |

These figures correspond to the de facto Groupama SA grouping after allocation to each of its constituents. In 2013, the average rate of expenses of the Group kept by Groupama SA is 70.50%.

## NOTE 23 WORKFORCE

### Personnel

| *Total number* | 31.12.2013 | 31.12.2012 |
|---|---|---|
| Senior management | 143 | 154 |
| Executives | 980 | 1,121 |
| Non-managerial staff | 252 | 298 |
| **TOTAL PERSONNEL** | **1,375** | **1,573** |

## NOTE 24 DIRECTORS' COMPENSATION

2013 compensation allocated to the Groupama SA administrative and executive bodies was respectively €332.6 thousand and €5,884.3 thousand.

All compensation and benefits paid to Managers are detailed in section 3.3 of this reference document.

## NOTE 25 PROPOSED ALLOCATION OF INCOME

It has been decided to allocate the loss for the fiscal year, totalling €338,264 thousand, to the "retained earnings" balance of €698,202 thousand, which will thus move that account to a credit amount of €359,938 thousand.

1
2
3
4
5
6
7

## NOTE 26 SUBSIDIARIES AND EQUITY INTERESTS

### INFORMATION ABOUT SUBSIDIARIES AND EQUITY INTERESTS (IN THOUSANDS OF EUROS)

| Detailed information about equity interests with gross amount greater than 1% of the capital of the Company's capital, subject to publication: | Proportion of Capital held as at 31.12.2013 | Book value of securities held as at 31.12.2013 | | Premium income of the last fiscal year | Income of the last fiscal year |
|---|---|---|---|---|---|
| | | gross | net | | |
| **Subsidiaries (more than 50% owned)** | | | | | |
| Insurance companies: | | | | | |
| GAN ASSURANCES | 99.99% | 671,462 | 570,615 | 1,400,744 | 28,627 |
| GROUPAMA GAN VIE | 97.48% | 2,631,665 | 2,631,665 | 3,673,015 | 60,038 |
| GROUPAMA ASSURANCE-CRÉDIT | 99.99% | 19,818 | 19,818 | 37,425 | 1,618 |
| AMALINE ASSURANCES | 99.99% | 163,848 | 87,427 | 52,061 | (23,705) |
| GROUPAMA GARANCIA BIZTOSITO | 100.00% | 598,433 | 351,680 | 315,009 | 14,786 |
| GROUPAMA ASIGURARI SA | 100.00% | 596,796 | 170,807 | 162,529 | (10,585) |
| GROUPAMA ASSICURAZIONI | 100.00% | 1,425,276 | 1,425,276 | 1,419,785 | 60,860 |
| GROUPAMA SEGUROS DE VIDA | 100.00% | 60,540 | 60,540 | 35,339 | 2,390 |
| RAMPART INSURANCE COMPANY | 100.00% | 27,767 | 0 | 0 | NC |
| GAN OUTRE MER | 99.99% | 31,636 | 31,636 | 104,997 | 364 |
| GROUPAMA VIETNAM | 100.00% | 19,193 | 11,266 | 0 | NC |
| GROUPAMA PHOENIX | 100.00% | 272,640 | 130,193 | 153,275 | 17,736 |
| GROUPAMA ZHIVOTZASTRAHOVANE (Bulgaria V) | 100.00% | 73,396 | 13,363 | 4,667 | 515 |
| GROUPAMA ZIVOTNA POISTOVNA (Slovakia V) | 100.00% | 47,791 | 4,275 | 0 | 115 |
| GROUPAMA SIGORTA | 69.17% | 327,274 | 241,971 | 329,592 | 13,068 |
| GROUPAMA INSURANCE CHINA | 50.00% | 63,526 | 63,526 | 184,000 | 2,867 |
| Other companies: | | | | | |
| GROUPAMA BANQUE | 84.00% | 318,403 | 318,403 | 111,600 | 16,658 |
| GAN PRÉVOYANCE | 99.99% | 49,758 | 0 | 0 | 38 |
| GUK BROKING SERVICES LIMITED | 100.00% | 529,574 | 128,619 | NC | 2,554 |
| GROUPAMA BOSPHORUS INVESTISSEMENT | 100.00% | 83,543 | 83,543 | 0 | (441) |
| **Equity interests held between 10 & 50%** | | | | | |
| COMPAGNIE FONCIERE PARISIENNE | 32.74% | 264,751 | 264,751 | 28,942 | 17,689 |
| GROUPAMA EMEKLILIK | 37.36% | 73,027 | 26,722 | 37,291 | 2,507 |
| GUNES SIGORTA | 36.00% | 37,898 | 37,898 | 389,000 | (23,524) |
| Société Tunisienne d'Assurances et de Réassurances | 35.00% | 77,569 | 63,782 | 121,000 | 8,581 |
| LA BANQUE POSTALE ASSURANCES IARD | 35.00% | 102,003 | 76,599 | 131,207 | (19,212) |
| SOCIÉTÉ FORESTIÈRE GROUPAMA | 43.82% | 36,069 | 36,069 | 3,656 | 1,203 |
| GROUPAMA PROTECTION JURIDIQUE | 41.90% | 20,245 | 20,245 | 64,167 | 10,699 |

CONTENTS

## NOTE 27 INFORMATION CONCERNING SUBSIDIARIES AND EQUITY INTERESTS

| **Overall information on all subsidiaries and equity interests** *(in thousands of euros)* | **Book value of securities held** | | **Total loans and advances granted** | **Total guarantees and surety given** | **Total dividends collected (1)** |
|---|---|---|---|---|---|
| | **Gross** | **Net** | | | |
| **Subsidiaries:** | | | | | |
| French | 3,921,345 | 3,675,526 | 757,362 | 20,245 | 10,063 |
| Foreign | 4,178,944 | 2,725,586 | 15,000 | 48,236 | 23,114 |
| **Equity interests:** | | | | | |
| French | 436,159 | 409,873 | 1,591 | 0 | 10,993 |
| Foreign | 188,957 | 128,865 | 0 | 0 | 2,375 |

*(1) Including SCI results.*

## NOTE 28 CONSOLIDATION

Groupama SA prepares:

- consolidated financial statements incorporating all of its subsidiaries;
- combined financial statements incorporating the regional mutuals with which a combination agreement has been signed.

The consolidated and combined financial statements are prepared in accordance with International Financial Reporting Standards and applicable interpretations as approved by the European Union.

# 6.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

*This is a free translation into English of the statutory auditors' report on the annual financial statements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

(Fiscal year ended 31 December 2013)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you for the year ended 31 December 2013 on:

- the audit of the accompanying annual financial statements of Groupama SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual 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 ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques, or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities, the financial position of the Company at 31 December 2013 and the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion above, we bring to your attention the change in accounting method explained in Note 3.4, which had no significant impact on the financial statements as at 31 December 2013.

## II – JUSTIFICATION OF OUR ASSESSMENTS

Pursuant to 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 matters:

- Note 3.1 sets out the accounting rules and methods for determining certain technical items specific to insurance and reinsurance, in the assets and liabilities of your company's financial statements, estimated on statistical and actuarial bases, particularly technical reserves.

  In particular, we examined the calculation methods and assessed the reasonableness of the assumptions applied, specifically with regard to Groupama SA's regulatory environment and its experience;
- Notes 3.2.2 and 5.2 set out the accounting rules and methods for valuation of reserves for impairment on the securities portfolio.

We verified that the valuation of the reserves applying to assets subject to Article R. 332-20 of the Insurance Code was consistent with Groupama SA's intent to hold these instruments, and we examined, as needed, the data, assumptions applied, and documentation prepared within that framework.

We examined the analyses performed by the Company of any risks attached to assets subject to Article R. 332-19 of the Insurance Code (fixed-income securities), specifically sovereign debt, and the assumptions applied in their valuation and accounting treatment.

Concerning equity shareholdings, we examined the disclosures made by management on the activity and anticipated future prospects, as well as the criteria and assumptions applied to determine their profitability and the resulting reserves.

We also verified the appropriateness of the disclosures made in the attached notes related to financial instruments, specifically Note 5.

These assessments were made as part of our audit of the annual 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 VERIFICATIONS AND INFORMATION

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to compensation and benefits received by corporate officers and any other commitments made in their favour, we have verified their consistency with the annual financial statements, or with the underlying information used to prepare these annual financial statements and, where applicable, with the information obtained by your company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of voting rights has been properly disclosed in the management report.

*Neuilly-sur-Seine and Courbevoie, 21 February 2014*

The Statutory Auditors

| PricewaterhouseCoopers Audit | | Mazars | |
|---|---|---|---|
| Eric Dupont | Christine Billy | Jean-Claude Pauly | Christophe Berrard |

# 7 LEGAL INFORMATION

# 7.1 COMPANY INFORMATION

## 7.1.1 IDENTIFICATION

The Company was founded on 11 December 1987 for a period of 99 years, *i.e.,* until 11 December 2086.

It is registered with the Paris Trade and Corporate Registry under number 343 115 135.

## 7.1.2 CURRENT STATUTORY PROVISIONS

Note that the Company's bylaws do not provide for stricter conditions than the law for the modification of shareholder rights, which can therefore only take place under legal conditions.

### 7.1.2.1 Form (Article 1)

The Company, which under French law is a *société anonyme,* is governed by current and future legislative and regulatory provisions and by these bylaws.

### 7.1.2.2 Purpose (Article 2)

The Company has the purpose below:

- activities involving insurance and co-insurance against risks of any kind, excluding life insurance and capitalisation;
- reinsurance of agricultural regional or départemental reinsurance mutuals (hereinafter referred to by the term "mutual"), pursuant to Article R. 322-120, No. 4 of the Insurance Code;
- the substitution of reinsured mutuals exempt from administrative approval, for the establishment of guarantees provided for by insurance regulation and the execution of insurance commitments assumed by such mutuals, pursuant to Article R. 322-132 of the Insurance Code;
- the reinsurance of all insurance or reinsurance companies, of any corporate form, headquartered in France or abroad;
- engaging in any activities involving cession, retrocession or compensation of the risks it insures or reinsures;
- holding stakes in France and abroad, specifically in insurance, reinsurance, banking, financial services and related activities;

and, more generally, any financial, commercial, manufacturing, civil, real-estate or property-related transactions that might relate directly or indirectly to its corporate purpose and any similar or related purposes.

*A proposal will be made to the Combined General Meeting of 11 June 2014 to amend Article 2 of the bylaws (see 11th resolution) to introduce the Groupama group's role as central body conferred on the Company by Article L. 322-27-1 of the French Insurance Code and the resulting main duties set out in Article L. 322-27-2 of said Code, as well as the duty to facilitate the Group's business and development.*

### 7.1.2.3 Corporate name (Article 3)

The Company's name is the following: Groupama SA.

### 7.1.2.4 Registered office (Article 4)

Its registered office is located at 8-10, rue d'Astorg – 75008, Paris, France.

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

### 7.1.2.5 Duration (Article 5)

The Company's duration is 99 years as of the date of its registration with the Trade and Corporate Registry, except in the case of accelerated dissolution or extension.

### 7.1.2.6 Contributions (Article 6)

Contributions to the Company may be made in cash or in kind.

a) Upon the Company's founding, shareholders contributed, in cash, a total of two hundred fifty thousand (250,000) francs, corresponding to the par value of the 2,500 shares of one hundred (100) francs each, which were completely subscribed and paid in upon subscription.

b) On 23 November 1990, the Extraordinary General Meeting resolved to increase the par value of the Company's shares to 1,000 francs. The same meeting resolved to increase the Company's share capital from two hundred and fifty thousand (250,000) francs to three billion, five hundred and forty-seven million (3,547,000,000) francs.

c) On 14 December 1993, the Extraordinary General Meeting resolved to increase the Company's capital to four billion, five hundred and sixty-five million (4,565,000,000) francs.

d) By authorisation of the Extraordinary General Meeting of 14 February 1995, the Board of Directors, at its meeting of 14 February 1995, resolved to increase the Company's share capital from four billion, five hundred and sixty-five million (4,565,000,000) francs to five billion, two hundred forty-five million and three hundred thousand (5,245,300,000) francs, through the issue of six hundred eighty thousand, three hundred (680,300) cash shares.

e) The Extraordinary General Meeting of 28 June 1996 resolved to increase the Company's share capital from five billion, two hundred forty-five million and three hundred thousand (5,245,300,000) francs to five billion, three hundred and twenty-seven million, six hundred and four thousand (5,327,604,000) francs, through the issue of eighty-two thousand, three hundred and four (82,304) shares issued at the price of 1,215 francs, *i.e.,* with an issue premium of 215 francs per share.

f) Pursuant to an authorisation of the Extraordinary General Meeting of 16 April 1998 and a decision of the Board of Directors dated 9 July 1998, the Company's capital was increased from five billion, three hundred and twenty-seven million, six hundred and four thousand (5,327,604,000) francs, to sixteen billion, five hundred and eighty-five million, six hundred and sixteen thousand (16,585,616,000) francs, through the issue of eleven million, two hundred and fifty-eight thousand and twelve (11,258,012) cash shares.

g) The Extraordinary General Meeting of 24 July 2000 resolved to reduce its capital by 8,624,520,320 francs by reducing the par value of each share, from 1,000 francs to 480 francs.

h) The Extraordinary General Meeting of 12 September 2000 resolved to divide the par value of the shares by three, thus reducing the par value of each share from 480 francs to 160 francs.

i) With the General Meeting deliberating on an extraordinary basis on 29 June 2001, it was resolved to convert the Company's share capital to euros by converting the par value of the shares in accordance with the official conversion rate. It was resolved to round the par value of each share up from €24.3918427579 to €24.5. Consequently, the Company's share capital was increased by €5,381,563.46 from €1,213,661,212.54 to €1,219,042,776.

j) With the merger-takeover of Groupama Finance, pursuant to Article L. 236-11 of the French Commercial Code dated 28 June 2002, the assets of that Company were transferred. The net value transferred, €119,155,061, was not subject to compensation.

k) The Extraordinary General Meeting of 28 June 2002 resolved to increase the share capital by a total of €12,699,060.50, from €1,219,042,776 to €1,231,741,836.50, following the merger-takeover of Groupama Réassurance.

l) On 28 June 2002, the share capital was increased by a total of €8,035,485.50, from €1,231,741,836.50 to €1,239,777,322 following the merger-takeover of Gan SA.

m) With the merger-takeover of Groupama Assurances et Services, pursuant to Article L. 236-11 of the French Commercial Code dated 25 June 2003, the Company's assets were transferred. The net value transferred, €278,092,450, was not subject to compensation.

n) The Extraordinary General Meeting of 18 December 2003 successively resolved to:

› reduce the share capital by €1,239,271,290.44, from €1,239,777,322 to €506,031.56, by reducing the par value of the shares from €24.50 to €0.01, to clear a portion of the losses carried forward;

› increase the share capital by €72,755.36, from €506,031.56 to €578,786.92, by creating 7.275.536 shares of €0.01, following the transfer by the CCAMA of all items relating to the operation of its activity involving reinsurance of the regional mutuals and administration of the Group's Equity Management Division; the proceeds of the transfer and the correlating capital increase were confirmed by the Board of Directors, which met the same day after the meeting;

› increase the share capital by €1,185,934,399.08, from €578,786.92 to €1,186,513,186, by increasing the par value of the shares by €20.49 to a total of €20.50, through the incorporation of a total of €297,429,134.92 to be withdrawn from the "Other reserves" account, and a total of €888,505,264.16 from the "Issue, merger, and transfer premiums" account.

o) With the merger-takeover of Groupama International, pursuant to Article L. 236-11 of the French Commercial Code, the assets of that Company were transferred. The net value transferred, €1,200,002,263.81, was not subject to compensation.

p) Pursuant to an authorisation of the Extraordinary General Meeting of 25 May 2011 and a decision of the Board of Directors dated 25 November 2011, the Company's capital was increased from €1,186,513,186 to €1,686,569,399, through the issuance of 97.571.944 cash shares.

### 7.1.2.7 Share capital (Article 7)

The share capital is set at a total of €1,686,569,399. It is divided among 329,086,712 shares of €5.125 each, fully paid-in and all of the same category.

### 7.1.2.8 Change in the share capital (Article 8)

The share capital may be increased, reduced, or amortised in accordance with current laws and regulations.

### 7.1.2.9 Form of the shares (Article 9)

The shares are registered.

Share ownership corresponds to their registration in the name of the holder or holders in the accounts maintained for this purpose by the Company under the conditions and in accordance with the methods prescribed by law.

At the shareholders' request, a registration certification will be issued thereto by the Company.

### 7.1.2.10 Transfer of shares – Approval clause (Article 10)

Shares may only be transferred to third parties and Groupama SA by account-to-account transfer.

The sale to a third party of Groupama SA shares in any way whatsoever is subject to approval by the Board of Directors ruling by a two-thirds majority of members present or represented.

In the event of a sale to a third party, the request for approval indicating the buyer's corporate name or identity, the number of shares envisaged in the sale and the price offered is to be issued by registered letter with return receipt to the Company.

Approval is in the form either of a notification, or the absence of response within three months after the request.

In the event that Groupama SA fails to approve the proposed buyer within three months after the notification of refusal, the Board of Directors is required to acquire the shares either from a shareholder, or from a third party, or, with the consent of the seller, from Groupama SA within the framework of a capital reduction in accordance with Article 8.

Failing an agreement between the parties, the price of the shares is set under the conditions stipulated in Article 1843-4 of the Civil Code. For purposes of the appraisal report, either party may abandon the transaction provided that it informs the other party thereof within fifteen days of the filing of the report from the designated appraiser. Abandonment by the seller shall be construed as abandonment of the planned sale by operation of law.

If the purchase is not completed at the expiry of the three-month period after the notification of refusal, approval of the buyer is considered given, unless the seller has abandoned its plan to sell. However, this period may be extended by legal decision at the request of Groupama SA.

◄ CONTENTS ►

In the event of an acquisition and with a view to settling the transfer of ownership of the shares in favour of the buyer or buyers, the seller will be asked by the Board of Directors to sign the corresponding transfer order within the period that has been set.

In the event that a third party is approved, the sale may occur under the specific pricing conditions indicated in the request for approval and no later than within three months after the date the approval was obtained. Failing that, this approval shall be null and void.

Transfers of shares for the purpose of allowing a Director to carry out his appointment are not covered by these provisions.

### 7.1.2.11 Rights and obligations corresponding to the shares (Article 11)

In addition to voting rights, each share allows entitlement to a share in the profits and in the proceeds of liquidation of the corporate assets, in proportion to the number of existing shares.

Whenever it is necessary to own several shares to exercise any right whatsoever, individual shares or those in a number lower than that required will give no right to their owners against the Company, as in this case the shareholders will be required to assume personal responsibility for consolidating the necessary number of shares.

### 7.1.2.12 Board of Directors (Article 12)

#### (a) Membership of the Board of Directors

The Company is administered by a Board of Directors made up of two categories of Directors:

- Directors appointed by the shareholders' Ordinary General Meeting.

  They are a minimum of nine (9) and a maximum of eighteen (18).

  The Directors are appointed by the shareholders' Ordinary General Meeting for a term of office of six (6) years.

  If a Director is appointed to replace another, he will only exercise his duties during the remaining term of office of his predecessor;
- Directors elected by Company employees.

  The status and methods of election of these Directors are set by Articles L. 225-27 to L. 225-34 of the French Commercial Code, as well as by the bylaws.

  They are two (2) in number, including a representative of the officers.

  In any event, their number may not exceed one third of the number of Directors appointed by the General Meeting.

  They are appointed for four (4) years.

Regardless of their method of appointment, the duties of a Director will end upon completion of the meeting of the Ordinary General Meeting approving the corporate financial statements for the fiscal year just elapsed, held in the year when his term of office expires.

Any outgoing member may be re-elected. The age limit for exercising the duties of Director is set at the seventieth (70$^{th}$) birthday, with a member of the Board of Directors to be deemed as officially resigning upon completion of the Ordinary General Meeting in the year of his seventieth birthday.

Each Director must own at least one (1) share for the entire duration of his term of office.

#### (b) Conditions for the election of employee Directors

For each vacant seat on the Board, the method of ballot counting is as provided for in the legal provisions.

In all cases or for any reason whatsoever, [if] the number of seats of elected Directors actually filled falls below two before the normal expiry of these Directors' term of office, the vacant seats will remain vacant until such expiry date and until then, the Board of Directors will continue to meet and carry out valid business.

Elections are held every four (4) years, such that a second round may be held no later than fifteen days before normal expiry of the term of office of the outgoing Directors.

For both the first and the second rounds of balloting, the timeframes to be met for each vote are the following:

- the election date is to be posted at least eight weeks prior to the balloting date;
- the list of voters is to be posted at least six weeks before the balloting date;
- candidates are to file at least five weeks before the balloting date;
- the lists of candidates are to be posted at least four weeks before the balloting date;
- the documents needed for voting by mail are to be posted at least three weeks before the balloting date.

Candidates or lists of candidates may be nominated either by one or more representative union organisations, or by one-twentieth of the voters or, if their number is greater than two thousand, by one hundred voters.

The balloting will be carried out on the same day at the workplace and during business hours. However, the following may vote by mail:

- employees absent on the balloting date;
- employees of a department, office, or assigned to a subsidiary in France without a voting office and who cannot vote in another office.

Each voting office consists of three voter members, chaired by the oldest of them. They are responsible for the successful outcome of the voting activities.

Ballots will be counted in each voting office immediately after the close of balloting; the report will be prepared upon completion of the counting.

The reports are immediately transferred to the registered offices of the Company, where an office will be established to consolidate the results with a view to preparing the summary report and announcing the results.

Directors elected by Company employees will assume office after the meeting of the Board of Directors held after the announcement of the results.

The conditions for balloting not defined by Articles L. 225-27 to L. 225-34 of the French Commercial Code, or by these bylaws, are set by Executive Management after consultation with the representative union organisations.

1
2
3
4
5
6
7

### 7.1.2.13 Organisation and deliberations of the Board (Article 13)

#### (a) Chairman of the Board of Directors

The Board of Directors will elect a Board from among its individual members, set his compensation and set his term of office, which may not exceed that of his term as Director.

If the acting Chairman attains the maximum age of 70 set for his term of office as Director, his duties will terminate upon completion of the Ordinary General Meeting held in the year of his sixty-ninth birthday.

The Chairman will organise and lead the work of the Board of Directors, on which he reports to the General Meeting. He will ensure the successful functioning of the corporate bodies and specifically ensure that the Directors are capable of fulfilling their duties.

#### (b) Vice-Chairman

The Board of Directors may appoint from among its members a Vice-Chairman, whose duties, in the event of the Chairman's impediment, consist of convening and chairing Board meetings, as well as chairing the General Meeting.

#### (c) Meeting of the Board

The Board of Directors will meet as often as the Company's interest so requires, whenever convened by the Chairman, at the corporate registered offices or any other location indicated by the notice to meet.

In the event of the Chairman's impediment, the Board of Directors may be summoned either by the Vice-Chairman, or by at least one third of its members or, if a Director, by the Company Chief Executive Officer.

Directors may be convened by letter or by any other means. In any event, the Board may at all times carry out valid business if all members are present or represented.

#### (d) Deliberations of the Board of Directors

Meetings of the Board are chaired by the Chairman of the Board of Directors or by the Vice-Chairman, and failing this, by a Director appointed for this purpose at the start of the meeting.

Each Director may give one of his colleagues power of attorney to represent him, but each Director may only represent one of his colleagues and each power of attorney may only be given for a specific Board meeting. The presence of at least half the members of the Board is, in all cases, necessary for the validity of the deliberations.

The Chief Executive Officer will attend Board meetings.

A representative of the works council will attend Board meetings under the conditions set by current law.

At the initiative of the Chairman of the Board of Directors, the statutory auditors or other parties outside the Company with specific competence relating to items on the agenda may attend all or part of a Board meeting.

Resolutions will be passed by a majority vote of members present or represented. In the event of a tie, the meeting Chairman shall have the casting vote.

The duties of Board Secretary will be performed by a member of the Board appointed by the Chairman.

Under the conditions set by law, the Internal Regulation may provide that meetings may be held by videoconferencing or by any telecommunications method. In accordance with the legal and regulatory provisions and within the limits so stipulated, Directors who participate in Board meetings by videoconferencing or telecommunications methods are deemed as present for purposes of calculating quorum and majority.

The Chairman of the Board of Directors or, in his absence, the author of the notice to meet, will inform the individuals invited of the methods to be used for the meeting.

Minutes shall be kept and copies or extracts issued and certified in accordance with the law.

### 7.1.2.14 Authority of the Board of Directors (Article 14)

The Board of Directors sets the Company's business strategy and oversees its implementation. Subject to the powers expressly assigned to the General Meeting and up to the limit of the corporate purpose, it deals with any issues involving the smooth running of the Company and settles the matters concerning it through its deliberations.

The following decisions are subject to the prior approval of the Board of Directors:

- amendments and the annual implementation of the reinsurance agreement with the mutuals and the agreement on security and solidarity plans;
- any issues of transferable securities, irrespective of the type, that may result in a change in the share capital;
- any significant operations that may affect the Group's strategy and its business scope.

Furthermore, the following decisions must be made by a two-thirds majority of the Board members present or represented:

- termination of the reinsurance agreement at the initiative of Groupama SA;
- vote by secret ballot: sanctions in the event of disagreement on recovery measures to be adopted by a regional mutual following an audit, pursuant to the agreement on security and solidarity plans;
- vote by secret ballot: any decision to resort to solidarity funds pursuant to the agreement on security and solidarity plans;
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA.

The following operations are also subject to approval by the Board of Directors if any of the categories below exceeds a unit amount set by the Board of Directors:

- taking or disposing of any interests in any companies created or to be created, subscribing to any issues of equities, stocks or bonds, excluding the insurance investment business and cash operations;
- acquiring or disposing of any properties, excluding the insurance investment business;
- granting pledges on corporate property;
- taking out any loans, excluding cash operations carried out with companies that have capital ties to the Company, either directly or indirectly.

1
2
3
4
5
6
7

◄ CONTENTS ►

The Board may resolve to create committees responsible for studying issues that it or its Chairman submit, upon notification, for their examination.

The Board of Directors is authorised to prepare an Internal Regulation intended to set the rules of functioning for the corporate bodies that are not covered by the bylaws.

A proposal will be made to the Combined General Meeting of 11 June 2014 to amend Article 14 of the bylaws (see 12th resolution) to adapt the decisions subject to the prior authorisation of the Board of Directors to address the consequences of amendments made to the agreement on security and solidarity plans between the Company and the organisations of the network.

### 7.1.2.15 Compensation paid to the members of the Board of Directors (Article 15)

Board members may receive compensation in the form of Directors' fees, the total amount of which, as set by the General Meeting, is distributed by the Board among the beneficiaries in such proportions as it deems appropriate.

Extraordinary compensation may be allocated to Board members by the Board of Directors, in the cases and under the conditions set by law.

### 7.1.2.16 Executive Management of the Company (Article 16)

The Company's Executive Management is assumed by either the Chairman of the Board of Directors, or another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The choice between these two methods of undertaking Executive Management is to be made by the Board of Directors under the conditions of Article 13 of the bylaws.

Shareholders and third parties are to be informed of this choice pursuant to current provisions.

The Chief Executive Officer is vested with the broadest powers to act on behalf of the Company under any and all circumstances. He will exercise this authority within the scope of the corporate purpose and subject to such constraints as the law expressly attributes to Shareholders' Meetings and the Board of Directors. He will represent the Company vis-à-vis third parties.

The Board of Directors sets the duration of the duties of the Chief Executive Officer, which may not exceed either that of the division between the duties of Chairman and Chief Executive Officer, or that of his term of office as Director. The Board will also set the compensation of the Chief Executive Officer.

Upon the recommendation of the Chief Executive Officer, the Board of Directors can appoint an individual to assist the Chief Executive Officer with the title of Deputy Chief Executive Officer. His authority will be set by the Board of Directors in agreement with the Chief Executive Officer.

The Board of Directors shall also set his compensation.

No one aged 65 or older may be appointed Chief Executive Officer or Deputy Chief Executive Officer. If the Chief Executive Officer or Deputy Chief Executive Officer reaches the age of 65, his (their) duties will terminate upon completion of the next Ordinary General Meeting approving the financial statements for the year just elapsed.

### 7.1.2.17 Agreements (Article 17)

The provisions of Articles L. 225-38 to L. 225-43 of the French Commercial Code apply to agreements entered into directly or through an intervening party, between the Company and its Chief Executive Officer, one of its Delegated Executive Officers, one of its Directors, one of its shareholders holding a fraction of voting rights greater than the threshold set by current regulation or, in the case of a company shareholder, its controlling company under the terms of Article L. 233-3 of the French Commercial Code.

### 7.1.2.18 Non-voting Board members (Article 18)

At the proposal of the Board of Directors, the Ordinary General Meeting may appoint non-voting Directors, who may not exceed six in number.

In the event of a vacancy of one or more non-voting Director positions by death or resignation, the Board of Directors may accept provisional nominations, subject to approval by the next Ordinary General Meeting.

Non-voting Board members, who are chosen from among or outside the body of shareholders by virtue of their competence, will form an association.

They are appointed for a period of six years to end upon completion of the meeting approving the financial statements for the year then ended and held within the year during which their terms of office expire.

The Ordinary General Meeting may, under all circumstances, revoke one or more non-voting Board members and undertake to replace them, even if such revocation does not appear on the agenda.

Non-voting Directors are to be invited to meetings of the Board of Directors and take part in the deliberations in an advisory capacity. However their absence shall not prevent valid deliberations being held.

### 7.1.2.19 Statutory auditors (Article 19)

Control is exercised by one or more acting statutory auditors appointed and exercising their duties in accordance with the law.

### 7.1.2.20 General Meetings (Article 20)

General Meetings are convened and deliberate under the conditions set by law.

Meetings are held at the corporate registered offices or at any other location defined in the notice convening the meeting.

Any shareholder may attend General Meetings in person or by proxy upon proof of identity and ownership of his shares in the form of registration in his name on the books of the Company, as of the third business day preceding the General Meeting, at midnight Paris time.

Shareholders may only be represented by their spouse or another shareholder.

Corporate shareholders may participate in the meetings through their legal representatives or any other party appointed for that purpose by the latter.

Shareholders may participate in the General Meetings by videoconference or any telecommunications method authorised by current provisions, under the conditions set therein and when the summons so provides.

Meetings are to be chaired by the Chairman of the Board of Directors or, in his absence, the Vice-Chairman or a Director appointed for this purpose by the Chairman of the Board of Directors.

1
2
3
4
5
6
7

The duties of teller are to be fulfilled by the two members of the meeting present and accepting who have the largest number of votes.

The meeting officers will appoint the secretary, who may be chosen from outside the shareholders.

An attendance sheet will be prepared under the conditions provided for by law.

In all General Meetings, the voting right attached to shares containing a right of usufruct is to be exercised by the usufruct holder.

Copies or extracts of the meeting minutes are to be certified as valid by the Chairman of the Board of Directors, a Vice-Chairman, or the meeting secretary.

#### 7.1.2.21 Deliberation by meetings (Article 21)

Ordinary and Extraordinary General Meetings, ruling under the conditions of quorum and majority stipulated by the provisions respectively governing them, will exercise the powers attributed to them by law.

A voting right double that conferred on shares by the law, with regard to the proportion of share capital they represent, is to be allocated to all fully paid-up shares, for which nominative registration will be justified after at least two years in the name of the same shareholder either of French nationality, or originating from a Member State of the European Union.

#### 7.1.2.22 Fiscal Year (Article 22)

The fiscal year will have a duration of twelve months. It will begin on 1 January and end on 31 December of each year.

#### 7.1.2.23 Allocation of profit or loss (Article 23)

The financial statement summarising revenue and expenses for the year will show, by difference, the profit or loss for the year, after deducting amortisations and provisions.

Distributable earnings are set in accordance with the law.

The General Meeting may withdraw any amounts it deems appropriate from these earnings, to be allocated to any accounts containing reserves, funds carried forward, or funds for distribution.

#### 7.1.2.24 Methods of paying dividends – Interim dividends (Article 24)

The General Meeting is authorised to grant each shareholder, for all or part of the dividend distributed or interim dividends, an option between payment of the dividend or interim dividends in cash or in shares, subject to the legal conditions.

A request for payment of the dividend in shares or interim dividends must be made in accordance with the conditions set by law.

The methods of paying dividends in cash or in shares are set by the General Meeting or, failing this, by the Board of Directors.

The Board of Directors may approve the distribution of an interim dividend, under the conditions set by law.

#### 7.1.2.25 Dissolution – Liquidation (Article 25)

Except in the case of an extension approved by the Extraordinary General Meeting, the Company is dissolved on expiry of the term set by the bylaws. Dissolution may also occur at any time by decision of the Extraordinary General Meeting.

The meeting governs the method of liquidation and appoints one or more receivers and defines their authority. The receivers shall exercise their duties in accordance with the law.

Except in the case of a merger, split, or consolidation of all shares, the Company's expiry or dissolution, for any reason whatsoever, will result in its liquidation.

#### 7.1.2.26 Disputes (Article 26)

Any disputes that might occur between the Company and shareholders, or between the shareholders themselves regarding corporate affairs, during the lifetime of the Company or upon its liquidation, will be subject to the jurisdiction of the competent courts.

## 7.1.3 INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

The purpose of the Internal Regulation is to define or supplement certain regulatory and statutory provisions concerning the functioning of the Board of Directors and the Executive Management and to define the rights and obligations of the Directors. Each Director agrees to abide by this Internal Regulation by accepting his term of office. In the case of any Corporate Directors, this regulation applies to the legal entity as well as individually to its individual representative.

On 12 December 2013, the Company's Board of Directors updated the Internal Regulations in order to detail the rights and obligations of the central body and to incorporate adaptations regarding governance.

### 7.1.3.1 Functioning of the Board of Directors

#### (a) Purpose of the Board of Directors

The Board of Directors, in accordance with the law, sets the guidelines for Groupama SA's business, makes certain they are implemented and oversees the job performed by the management. Subject to the powers expressly assigned to the General Meetings and up to the limit of the corporate purpose, it deals with any issues involving the smooth running of the Company and settles matters concerning it through its deliberations. In addition, it performs any audits or controls it deems timely.

Within the framework of the powers conferred to the central body referred to in Article L. 322-27-1 of the Insurance Code, the Company's Board of Directors is responsible for the following in particular:

- ensuring and taking any necessary measures for the cohesion and proper operation of the network of agricultural insurance and reinsurance companies or mutuals referred to in Article L. 322-27-2 of the Insurance Code (hereinafter "network");
- setting the network's strategic guidelines;
- deciding on the dismissal of any Chief Executive Officer as well as the collective dismissal of members of the Board of Directors of an organisation of the network in the cases provided for in Article L. 322-27-2 of the Insurance Code. Under these circumstances, the Board of Directors provisionally appoints the individuals responsible for assuming their duties until the election of new Board members.

The Board is to be assisted by technical committees in performing its tasks.

### (b) Committees of the Board of Directors

The Board of Directors' committees have no power themselves, and their responsibilities neither reduce nor limit the powers of the Board. They are responsible for enlightening the Board of Directors in certain areas. In accordance with Article R. 225-29 of the French Commercial Code, the Board of Directors decided to create an Audit and Risk Management Committee, a Compensation and Appointments Committee and an Agreements Committee within it. The duties, membership and functioning of each of these committees are attached to this regulation (Appendices 1 to 3). The Board of Directors is responsible for ensuring the proper operation of the committees. The Board of Directors may also create ad hoc committees charged with studying specific issues as they arise.

### (c) Membership of the Board of Directors

The Board of Directors must consist of Directors with the skills, experience, independence of mind and a willingness to become involved in the Company's business. These Directors are appointed to serve the interest of the Company.

The Board's membership must ensure impartiality in its deliberations. In addition to Directors representing the controlling shareholder and Directors elected by corporate employees, the Board will consist of at least three (3) outside Directors who do not have any direct or indirect relationship with the Company and/or companies of the Group to which the Company belongs (independent Director).

#### Status of Independent Director

A Director is considered independent when he maintains no relationship of any kind whatsoever with the Company, its Group or its management that might compromise the exercise of his freedom of judgement.

The classification of Independent Director must be discussed by the Compensation and Appointments Committee and reviewed each year by the Board of Directors prior to the publication of the annual report. The Board of Directors is to inform the shareholders of the findings of this assessment at the General Meeting called to nominate the Company Directors or to approve appointments made by nominations by the Board of Directors.

Moreover, the Board must also annually verify the individual status of each Director with regard to the status of Independent Director and report its findings in the annual report.

It is assisted in this by the Compensation and Appointments Committee.

### (d) Non-voting Board members

Pursuant to Article 18 of the Company bylaws, the General Shareholders' Meeting may appoint one or more non-voting Company Directors, up to a maximum of six.

All obligations of the Directors under this instrument apply to the non-voting Directors, in particular when the obligations result from provisions applicable only to Directors (whether these provisions derive from the law, from decrees or from regulations, specifically those of the Autorité des Marchés Financiers (AMF).

### (e) Notice convening meetings – holding of Board of Directors' meetings

The Board of Directors will meet at least four times per year when convened by its Chairman or by any party to whom he delegates this task. If the Board has not met for more than two (2) months, at least one third of the Board members may request the Chairman to convene a meeting for a specific agenda. Notices convening meetings shall be made by letter, telegram, telex, fax, e-mail or verbally and may be sent by the General Secretary. The Chief Executive Officer may also request that the Chairman convene the Board for a specific agenda.

A draft schedule of meetings is to be prepared no later than December for the following year.

Directors may ask the Chairman to invite the Company's principal administrative officers to meetings of the Board of Directors or Committee meetings to question them on any issues relating to the exercise of their duties. The Board is to vote on the basis of a majority of members present and represented, on the attendance and hearing of these officers. Minutes of the Board of Directors' or Committee meetings will summarise the debates that took place.

### (f) Provisions specific to the holding of Board meetings by videoconference or any telecommunications method

Directors who participate in Board meetings by videoconference or a telecommunications method, in accordance with the legal and regulatory provisions and within the established limits, are deemed to be present for purposes of calculating a quorum and majority.

These methods must have technical characteristics that guarantee effective participation in the Board meeting and allow continuous broadcast of its deliberations.

However, participation in Board meetings by videoconference is not possible for adopting the following decisions:

- appointment, compensation and dismissal of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer;
- preparation of the annual financial statements and management report;
- preparation of the consolidated and combined financial statements and management reports.

### (g) Secretarial duties of the Board of Directors

The secretarial duties of the Board of Directors are to be fulfilled by the General Secretary of Groupama SA.

### (h) Attendance record and minutes

In accordance with the law and current regulations, an attendance record is to be maintained, which is to be signed by the Directors participating in the Board meetings, indicating the names of the Directors deemed present under the terms of Article L. 225-37 of the French Commercial Code.

The minutes will report the discussions as completely as possible.

Copies or extracts of the minutes of the discussions are to be certified as valid by the Chairman, the Chief Executive Officer, the Deputy Chief Executive Officer, the Director temporarily assigned to the duties of meeting Chairman, the secretary of the Board, or a legal representative authorised for this purpose.

### (i) Evaluation of the Board of Directors

In a report attached to the management report, the Chairman will describe the conditions for preparing and organising the Board's tasks, internal control procedures and the limits of its powers, if applicable.

To allow for preparation of this report, at least once per year, during one of its meetings, the Board of Directors will dedicate a point on its agenda to a discussion of its functioning.

The Compensation and Appointments Committee is responsible for ensuring the proper application of the recommendations resulting from the evaluation work of the Board of Directors and its committees and periodically reporting to the Board.

## 7.1.3.2 Rights and obligations of Directors

### (a) Submission of the bylaws and Internal Regulation

Before accepting his duties, a Director must be familiar with the laws and regulations relating to his duties. Upon entering into office, a copy of the Company bylaws and of this Internal Regulation will be submitted to him. The Board will provide for an updating of the Internal Regulation to take into consideration any legal and regulatory changes as well as local practice.

### (b) Training

If necessary, Directors and members of specialist committees may receive additional training on the specific nature of the Company and its subsidiaries, the Group's operating methods, its core activities and its business lines.

### (c) Participation in Board and Committee meetings

A Director must dedicate the necessary time and effort to his duties. He must undertake faithfully to attend meetings of the Board and committees of which he is a member and actively participate in their respective work.

If he feels that any decision of the Board of Directors is likely to harm the Company, a Director must undertake to clearly express his opposition and to use every means possible to convince the Board of the relevance of his position.

### (d) Loyalty and conflicts of interest

The Director has an obligation of loyalty to the Company. He must not under any circumstances act in his own interest against that of the Company.

The Director undertakes not to seek or accept from the Company or the Group, directly or indirectly, benefits likely to be considered such as would compromise his independence of analysis, judgement and action. He must also reject any direct or indirect pressure, which might be applied on him and which might originate from other Directors, specific groups of shareholders, creditors, suppliers and any third party in general.

To this end, prior to signing, he undertakes to submit to the Board of Directors, as well as to the Agreements Committee, in accordance with the procedure described in Appendix 3, any agreements corresponding to Article L. 225-38 of the French Commercial Code.

Moreover, it is forbidden for a Director to:

- acquire a stake or responsibility in any unlisted company in which the Company or the Group, directly or indirectly holds a share, in a capacity other than as a Group representative;
- acquire a stake or responsibility in any unlisted company that has a contractual relationship with the Company or the companies of the Group.

He is to ensure that his participation on the Board is not the source of any conflict of interest for him or the Company, both personally and by reason of the professional interests he represents. In the event of a specific conflict of interest relating to a specific dossier, the Director in question will report it in full and in advance to the Board of Directors; he will be required to abstain from participating in Board discussions and decision-making on this point (in this case he is excluded from calculation of the quorum and of the vote).

In the event of any question, Directors may consult the General Secretary, who will guide them on the application of these principles.

They may also consult a person outside the Group, who will function under the terms of a mandate granted by the General Secretary and whose name, address and telephone number shall be sent to the Directors by the General Secretary.

### (e) Rights and obligations of Directors with regard to information

The Company Chairman, Chief Executive Officer or Deputy Chief Executive Officer must send each Director any documents and information necessary for fulfilment of the Board's duties, *i.e.,* making decisions for which it is competent and control of the administration exercised by management.

#### Preparation for Board meetings

The Chairman, Chief Executive Officer or Deputy Chief Executive Officer will seek to communicate to the Directors no later than three days prior to any meeting, except in the case of an emergency or extraordinary circumstances, a work dossier including all necessary documents and information, to allow the Directors to participate in Board discussions in a knowledgeable manner and to make a useful contribution to discussion points on the agenda.

In the absence of information or in the event of the communication of information deemed to be incomplete, the Directors will request that the Chairman, Chief Executive Officer or Deputy Chief Executive Officer provide information they believe indispensable to their participation in the Board of Directors' meetings.

#### Ongoing information

Outside of Board meetings, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer is required to communicate to Directors, insofar as they are aware thereof, information and documents needed to perform their duties, insofar as they are not hindered by business secrecy, as Directors have an obligation of confidentiality.

Requests for documents and information from Directors are to be sent to the General Secretary, who will forward them to the Chief Executive Officer and the Deputy Chief Executive Officer. The list of documents requested by Directors is to be included as an item on the agenda of the next meeting of the Board of Directors; this list is to be included in the minutes of such meeting.

For reasons of confidentiality, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer may deem it preferable to make the requested documents available to Directors at the Company's registered offices.

If he believes the information request exceeds the responsibilities of the Director or is likely to raise a problem of conflict of interest, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer, after having so informed the Director in question, may consult the Chairman of the Audit and Risks Committee for his advice, prior to any response.

### (f) Personal shares

It is desirable that each Director hold at least one (1) share.

### (g) The accumulation of terms of office

Candidates for the offices of Director are required to inform the Board of Directors of positions of Director, Chairman, Chairman of the Board of Directors, Chief Executive Officer, member of the Supervisory Board and Management Board, Chairman of the Management Board and sole Chief Executive Officer, which they may hold in other companies with registered corporate secretaries in France, to allow the Board of Directors, assisted by the Compensation and Nominations Committee, to verify that the candidates, if elected, meet the accumulation conditions provided for by French law.

Directors are required to inform the Board of their appointment as Director, Chairman, Chairman of the Board of Directors, Chief Executive Officer, member of the Supervisory Board and Management Board, Chairman of the Management Board and sole Chief Executive Officer in companies with corporate registered offices in France within five days of their nomination.

Within one month after the close of the fiscal year just elapsed, Directors are also required to communicate the list of positions they have occupied during the year just elapsed with a view to preparing the management report.

### (h) Duty of secrecy: confidential information

Directors, as well as any party called upon to attend all or part of the meetings of the Board of Directors and committees, are subject to an obligation of discretion as to the progress and content of the discussions. Specifically, Directors must maintain secrecy with regard to information corresponding to the definition of financial information, or other information likely to be of interest to third parties and specifically Company or Group competitors, or confidential information and data. They undertake not to use for personal purposes, and not to disclose outside the obligations of their position, any confidential information.

### (i) Prevention of risk of insider trading

This paragraph contains the rules of professional ethics intended to prevent the risk of insider trading, with regard to financial transactions made by Directors, which involve listed companies or the securities of listed companies, whenever Directors, in the exercise of their functions, hold or have access to privileged information involving those companies or securities.

#### Legal and regulatory framework

The applicable legal and regulatory framework comes from the Monetary and Financial Code and the AMF (Autorité des Marchés Financiers) general regulations.

The mechanisms in place are for the most part based on the principle that all privileged information concerning a company or a traded security, which is not known to the public and which may significantly influence the trading price of that security, must be kept strictly confidential and may not be used or communicated to place orders, directly or indirectly, on the stock market, on either one's own behalf or on behalf of others.

Failure to comply with the rules in this matter is punishable by law (prison term or fine).

The AMF general regulations contain similar prohibitions, violation of which will expose the perpetrator to financial penalties that shall not exceed €1.5 million or ten times the amount of any profits, which may be made.

Significant changes to laws and regulations shall be made known to the Directors by a note from the General Secretary.

#### Definitions

##### WHO MAY BE CONSIDERED AN "INSIDER"?

Any person who, as part of his functions, has privileged information regarding the outlook or position of a listed company or the securities of a listed company.

##### WHICH SECURITIES ARE AFFECTED?

Any financial instrument traded on a regulated market: shares or other rights that grant or may grant access, directly or indirectly, to share capital or voting rights, debt securities, mutual fund shares or units, or forward financial instruments.

##### WHAT IS "PRIVILEGED INFORMATION"?

Specific information that has not been made public, which involves, directly or indirectly, one or more issuers of financial instruments (hereinafter called "listed companies") or one or more financial instruments (hereinafter called "securities") and which, if it were made public, would be likely to have considerable influence on the prices of those securities or the price of the securities tied to them.

Information is considered to be specific if it mentions a set of circumstances or an event that has happened or is likely to happen when it is possible to conclude from them the effect that those circumstances or that event could have on the price of the securities in question.

This information, were it to be made public, could have considerable influence on the price of the securities in question and could be used by a reasonable investor as one of the foundations of his investment decision (buy, sell or keep).

##### WHAT INFORMATION OR EVENTS MAY BE CONSIDERED TO CONSTITUTE PRIVILEGED INFORMATION?

This includes among other things:

- earnings (or estimated earnings), earnings higher or lower than announced projections;
- mergers, acquisitions, public offerings, joint ventures, disposals or changes in assets, investment stakes, major partnerships;
- major new products or changes involving customers or suppliers (such as the acquisition or loss of a customer or a major contract);

- major litigation, investigations or proceedings conducted by the audit authorities;
- a one-time event tied to activity, which may have a significant effect on earnings;
- events affecting the securities of the issuer (failure to repay debt, early redemption, buyback programmes, division of par value or shares, modifications of dividends, changes to the rights of holders of securities, public or private sales of additional shares).

This list is not exhaustive; other information may be considered privileged depending on the circumstances.

#### WHEN MAY INFORMATION BE CONSIDERED AS NOT PUBLIC?

Information is not public when it has not been disclosed through, for example:

- an official press release, news service or mass-circulation daily newspaper;
- an official document filed with a control authority (such as the registration document filed with the AMF);
- the Internet;
- documents sent to shareholders (annual report or information prospectus).

### Applicable rules

It is likely that Company Directors will receive privileged information about listed companies, e.g., when a partnership, merger/acquisition or investment stake is being examined.

Listed companies in which the Group holds a strategic investment are especially affected.

#### CONFIDENTIALITY

It is the duty of any Director having, as part of his functions, privileged information relating to a listed company or the securities of a listed company to keep this information confidential.

He is forbidden to disclose this information outside the normal framework of his functions or for reasons other than those related to why the information was disclosed to him.

In the event that the Director in question should need to divulge this information to another person in the Group or a third party for the purpose of exercising his functions, he undertakes to do so only after he has informed this person or third party that the information is confidential and that he is required to comply with the rules applicable to persons who have privileged information.

#### TRADING OF SECURITIES

For as long as the privileged information is not made public, the Director having such information as part of his functions for a listed company or listed security is forbidden to:

- use the privileged information that he has, to acquire or dispose of, or attempt to acquire or dispose of, on either his own behalf or on behalf of others, directly or indirectly, the securities tied to that information or the securities to which those securities are tied;
- recommend to another person to acquire or dispose of, or to have another person acquire or dispose of, the securities tied to that information or the securities to which those securities are tied, based on the privileged information.

#### (j) Compensation

The compensation of Directors is to be set by the Board at the proposal of the Appointments and Compensation Committee. The rules for the distribution of Directors' fees are defined in the report from the Chairman to the Board of Directors, attached to the management report.

When a Director participates by phone in a long-standing meeting of the Board of Directors or one of its committees, he receives no Directors' fees. However, if he participates by telephone in an exceptional meeting of the Board of Directors or a committee not scheduled in advance or called as an emergency, he receives a Directors' fee at the reduced rate set by the Board of Directors.

## 7.1.3.3 Executive Management

Within the framework of the powers conferred to the central body, the Executive Management is responsible for taking any necessary measures for the cohesion and proper operation of the network and thus must in particular:

- represent the organisations of the network with the authority of the Prudential Control Authority (ACPR);
- ensuring the application of the legislative and regulatory provisions specific to the network's organisations;
- organise audit and control duties within the network;
- ensure that retrocessions of organisations that it reinsures are sufficient to ensure their solvency and compliance with their commitments, report to the Board of Directors and propose any necessary measures;
- issue, under the conditions set out in the agreement on security and solidarity plans entered into between the Company and the organisations of the network, all useful instructions for engaging in the business of the network's organisations and ensure their effective implementation;
- implement the organisation of the internal control programme as well as the risk management policy;
- approve the appointment of the Chief Executive Officers of the network's organisations under the conditions set out in the agreement on security and solidarity plans.

## 7.1.3.4 Appendices to the Internal Regulations of the Board of Directors

### Appendix 1

### Audit and Risk Management Committee

#### PURPOSE OF THE COMMITTEE

The purpose of the Audit and Risk Management Committee is the following:

- to analyse the mid-year and annual financial statements distributed by the Company upon preparation of the accounts and provide greater detail on certain items prior to their presentation to the Board of Directors;
- to ensure the relevance and permanence of the accounting principles and methods applied;
- to study changes and adaptations of the accounting principles and rules;
- to verify the accounting treatment of any significant action carried out by the Company;

- to examine the scope of consolidation of the consolidated companies and, as applicable, the reasons for which certain companies are not included therein;
- to examine significant off-balance sheet commitments;
- to examine the financial investment policy and the asset/liabilities management;
- to examine forecasts beforehand and monitor their realisation by identifying the major gaps;
- to monitor the statutory audit by the statutory auditors of the annual financial statements and the consolidated and combined financial statements;
- to ensure that the internal data collection and control procedures guarantee the quality and reliability of the Company's accounts;
- to monitor the process of preparation of the financial information; to check, before publication, all accounting and financial information documents issued by the Company;
- to manage the procedure for selecting the statutory auditors, examining their activity schedule, their recommendations, preparing a notice on the total fees requested for performing the legal audit assignments, monitoring the independence of the statutory auditors. To this end, the committee may ask to be notified of the fees paid by the Company and its Group to the statutory auditors and their respective networks;
- to receive the reports of the statutory auditors;
- to receive reports upon request, on any subjects falling within its competence, from the Group's financial and accounting management;
- to monitor the effectiveness of the systems of internal control and risk management systems, and to assess their consistency, particularly with regard to ethics compliance; to assess the internal auditing work and the annual report on internal control;
- to monitor the risk management policies, procedures and systems and, within this context, to examine the risk governance scheme in particular, the Group risks policy, internal control policies, adverse scenarios, the Group's major risks, the Business Continuity Plan and the report on anti-money laundering activities and terrorist financing;
- to examine external growth transactions, by verifying firstly that the proposed transaction is well within the strategy defined by the Group and secondly, the profitability of the project and its impact on the overall financial balance of the Group as well as disposal operations;

and, in general, to prepare the work of the Board of Directors, support its decision-making and inform or even alert it when necessary.

#### MEMBERSHIP

The Audit and Risk Management Committee consists of a minimum of three (3) and a maximum of six (6) members appointed by the Board of Directors, chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be independent and chosen from among the Company's outside Directors if the committee has three members; the number of independent members is at least two (2) if the committee has at least five (5) members. The committee cannot include the Chairman of the Board of Directors among its members. If the committee has three (3) members, at least one committee member must by training and experience have a good understanding of financial statements and the accounting principles used by the Company, the ability to evaluate the general application of these principles, experience in the preparation, audit, analysis and evaluation of financial statements of a complexity comparable to those of the Company, good understanding of internal control procedures and the committee's functions, and, if possible, training or experience in insurance.

The committee is chaired by an Independent Director. However, the committee may reserve the right to provisionally appoint a Chairperson chosen from among the Directors representing the controlling shareholder.

The terms of office of committee members coincides with their terms as Director or non-voting member. The committee appoints its Chairman. The Groupama SA General Secretary serves as committee secretary.

#### OPERATION

##### Internal organisation of the committee

The Audit and Risk Management Committee meets as often as deemed necessary and at least twice a year prior to the examination of the annual and mid-year financial statements by the Board of Directors. Members are convened by the Committee Chairman or two of its members. The Chairman of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officer may also request that the Chairman convenes the Audit and Risk Management Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes will be prepared of the meeting, noting the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report to the Board of Directors the committee's opinions and recommendations for the purposes of its deliberations.

The committee is required to prepare an activity report on the fiscal year just elapsed, which it will submit to the Board of Directors within three (3) months after the close of this year.

##### Exceptional cases

Depending upon the agenda, the Committee Chairman:

- may convene any person of the Group likely to offer the committee relevant and useful clarifications for a proper understanding of an issue;
- must exclude from its discussions non-independent members of the committee for the assessment of points likely to pose ethical problems or conflicts of interest.

##### Working methods

Members of the Audit and Risk Management Committee will benefit, as of their nomination, from information on the Company's accounting, financial, and operational details.

The timeframes for examination of the accounts by the Audit and Risk Management Committee must be sufficient (at least two days prior to the assessment by the Board of Directors). For purposes of its examination of the accounts, the committee will receive a memorandum from the statutory auditors emphasising the essential points not only of the results, but also of the accounting options applied, as well as a note from the Chief Financial Officer describing the exposure to risks and the Company's significant off-balance sheet commitments.

## Appendix 2

### Compensation and Appointments Committee

#### PURPOSE OF THE COMMITTEE

The purpose of the Compensation and Appointments Committee is the following:

- to propose to the Board of Directors any questions relating to the personal status of the Corporate Secretaries, specifically compensation, retirement and any allocation of options for the subscription or purchase of Company shares, as well as provisions for the departure of members of the Company's management bodies;
- to make any proposals regarding the compensation of corporate secretaries and the allocation and distribution of Directors' fees;
- to assess the conditions, amount, and distribution of any options for the subscription or purchase of shares;
- to define the rules for setting the variable portion of the compensation of Corporate Secretaries and ensure the consistency of these rules with the annual assessment of the performance of the Corporate Secretaries and with the Group's medium-term strategies;
- to evaluate all compensation and benefits received by Directors, as applicable, from other companies of the Group, including retirement benefits and benefits of any kind;
- to organise a procedure to select future Independent Directors and to perform its own studies on potential candidates before any measure has been taken with regard to the latter;
- to verify annually the individual status of each Director with regard to the classification of Independent Director and communicate the conclusions of its examination to the Board of Directors;
- to perform annually tasks involving evaluation of the Board of Directors' operating methods and to communicate the conclusions of these tasks to the Board of Directors.

#### MEMBERSHIP

The Compensation and Nominations Committee consists of a minimum of three (3) and a maximum of five (5) members appointed by the Board of Directors and chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be chosen from among the Company's outside Directors.

The terms of office of committee members coincides with their terms as Director or non-voting member. The committee appoints its Chairman. The Groupama SA General Secretary serves as committee secretary.

The committee is chaired by an Independent Director. However, the committee may reserve the right to provisionally appoint a Chairperson chosen from among the Directors representing the controlling shareholder.

#### OPERATION

**Internal organisation of the committee**

The Compensation and Appointments Committee will meet as often as is deemed necessary and at least once a year prior to approval of the agenda of the Annual General Meeting, to examine the draft resolutions to be submitted thereto concerning the positions of members of the Board of Directors and, as applicable, of non-voting Directors, and prior to the assessment by the Board of Directors of the compensation of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer. Members are convened by the Committee Chairman or two of its members. The Chairman of the Board of Directors, Chief Executive Officer, or Deputy Chief Executive Officer may also request that the Committee Chairman convenes the Compensation and Appointments Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes will be prepared of the meeting, noting the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report to the Board of Directors the committee's opinions and recommendations for the purposes of its deliberations.

The committee is required to prepare an activity report on the fiscal year just elapsed, which it will submit to the Board of Directors within three (3) months after the close of this year.

**Exceptional cases**

Depending upon the agenda, the Committee Chairman may convene any person of the Group capable of offering the committee relevant and useful clarification as to the proper understanding of an issue.

## Appendix 3

### Agreements Committee

#### PURPOSE OF THE COMMITTEE

The Agreements Committee has the following purpose:

- to prevent any potential conflict of interest between the regional mutuals and Groupama SA and its subsidiaries, which is likely to result from their business relationships. In this context, the committee continuously checks, based on defined significance thresholds, to ensure the agreements are legally sound and ensure that the corporate interests of Groupama SA are respected;
- to analyse any agreement signed under the conditions mentioned in Article L. 225-38 of the French Commercial Code, including those signed between the Company and one of its non-voting Directors or with the Company that controls one of its shareholders (having a proportion of voting rights above 10%) as defined in Article L. 233-3 of the French Commercial Code.

  In this context, the committee must submit a report to the Board of Directors for each of these agreements, specifically regarding its purpose, its amount and its principal conditions, and draw its conclusions in particular as to the applicable procedure (prior authorisation or communication by the Chairman to members of the Board of Directors and the statutory auditors, provided that it involves agreements corresponding to current operations entered into under normal conditions under the terms of Article L. 225-39 of the French Commercial Code).

  The committee will also report to the Board of Directors on the status of these agreements;
- to analyse any and all agreements between the regional mutuals and Groupama SA and its subsidiaries and, more specifically, to make certain that the terms of compensation and distribution of risk among the entities of the two divisions – mutual insurance and equity management – are in compliance with market practice;
- to analyse the conditions for applying the reinsurance agreement between Groupama SA and its regional mutuals.

MEMBERSHIP

The Agreements Committee consists of a minimum of three (3) and a maximum of five (5) members appointed by the Board of Directors, chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be independent and chosen from among the Company's outside Directors, on the understanding that independence is determined in accordance with the criteria listed by the AFEP-MEDEF task force. The committee cannot include the Chairman among its members.

The terms of office of committee members coincides with their terms as Director or non-voting member. The committee appoints its Chairman from among the Independent Directors. The Groupama SA General Secretary serves as committee secretary.

OPERATION

#### Internal organisation of the committee

The Agreements Committee will meet as often as it deems necessary and at least once a year to assess the reinsurance agreement. Members are convened by the Committee Chairman or two of its members. The Chairman, Chief Executive Officer or Deputy Chief Executive Officer may also request that the Chairman convenes the Agreements Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes will be prepared of the meeting, noting the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report to the Board of Directors the committee's opinions and recommendations for the purposes of its deliberations.

The committee is required to prepare an activity report on the fiscal year just elapsed, which it will submit to the Board of Directors within three (3) months after the close of this year.

#### Exceptional cases

Depending upon the agenda, the Committee Chairman may convene any person of the Group capable of offering the committee relevant and useful clarification as to the proper understanding of an issue.

#### Working methods

The timeframes for the assessment of agreements by the Agreements Committee must be sufficient (at least two days prior to the assessment by the Board of Directors of an agreement).

## Appendix 4

### Criteria for independence

The criteria that the Compensation and Appointments Committee and the Board of Directors must examine in order to classify someone as an Independent Director and prevent the risk of conflict of interest between the Director and the Executive Management, the Company or its Group are as follows:

- he is not an employee or corporate officer of the Company, or is not an employee or Director of the parent company or a company it is consolidating and has not been at any time over the past five years;
- he has not been paid by the Company, in any form whatsoever, with the exception of Directors' fees, compensation of over one hundred thousand euros (€100,000) within the past five years;
- he is not a corporate officer of a company in which the Company holds, directly or indirectly, the position of Director or in which an employee designated as such or a corporate officer of the Company (currently or within the past five years) holds the position of Director;
- he is not a significant customer, supplier, investment banker or financing banker of the Company or its Group, or for which the Company or its Group represents a significant portion of business activity;
- he has no close family ties to a corporate officer;
- he has not been the auditor of the Company over the previous five years;
- he has not been a Director of the Company for over twelve years.

With regard to Directors representing significant shareholders of the Company or its parent company, they may be considered independent as long as they of when they do not participate in the Company's control.

Beyond this threshold of 10% of the capital or voting rights, the Board, on the recommendation of the Compensation and Appointments Committee, should routinely inquire into his status as independent by taking into consideration the composition of the Company's share capital and the existence of a potential conflict of interest.

The Board of Directors may consider a Director, although meeting the above criteria, not to be independent on the basis of his particular situation or that of the Company, given its share ownership structure or for any other reason. Conversely, the Board of Directors may consider a Director not meeting the above criteria to be independent.

# 7.2 INFORMATION CONCERNING SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

## 7.2.1 SHARE CAPITAL

Information relating to the Company's capital appearing in 7.2.1.1 and 7.2.1.3 results from, or is the consequence of, financial authorisations granted by the Combined General Meeting since 2006 and regularly renewed until 2011. The most recent renewal of all of these authorisations was at the General Meeting of 25 May 2011. Since then, with the planned public offering of the capital having been abandoned, certain authorisations expired in 2012 and 2013, for lack of renewal, and others were renewed in 2013. The only financial authorisations for which renewal will be proposed to the Combined General Meeting of 11 June 2014 are those intended to allow the Board of Directors to carry out issues maintaining or eliminating the preferential subscription right reserved for current shareholders and employees of the Group.

### 7.2.1.1 Total share capital

- Total share capital issued: €1,686,569,399, represented by shares all in the same category
- Number of shares issued and fully paid up: 329,086,712
- Par value of the shares: €5.125.
- Authorised share capital not issued: maximum nominal amount of €1.1 billion as detailed below

Status of delegations of authority to the Board of Directors adopted by the Combined General Meetings of 25 May 2011, 30 May 2012 and 12 June 2013.

| Securities | Resolutions | Duration of the authorisation | Expiry | Maximum nominal amount of capital increase |
|---|---|---|---|---|
| Issue with preferential subscription right (capital increase, all securities combined) | 9th resolution GM of 30 May 2012 | 26 months | July 2014 | €1.1 billion to be charged against the total amount of capital increases authorised by the General Meeting, i.e. €1.1 billion |
| Issuance with preferential subscription right (capital increase, all securities combined) | 12th and 13th resolutions GM of 25 May 2011 | 26 months | July 2013 | €1.1 billion to be charged against the total amount of capital increases authorised by the General Meeting, i.e. €1.1 billion |
| Issue with or without preferential subscription right as part of the implementation over-allocation option (1) | 14th resolution GM of 25 May 2011 | 26 months | July 2013 | 15% of the amount of the initial issue |
| Issuance without preferential subscription right of shares or securities giving access to the capital in order to compensate contributions in kind | 14th resolution GM of 12 June 2013 | 26 months | August 2015 | 10% of the share capital |
| Capital increase by capitalisation of premiums, reserves, profits, etc. | 13th resolution GM of 12 June 2013 | 26 months | August 2015 | €400 million |
| Issue reserved for categories of people | 10th, 11th and 12th resolutions GM of 12 June 2013 | 18 months | December 2014 | €1.1 billion to be charged against the total amount of capital increases authorised by the General Meeting, i.e. €1.1 billion |
| Capital increase reserved for employees who are members of an employee savings plan | 15th resolution GM of 12 June 2013 | 26 months | August 2015 | €150 million |
| Free allocation of existing bonus shares or those to be issued to some or all of the Group's employees | 16th resolution GM of 12 June 2013 | 26 months | August 2015 | 10% of the share capital as at the date of the Board's decision |
| Reduction of capital by cancelling self-held shares (1) | 22nd Resolution GM of 25 May 2011 | 24 months | May 2013 | 10% of the share capital |

*(1) Under the condition precedent that the Company's shares are admitted for trading on a regulated market.*

A proposal will be made to the General Meeting of 11 June 2014 to renew the authorisation to carry out the following operations:

- the issue of shares and/or equity securities, with preservation of the preferential subscription right, in the Thirteenth resolution, which cancels and replaces the one previously issued by the General Meeting of 30 May 2012 in the Ninth resolution;
- the issue of shares and/or equity securities with preservation of the preferential subscription right in favour of Groupama Holding, in the Fourteenth resolution, which cancels and replaces the one previously issued by the General Meeting of 12 June 2013 in the Tenth resolution;
- the issue of shares and/or equity securities, with preservation of the preferential subscription right in favour of Groupama Holding 2, in the Fifteenth resolution, which cancels and replaces the one previously issued by the General Meeting of 12 June 2013 in the Eleventh resolution;

- the issue of shares and/or equity securities, with preservation of the preferential subscription right in favour of categories of people, in the Sixteenth resolution, which cancels and replaces the one previously issued by the General Meeting of 12 June 2013 in the Twelfth resolution;
- the issue of shares or equity securities reserved for members of savings plan, in the Seventeenth resolution, which cancels and replaces the one previously issued by the General Meeting of 12 June 2013 in the Fifteenth resolution.

### 7.2.1.2 Non-equity instruments

As of the date of the recording of this registration document, the Company had no non-equity instruments.

### 7.2.1.3 Shares held by the Company or its subsidiaries

As of this date, the Company holds none of its own shares. Similarly, none of its subsidiaries holds shares in the Company.

As the renewal of the authorisation of the buyback programme granted by the General Meeting of 25 May 2011, in its Tenth resolution, was not proposed to the General Meeting of 30 May 2012; said authorisation expired in November 2012. The authorisation of a new programme will not be proposed to the General Meeting of 11 June 2014.

### 7.2.1.4 Other equity interests

As of the recording date of this registration document, the Company had no other equity interests.

### 7.2.1.5 History of the share capital over the past three years

| | 31.12.2013 | | | 31.12.2012 | | | 31.12.2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Shareholders** | **Number of shares** | **% of capital** | **% of voting rights** | **Number of shares** | **% of capital** | **% of voting rights** | **Number of shares** | **% of capital** | **% of voting rights** |
| Groupama Holding | 299,336,132 | 90.96% | 90.96% | 299,327,338 | 90.96% | 90.95% | 299,260,100 | 90.94% | 90.93% |
| Groupama Holding 2 | 29,587,992 | 8.99% | 8.99% | 29,587,992 | 8.99% | 8.99% | 29,587,992 | 8.99% | 8.99% |
| Others* | 162,588 | 0.05% | 0.05% | 171,382 | 0.05% | 0.06% | 238,620 | 0.07% | 0.08% |
| **TOTAL** | **329,086,712** | **100.00%** | **100.00%** | **329,086,712** | **100.00%** | **100.00%** | **329,086,712** | **100.00%** | **100.00%** |

* *Employees, former employees and exclusive officers and Directors.*

The following table shows the changes in the share capital over the past three years.

| Date | Operation | Number of shares issued | Nominal share value | Nominal amount of capital increase | Issue, merger, and transfer premium | Total capital amount | Total number of shares |
|---|---|---|---|---|---|---|---|
| 28.12.2011 | Capital increase with retention of preferential subscription right | 97,571,944 | €5.125 | 500,056,213 | – | €1,686,569,399 | 329,086,712 |

### 7.2.1.6 Employee holdings of Groupama SA shares

As at year-end 1998, within the framework of Groupama's acquisition of Gan SA, employees, former employees and exclusive officers of Gan SA and its subsidiaries subscribed to an offer for the purchase of reserved Gan SA shares.

In order to mitigate the lack of liquidity of Gan SA shares as they were not traded, Groupama SA committed to guaranteeing the shares' liquidity. Within this framework, Groupama SA undertook to acquire at any time, with the exception of the months corresponding to account suspension periods, such shares as the shareholders wished to sell. The liquidity commitment was assumed by CCAMA following the merger between Groupama SA and Gan SA in June 2002, then by Groupama Holding following the simplification of the Group's national structures at the end of 2003.

The purchase price of the Groupama SA shares was calculated based on the change in the Groupama SA consolidated net assets twice a year:

- the first day of the month after the month in which the Groupama SA annual consolidated financial statements were prepared;
- the first day of the month after the month in which the Groupama SA consolidated mid-year financial statements were audited.

Moreover, by virtue of the laws relating to employee savings and the COB instruction of 17 June 2003 introducing new rules for the valuation of unlisted companies applicable to employee mutual savings funds, the value of the Groupama SA shares is also assessed once a year based on net assets adjusted in accordance with the most recent balance sheet, with the assessment method having been validated by an independent expert.

The purchase price of the Groupama SA share applicable to each period is the higher between the value resulting from application of the liquidity commitment and the value resulting from application of the adjusted net asset method.

The liquidity commitment will become null and void if the shares are listed for trading on a regulated market and if the public holds a fraction of the Groupama SA share capital equal to at least 10%. Employee shareholders of Groupama SA will then be entitled to sell their Groupama SA equity at the price resulting from the liquidity commitment, for a period of 3 months, the period running from the listing of the shares for trading on a regulated market.

As at 31 December 2013, employees, former employees and exclusive officers of Groupama SA held 0.05% of the Groupama SA share capital.

## 7.2.2 PRINCIPAL SHAREHOLDERS

The following table shows the number of shares, the percentage of capital, and the percentage of corresponding voting rights held by the Company's principal shareholders as at 31 December 2013.

A double voting right is to be allocated to all fully paid-up shares, for which nominative registration is justified after at least two years in the name of the same shareholder either of French nationality, or originating from a Member State of the European Union.

99.98% of the Company's share capital has double voting rights.

| Shareholders | Number of shares | % of capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|
| Groupama Holding* | 299,336,132 | 90.96% | 598,596,740 | 90.96% |
| Groupama Holding 2* | 29,587,992 | 8.99% | 59,175,984 | 8.99% |
| Others** | 162,588 | 0.05% | 325,152 | 0.05% |
| **TOTAL** | **329,086,712** | **100.00%** | **658,097,876** | **100.00%** |

* *Groupama Holding and Groupama Holding 2 are the holding companies of Groupama SA, the shareholders of which are the Regional Insurance Mutuals and the Agricultural Reinsurance Mutuals.*

** *As at 31 December 2013, employees, former employees, and exclusive officers held 162,532 shares, i.e., 0.05% of the Company's capital. Moreover, on the same date, Directors as a whole held 56 shares, i.e., four company shares each.*

Through Groupama Holding and Groupama Holding 2, which they wholly own, the regional mutuals own the absolute majority of the capital and voting rights of Groupama SA (see Article L. 322-27-1 of the Insurance Code). Note that Groupama Holding and Groupama Holding 2 are not Directors of Groupama SA.

# 7.3 GENERAL MEETING OF 11 JUNE 2014

## 7.3.1 AGENDA

### Items within the scope of responsibilities of the Ordinary General Meeting

- Management report from the Board of Directors on fiscal year 2013 and report from the Chairman on internal control procedures
- General reports from the statutory auditors on the performance of their audit engagement during fiscal year 2013 and special report from the statutory auditors on the report from the Chairman pursuant to section 6, Article L. 225-37 of the French Commercial Code
- Approval of the individual and consolidated financial statements for fiscal year 2013
- Allocation of profit or loss
- Special report from the statutory auditors on the transactions mentioned in Article L. 225-38 of the French Commercial Code
- Ratification of a Director's appointment
- Renewal of a Director's term of office
- Determination of the amount of the Directors' fees.
- Opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Jean-Yves Dagès, Chairman of the Board of Directors
- Opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Thierry Martel, Chief Executive Officer
- Opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Christian Collin, Deputy Chief Executive Officer

### Items within the scope of responsibilities of the Extraordinary General Meeting

- Modifications of Articles 2 and 14 of the bylaws
- Assignment of authority to the Board of Directors to increase the capital stock, through the issue of company shares and/or equity interests, maintaining the preferential share subscription right
- Assignment of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for Groupama Holding, eliminating the preferential share subscription right on its behalf
- Assignment of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for Groupama Holding 2, eliminating the preferential share subscription right on its behalf
- Assignment of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for categories of people, eliminating the preferential share subscription right on their behalf
- Assignment of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for members of savings plans, eliminating the preferential share subscription right on their behalf
- Powers of attorney for registration procedures

## 7.3.2 RESOLUTIONS

### Items within the scope of responsibilities of the Ordinary General Meeting

#### First Resolution (Approval of the parent company financial statements)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, having taken note of the reports of the Board of Directors and the statutory auditors for the fiscal year ending 31 December 2013 and the opinion of the Central Works Council on these same statements, approves the financial statements for this fiscal year as presented, *i.e.,* the balance sheet, income statement and notes, as well as the transactions posted to these statements and summarised in these reports, yielding a loss of €338,263,557.15.

#### Second Resolution (Approval of the consolidated financial statements)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, having taken note of the reports of the Board of Directors and the statutory auditors on the consolidated financial statements for the fiscal year ending 31 December 2013, approves these financial statements as presented, yielding a net profit (Group share) of €135,200 thousand.

#### Third Resolution (Allocation of profit or loss)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, after having taken note of the report of the Board of Directors, has resolved to allocate the loss for the year, which totals €338,263,557.15, to the credit side of the "Retained Earnings" account of €698,201,658.74, which will move that account to a credit amount of €359,938,101.59;

To meet the provisions of Article 243 bis of the French General Tax Code, distributions for the past three fiscal years were as follows:

| Fiscal years | Total dividends distributed | Total dividends distributed eligible for reduction | Total dividends distributed not eligible for reduction |
|---|---|---|---|
| 2012 | - | - | - |
| 2011 | - | - | - |
| 2010 | €104,181,645.60 | €93,457.35 | €104,088,188.25 |

#### Fourth resolution (Regulated agreements referred to in Article L. 225-38 of the French Commercial Code)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, having taken note of the special report of the statutory auditors as provided for in paragraph 3 of Article L. 225-40 of the French Commercial Code and Article R. 322-7 of the French Insurance Code on agreements referred to in Article L. 225-38 of the French Commercial Code, acknowledges the conclusions of this report and approves the agreements described therein.

#### Fifth resolution (Ratification of a Director's appointment)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, ratifies the appointment of Ms Odile Roujol in her capacity as Director, which occurred at the meeting of 1 August 2013, to replace Ms Anne Bouverot, who resigned, for the remaining duration of her term of office, *i.e.,* until the Ordinary General Meeting convened in 2014 to approve the financial statements for fiscal year ending 31 December 2013.

#### Sixth resolution (Renewal of a Director's term of office)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, hereby resolves to renew the term as Director of Ms Odile Roujol for a period of six years, *i.e.,* until the General Meeting convened in 2020 to approve the financial statements for the fiscal year ending 31 December 2019.

#### Seventh resolution (Directors' fees)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, resolves to reduce the total annual Directors' fees at a maximum of €980,000, to be divided among the Directors for 2014 and beyond.

#### Eighth resolution (Opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Jean-Yves Dagès, Chairman of the Board of Directors)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, issues a favourable opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Jean-Yves Dagès, Chairman of the Board of Directors, as they appear in the 2013 registration document in section 3.3.4.1.

#### Ninth resolution (Opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Thierry Martel, Chief Executive Officer)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, issues a favourable opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Thierry Martel, Chief Executive Officer, as they appear in the 2013 registration document in section 3.3.4.2.

### Tenth resolution (Opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Christian Collin, Deputy Chief Executive Officer)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, issues a favourable opinion on the components of the remuneration due or allocated for fiscal year 2013 to Mr Christian Collin, Deputy Chief Executive Officer, as they appear in the 2013 registration document in section 3.3.4.3.

## Items within the scope of responsibilities of the Extraordinary General Meeting

### Eleventh resolution (Modification of Article 2 of the bylaws relating to the corporate purpose)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, after having taken note of the report of the Board of Directors, has resolved to introduce into Article 2 "Purpose" the Groupama group's role as central body conferred on the Company by Article L. 322-27-1 of the French Insurance Code and the resulting main duties set out in Article L. 322-27-2 of said Code as well as the duty to facilitate the Group's business and development. Consequently, it is proposed to adopt the new Article 2 thus drafted:

"The Company has the purpose below:

- activities involving insurance and co-insurance against risks of any kind, excluding life insurance and capitalisation;
- reinsurance of regional or départemental agricultural insurance and reinsurance companies and mutuals, in accordance with the provisions of the Insurance Code;
- the substitution of agricultural insurance and reinsurance companies and mutuals exempt from administrative approval, for the establishment of guarantees provided for by insurance regulation and the execution of insurance commitments assumed by such companies or mutuals, pursuant to Article R. 322-132 of the Insurance Code;
- the reinsurance of all insurance or reinsurance companies, of any corporate form, headquartered in France or abroad;
- engaging in any activities involving cession, retrocession or compensation of the risks it insures or reinsures;
- being the central body of the network of agricultural insurance and reinsurance companies (hereinafter "mutuals") within the meaning of Article L. 322-27-1 of the Insurance Code. In this capacity, it is particularly responsible for:
  - ensuring the cohesion and proper operation of the network,
  - ensuring the application of the legislative and regulatory provisions relating to the network's organisations,
  - exercising administrative, technical and financial control over the organisation and management of the network's organisations,
  - setting the network's strategic guidelines, issuing any appropriate instructions in this regard and ensuring their actual implementation,
  - also taking all necessary measures to ensure solvency and compliance with the commitments of each of the network's organisations and of the entire Group;
- facilitating and promoting the business and development of the mutuals and the entire Group;
- holding stakes in France and abroad, specifically in insurance, reinsurance, banking, financial services and related activities;

And, more generally, any financial, commercial, manufacturing, civil, real-estate or property-related transactions that might relate directly or indirectly to its corporate purpose and any similar or related purposes."

### Twelfth resolution (Modification of Article 14 of the bylaws relating to the authority of the Board of Directors)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, resolves to adjust Article 14 of the bylaws relating to "Authority of the Board of Directors" concerning decisions subject to its prior authorisation to address the consequences of amendments made to the agreement on security and solidarity plans between the Company and the organisations of the network and adopts the new paragraphs 2 and 3 of said article thus drafted:

**"Article 14 – Authority of the Board of Directors**

…

The following decisions are subject to the prior approval of the Board of Directors:

- amendments and the annual implementation of the reinsurance agreement with the regional or départemental mutuals and the agreement on security and solidarity plans;
- any issues of transferable securities, irrespective of the type, that may result in a change in the share capital;
- any significant operations that may affect the Group's strategy and its business scope;
- vote by secret ballot: any decision to resort to solidarity funds pursuant to the agreement on security and solidarity plans;
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA.

In addition, the decision to terminate the reinsurance agreement at the initiative of Groupama SA must be taken by a two-thirds majority of the members present or represented.

…"

### Thirteenth resolution (Delegation of authority to increase the share capital by issuing stock and/or securities entitling the holder access to the Company's equity, with the preferential share subscription right maintained)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq.* of the French Commercial Code, specifically Article L. 225-129-2 of the said Code:

1. hereby grants to the Board of Directors, with the option of sub delegation under the conditions set forth by law, the authority to decide to issue company shares or equity securities, with preferential subscription rights of the shareholders maintained, on one or more occasions, in the proportion and at the times it deems appropriate, on the understanding that subscription of shares and other securities may be either in cash, or offset against receivables;

**2.** hereby resolves to set the following limits on the amounts of the capital increases authorised in the event this authority is used by the Board of Directors:

- the maximum par value of the capital increases likely to be carried out immediately or in the future under this authority is set at €1.1 billion, on the understanding that the overall maximum par value of capital increases likely to be carried out under this authority, including those granted under the 14th, 15th and 16th resolutions of this General Meeting (as well as those granted under any resolution approved by a General Meeting replacing in whole or in part one of such resolutions) is set at €1.1 billion;
- to these maximum limits will be added, if applicable, the par value of any additional shares to be issued in the event of new financial transactions, to preserve the rights of holders of equity securities;

**3.** sets at twenty-six months with effect from the date of this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 30 May 2012, in its 9th resolution;

**4.** in the event this authority is used by the Board of Directors,

- hereby resolves that any issues be reserved for shareholders who will be able to apply as of right for new shares in proportion to the number of shares owned by them at the time;
- duly notes the fact that the Board of Directors has the option of introducing a right to apply for excess shares;
- duly notes the fact that this authority automatically allows the bearers of equity securities issued under this authority to waive their preferential subscription rights to any shares to which those securities may entitle them immediately or in the future;
- hereby resolves that if the applications as of right, as well as any applications for excess shares have not absorbed the entire capital increase, then the Board of Directors, as allowed by law and in the order it shall decide, may use either one or both of the options below:
  - limit the capital increase to the amount of the subscriptions provided that this amount equals at least three-quarters of the increase approved;
  - distribute freely some or all of the shares or, in the case of equity securities, *i.e.,* those securities approved for issue but not subscribed;
- hereby resolves that share warrants may be issued by subscription offer, but also may be allocated free of charge to the holders of existing shares; on the understanding that the Board of Directors shall have the option of determining that the allocation rights of fractional shares will not be traded and that the corresponding securities will be sold;

**5.** resolves that the Board of Directors, with the option of subdelegation under the conditions set forth by law, shall have all powers to implement this authority and in particular:

- to decide on the capital increase and determine the securities to be issued;
- to decide on the amount of the capital increase, the issue price as well as the amount of the premium, which may, if applicable, be requested upon issue;
- to determine the dates and terms of the capital increase, the type and characteristics of the securities to be issued and, in addition, to decide in the case of bonds or other debt securities, whether or not they will be subordinated (and, if so, their rank, in accordance with the provisions of Article L. 228-97 of the French Commercial Code), set the interest rate thereof (including fixed or variable rate, zero coupon or indexed) and stipulate any mandatory or optional cases of suspension or non-payment of interest, stipulate the duration (fixed or open-ended), the possibility of reducing or increasing the par value of the shares and other terms of issue (including the granting of guarantees or pledges) and value write-downs (including redemption by tendering assets of the Company); as applicable, such securities may entail the option for the Company of issuing debt securities (which may or may not be incorporated) in payment for interest, the payment of which would have been suspended by the Company and to modify the terms set forth above during the life of the securities concerned, in accordance with the applicable formalities;
- to determine the method of paying the shares or equity securities in full immediately or in the future;
- to set, as the case may be, the terms for exercising any rights attached to the shares or equity securities to be issued and, specifically, to set the date, even retroactively, from which the new shares will bear interest, to determine the terms for exercising any rights to conversion, exchange, redemption, including by tendering assets in the Company such as securities already issued by the Company, as well as any other terms and conditions for carrying out the capital increase;
- to provide for the option of eventually suspending the exercise of the rights attached to such securities, pursuant to existing laws and regulations;
- to charge, on its sole initiative, capital increase costs on the amount of the premiums associated with them;
- to set and make any adjustments aimed at taking into account the effect of transactions on the equity of the Company, particularly if there are changes in the par value of the share, in the capital increase by capitalisation of reserves, in the allocation of bonus shares, in share splits or combinations, in the distribution of reserves or of any other assets, in the amortisation of the equity capital or in any other transaction involving the shareholders' equity, and, as the case may be, to set the terms for preserving the rights of equity investors;
- to take note of every capital increase completed and amend the bylaws accordingly;
- and, in general, to enter into any and all agreements specifically aimed at the successful execution of the issues planned, to take any and all measures and carry out any and all formalities required for issuing, listing and accounting for the securities issued under this authority and to exercise the rights attached thereto.

### Fourteenth resolution (Assignment of authority to increase share capital by issuing company shares and/or equity interests reserved for Groupama Holding, eliminating the preferential share subscription right on its behalf)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq*. of the French Commercial Code, specifically Article L. 225-129-2 and L. 225-138 of the said Code:

1. delegates to the Board of Directors, with the option of subdelegation under the conditions set forth by law, the authority to determine the capital increase, on one or more occasions, in the proportions and at the times it deems appropriate, by issuing company shares or equity securities, on the understanding that the subscription of shares and other securities may be either in cash, or offset against receivables;
2. resolves to eliminate the preferential subscription rights of the shareholders for shares or other securities that may be issued pursuant to this resolution and to reserve the right to subscribe to these security issues for Groupama Holding, a *société anonyme* with share capital of €2,520,662,256, whose registered office is located at 8-10 rue d'Astorg, 75008 Paris, entered in the Paris Trade and Companies Register under number 428 734 818;
3. this decision automatically means that the Company's shareholders waive their preferential subscription rights to the Company's shares to which such securities could give entitlement on behalf of holders of issued equity securities based on this resolution;
4. resolves that the maximum par value of the capital increases likely to be carried out immediately or in the future under this authority is set at €1.1 billion; it is specified that, if applicable, the overall limit stated in paragraph 2 of the 13th resolution submitted to this meeting will be increased for the par value of the shares to be issued in the event of financial transactions, to safeguard the rights of holders of equity securities;
5. resolves that:
   - the issue price of the directly issued shares shall at least equal shareholders' equity per share, as stated in the most recently approved balance sheet as at the issue date;
   - the issue price of the equity securities shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issuance of those equity securities, be at least equal to the minimum subscription price defined in the previous paragraph;
6. resolves that the Board of Directors, with the option of subdelegation under the conditions set forth by law, shall have all powers to implement this authority and in particular:
   - to decide on the capital increase and determine the securities to be issued;
   - to decide on the amount of the capital increase, the issue price as well as the amount of the premium, which may, if applicable, be requested upon issue;
   - to determine the method of paying the shares or equity securities in full immediately or in the future;
   - to set, as the case may be, the terms for exercising any rights attached to the shares or equity securities to be issued and, specifically, to set the date, even retroactively, from which the new shares will bear interest, to determine the terms for exercising any rights to conversion, exchange, redemption, including by tendering assets in the Company such as securities already issued by the Company, as well as any other terms and conditions for carrying out the capital increase;
   - to determine the dates and terms of the capital increase, the type and characteristics of the securities to be issued and, in addition, to decide in the case of bonds or other debt securities, whether or not they will be subordinated, set the interest rate thereof (including fixed or variable rate, zero coupon or indexed) and stipulate any mandatory or optional cases of suspension or non-payment of interest, stipulate the duration (fixed or open-ended), the possibility of reducing or increasing the par value of the shares and other terms of issue (including the granting of guarantees or pledges) and value write-downs (including redemption by tendering assets of the Company);
   - as applicable, such securities may entail the option for the Company of issuing debt securities (which may or may not be incorporated) in payment for interest, the payment of which would have been suspended by the Company and to modify the terms set forth above during the life of the securities concerned, in accordance with the applicable formalities;
   - to provide for the option of eventually suspending the exercise of the rights attached to such securities, pursuant to existing laws and regulations;
   - to charge, on its sole initiative, capital increase costs on the amount of the premiums associated with them;
   - to set and make any adjustments aimed at taking into account the effect of transactions on the equity of the Company, particularly if there are changes in the par value of the share, in the capital increase by capitalisation of reserves, in the allocation of bonus shares, in share splits or combinations, in the distribution of reserves or of any other assets, in the amortisation of the equity capital or in any other transaction involving the shareholders' equity, and, as the case may be, to set the terms for preserving the rights of equity investors;
   - to take note of every capital increase completed and amend the bylaws accordingly;
   - and, in general, to enter into any and all agreements specifically aimed at the successful execution of the issues planned, to take any and all measures and carry out any and all formalities required for issuing and accounting for the securities issued under this authority and to exercise the rights attached thereto.
7. sets at eighteen months with effect from the date of this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 12 June 2013, in its 10th resolution;

◄ CONTENTS ►

### Fifteenth resolution (Assignment of authority to increase share capital by issuing company shares and/or equity interests reserved for Groupama Holding 2, eliminating the preferential share subscription right on its behalf)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq*. of the French Commercial Code, specifically Article L. 225-129-2 and L. 225-138 of the said Code:

1. delegates to the Board of Directors, with the option of subdelegation under the conditions set forth by law, the authority to determine the capital increase, on one or more occasions, in the proportions and at the times it deems appropriate, by issuing company shares or equity securities, on the understanding that the subscription of shares and other securities may be either in cash, or offset against receivables;
2. resolves to cancel the preferential subscription rights of the shareholders to shares or securities that may be issued pursuant to this resolution and to reserve the right to subscribe to these issues for Groupama Holding 2, a limited company with share capital of €507,998,880, whose registered office is located at 8-10 rue d'Astorg, 75008 Paris, entered in the Paris Trade and Companies' Registry under number 411 955 404;
3. this decision automatically means that the Company's shareholders waive their preferential subscription rights to the Company's shares to which such securities could give entitlement on behalf of holders of issued equity securities based on this resolution;
4. resolves that the maximum par value of the capital increases likely to be carried out immediately or in the future under this authority is set at €1.1 billion; it is specified that, if applicable, the overall limit stated in paragraph 2 of the 13th resolution submitted to this meeting will be increased for the par value of the shares to be issued in the event of financial transactions, to safeguard the rights of holders of equity securities;
5. resolves that:
   - the issue price of the directly issued shares shall at least equal shareholders' equity per share, as stated in the most recently approved balance sheet as at the issue date;
   - the issue price of the equity securities shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issuance of those equity securities, be at least equal to the minimum subscription price defined in the previous paragraph;
6. resolves that the Board of Directors, with the option of subdelegation under the conditions set forth by law, shall have all powers to implement this delegation of authority and in particular:
   - to decide on the capital increase and determine the securities to be issued;
   - to decide on the amount of the capital increase, the issue price as well as the amount of the premium, which may, if applicable, be requested upon issue;
   - to determine the method of paying the shares or equity securities in full immediately or in the future;
   - to set, as the case may be, the terms for exercising any rights attached to the shares or equity securities to be issued and, specifically, to set the date, even retroactively, from which the new shares will bear interest, to determine the terms for exercising any rights to conversion, exchange, redemption, including by tendering assets in the Company such as securities already issued by the Company, as well as any other terms and conditions for carrying out the capital increase;
   - to determine the dates and terms of the capital increase, the type and characteristics of the securities to be issued and, in addition, to decide in the case of bonds or other debt securities, whether or not they will be subordinated, set the interest rate thereof (including fixed or variable rate, zero coupon or indexed) and stipulate any mandatory or optional cases of suspension or non-payment of interest, stipulate the duration (fixed or open-ended), the possibility of reducing or increasing the par value of the shares and other terms of issue (including the granting of guarantees or pledges) and value write-downs (including redemption by tendering assets of the Company); as applicable, such securities may entail the option for the Company of issuing debt securities (which may or may not be incorporated) in payment for interest, the payment of which would have been suspended by the Company and to modify the terms set forth above during the life of the securities concerned, in accordance with the applicable formalities;
   - to provide for the option of eventually suspending the exercise of the rights attached to such securities, pursuant to existing laws and regulations;
   - to charge, on its sole initiative, capital increase costs on the amount of the premiums associated with them;
   - to set and make any adjustments aimed at taking into account the effect of transactions on the equity of the Company, particularly if there are changes in the par value of the share, in the capital increase by capitalisation of reserves, in the allocation of bonus shares, in share splits or combinations, in the distribution of reserves or of any other assets, in the amortisation of the equity capital or in any other transaction involving the shareholders' equity, and, as the case may be, to set the terms for preserving the rights of equity investors;
   - to take note of every capital increase completed and amend the bylaws accordingly;
   - and, in general, to enter into any and all agreements specifically aimed at the successful execution of the issues planned, to take any and all measures and carry out any and all formalities required for issuing and accounting for the securities issued under this authority and to exercise the rights attached thereto.
7. sets at eighteen months with effect from the date of this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 12 June 2013, in its 11th resolution;

### Sixteenth resolution (Assignment of authority to increase share capital by issuing company shares and/or equity interests reserved for categories of persons, eliminating the preferential share subscription right on their behalf)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq*. of the French Commercial Code, specifically Article L. 225-129-2 and L. 225-138 of the said Code:

1. delegates to the Board of Directors, with the option of subdelegation under the conditions set forth by law, the authority to determine the share capital increase, on one or more occasions, in the proportions and at the times it deems appropriate, by issuing company shares or equity securities, on the understanding that the subscription of shares and other securities may be either in cash, or offset against receivables;
2. consequently resolves to cancel the preferential subscription rights of the shareholders for shares or other securities that may be issued pursuant to this resolution and to reserve the right to subscribe to these security issues for the following categories of persons: (i) the elected representatives and agents of the local and/or regional mutuals of Groupama; (ii) the employees and Managers or company officers referred to in Article L. 3332-2 of the French Labour Code, businesses linked to the Company within the meaning of Article L. 3344-1 of that Code, who or which are not beneficiaries of the issues effected in application of the 17th resolution below and/or; (iii) the persons and/or the employees and Managers or company officers of companies not referred to above but who meet the criteria referred to in the first paragraph of Article L. 3344-1 referred to above and/or; (iv) UCITS or other employee shareholding bodies holding investments in the Company's securities, whose share owners or shareholders consist of the persons referred to in (ii) and (iii) of this paragraph and/or the beneficiaries of the 17th resolution below;
3. this decision automatically means that the Company's shareholders waive their preferential subscription rights to the Company's shares to which such securities could give entitlement on behalf of holders of issued equity securities based on this resolution;
4. resolves that the maximum par value of the capital increases likely to be carried out immediately or in the future under this authority is set at €1.1 billion; it is specified that, if applicable, the overall limit stated in paragraph 2 of the 13th resolution submitted to this meeting will be increased for the par value of the shares to be issued in the event of financial transactions, to safeguard the rights of holders of equity securities;
5. resolves that:
   - the issue price of the directly issued shares shall at least equal shareholders' equity per share, as stated in the most recently approved balance sheet as at the issue date;
   - the issue price of the equity securities shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issuance of those equity securities, be at least equal to the minimum subscription price defined in the previous paragraph;
   - for issues to beneficiaries mentioned under (ii) and (iv) of 2 above, the issue price for new shares or equity securities will be based on the terms specified under 3 of the 17th resolution below or identical to the price at which securities of the same type will be issued pursuant to the 17th resolution;
6. resolves that the Board of Directors, with the option of subdelegation under the conditions set forth by law, shall have all powers to implement this delegation of authority and in particular:
   - to decide on the capital increase and determine the securities to be issued;
   - to prepare the exact list of the beneficiaries within the beneficiaries classes cited in paragraph 2 above, for whom shareholders' preferential subscription rights were eliminated;
   - to decide on the amount of the capital increase, the issue price as well as the amount of the premium, which may, if applicable, be requested upon issue;
   - to determine the method of paying the shares or equity securities in full immediately or in the future;
   - to set, as the case may be, the terms for exercising any rights attached to the shares or equity securities to be issued and, specifically, to set the date, even retroactively, from which the new shares will bear interest, to determine the terms for exercising any rights to conversion, exchange, redemption, including by tendering assets in the Company such as securities already issued by the Company, as well as any other terms and conditions for carrying out the capital increase;
   - to determine the dates and terms of the capital increase, the type and characteristics of the securities to be issued and, in addition, to decide in the case of bonds or other debt securities, whether or not they will be subordinated (and, if so, their rank, in accordance with the provisions of Article L. 228-97 of the French Commercial Code), set the interest rate thereof (including fixed or variable rate, zero coupon or indexed) and stipulate any mandatory or optional cases of suspension or non-payment of interest, stipulate the duration (fixed or open-ended), the possibility of reducing or increasing the par value of the shares and other terms of issue (including the granting of guarantees or pledges) and value write-downs (including redemption by tendering assets of the Company); as applicable, such securities may entail the option for the Company of issuing debt securities (which may or may not be incorporated) in payment for interest, the payment of which would have been suspended by the Company and to modify the terms set forth above during the life of the securities concerned, in accordance with the applicable formalities;
   - to provide for the option of eventually suspending the exercise of the rights attached to such securities, pursuant to existing laws and regulations;
   - to charge, on its sole initiative, capital increase costs on the amount of the premiums associated with them;
   - to set and make any adjustments aimed at taking into account the effect of transactions on the equity of the Company, particularly if there are changes in the par value of the share, in the capital

increase by capitalisation of reserves, in the allocation of bonus shares, in share splits or combinations, in the distribution of reserves or of any other assets, in the amortisation of the equity capital or in any other transaction involving the shareholders' equity, and, as the case may be, to set the terms for preserving the rights of equity investors;

- to take note of every capital increase completed and amend the bylaws accordingly;
- and, in general, to enter into any and all agreements specifically aimed at the successful execution of the issues planned, to take any and all measures and carry out any and all formalities required for issuing and accounting for the securities issued under this authority and to exercise the rights attached thereto.

7. sets at eighteen months with effect from the date of this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 12 June 2013, in its 12th resolution.

### Seventeenth resolution (Delegation of authority to increase the share capital, by issuing shares and/or equity securities in the Company reserved for members of savings plans, eliminating their preferential share rights)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report and, in accordance with the provisions of Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-1 *et seq*. of the French Labour Code:

1. authorises the Board of Directors, with the option of subdelegation under the conditions set forth by law, to determine the capital increase, on one or more occasions, of a maximum par value of €150 million, by issuing company shares or equity securities, reserved for members of one or more savings plans (or another plan for members, for which Article L. 3332-18 of the French Labour Code would allow a reserved capital increase under equivalent terms) introduced within Groupama SA or the Groupama group comprising the Company and French and foreign companies included in the Company's accounting consolidation or combination in accordance with Articles L. 3344-1 and L. 3344-2 of the French Labour Code;
2. sets at twenty-six months, with effect from this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 12 June 2013, in its 15th resolution;
3. resolves that the subscription price of the shares or the equity securities shall be set under the conditions stipulated in Article L. 3332-20 of the French Labour Code and shall be equal to at least 80% of the Reference Price (as this expression is defined below) or at least 70% of the Reference Price when the lock-in period provided for by the plan under Article L. 3332-25 and L. 3332-26 of the French Labour Code equals or exceeds ten years; however, the General Meeting expressly authorises the Board of Directors, if it deems appropriate, to reduce or eliminate the above-mentioned discounts up to the legal and regulatory limits in order to take into account, inter alia, the legal, accounting, tax and corporate systems applicable locally; for the purposes of this paragraph, the Reference Price refers to the price set in accordance with the objective methods applied for the valuation of shares, taking into consideration, in accordance with an appropriate weighting in each case of the net assets, profitability and the firm's business prospects, pursuant to the provisions of Article L. 3332-20 of the French Labour Code;
4. authorises the Board of Directors to award future or previously issued shares or equity securities free of charge to the abovementioned recipients, in addition to the shares or equity securities to be subscribed for in cash, in order to make up for all or part of the discount on the Reference Price and/or employer's contribution, provided that the benefit resulting from this allocation does not exceed the legal or regulatory limits, pursuant to Article L. 3332-21 of the French Labour Code;
5. resolves to eliminate the preferential subscription right of the shareholders to the securities subject to this authorisation in favour of the above-mentioned recipients; the said shareholders also waiving any right to any bonus shares or equity securities which might be allocated free of charge under this resolution;
6. resolves that the Board of Directors shall have full powers, with the option of sub-delegation under the conditions set forth by law, to implement this authority, with the option of sub-delegation, as stipulated by law, up to the limits and under the conditions specified above, in particular for the purpose of:

- preparing, as stipulated by law, a list of companies to which employees, early retirees and retirees who may subscribe to the shares or equity securities thus issued and who may qualify, if appropriate, for bonus shares or equity securities;
- deciding that applications for shares may be made directly or through company mutual funds (FCPE) or other vehicles or entities allowed under the applicable laws and regulations;
- setting the terms, particularly as regards seniority, to be met by the recipients of the capital increases;
- determining the subscription opening and closing dates;
- setting the amounts of the issues to be carried out under this authority and determining the issue prices, dates, deadlines, subscription terms and conditions and terms for payment in full, delivery and effective legal date of the securities (even if retroactive), as well as the other terms and conditions for the issues;
- if bonus shares or equity securities are awarded, setting the number of shares or equity securities to be issued, the number to be allocated to each recipient and to determine the dates, deadlines, and terms and conditions for awarding such shares or equity securities up to the limit allowed under existing laws and regulations and, in particular, choosing either to replace in full or in part the allocation of such shares or equity securities for the discounts off the Reference Price referred to above, or to charge the exchange value of such shares or equity securities to the total amount of the employer's contribution, or to combine these two possibilities;
- taking note of the capital increases carried out in the amount of the shares to be subscribed, after any reduction in the event of over-subscription;

- changing any costs of the capital increases to the amount of the premiums associated with them;
- entering into any and all agreements, carrying out, either directly or indirectly by an agent, any and all operations, including any formalities subsequent to the capital increases and amending the bylaws accordingly; and
- in general, entering into any and all agreements aimed at the successful execution of the issues planned; taking any and all measures and carrying out any and all formalities required for issuing and accounting for the securities issued under this authority and exercising the rights attached thereto or subsequent to any capital increases completed.

### Eighteenth resolution (Powers for formalities)

The General Meeting, ruling under the required quorum and majority conditions for Ordinary General Meetings, grants full powers to the bearer of a copy or an extract of these minutes in order to carry out any formalities necessary.

# 7.4 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT, FINANCIAL DISCLOSURES AND FOR AUDITING THE FINANCIAL STATEMENTS

## 7.4.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr Thierry Martel, Chief Executive Officer of Groupama SA

## 7.4.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby declare, after taking every reasonable measure for this purpose, that the information contained in this registration document is, to my knowledge, a true reflection of the facts and does not contain any omissions liable to alter the scope thereof.

I hereby declare that, to my knowledge, the financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, the financial position and the earnings of the Company and of all the companies included in its scope of consolidation, and the information disclosed in the management report presented under section 5.1 presents a true and fair view of the business trends affecting the Company and of the results and financial position of the Company and of all the companies included in its scope of consolidation as well as a description of the principal risks and uncertainties they face.

I have received from the statutory auditors an end-of-engagement letter in which they indicate that they have audited the information on the Company's financial position and the financial statements given in this registration document and read the whole of the registration document.

The consolidated financial statements for the fiscal year ending 31 December 2013 have been certified by a report from the statutory auditors, appearing in section 6.2 of this registration document, which contains a comment.

The statutory auditors prepared a report on the consolidated financial statements for the year ended 31 December 2011 and set forth in the registration document no D12-0466 filed with the AMF on 27 April 2012. This report, which enclosed the following comment, is disclosed on pages 276 and 277 of that registration document:

"Without qualifying our opinion, we draw your attention to Note 1 "Significant and post-balance sheet events" to the consolidated financial statements which describes measures taken by Groupama to strengthen solvency as a consequence of the effects of the financial crisis and the impact of these measures on the Group's situation with regard to the assumption of going concern."

Paris, 28 April 2014
Chief Executive Officer
Thierry Martel

## 7.4.3 PERSON RESPONSIBLE FOR THE FINANCIAL DISCLOSURE

- Mr Christian Collin
  Deputy Chief Executive Officer
  Telephone: 01.44.56.35.00
  Address: 8-10, rue d'Astorg – 75008 Paris (registered office).

## 7.4.4 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

### 7.4.4.1 Statutory auditors

Members of the Versailles regional auditors' institute

- PricewaterhouseCoopers Audit
  Represented by Eric Dupont and Christine Billy
  Crystal Park
  63, rue de Villiers
  92208 Neuilly-sur-Seine
  Whose first term of office began on 18 December 2003. The current term of office has a duration of six fiscal years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2016.
- Mazars
  Represented by Jean-Claude Pauly and Christophe Berrard
  Tour Exaltis
  61, rue Henri Régnault
  92400 Courbevoie
  Whose first term of office began on 12 September 2000. The current term of office has a duration of six fiscal years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2017.

### 7.4.4.2 Alternate statutory auditors

Members of the Versailles regional auditors' institute

- Yves Nicolas
  Crystal Park
  63, rue de Villiers
  92208 Neuilly-sur-Seine
  Whose first term of office began on 25 May 2011 for a duration of six fiscal years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2016.
- Michel Barbet-Massin
  Tour Exaltis
  61, rue Henri Régnault
  92400 Courbevoie
  Whose first term of office began on 12 September 2000. The current term of office has a duration of six fiscal years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2017.

# 7.5 DOCUMENTS AVAILABLE TO THE PUBLIC

All the statements by the Company and the annual reports, including in particular the historical financial information on the Company, are available on the Company's website at the following address: www.groupama.com, "Finance" – under "Financial information", and a copy can be obtained at the Company's registered office at 8-10 rue d'Astorg – 75008 Paris.

The bylaws of the Company as well as the minutes of General Meetings, auditors' reports and parent company and consolidated financial statements can be reviewed at the Company's registered office: 8-10, rue d'Astorg – 75008 Paris, in the Legal Department.

CONTENTS

# GLOSSARY

## ACTUARIAL RESERVES

Sums which the insurer must record as liabilities on its balance sheet, corresponding to its commitments to policyholders.

## ON A LIKE-FOR-LIKE BASIS

On a like-for-like basis means that the information related to the period of the relevant fiscal year are adjusted using the exchange rate applicable for the same period of the previous fiscal year (constant exchange rate), eliminating the income from acquisitions, disposals and changes in scope of consolidation (constant scope) and cancelling changes in accounting methods (constant methodology) in one of the two periods compared.

## COMBINED RATIO

The combined ratio of Groupama SA is the ratio:

- of the total claims expense net of reinsurance and operating costs;
- to the premiums earned net of reinsurance.

## CONVEXITY

This notion supplements the notion of duration, which does not contain any information on the dispersion of flows, the duration of which is calculated. In some cases, this may be a poor approximation of the sensitivity to a distortion (and not only a simple conversion) or to a pronounced conversion in the yield curve Schematically the sequence of identical flows – one in period 0 and the other in period 10 – will have the same duration as a single flow in period 5.

Notions of duration and convexity are used when attempting to back liabilities with bonds. The process of backing liabilities with bonds is much more precise when the bond portfolio has a duration and convexity close to those of the liabilities.

## DURATION

The duration of a bond corresponds to the average duration of the funds generated by it weighted by their current values. On this order of magnitude, the value of the bond can be understood in terms of its sensitivity to conversions in the yield curve by extension, any flow sequence can be calculated, particularly those related to insurance liabilities based on projections of such flows.

## ECONOMIC OPERATING PROFIT

Groupama SA's economic operating profit corresponds to the net profit, including any capital gains or losses on the share going to the shareholder, variations in fair value and one-time activities, net of corporate income tax.

## GROUP INSURANCE

A category of insurance allowing a legal entity called an underwriter to underwrite a policy with an insurance company for the purpose of having a group of persons join who are united by similar ties.

## GUARANTEED RATES POLICY

Policy under which the insurer promises under contract to pay interest on the capital built up at a certain rate.

## INDIVIDUAL INSURANCE

A category of life and health insurance under which an individual can take out an insurance policy (death, life) with an insurance company.

## LIFE AND HEALTH INSURANCE

Policies covering a personal risk. These policies include life and death insurance but also all risks affecting the physical integrity of the person due to accident or illness (disability, long-term care, healthcare reimbursement costs, etc.).

## LONG-TERM CARE POLICY

Policy designed to cover the risk of the loss of independence by the elderly.

## MULTI-VEHICLE POLICY

Insurance policy whose redemption value or the service paid by the insurer is denominated in euros and unit-linked assets The policyholder (or member) generally has a choice of currency in which he wishes to invest his premiums (in euros or in unit-linked assets) and may, depending on the possibilities provided under the policy, request that the initial choice be changed (arbitrage).

## POLICY IN EUROS

Policy under which the redemption value or the service paid by the insurer are denominated in euros.

1 2 3 4 5 6 7

## PROFIT-SHARING

In life insurance and capitalisation, insurance companies include their policy-holders in their earnings by redistributing them.

## RECURRING FINANCIAL MARGIN

Recurring financial margin accounts for the income from investments minus investment expenses.

## ROE (RETURN ON EQUITY)

The ROE of Groupama SA is the financial ratio equal to the quotient of the Net result (group share) of the average shareholders' equity, excluding the revaluation reserves and the fair value effect. It represents return on the funds invested by shareholders.

## RUN-OFF

Discontinued operations for which the premium income consists exclusively of periodic premiums associated with old subscriptions.

## STATUTORY SOLVENCY MARGIN

Minimum risk coverage related to the insurance business required by oversight agencies to protect the interests of policy-holders.

## UNIT-LINKED POLICY

Insurance policy for which the redemption value and the service paid by the insurer are expressed not in euros but in another unit of value, generally in the number of shares or mutual fund units. Thus the exchange value in euros of the insurer's commitment depends on changes in the securities comprising the mutual fund on the financial markets.

# CONCORDANCE TABLE WITH THE HEADINGS REQUIRED BY EU REGULATION N° 809/2004

The concordance table below refers to the principal items required by EU Regulation 809/2004 (Schedule 1) pursuant to the "Prospectus" directive.

| | | |
|---|---|---|
| **16.** | **Operating methods of the administrative and management bodies** | |
| 16.1 | Expiration dates of current terms of office | 29 to 46 ; 48 |
| 16.2 | Service contracts between the members of the managing bodies to the issuer or to any of its subsidiaries | 47 |
| 16.3 | Information on the operating methods of the corporate governance bodies | 48 to 55 ; 331 to 338 |
| 16.4 | Compliance with the corporate governance system in force | 49 to 50 |
| **17.** | **Employees** | |
| 17.1 | Number of employees | 11 to 14 |
| 17.2 | Profit sharing and stock options | 14 ; 341 |
| 17.3 | Agreement for employee profit-sharing in the equity of the issuer | 340 |
| **18.** | **Principal shareholders** | **149 ; 341** |
| **19.** | **Related party transactions** | **97 ; 98 ; 277 to 284** |
| **20.** | **Financial information on the assets, the financial position and the results of the issuer** | |
| 20.1 | Historical financial information | 180 to 289 |
| 20.2 | Pro forma financial information | Non applicable |
| 20.3 | Parent company financial statements | 292 to 322 |
| 20.4 | Audits of the annual historical financial information | 290 to 291 ; 323 to 324 |
| 20.5 | Date of the latest financial information | 180 |
| 20.6 | Interim financial and other information | Non applicable |
| 20.7 | Dividend distribution policy | 176 |
| 20.8 | Legal and arbitration proceedings | 178 |
| 20.9 | Significant changes in the Group's financial or commercial position | 128 and 129 |
| **21.** | **Additional information** | |
| 21.1 | Share capital | 327 ; 339 to 340 |
| 21.1.1 | Total share capital | 339 to 340 |
| 21.1.2 | Debt instruments | 340 |
| 21.1.3 | Shares held by the company or its subsidiaries | 340 |
| 21.1.4 | Other equity instruments | 340 |
| 21.1.5 | Information on the conditions governing any right of acquisition and/or any obligation attached to the subscribed capital | Non applicable |
| 21.1.6 | Information on the share capital of any group member company subject to an option | Non applicable |
| 21.1.7 | History of the share capital over the past three years | 340 |
| 21.1.8 | Employee holdings of Groupama SA shares | 340 |
| 21.2 | Articles of association and bylaws | 176 ; 326 ; 340 |
| 21.2.1 | Corporate purpose | 326 |
| 21.2.2 | General Management of the company | 330 |
| 21.2.3 | Rights, privilege, restriction attached to shares | 331 |
| 21.2.4 | Modification of the capital and voting rights attached to shares | Non applicable |
| 21.2.5 | General meeting | 330 to 331 |
| 21.2.6 | Provisions that might have an effect of delaying, deferring or preventing a control commitment of the issuer | Non applicable |
| 21.2.7 | Share form and transfer — Approval clause | 327 à 328 |
| 21.2.8 | Conditions governing changes to capital, when the conditions are more stringent than the legal provisions | Non applicable |
| **22.** | **Major policies** | **97 ; 279 to 284** |
| **23.** | **Information from third parties, appraisal reports and interest reports** | **Non applicable** |
| **24.** | **Documents available to the public** | **351** |
| **25.** | **Information on equity interests** | **286 to 289 ; 321 and 322** |

# CONCORDANCE TABLE WITH THE DISCLOSURES REQUIRED IN THE ANNUAL FINANCIAL REPORT

| | Disclosures required in the annual financial report | Page of the Registration Document |
|---|---|---|
| **1.** | **Attestation by the person responsible for the document** | **349** |
| **2.** | **Management Report** | |
| 2.1 | Analysis of the results, the financial position, the risks and a list of authorisations granted for capital increase purposes to the parent company and the consolidated entity (Articles L.225-100 and L.225-100-2 of the Commercial Code) | 126 to 175 |
| 2.2 | Information required by Article L.225-100-3 of the Commercial Code on factors liable to have an effect in the event of a public offer | Non applicable |
| 2.3 | Information on share buybacks (Article L.225-211, paragraph 2 of the Commercial Code) | Non applicable |
| **3.** | **Financial statements** | |
| 3.1 | Annual financial statements | 292 to 322 |
| 3.2 | Auditors' report on the annual financial statements | 323 to 324 |
| 3.3 | Consolidated financial statements | 180 to 289 |
| 3.4 | Auditors' report on the consolidated financial statements | 290 to 291 |

Designed & published by Labrador +33 (0)1 53 06 30 80

**Photo credits:** Groupama – Labat Jean-François, Shutterstock – Losevsky Pavel.

INSURERS WHO CREATE CONFIDENCE