Financial Report
Groupama
Combined accounts
2005

Groupama

Contents

Report of the board of directors on the combined accounts of Groupama financial year 2005

1 BUSINESS ENVIRONMENT

1.1 MACROECONOMIC ENVIRONMENT

At the end of 2004, there was a mild slowdown in global economic activity. The rising cost of commodities and the beginning of an increase in American interest rates made a marked slowdown in world growth seem likely in 2005.

At the beginning of 2005 there was indeed a mild decline but, beginning in the summer, activity picked up. With growth in the world's GDP estimated at +4.4% (compared with +4.9% in 2004), 2005 ultimately showed many similarities to the prior year:
- worldwide growth was strong, driven by the dynamism of the American and Asian economies;
- the Japanese economy continued to strengthen;
- Europe, particularly the euro zone, continued to lag behind;
- despite the growth, there was little sign of inflation, and the differential between long and short term interest rates continued to narrow;
- commodity prices continued to hold steady;
- various imbalances increased further, including the US trade deficit, household indebtedness, and a deterioration in the public finance sector in most OECD countries.

UNITED STATES

US growth remained very strong in 2005, reaching an annual average of 3.7%, compared with 4.2% the prior year. As in 2004, this growth was based on all areas of domestic demand. Corporate investment benefited from new record profit margins of American corporations. This performance owed much to consistent improvements in productivity.
Household consumption continued steady, drawing strength from the decline in unemployment and significant job creation; the number of new jobs created during the year exceeded 2 million, following an increase of 2.2 million in 2004.

Exports also continued strongly with a volume increase of almost 7%. However, this increase was not sufficient to counter the growth in the trade deficit, which approached US$ 700 billion (representing about 5.7% of the GDP). This deficit in turn put continuing downward pressure on the dollar.

THE EURO ZONE

The Euro zone continued to lag the 2004 world recovery. The increase in the euro's exchange rate hindered competitiveness and slowed industrial production and employment. There was little change in these trends in 2005. Economic growth was again very soft (annual average of about 1.5%, compared with 1.8% the prior year). The euro's decline did not prevent a further drop in certain parts of the market. Exports, which were up 4%, again increased at a lower rate than that of global trade overall.
In addition, domestic demand remained low, influenced by the very limited increase in purchasing power of household disposable income and an upturn in the labour market that came late in the year.

Beyond this generalized view, there were significant disparities at the national levels:
- very weak growth, driven solely by external forces, in Germany, Benelux and Italy;
- moderate growth in France, where the strength in household consumption offset weakness in business investment;
- steady growth in Spain.

Nevertheless, these annualized changes should not be allowed to obscure the signs of recovery in economic activity which appeared during the summer, after a rather disappointing first half. Due to a drop in the euro, European exports improved significantly in the third quarter, rising almost 15% on an annualized basis. This improvement was also reflected in the overall economic picture, with most sectors showing a favourable trend.

JAPAN

As in 2004, Japan was one of 2005's good surprises. The Japanese economy experienced a period of robust economic growth, based primarily on export performance (driven by Chinese demand), as well as investments in productivity. The favourable investing trend is an illustration of the better health of Japanese business (whose profitability has continued to grow over recent years) along with a sharp drop in corporate debt. There has also been an encouraging recovery in domestic demand (which grew about 2% in 2005) due to strength in the employment market and salary levels.

EMERGING COUNTRIES

Following historically strong performance in 2004 (8.1% overall in Asia, and 5.7% excluding China; 5.3% in Eastern Europe and 5.8% in Latin America), the major emerging market zones experienced a mild decline in their rate of growth in 2005. Generally sound economic policies have allowed the maintenance of fairly high growth without major imbalances. Notably, in the majority of these countries, inflation remained under control despite soaring petroleum prices.

Asia: growth in the area is driven by China's vigorous economic expansion. The anticipated slowdown of the Chinese economy in 2005 did not occur. According to government statistics, growth for the year was almost 10%. China has become the fifth largest economy in the world, when its GDP is converted at current exchange rates.

Latin America: growth occurred at a lower rate in 2005. Although economic performance was not quite as strong, it nevertheless remained at satisfactory levels, with an average annual increase of over 4%. In addition, there was more balanced growth overall, a very positive development, which should allow the major countries in the zone to stay on a path of more steady and consistent growth than was previously the case.

Eastern Europe: growth continued in 2005 at a slightly lower rate than in 2004, averaging between 4% and 6%. In most of these countries, the business climate was satisfactory, which allowed economic activity to continue steady in the context of very moderate inflationary tendencies worldwide.

1.2 FINANCIAL MARKETS

EXCHANGE MARKETS

The enigmatic state of long term rates continues to raise questions. Despite the strong growth in world economic activity in 2004 and concerns about increases in inflation due to rising commodities prices during in 2005, a long-anticipated rise in long term interest rates did not materialize. US government rates ended the year with only a modest increase, and their European counterparts showed a drop to 3.3%, compared to 3.7% the year before.

Due to the pursuit of greater monetary restraint in the United States and Europe, interest rate curves flattened significantly. This development is explained by the combined effect of monetary decisions and expectations (for example, the first increase in ECB rates in December) and buying pressure at the longer end of the curve (due to strong global liquidity, purchases by Asian central banks, and accounting and regulatory reforms in Europe).

Expectations in the European money market tracked economic indicators in 2005. Confronted with still rather vague fears of inflation, the ECB initially raised its discount rate from 2% to 2.25%. The US Federal Reserve discount rate rose from 2.25% to 4.25% over the course of the year.

For private borrowers, risk premiums remained fairly stable during the year (BBB borrowers paid 75 basis points over the EURO interbank market compared with 70 basis points in 2004), but these averages conceal major disparities within sectors and securities (for example, the automobile sector was affected by the difficulties experienced by the American car companies GM and Ford.)

Overall, the performance of bond markets was on track in 2005. For Euro zone government obligations, it was in the range of 5.2%. Convertible bonds posted a strong performance of almost 10%, benefiting from stock market strength and underlying price volatility.

STOCK MARKETS

Stock markets posted very strong performances in 2005, rebounding sharply after two brief interludes of pessimism in early spring and October. Stock exchanges drew strength from upward revisions of profit margins, as well as declining interest rates, particularly in the Euro zone. With the exception of American exchanges, stock markets experienced double digit growth, keeping pace with estimated profit growth for listed companies.

In local currencies, the S&P gained 3% and the Nasdaq 1.4%; the Japanese Nikkei index was up over 40%; and the CAC 40 increased 22% between 1 January and 31 December 2005. As in 2004, stock exchanges in emerging countries posted the strongest performances. For the second consecutive year, the Colombian and Slovakian exchanges achieved outstanding performance, with increases of over 100%. In Russia, the RTS index gained over 80%. Only a few countries –among them China– did not participate in this overall upward trend.

FOREIGN EXCHANGE MARKETS

After three years of steep depreciation against the world's major currencies, the dollar began a significant rise at the beginning of 2005, which continued throughout the year. The monetary restraint exercised during the summer of 2004 and the Federal Reserve's consistent policies ultimately overcame fears that had been driven by the growing American deficit during the prior period. The interest rate differential between the United States and the Euro zone continued to favour dollar investments. The euro depreciated a total of 13% against the dollar over the course of the year. The American currency also rose 13% against the yen. Asian economies whose currencies were not tied to the dollar were compelled to limit the external appreciation of their currencies' value by swelling their reserves. Pressures to adjust the value of the Chinese yuan resulted in a symbolic 2% revaluation during the summer. With the soaring balance of trade deficit between the United States and China, these pressures will doubtless come to the fore again.

FRENCH REAL ESTATE MARKETS

Abundant liquidity and credit growth also buoyed the real estate market in several OECD countries, with very tight conditions developing in various geographic areas, including the United States and southern Europe.

In France, the sale prices of freestanding houses and apartments grew 7% and 10% respectively. This strength, spurred by low long term interest rates and increased borrowing, sustained domestic demand. Purchases of housing related capital goods were up strongly in 2005.

2 SIGNIFICANT EVENTS

2.1 ORGANISATION OF THE GROUP

APPOINTMENT OF OUTSIDE DIRECTORS

The General Shareholders Meeting of Groupama S.A., held on 24 February 2005, approved the appointment of three external directors to the Board of Directors of Groupama S.A. for a 6 year term. These appointments bring the number of directors from 13 to 16, comprising 11 representatives from the regional mutuals, shareholders of Groupama S.A., 2 directors elected by employees of Groupama S.A., and 3 external directors.

2.2 CHANGES IN THE GROUP

PERPETUAL BOND ISSUE

At the end of June 2005, Groupama carried out a €500 million subordinated perpetual bond issue with a coupon of 4.375%. This borrowing features a "10 year call" which allows the issuer to repay the loan beginning on 6 July 2015, if it desires to do so. This transaction was well received by investors. The order book, which was filled in less than two days, was significantly over-subscribed by almost 70 top tier investors.

CROP INSURANCE

In March 2005, Groupama introduced "Climats", a multirisk climate insurance targeted at agribusiness operators. The "Climats" product range is designed for everyone involved in the business, regardless of size or economic policies. The insurance products offered are in accordance with the three levels outlined by governmental authorities:

- for minor risks, a savings incentive plan as part of a tax exempt "loss deduction" program;
- for more significant risks –private insurance. This coverage is for fixed production overhead costs which are estimated at 65% of business turnover;
- for major claims, governmental funding assistance remains available.

GROWTH IN VIETNAM

In January 2005, the Vietnamese government authorised Groupama to extend its activities into all sectors of the non-life insurance business in Vietnam, throughout the territory. At the Group's request, the governmental authorities granted an extension of the license which was originally issued in 2001, which had covered only agricultural insurance in the southern part of the country.

ACQUISITION OF THE BRITISH INSURER CLINICARE

At the end of 2005, Groupama Insurances acquired the British insurer Clinicare, a subsidiary of the French mutual insurance group Azur-GMF, which specializes in health insurance. This company has a staff of 70. In 2004, its premium income was €48 million. Clinicare was awarded the prize of "Health Insurance Company of the Year 2005" during the Health Insurance Awards ceremony. This is the most prized distinction in the United Kingdom in the healthcare insurance sector.

JOINT MARKETING CAMPAIGNS

With a goal of building business and increasing premium income, Groupama implemented a shared marketing campaign for all group members in France. These plans are based on simultaneous efforts by all the regional mutuals, following the same scheduling calendar and procedures. In 2005, four group campaigns were introduced, based on the themes of banking, automobile insurance and finance, health and provident, and savings. The goal of these campaigns –to market our product range as a package– was in large part achieved. The campaign significantly improved the Group's business performance. We will continue our joint marketing campaigns in the future.

2.3 OTHER DEVELOPMENTS

GROUPAMA INSURANCES, COMPANY OF THE YEAR IN THE UNITED KINGDOM

During "Insurance Day Awards 2005", organised by Insurance Day Magazine on 9 December 2005, Groupama Insurance was named "Company of the Year". This award recognized the Company's progress over the last several years.

DOSSIERS DE L'ÉPARGNE GUIDE

In January 2005, three Groupama products gained the mark of excellence in the 2005 "*Santé Prévoyance*" guide (*Dossiers de l'Épargne guide*): *Groupama Santé Active* (Health), *Capital Référence* (Provident) and *Avenir Autonomie* (Provident).

EMPLOYEE SAVINGS PLANS

On 29 September 2005, the magazine *Mieux Vivre Votre Argent* again recognized the quality of financial management of the funds offered by Groupama Épargne Salariale and managed by Groupama Asset Management, awarding the highest grade to the Épargne Salariale plan.

3 APPLICATION OF IFRS STANDARDS

For the first time, the Group published its financial statements for the year ending 31 December 2005 according to international IFRS standards. For comparative purposes, the year 2004 has been restated and presented in accordance with IFRS standards. The transition date to IFRS standards was 1 January 2004.

Net stockholders equity group part as of 1 January 2004 totalled 3,985 million euros under IFRS standards, versus 3,664 euros under French standards. The variation can be broken down as follows, as of that date:

(in millions of euros)	
SHAREHOLDERS EQUITY (GROUP SHARE) AS OF 1 JANUARY 2004 ACCORDING TO FRENCH STANDARDS	**3,664**
IAS Standards 32/39 - Financial instruments	1,937
IFRS Standard 4 - Shadow accounting	– 1,339
IFRS Standard 4 - Equalization provisions	276
IAS Standards 27/28 - Scope of consolidation	– 247
IFRS Standards 1/3 - Regrouping of businesses	– 446
IAS Standard 12 - Deferred taxes	194
IAS Standard 19 - Employee benefits	– 87
IAS Standards 16/40 - Fixed assets	16
Other Effects	17
SHAREHOLDERS' EQUITY (GROUP SHARE) AS OF 1 JANUARY 2004 RESTATED IN ACCORDANCE WITH IFRS STANDARDS:	**3,985**

4 DEVELOPMENTS OCCURRING AFTER THE CLOSE OF THE 2005 FINANCIAL YEAR

4.1 INTERNATIONAL

ACQUISITIONS IN SPAIN

On 24 January 2006, Groupama Seguros acquired two subsidiaries of the Azur-GMF group in Spain: Azur Multiramos in non-life insurance (with premium income of €30 in 2004) and Azur Vida (premium income of €15 million in 2004).
Spain is a major target market in Groupama's international strategy.

ACQUISITION IN TURKEY

In early 2006, at the end of the privatisation process in Turkey, Groupama acquired (subject to formal approval by the Turkish authorities) 56.67% of the non-life insurance company Basak Sigorta (€222 million premium income in 2004) and 41% of the life insurance company Basak Emeklilik (€46 million premium income in 2004), which is owned 38% by Basak Sigorta.
With this acquisition, Groupama becomes the sixth largest insurer in the Turkish market, which has experienced one of the highest growth rates in the world.
Groupama also retains its 36% ownership of the capital of Günes Sigorta in Turkey.

4.2 ORGANISATION

AUTHORISATION OF A CAPITAL INCREASE FOR GROUPAMA S.A.

The General Meeting of Fédération Nationale Groupama, held on 24 February 2006, gave its approval to open up the share capital of Groupama S.A., in order to fulfil Groupama S.A.'s need for partial or complete financing or refinancing, of one or several investments for major external growth, or to implement strategic partnerships in France and/or elsewhere.

5 ANALYSIS OF FINANCIAL STATEMENTS

5.1 SCOPE OF CONSOLIDATION

Based on a comparison with 31 December 2004 statements and taking into account the transactions described above, the major changes in the scope of consolidation are as follows:

Newly included in the scope of consolidation
The entity Clinicare, which was acquired at the end of 2005, is included within the scope of consolidation.

Mergers, reorganisations and removals from the scope of consolidation
Merger/absorption of Groupama Gestion by Groupama Asset Management.

5.2 BUSINESS ACTIVITIES AND RESULTS

COMBINED TURNOVER

The combined insurance premium income for Groupama totalled €13.2 billion as of 31 December 2005, an increase of 4.6% from 2004 in current exchange rates. When financial activities are included, the group's 2005 turnover totalled €13.5 billion, an increase of 4.8% over 2004 results.

At constant exchange rates and scope of consolidation, the growth in the insurance combined premium income was up 3.8% from the 31 December 2004 level. The Group's total turnover based on constant exchange rates and scope of consolidation increased 4.0%.

During 2005, premium income in France, excluding discontinued activities, grew 4.7% in current exchange rates and 3.8% in constant exchange rates. It represents 83.1% of the Group's total business. International business (14.8% of total sales) is up 7.4% at current exchange rates and 7.3% at constant exchange rates, excluding discontinued activities. The Group's other activities represent 2.1% of total turnover.
The Group posted a significant increase in life and health insurance premium income, which was up 6.9% at current and constant exchange rates. Life and health insurance in France increased 6.3%, but was nevertheless lower than the very strong French market overall. International showed consistent growth in life and health insurance activities, which were up 14.0% at current exchange rates and 13.5% at constant exchange rates. Subsidiaries in southern Europe made a strong contribution to this growth.
In the areas of property and liability insurance, premium income rose 3.4% in current terms and 1.9% in constant terms. This sector grew only modestly in France (+3.1% in current scope of consolidation and +1.2% in constant scope of consolidation), but International experienced premium income growth of 4.7% in this area.

INSURANCE IN FRANCE (83.1% OF THE GROUP'S PREMIUM INCOME)

Premium income in France grew 3.8% between 31 December 2004 and 31 December 2005. The Group's growth in property and liability insurance (47.9% of premium income in France) was 1.2%, slightly lower than the 2.5% growth in the market overall. Life and health insurance (52.1% of French premium income) showed a 6.3% increase (excluding discontinued activities) compared to 14% growth in the market overall.
The health and accident sector increased by 7.9% from December 2004, compared with average growth of 7% in this market overall. Activity in the individual savings and retirement sector increased 8.6% from 2004 (compared with 14% for the market as a whole), driven by an increase in payments for unit-linked contracts of 64.3% (versus 47% for the market as a whole).

Regional mutuals
The regional mutuals market all types of insurance products through a network of employees and agents.

The regional mutuals contributed combined premium income of €4,360 million, a 2.2% increase (excluding credit/guarantee insurance which is now provided only by Groupama Assurance Crédit). Different sectors showed divergent growth rates. The growth in the health risk sector (+7.9%) and other life and health insurance (+6.0%) is largely attributable to premium increases for health coverage and a focus on strong growth in the area of unforeseen event risk guarantee coverage (+30.9%). In contrast the drop in motor insurance rates due to strong competition and a small decrease in the number of vehicles covered (–0.6%), resulted in a decline. After a marked drop of 1.5% in fire insurance premiums in 2004, especially in the agricultural market (–6.0%), this sector picked up in 2005 with a 2.3% increase. Premiums from atmospheric risk declined slightly by 0.4%, due to some loss of business in the crop and storm sector, which was not offset by fee increases carried out in this area. There was notable success in the introduction of multirisk climate insurance where premium income totalled €32 million in 2005; this result allowed Groupama to consolidate its position in this market in France. There was also a slight drop in premiums relating to heavy commercial risk (–3.9%) because of changes to the portfolio.
Premium income for life and health insurance grew significantly by 7.3%, while income from property and liability was stagnant.

Groupama S.A.
Groupama S.A. reinsures the regional mutuals through an internal reinsurance contract. It also centralises and organises the Group's external reinsurance coverage.
The €28 million **Groupama S.A.**'s premium income (excluding internal reinsurance) is not significant. It should be noted that the share of direct business and participation in professional pools is included in the combined statements.

Groupama Vie
Groupama Vie is the subsidiary that houses life insurance policies marketed by the regional mutual network.

Groupama Vie earned premium income totalling €1,752 million, a 9.0% increase over 2004. This change is attributable to growth in both individual insurance (+8.7%) and group life insurance (+13.1%) sectors. In individual insurance, premium growth was driven by strong performance in the savings sector. Rate guarantee marketing initiatives (carried out at the end of 2004 and 2005) and strong performance by the financial markets explain the increase in collections (primarily unit account payments). In group insurance, premium income rose 13.1% over the 2004 level. Adjusted for the payment on the EDF retirement contract, premium income shows growth of 24.7%, reflecting the effect of substantial payments on contracts for retirement packages.

Gan Assurances
With a network of 1,000 general agents, Gan Assurances offers a wide range of contracts and services adapted to the needs of individuals, independent professionals and business owners: motor, housing, health, provident insurance, savings, retirement, investments and professional coverage. Gan Assurances, with the fifth largest network of general agents in France, comprises two legal entities:
• Gan Assurances IARD, which is dedicated to property and liability insurance;
• Gan Assurances Vie which is dedicated to life and health insurance.

The network of general agents posted a 3.0% growth in their activity.
• **Gan Assurances Vie** posted premium income of €1,147 million, a 2.8% increase over 31 December 2004. This growth occurred in the market for individual insurance (+3.6%) and to a lesser extent in the group insurance market (+1.1%). In individual insurance, the 3.6% increase in premiums is attributable to savings collections (+19.5%) and health payments (+4.4%), and reflects rates increases. This growth was nevertheless diminished by weaker performance in retirement (+0.6%) and provident insurance (–4.4%). Group insurance premium income grew 1.1% compared to the previous year. This growth was largely due to rates increases in both provident insurance (particularly for work stoppages) as well as health. The retirement sector showed a 6.6% drop in premium income.
• **Gan Assurances IARD** posted premium income of €1,134 million, up 3.2% compared to 2004 figures, adjusted for the effect of a change in premium issue methods. In direct agent business (which represents over 95% of Gan Assurances IARD's business), the premium income growth is largely attributable to intrinsic portfolio growth (28,000 new policies, 25,400 of which were motor policies). The motor sector thus showed 3.2% premium growth. In construction insurance, there was a strong 44% premium growth, particularly in the construction sites property risks sector. This change is attributable to new opportunities in this market (portfolio growth combined with rates increases) due to scarcity of participants. In home insurance, premiums showed a positive trend (up 4.1%), largely due to portfolio growth, combined with rates increases for the non-occupied property sector.

Gan Eurocourtage
Gan Eurocourtage is the third largest brokerage company in France and is developing its expertise in all areas of insurance, working in close collaboration with more than 2,000 brokers. Its product offerings address the needs of personal, professional, very small, and small and medium enterprises, both in general and group life insurance. Two entities market these products:
• Gan Eurocourtage IARD, dedicated to property and liability insurance business;
• Gan Encourtage Vie, dedicated to group life insurance business.

The brokerage network posted premium income of 1,358 million, almost the same as 2004 (–0.5%).
• **Gan Eurocourtage Vie** posted premium income of 591 million, a 4.6% increase over the prior year. This positive development is attributable to rate increases in the health and provident insurance sectors. It should be noted that the portfolio for these two sectors was closely supervised during the year. Income from borrowers business was up 12.4% for the first time in several years, as growth in new business compensated for "run-off" business. In savings, the life group's business grew 8.6%, largely due to new policies. Adjustments to prior years had a favourable effect on coinsurance premium income, which grew 8.0%. Reinsurance premium income was down 5.6%.
• **Gan Eurocourtage IARD** posted premium income of 767 million, a drop of 4.1% from 2004. There were contrasting results in various markets. The growth in group products, particularly motor offerings, had a very positive impact on the personal and professional market, whose premium income was up 8.9%. The building sector also performed well, with premium income up 19.2%, owing to a favourable rate environment and a rise in the number of contracts in the portfolio. In commercial lines, premium income contracted sharply (–14.1%); this market has become highly competitive, particularly for industrial risks (–19.0%) and fleets (–13.8%). The cancellation of the SFR telephonic group was also a factor in this drop. The growth in construction business was substantial (+24.4%), and was driven by the favourable liquidation of issues from prior years.

Gan Prévoyance
Gan Prévoyance offers provident insurance, retirement, health and savings products through a network of 1,200 marketing advisors.

Gan Prévoyance posted premium income of €454 million, up 5.1% compared to December 2004. This growth was attributable in part to 12.0% premium increases in retirement and 6.3% increases in savings products with periodic premiums. As in 2004, the increase in health premium income (+55.0%) made a vital contribution to the non-life insurance activities of this entity.

Gan Patrimoine and its subsidiaries
Gan Patrimoine specialises in savings and retirement.

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

Groupama Transport
Groupama Transport, the second largest French marine and transportation insurer, offers "made-to-measure" contracts for all aspects of the business (transporters, logistics, shipowners, fishing, pleasure craft, ports, rivers, and aviation).

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

Other specialised companies in the Group

Groupama Assurance-Crédit is the Group's specialist in credit insurance, commercial litigation coverage, bad debt recovery, and guarantees. This subsidiary focuses on small and medium size businesses as its specialty. Groupama Assurance Crédit products are sold through 11 regional mutuals and 1,300 Gan Assurance agents with technical and marketing support from Groupama Assurance-Crédit. Its products are also marketed through brokers. Groupama Assurance-Crédit became the Group's only direct insurer for credit/guarantee business as of 1 January 2005. On a constant scope of consolidation basis, the premium income of 27 million euros stagnated because of the sharp slowdown of business growth and the contraction in insurable business due to the overall business climate.

Mutuaide Assistance engages in all areas of assistance for the Group (automobile repair, health rapatriation, travel insurance and home care). Mutuaide Assistance posted strong growth in premium income compared to 2004 (+41.6%), largely due to the effect of rates and an increase in the card area (the Europay contract), as well as a growth in new business (inclusion of the new Zephir, FMA and April contracts and the treaty with l'Européenne d'Assurances).

Groupama Protection Juridique is the Group subsidiary dedicated to the legal protection of policyholders. Its contribution to premium income was up 14.4%, due to a strategy of increasing policies distributed through brokers and partners outside the Group (growth of 34.3% compared to 2004).

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

INTERNATIONAL INSURANCE (14.8% OF THE GROUP'S PREMIUM INCOME)

The Group's combined International premium income totalled €2.0 billion, up 3.7% from the previous year, including discontinued activities. Excluding the latter, growth was 7.3%. In life and health insurance, business grew 13.5%, driven primarily by life insurance. Premium income from property and liability insurance grew by 4.7%. With the exception of our Hungarian subsidiary, all subsidiaries posted very good growth.

Groupama Insurances distributes its products through brokers and intermediaries to the individual and small and medium size business markets. After several years of portfolio restructuring and a rigorously controlled subscription policy, this subsidiary showed strong recovery in 2005, with premium income of €504 million (+11.5%). All sectors contributed to this growth. In the motor sector, premiums were up 16.7%, partly due to the signing of two significant contracts with the brokers Euclidian and Premier Underwriting, and also due to lower rates, which facilitated the acquisition of new market share. The property damage and other risks sector also made a 13.9% contribution to the subsidiary's growth, owing to the strong growth in niche products. To a lesser extent, health and household sectors made their contributions of 3.2% and 2.3% respectively during the year.

Gan Italia is active in general non-life insurance markets and is growing in the areas of capitalisation, pension funds, and unit account contracts. Business in Italy grew more than 3.6% compared to 2004, spurred by the life insurance sector, whose premium income of €191 million grew 6.7%. This gain was partly attributable to group insurance results as well as to the success of two "window" transactions carried out during the year. Growth in the non-life premium income (€353 million) was considerably smaller, however (+2.0%). A slowdown in the Italian motor insurance market was also felt by this subsidiary, which experienced level performance in this sector. On the other hand, there was a 7.2% increase in the property damage and health and accident sector, which was boosted by multirisk home insurance products.

Our Spanish subsidiary diversified its range of products and services for individuals in order to maintain its position in a market undergoing intensified competitive pressures, especially in motor insurance. It drew upon very sophisticated management techniques, and relied on a dense marketing network that is well-positioned to produce growth in the personal insurance market. There was a 4.6% growth in premium income to €707 million. Life insurance business posted sustained growth of 22.2%, boosted by the introduction of a new savings product, Groupama Inversion Activa, in the second half of 2005. Non-life business progressed by 3.1%, driven by the personal, business and health sectors. This growth was in part offset by the slowdown in the motor sector (–3.5%), largely due to strong competitive pressure on rates and termination of significant contracts at the end of 2004 and continuing into 2005.

Our Portuguese subsidiaries offer a range of general insurance products distributed through traditional networks of agents and intermediaries with particular strength in group health insurance. This subsidiary has developed its position in savings and retirement insurance due to its "bancassurance" agreements, which added their contribution to that of the traditional networks. Groupama Seguros posted solid performance in 2005 (+37.8%), particularly in life insurance, whose premium income of €109 million continued its sharp increase (42.1%), again based on its "bancassurance" agreements. The life insurance subsidiary showed progress in all its major product families, except for individual retirement policies, due to the elimination of tax advantages for this product type. In non-life insurance, premium income (€15 million) was up 10.8%, largely due to the health sector, whose premium income rose 18.4%.

Groupama Biztosito distributes general insurance products through a network of agents and 60 brokers. Its motor liability coverage is its most significant product. Our Hungarian subsidiary had premium income of €43 million in 2005, down 21.8% due to a drop in motor contracts in the portfolio following major impact of very large rates increases in this sector.

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

Discontinued activities

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

Groupama Banque and Groupama Épargne Salariale
The business of **Groupama Banque**, which had turnover of €37 million, continued its growth during 2005. The rise in medium term loans and consumer credit, together with an increase in the number of clients in the portfolio, contributed to this growth, which was spurred by successful marketing activities during the year.
Turnover for **Groupama Épargne Salariale** totalled €2 million, a significant increase, based on the size of the average assets as well as the increase in fees relative to account management and account opening expenses.

Financial activities
Banque Finama is the Group's bank, serving the Groupama and Gan network and their clients. It is also building its own client base. Besides Banque Finama is active in the commercial banking, treasury, estate and asset management sectors. **Banque Finama**'s income in 2005 was €60 million, an increase of 11.1%. This growth was stimulated by an increase in the average custody amounts (+18%), payment operations (+11%), and credits and accounts managed for the clients of the estate agency (+35% and +62% respectively). Products relating to securities activities and term foreign exchange operations also showed an upswing.

Groupama Asset Management is the seventh largest asset management firm in France, and engages in the management of assets for third parties. The income of **asset management subsidiaries** was up 24.7% from 2004. This increase is attributable both to good performance by the financial markets and to an increase in the amounts under management. Funds managed by Groupama Asset Management totalled €68.6 billion at yearend 2005.

ANALYSIS OF INCOME

The Group posted a significant improvement in net income, which increased by €138 million (reaching €544 million in 2005, compared to €406 million in 2004). This growth was largely attributable to a major improvement in operating profit in non-life business; life related business was stable. The very strong growth in net investment income both in life and non-life (+€446.4 million excluding adjustment to unit-linked contracts) is largely due to strong financial market performance in 2005. Investment income from consolidated mutual funds were up €72 million net of policy holders' share of the income and the related deferred tax.

Current non-life operating income
The combined operating income from current non-life insurance business totalled €774 million in 2005, compared with €537 million in 2004. The substantial growth in net investment income and the improvement in operating ratios are the primary reasons for this strong growth.
Groupama's net combined ratio equalled 102.4% as of 31 December 2005, down 0.8 point from 31 December 2004. In France, the net combined ratio for reinsurance stood at 102.7% in 2005, an improvement of 1.0 point compared to 2004. This drop was caused by a decline in the net operating expenses ratio (–0.7 point), as well as the net claims ratio (–0.3 point).

Operating ratios for the Group's business sectors in France changed as follows:
- the combined ratio of the regional mutuals was 99.5% as of 31 December 2005, down 0.9 point compared with 2004. The improvement in the current pattern of claims (–0.6%), particularly in health, and the high level of releases from previous years are largely responsible for this improvement;
- the net combined ratio of Gan Assurances IARD improved by 2.6 points, although it remained at a very high level (115.4% as of 31 December 2005). The net claims ratio worsened (+4%), largely due to the rise in the claims ratio for the current fiscal year. In contrast, the operating expense ratio fell by 6.6 points;
- the net combined ratio of Gan Eurocourtage IARD improved by 0.2% (102.2% in 2005 versus 102.4% in 2004) primarily because of the drop in the net claims pattern ratio, which occurred due to the liquidation of previous years in the personal and professional sector. This favourable trend was somewhat offset by an increase in the operating expense ratio;
- the net combined ratio for the other entities of the Group was 89.5%.

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

Net non-life operating expenses (€2.28 billion in 2005) fell by 0.3% compared to 2004. The net operating expense ratio was 27.2% as of 31 December 2005 versus 27.7% on 31 December 2004).
- In France, the net operating expense ratio improved by 0.7 point, and stood at 26.7% as of 31 December 2005.
- In International, the ratio stood at 29.5%, a 0.7 point deterioration, mostly due to our Spanish and English subsidiaries.

Non-life investment income totalled €1.13 billion in 2005, rising 13% above 2004 levels. The realisation of capital gains and losses net of recovery of provisions on securities classified as "available for sale" (AFS) increased substantially, and are largely responsible for the growth in investment income. However, there was a drop in income from real estate due to disposals of real estate carried out in 2004.

Current operating profit for life business
Operating profit for life business stood at €237 million as of 31 December 2005, compared to €232 million in 2004.

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

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

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

Investment income for life business totalled €2.28 billion in 2005 versus €1.97 billion in 2004. As in the case of non-life business, this increase was primarily driven by a rise in capital gains and losses net of recovery of provisions for securities classified as AFS. There was however a decline in the fair value of derivative instruments.

The policyholders' profit showed strong growth, in line with investment income, which followed the same trend. It represented 73% of investment income net of expenses in 2005, compared to 74.7% in 2004.

Operating profit from other activities, financing expenses and taxes

The Group's combined operating income as of 31 December 2005 represents a profit of €1.01 billion versus €741 million in 2004. As mentioned above, this growth was largely driven by performance in the non-life business, due both to the increase in investment income and to efforts to improve underwriting fundamentals.

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

Financing expenses were down compared to the prior year, falling from €97 million as of 31 December 2004 to €92 million at year-end 2005, despite the issue of a €500 million subordinated perpetual bond in July 2005 under very favourable terms. The favourable interest rates at that time on the variable part of the subordinated bonds and the repayment of loans maturing at the end of 2005 contributed to the reduction in financing expenses.

Income taxes constituted a total expense of €339 million as of 31 December 2005 versus €213 million in 2004. The increased tax expense is largely explained by the marked improvement in operating profit during the period, as the tax rate remained stable with that of the prior year, standing at 36.9% as of year-end 2005.

Income from companies accounted for by the equity method totalled €1.8 million in 2005; this amount was contributed by our Turkish subsidiary Günes Sigorta.

Result of minority interests was €35 million for 2004, compared to €29 million in 2004. It represents primarily the result attributable to a minority stake in Silic.

SUMMARY OF NET COMBINED INCOME

The net combined profit (Group share) totalled €544 million in 2005 versus €406 million in 2004.

This combined profit can be broken down by business line as follows:

(in millions of euros)	Group share 2005	Group share 2004
Insurance, Banking and Services France	519	484
International insurance	118	56
Financial business	26	13
Holding companies and other	–119	–147
Net combined profit Group share	**544**	**406**

Insurance, banking and services in France

The contribution of non-life insurance in France to the combined profit was €353 million, compared to profit of €228 million in 2004. This growth was primarily attributable to the improvement in investment income and a 1.0 point drop in the combined ratio.

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

Regional mutuals
The regional mutuals (including the local mutuals) posted a €145.8 million contribution in 2005 versus €105.7 million in 2004.

The net combined ratio of the regional mutuals stood at 99.5% as of 31 December 2005, an increase of almost 1.0 point compared to 2004. The favourable trend in the pattern of claims during the current financial year (–0.6%) concealed other developments:
• in primary risks, the ratio is holding steady. A detailed analysis shows an improvement in the pattern of claims in life and health business (–2.7 points) and general third party liability (–4.0 points) sectors. On the other hand, the motor sector showed a 1.6 point deterioration due to the liability sector (+4.4 points) owing to the rise in the amount of bodily injury claims, despite a lower claims frequency. Claims in the fire sector also increased (+1.7 point), due to a rise in the number of large claims;
• in health, the controls implemented during the two preceding years were successful, and the ratio showed a decline of 3.2 points;
• in atmospheric risks, the ratio improved by 7.2 points compared to 2004. The absence of any major climatic event explains this very marked improvement of 17.5 points in the storm sector. On the other hand, hail storms at the end of June affected the pattern of claims in the crop sector (+15.7 points). In heavy commercial risks, the occurrence of a very large claim largely explains the 15.2 point deterioration in the ratio. Finally, in the natural disaster sector, the claims pattern ratio remained low (15.0% in 2005 versus 9.1% in 2004) despite the September floods in the south of France.

The regional mutuals' claims releases from previous fiscal years rose to €188.2 million in 2005 versus €178.9 million in 2004. This growth occurred in the context of substantial reserves adjustments in the primary risk sector, primarily due to the decline in interest rates applied to the annuity provision tables.
The net operating expense ratio was stable at 22.3% as of 31 December 2005.
In 2005, investment income net of charges (€269.6 million) increased 28.5% over 2004 (€209.8 million) due to the strong growth in capital gains and losses net of recovery of provisions for securities classified as AFS, as well as the decline in the allocations to depreciation provisions.

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

The contribution of **Groupama S.A.** to combined profit of Groupama totalled €23.8 million as of 31 December 2005 (versus –€62 million in 2004).
The net combined reinsurance ratio of Groupama S.A. stood at 100.6%, an increase of 1.6 point compared to December 2004.
The decline in Groupama S.A.'s operating income is attributable to the 3.5 point deterioration in the gross pattern of claims in 2005. The 1.0 point deterioration in the claims ratio in 2005 came primarily from the motor sector. In previous years, Groupama S.A. had made reserves adjustments in the bodily injury sector. These adjustments were in part made to factor in the decline in interest rates applied to annuity provision tables, as well as to changes in medical costs. External reinsurance generated a charge of –€161.7 million. This strongly negative showing resulted from the fact that the year 2005 experienced few claims from storms and natural disasters. The operating margin for Groupama S.A. in 2005 was €119.1 million versus €148.4 million in 2004. The net operating expense ratio was stable at 30.5% in 2005.
Investment income of Groupama S.A. totalled €162.5 million in 2005, a strong increase (+€115.9 million) compared to the prior year. This growth came from the increase in securities income and the rise in realised capital gains (net of recovery of provisions for AFS securities sold), both under direct management and *via* mutual funds.
Financing expenses rose to €42.5 million in 2005 versus €40.0 million in 2004. The change resulted primarily from interest expenses related to the issue of a €500 million TSDI (subordinated perpetual bond) in July 2005. Note that the prior year was affected by interest expense on a loan which was fully repaid at the end of 2005.
Finally, Groupama S.A. had a total tax expense (including both currently payable and deferred taxes) of €29.9 million as of 31 December 2005 versus income of €11.1 million in the prior year. The gain from tax consolidation of €135.5 million on taxes payable (Groupama S.A. is the parent company for the tax consolidation of the Group) was offset by the cancellation of deferred tax assets recognised in prior years. This cancellation was justified by the absorption of the Group's tax deficit, which totalled €143.4 million.
From an analytical perspective, Groupama S.A.'s net income can be broken down into operating income attributable to the Insurance Banking Services France sector (which made a positive contribution of €117 million) and the €93.2 million loss experienced as a result of its holding company function.

Groupama Vie

Groupama Vie's 2005 contribution to the Group's combined profits totalled €90.0 million versus €93.7 million in 2004 after consolidation of the share of the profits from real estate companies received by this entity.

• Its operating result was €40.0 million versus €44.5 million as of 31 December 2004. This change is primarily attributable to a drop in income from personal death provident insurance which experienced a pattern of rising claims and a decline in claims releases.

• General expenses and management payments to the network, which increased from 2004 levels, were still covered by management fees. It should be emphasized that project costs and computer maintenance expenses are the reason for the growth in operating costs.

• The consolidated investment result net of profit-sharing exceeded €88.5 million in 2005 versus €82.0 million in 2004. Despite the negative impact of the change in fair value of derivative instruments, the substantial increase in capital gains on sales net of recovery of provisions resulted in this increase. However, because of the profit sharing arrangement, a portion of the increase in investment income is paid out to policy holders.

• The total tax expense of Groupama Vie totalled €41.6 million in 2005 versus €32.8 million in 2004.

• The allocation of profits from Groupama Vie's real estate companies rose compared to 2004 (€14.7 million versus €10.5 million in 2004).

Gan Assurances

Gan Assurance's contribution to the Group's combined profit totalled €44.0 million in 2005 versus €90.8 million in 2004. This profit was however affected by exceptional capital gains in real estate in 2004 (€63 million net of profit sharing).

Profits contributed by **Gan Assurances Vie** totalled €52.6 million for 2005 versus €104.5 million as of 31 December 2004. Exceptional real estate capital gains mentioned above explain the drop in the contribution, while other elements of the income statement improved, with the exception of operating costs:

• the operating margin in individual insurance grew over 25% compared to 2004. This margin remained favourable for all business lines. The increase in the operating margin in provident insurance and health was significantly impacted by an improvement in the pattern of claims. The retirement sector margin rose in 2005. Note that in 2004 there were specific provisions made for L. 441 plans, and the accounting impact of an anticipated decline in technical rates also affected net income;

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

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

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

• tax expense was stable at €24.5 million in 2005 versus €25.1 million in 2004.

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

• A significant deterioration in the gross pattern of claims occurred (74.4% as of 31 December 2005 versus 71.6% in 2004). This change arose primarily from a significant deterioration in the motor sector (+7.7 points). An increase both in the gravity and the frequency of accidents resulted in the higher current pattern of claims for this sector. The urban unrest which occurred during November 2005 also had a negative effect on the current pattern of claims (+0.6 point). The professional risk sectors were also affected by the occurrence of major claims in 2005, which thus negatively impacted on their claims ratio.

• The amount of releases from prior years totalled €80.8 million, up €39.2 million compared to 31 December 2004. Revised procedures for follow-up on cases as well as the implementation of special inventory measures for cases dating back before 2002 are the primary explanations for this increase.

• The ratio of operating expenses improved 6.6 points compared to that of 2004, particularly owing to information technology expenditures relating the implementation of the SIGMA management tool in 2004. There was a significant 0.5 point increase in the agent commission rate during the year.

• Investment income declined (€137.1 million in 2005 versus €152.8 million in 2004). Sales of real estate assets and bonds were carried out in 2004, generating most of the higher investment income during that year. It should also be noted that the change in fair value of financial instruments was negative due to the impact of a decline in the value of derivative instruments.

• In 2004, internal restructuring operations resulted in non-recurring tax income. In 2005, therefore, the €2.9 million tax income for the entity is €9.5million less than in 2004.

Gan Eurocourtage

Gan Eurocourtage contributed €81.1 million to the Group's combined income in 2005, the same amount as in the prior year.

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

This change was attributable to the following factors:
• the operating margin fell slightly. There were varying performances in different sectors. In both provident insurance and health income grew significantly due to an improvement in the pattern of claims. The entity also benefited from rigorous portfolio management over the last few years. On the other hand, the life group experienced the impact of the lower technical interest rate and therefore posted a decline in its operating margin;
• net investment income was up €27 million, largely due to the favourable impact of the consolidated capital gains realised by the mutual funds and the adjustment of fair value of assets classified as "trading". In contrast, there was a significant drop in real estate revenues and a decline in unrealised capital gains on term foreign exchange sales. On the other hand, there was a €34 million increase to the charge for profit-sharing paid out to policy holders;
• the total tax expense was €9.0 million in 2005 versus €6.6 million in 2004.

Gan Eurocourtage IARD made a contribution of €67.8 million to the Group's combined income in 2005 versus €46.7 million in 2004.
• The net combined reinsurance ratio improved slightly and stood at 102.2% at year-end 2005 versus 102.4% in 2004. This drop is due to a 2.5 point decline in the claims ratio owing to the effect of the improved reinsurance balance, although gross claims deteriorated. The claims ratio for 2005 increased 1.2 point, both in the personal and professional and in the commercial lines markets. Several major claims in the commercial and industrial risks sector resulted in this deterioration of 16.3 and 22.3 points respectively. In contrast, there were significant improvements, particularly in the personal motor sector (–2.9 points), general third party liability (–5.1 points), and construction (–13.8 points, after an exceptionally high construction claim in 2004). Profits deriving from previous periods rose by €3.6 million compared with 2004. Releases came primarily from the personal and professional markets, and also significantly from the shopkeepers' portfolio. In contrast, releases in the commercial lines were significantly down from prior years, particularly in the construction and industrial risk sectors.
• The net operating expense ratio rose to 33.3% in 2005 versus 31.0% in 2004.
• The contribution to investment income increased strongly when compared to the prior year (€124.8 million versus €98.7 million in 2004). This growth was caused by an increase in capital gains on sales net of recoveries from provisions for depreciation of AFS securities (both under direct and joint management).
• The increase in total tax expense is largely due to the increase in the contributed profit in 2005 compared to that of 2004.

Gan Prévoyance

Gan Prévoyance's contribution to profits totalled €21.7 million, down from its €37.3 million level as of 31 December 2004. As with Gan Assurance Vie, the contribution of Gan Prévoyance was affected by exceptional real estate capital gains in 2004 which amounted to €14.9 million.
• The operating margin of Gan Prévoyance posted a €1.9 million increase in 2005. This change resulted from a rise in the operating margin in the life sector, which was partially offset by a decrease in the operating margin of the non-life sector.
• The increase in net operating expenses (including acquisition expense carried forward) is tied to in an increase in various external expenses (particularly relating to information technology).
• Realisation of capital gains in consolidated mutual funds is the primary reason for the €26.7 million growth in net investment income in 2005. However most of this favourable result was for the benefit of policy holders.

Gan Patrimoine and its subsidiaries

Gan Patrimoine and its subsidiaries contributed €22.7 million to the Group's combined profit in 2005, almost identical to their 2004 contribution.
• The operating margin for this profit centre was stable in 2005 when compared to 2004. It should however be noted that there was a continuing decline in periodic premium savings products and in increase in claims, particularly due to increased surrenders.
• Operating expenses increased slightly compared to those of 2004.
• Consolidated investment income (excluding adjustment to unit-linked contracts) was up about €1 million. The positive effect of the change in fair value of financial instruments and the consolidation of the mutual accounts was totally offset by the decline in capital gains on sales net of recovery of provisions.
• The total tax expense was €10.1 million, at the same level as 2004.

Groupama Transport

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

Other specialist Group companies

As of year-end 2005, the other specialist companies of the Group posted a total contribution of €9.8 million to the Group's combined income, up from the prior year (€8.4 million). This contribution was broken down as follows:

- **Groupama Assurance-Crédit** contributed €3.2 million, up €1.6 million compared to 2004. Investment income was the primary contributor to this improvement (+€2.0 million) resulting from an externalization of capital gains, following a refocusing of investment management policy. The combined ratio deteriorated by 8.5 points due to the decline in the reinsurance balance, although there was a better gross pattern of claims;
- **Mutuaide Assistance**'s contribution to the Group was €2.8 million, down €0.9 million compared to 2004. Changes in methods for reinsurance of assistance risk in the Group accounted for this drop in 2005;
- **Groupama Protection Juridique** contributed €0.8 million more in 2005, for a total of €3.8 million, due to the combined effect of improved operating and financial results.

Discontinued activities in France

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

Groupama Banque and Groupama Épargne Salariale

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

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

International insurance

International insurance made a €117.8 million contribution to combined profits in 2005, compared to €56.8 million in 2004. This strong advance is largely attributable to the contribution of the English and Spanish companies.

In 2005, **Groupama Insurance**'s contribution continued its consistent increase over the last few years, and reached €48.6 million in 2005 versus €28.5 million in 2004. This favourable result is based on the improvement in the combined ratio (–1.7%), as well as a rise in net investment income. Despite an almost 2 point increase in gross operating expenses, the combined ratio declined by comparison with 2004 due to a favourable 4.9% change in gross claims. It should be noted that the cancellation of the SAGA contract in 2004 had a 2.8 point impact on the pattern of claims. With the exception of the household sector, all areas experienced a drop in the claims ratio. In the motor sector, the gross claims ratio improved 1.3 point, due to significant releases from previous years which were recognised in 2005. However, the pattern of claims for 2005 reflected the strong impact of a major €14.6 million claim (before reinsurance).

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

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

- In non-life insurance, the net combined ratio was stable in 2005 compared to year-end 2004 at a level of 100.7%. It should however be noted that there was a slight deterioration in gross claims (1.5 point), primarily due to the occurrence of major claims in the motor, business and agricultural sectors. After taking reinsurance into account, the net pattern of claims was stable. The net operating expense ratio stood at 26.4%, identical to 2004 levels, demonstrating effective control of general expenses. Investment income showed strong progress (+26.6%) due to realisation of capital gains on sales net of recovery from provisions. This subsidiary's contribution totalled €15.5 million.
- Gan Italia Vita posted a €1.5 million contribution in 2005 versus a €1.9 million loss in 2004. This improvement was driven by an improvement in the operating margin, primarily due to additional charges to provisions. Investment income for 2005 were down, but it should be noted that exceptional capital gains on sales was realised in 2004.

In Spain, Groupama Seguros posted a €34.2 million contribution as of 31 December 2005 compared with €21.0 million in 2004. The net combined ratio rose 0.7 point. The reason for this increase was that the net claims ratio of the Spanish subsidiary improved by 0.8 point while its net operating expense ratio increased 1.6 point. This change was in attributable to releases from prior years on the one hand, which were significantly larger in 2005 and operating expenses on the other, which were increased by expenses incurred for a marketing campaign aimed at improving brand recognition for Groupama in Spain. In life business, there was an improvement in the operating margin. Realisation of capital gains on sales net of recoveries made the largest contribution to the growth in net investment income for the year. It should be recalled that an allocation to provisions for bad debts pertaining to reinsurer' balances cut the subsidiary's 2004 contribution by about €10 million.

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

- **the Portuguese subsidiaries** posted a €3.5 million contribution in 2005 versus €3.8 million as of 31 December 2004. Due to lower financial earnings in life business during 2005, the entity's contribution was down slightly, despite an increase in the net operating margin. Concurrently, there was a 3.4 point improvement in the combined non-life ratio;
- following measures taken to restore the profitability of **our Hungarian** subsidiary, the company improved its performance. While still posting a loss of €2.3 million, there was significant improvement from the loss of €9.3 million in 2004. There was a noteworthy effect on the net combined ratio (down 20.5 points), which was driven entirely by the net claims ratio (–21.7 points). With a sharp decline in premium income, the net operating expense ratio increased 1.2 point;
- **Gan Outre-mer IARD** made a €8.4 million contribution in 2004 versus €1.9 in 2004. This increase is in part due to a 1.4 point improvement in the net combined ratio as well as strong growth in net investment income.
- **in Turkey,** the Group's investment in Günes Sigorta produced a contribution of €1.1 million in 2005 versus €3.8 million in 2004.

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

- **Zénith Vie** made a positive contribution of €4.9 million in 2005 compared to a €7.5 million loss as of 31 December 2004. 2004's negative contribution was strongly affected by adjustments to technical provisions. Investment income was up, primarily due to real estate disposals;
- the Group's former US activities, managed by **Rampart,** made a negative €2.1 million contribution in 2005 compared with a €1.8 profit in 2004;
- the Group's "run-off" activities in the UK, which are housed in **Minster Insurance,** produced a €5.6 million profit in 2005, up €3.8 million compared to 2004. This increase is due to capital gains on disposals;
- the income contribution by **Luxlife,** which was put into "run-off" status in 2004, was stable.

Financial activities

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

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

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

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

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

Analysis of holding companies

The holding companies posted a €117 million loss as of 31 December 2005, an improvement over 2004 levels (–€135 million). This loss is primarily due to the negative impact of Groupama S.A.'s holding activities (–€93 million).

Groupama International posted a loss of €10.0 million in 2005 compared to a €6.2 million loss in 2004. This change is attributable to the combination of several factors:

- an improvement in investment income since no depreciation of non-consolidated securities was recognised in 2005 (whereas provisions for Groupama Vietnam and Gan Holding Pacifique securities of €2.9 million and €0.9 million respectively had a negative effect in 2004);
- a decline in extraordinary income due to the adjustment of provisions on "run-off" in Canada (–€3.1 million);
- heavier tax expense (a negative €2.9 million impact).

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

Groupama Holding posted a €1.0 million loss as of 31 December 2005 compared to a €4.4 million profit in 2004. A decline in interest charges for loans, due to repayment in full of its debts during the year, partially offset the drop in income from investments classified as "trading". As in 2004, **Groupama Holding 2**'s income was steady.

COMBINED BALANCE SHEET

As of 31 December 2005, Groupama's total combined balance sheet stood at €80.3 billion, versus €73.3 billion as of 31 December 2004, a growth of 9.5%.

Goodwill

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

Investments (including unit-linked investments)

Insurance investments (now mostly shown at market value) totalled €68.9 billion versus €61.7 billion at year-end 2004, a €7.2 billion increase (up 11.7%). This increase is primarily due to strong financial market performance, especially an increase of over 23% in the CAC 40, and a decline in interest rates. The Group's unrealised capital gains reached €10.3 billion, a strong €3.6 billion increase over 31 December 2004 levels.

These investments are structured as follows:

• Bonds and fixed income mutual funds	65%
• Equities and variable income mutual funds	22%
• Real estate	6%
• Unit-linked Investments	5%
• Other	2%

Capital and reserves

As of 31 December 2005, the Group's combined capital and reserves totalled €6.5 billion, a strong increase compared to 31 December 2004.

This growth can be summarised as follows:

(in millions of euros)	
CAPITAL AND RESERVES AT THE BEGINNING OF 2005	**4,917**
Impact of the revaluation reserve: fair value of AFS assets	2,513
Impact of the revaluation reserve: shadow accounting	–1,582
Impact of the revaluation reserve: deferred taxes	89
Other	–22
Net income	**544**
CAPITAL AND RESERVES AS OF 31 DECEMBER 2005	**6,459**

Strong performance in the financial markets, together with the Group's higher profit, resulted in an increase in the Group's capital and reserves. The adjustment in the fair value of securities classified as AFS affected capital and reserves, although it was partially offset by the implementation of shadow accounting for life activities and the associated deferred taxes.

Subordinated liabilities and financing debts

With the issue of a perpetual subordinated loan for a nominal amount of €500 million, subordinated liabilities increased during the year, reaching €1.25 billion. This loan has a 10 year call feature, which allows the borrower to prepay.
The Group's external debt totalled €733 million, up €106 million compared to 31 December 2004. This increase is due to the real estate company Silic, which made additional borrowings in order to finance its growth.

Technical provisions

Technical provisions (including deferred profit sharing) increased to €63.5 billion in 2005 versus €58.5 billion in December 2004, an 8.5% increase.

Provisions for risks and charges

Provisions for risks and charges were up €57 million euros compared to the prior year, totalling €693 million as of 31 December 2005. This increase was primarily attributable to the update of retirement commitments for employees.

6 SOLVENCY

Adjusted solvency coverage ratio, including future profits from life business, was 291% based on 2005 combined statements compared with 233% for 2004 combined statements.
The financial soundness of the Group strengthened further, primarily due to the significant improvement in the performance of financial markets in 2005, which contributed to considerable growth in unrealised capital gains. The inclusion of future profits in this ratio added 11 basis points to the margin coverage (comparable to 2004).
The Group posted a solvency ratio based on net assets after goodwill and intangible assets (excluding unrealised capital gains) of 131%, an improvement of nearly 19 points compared to the 2004 fiscal year. Improvement in operating income and the perpetual subordinated bond issue both contributed to this very favourable result.
Groupama's debt to equity ratio, excluding revaluation reserves (including subordinated liabilities and minority interests) stood at 34.4% (up 5.4 points compared to 2004). A significant part of this debt is attributable to the listed real estate subsidiary Silic, which borrowed to finance growth in its real estate stock. Adjusting for this borrowing, the Group's Insurance related debt ratio, which contracted due to its organic growth (including debt related to various real estate leases) stood at 25.1%, up 3.5 points compared to 2004.

7 RISK MANAGEMENT

Risk management is addressed in the internal control report.

8 POLICY REGARDING FINANCIAL INSTRUMENTS

Several years ago, the Group implemented systematic studies on the exposure of Groupama S.A.'s subsidiaries to financial market risks.

Interest rate risk

Hedges are used to ensure a rate of return consistent with the market environment in the event of a rise in interest rates. This strategy is implemented by purchasing interest rate options ("caps") on one hand, and by converting fixed rate bonds to variable rate bonds ("payer swaps") on the other. The options generate an additional return in the event of rate rises, and the variable rate is an asset that allows liquidation of part of the portfolio by limiting capital losses, in addition to providing additional returns. The strategy thus aims to provide additional returns in the event of interest rate increases, which should permit the Group to anticipate expected surrenders and also to limit the impact of such surrenders if they occur.
All over the counter transactions are secured by a "collateralisation" mechanism with Groupama S.A.'s top tier banking counterparties.

Exchange rate risks

Ownership of international shares entails dollar and yen foreign exchange risk, which is systematically covered through forward sales. These sales have been consistently renewed upon their maturity since they were first implemented in 2001.
As with interest rate risk, all over the counter transactions are secured by a "collateralisation" mechanism with Groupama S.A.'s top tier banking counterparties.
The Group also monitors continuously the exposure of its subsidiaries to risks in equity markets and corporate bonds, as well as supervising counterparty risk.

9 HUMAN RESOURCES AND SUSTAINABLE DEVELOPMENT

The social and environmental impact of the activities addressed in Article L. 225-102, paragraph 4, of the Commercial Code are treated at consolidated level, where they are most relevant. The list of data required by Articles D.148-2 and D.148-3 appears in the third section of Groupama's 2005 annual report at the end of the financial report on the consolidated statements. In addition, there is a chapter on corporate responsibility as demonstrated primarily in the areas of risk management, prevention and patronage. This information appears in the first part of Groupama's 2005 annual report.

10 CORPORATE GOVERNANCE

ROLE AND AUTHORITY OF THE BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

Role and authority of the Board of Directors and management

• Board of Directors

The Company's Board of Directors currently comprises 16 directors, with 11 representing the controlling shareholder, 3 coming from outside the Group and appointed by the Shareholders' Meeting of 24 February 2005 for a 6 year term, and 2 elected by salaried employees of the company for a 4 year term. Two of the three outside directors are independent.

The Board of Directors establishes the guidelines for the Company's business, oversees their implementation, and supervises management's conduct. The Board takes up any issue pertaining to the Company's ability to function effectively, takes decisions concerning relevant issues, and also performs whatever verifications and audits it deems necessary. In connection with these responsibilities, and in order to ensure the effective performance of its duties, the Company's Board of Directors adopted internal regulations on 10 January 2005 intended to specify how it carries out its functions. These regulations also address the Company's legal, regulatory and statutory arrangements, particularly the rights and obligations of the directors. These internal regulations, which were signed by all members of the Board, became effective on 24 February 2005.

• Management

The Company is managed by an Executive General Manager in accordance with the Law of May 2001 concerning New Economic Regulations (by decision of the Board of Directors on 18 December 2003, reconfirmed by the Board's decision on 26 August 2004).

Role of specialised committees

The Board of Directors has decided to create an Agreements Committee and to expand the role of the Audit and Remuneration Committees, which have now respectively become the Audit and Accounts Committee and the Remuneration and Appointments Committee.

These Committees have been operating since 24 February 2005. Their role, which is specified in the internal regulations, is to study technical issues, and to investigate various topics and themes to allow the Board to fully devote itself to the review of social issues, strategy and growth initiatives.

The Audit and Accounts Committee's principal duty is to examine the semi-annual and annual financial statements before they are presented to the Board of Directors; assess the effectiveness of the internal controls, risk management and ethical conduct mechanisms; study internal audit plans and the annual report on internal controls, and it reviews accounting and financial documentation before the Company makes such information public. It also participates in the selection of the statutory auditors.

The Audit and Accounts Committee consists of four directors, two of whom are independent and is chaired by an independent director. The Committee met five times in the course of 2005 on 18 March, 23 May, 6 July, 17 October and 7 December. On each occasion it reported on its work to the Board of Directors. The attendance rate was 100%.

The major topics addressed by the Audit and Accounts Committee during 2005 were as follows:

• examination of the annual statements for 2004 and the semi-annual statements for 2005 and the impact of new IFRS standards on the Group's statements;

• examination of the Group's internal controls;

• examination of the provisional audit plan for 2006;

• examination of the situation of the statutory auditors, including their mission, their reappointment, their remuneration, and their place within the organisation, as well as drafting a charter stating their missions, as adopted by the Board of Directors on 14 December 2005;

• examination of the accounting principles, rules and options used in drawing up the 2005 statements.

The Remuneration and Appointments Committee is primarily engaged in drawing up proposals concerning the remuneration of board members, the allocation and distribution of directors' fees, and the study of proposals regarding the composition and organisation of the Board of Directors. It also performs an annual assessment of the Board of Director's *modus operandi*.

The Remuneration and Appointments Committee consists of five directors, one of whom is independent and is chaired by a director who represents the controlling shareholders. The Committee met three times in 2005, on May 10, October 12 and December 7. On each occasion it presented a report on its activities to the Board of Directors. The attendance rate was 93%.

The major topics addressed by the Remuneration and Appointments Committee during 2005 were as follows:
- study of board members' remuneration;
- plan for altering the distribution of directors' fees beginning 1 January 2006;
- plan for a supplementary retirement programme for senior managers;
- plan to evaluate the Board of Directors *modus operandi*.

The Agreements Committee's primary mission is to analyse the means of applying the provisions of the Reinsurance Agreement, and more generally, the agreements between Groupama S.A., its subsidiaries and the Regional Mutuals. It also analyses the agreements signed directly or by an intermediary between Groupama S.A. and its managers or any of its shareholders holding over 10% of voting rights.

The Agreements Committee consists of three directors and is chaired by an independent director. The Committee met three times in 2005, on 18 May, 17 October and 7 December. On each occasion, it presented a report on its activities to the Board of Directors. The attendance rate was 88%.

The primary issues addressed by the Agreements Committee during 2005 were as follows:
- examination of regulated agreements;
- examination of the General Reinsurance Regulations;
- examination of the business relations between the Regional Mutuals and the Company and its subsidiaries, and the global agreement governing all of these relations.

In conclusion, we draw your attention to the fact that the Company has internal audit procedures for operational as well as financial activities. These procedures are described in the special report of the Chairman of the Board of Directors, which is drawn up in accordance with the provisions of Article L. 225-37, paragraph 6, of the Commercial Code.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

In accordance with the provisions of Article L. 225-102-1 of the Commercial Code, we report below the total remuneration and benefits of any kind paid to each director during the fiscal year, both by your company and by the companies controlled by your company in the sense of Article L. 233-16 of the Commercial Code. During the year, payments were as follows:

- Mr. Jean-Luc Baucherel: gross annual remuneration (including benefits in kind) paid by the Company to him in his capacity as Chairman of the Board of Directors: €319.1 thousand (of which €260 thousand was gross annual salary, €35.2 thousand was for retirement benefits, and €23.9 thousand was a housing allowance).

- Mr. Francis Aussat: gross annual remuneration (including benefits in kind) paid by the company Gan Assurances-Vie to him in his capacity as Chairman of the Board of Directors: €82.6 thousand (of which €65 thousand was gross annual remuneration, and €17.6 thousand was for retirement benefits) and directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36.0 thousand.

- Mr. Jean Baligand: gross annual remuneration (including benefits in kind) paid beginning on 1 September 2005 by the Company to him in his capacity as Chairman of the Board of Directors of Groupama Vie: €19.1 thousand (of which €15 thousand was gross annual remuneration, and €4.1 thousand was for retirement benefits) and directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €12.0 thousand.

- Mr. Robert Drouet: gross annual remuneration (including benefits in kind) paid by the company Gan Patrimoine to him in his capacity as Chairman of the Board of Directors: €82.6 thousand (of which gross annual remuneration was €65 thousand, and €17.6 thousand was for retirement benefits) and directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36 thousand.

- Mr. Michel Habig: directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36 thousand.

- Mr. Frédéric Lemoine: directors' fees paid by Groupama S.A.: €38.4 thousand.

- Mrs. Solange Longuet: gross annual remuneration (including benefits in kind) paid by the company Gan Assurances IARD to her in her capacity as Chairman of the Board of Directors: €57.2 thousand (of which €45 thousand was gross annual remuneration and €12.2 thousand was for retirement benefits) and directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36.0 thousand.

- Mr. Marius Mul: directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36 thousand.

- Mr. Roger Paillès: directors fees paid by Groupama Holding, the company which controls Groupama S.A.: €36.0 thousand and by Groupama Immobilier: €11.0 thousand.

• Mr. Jean-Pierre Rousseau: gross annual remuneration (including benefits in kind) paid by the company Gan Eurocourtage IARD and GAN Eurocourtage Vie to him in his capacity as Chairman of the Board of Directors of these companies: €57.2 thousand total (of which €45 thousand was gross annual remuneration and €12.2 thousand was for retirement benefits) and directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36.0 thousand.

• Mr Jean Salmon: directors' fees paid by Groupama S.A.: €24 thousand.

• Mr. Philippe Vassor: directors' fees paid by Groupama S.A.: €34.4 thousand.

• Mr. Jean-Luc Viet: gross annual remuneration (including benefits in kind) paid by the company Groupama International to him in his capacity as Chairman of the Board of Directors: €57.2 thousand total (of which €45 thousand was gross annual remuneration and €12.2 thousand was for retirement benefits) and directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36.0 thousand.

• Mr. Jean-Luc Wibratte: gross annual remuneration (including benefits in kind) paid by the Banque Finama to him in his capacity as Chairman of the Supervisory Board: €82.6 thousand (of which €65 thousand was gross annual remuneration and €17.6 thousand was for retirement benefits) and directors' fees paid by Groupama Holding, the company which controls Groupama S.A.: €36.0 thousand.

• Mr. Jean Azéma, Chief Executive Officer: gross annual remuneration (including benefits in kind) received for his duties within the Group: €1,013.6 thousand (of which €865 thousand was gross annual remuneration, €100.00 thousand represented a bonus, €45.0 thousand was for a housing allowance, and €3.6 thousand was for a provident savings-death contract). The bonus paid in 2005 to Mr. Jean Azéma was granted in recognition of the quality of the Group's profitability, which was measured by a ratio of the return on equity after amortisation of goodwill. This ratio stood at 8.9% in 2004 (compared 3.8% in 2003) and exceeded the goal of 8.0%.

In conclusion, the cumulative gross annual remuneration (including benefits in kind) for members of the General Management Committee of Groupama SA totalled €4,337.3 thousand.

LIST OF DUTIES AND FUNCTIONS PERFORMED BY SENIOR MANAGEMENT

A list of the duties and functions carried out in all the companies by the Chairman of the Board of Directors, the directors and the Chief Executive Officer is also attached.

RENEWAL OF THE TERM OF THE STATUTORY AUDITORS

The terms of the Statutory Auditors of the Company's statements, Mazars et Guérard and Mr. Michel Barbet-Massin, respectively the principal and substitute auditors, will expire at the conclusion of this Meeting. Having considered the opinion of the Audit and Accounts Committee, we propose that their terms be renewed for a period of six years, expiring at the conclusion of the Ordinary General Shareholders Meeting convened in 2012 to approve the closing statements for 2011.

DIRECTORS FEES

Finally, we propose a maximum of €636,000 for total directors' fees for fiscal year 2006 and fiscal years thereafter.

We respectfully request that you approve the statements of the most recent fiscal year and the activities described in this report by voting for the proposed resolutions submitted for your approval.

We also request that you approve the agreements cited in Article L. 225-38 of the Commercial Code referred to in the special report prepared by the Statutory Auditors.

11 OUTLOOK

Groupama again achieved sound profitability with growth of 34% in combined income. Its return on equity ratio is now among the strongest in its business. The balance sheet structure is sound and strong, with a solvency ratio of 291%, a moderate amount of debt, and prudently determined technical provisions.

Groupama has all the capabilities necessary to succeed in the future and manage its acquisition policy effectively, both in France and Internationally. The complete restructuring of Gan and its consolidation into the Group, the acquisition of CGU Courtage to create the third brokerage business in France, the acquisition of Plus Ultra Generales in Spain and its merger with the Group's other companies in that country, and, more generally, the profitable and efficient redeployment of all the International subsidiaries give evidence of this.

With the benefit of these strengths, the Group has key objectives for the future:

- to accelerate organic growth, building on its major markets and businesses;
- to respond closely to the expectations of its members and clients, taking an innovative approach to products, while paying close attention to their aspirations;
- to ensure operational performance through an enhanced and strengthened approach to risk management;
- to further strengthen its resources by opening up the company's share capital in order to support its growth strategy.

Through its history of over one hundred years, Groupama has demonstrated its ability to adapt and grow. Today, Groupama is ready to take new initiatives to continue its growth, enhance its expertise, and preserve its heritage for the future.

The certification of the statutory auditors relates only to the French language version of this document.

Balance sheet

(millions of euros)

ASSETS	NOTES	12.31.2005	12.31.2004
Goodwill	3	1,158	1,152
Other intangible assets	4	202	212
Intangible assets		1,360	1,364
Investments properties	5	3,411	3,341
Owner-occupied properties	14	705	704
Financial investments, except in Units funds	6	61,252	54,145
Financial investments in Units funds	8	3,376	3,241
Derivatives financial investments		140	246
Total Investments in insurance activities		68,884	61,677
Assets of banking sector and investments in other sectors	9	2,193	1,897
Investments in associates	10	31	27
Reinsurers' share of policyholder insurance and financial liabilities	11	1,679	1,718
Recoverables from accepted reinsurance or insurance operations	12	2,272	2,157
Recoverables from reinsurance	12	195	743
Current tax recoverable	12	152	184
Other recoverables	12	676	725
Total trade recoverables	12	3,295	3,809
Deferred tax assets	13	181	394
Other assets	14	1,968	1,841
Assets held for sale and discontinued operations			
Cash and cash equivalents		697	584
TOTAL		**80,288**	**73,311**

The notes on pages 27 to 106 are an integral part of the combined financial statements.

LIABILITIES	NOTES	12.31.2005	12.31.2004
Initial capital	15	32	32
Unrealised valuation movement on investments (net of shadow and tax)	15	2,156	1,131
Other reserves	15	3,714	3,351
Unrealised foreign exchange gains or losses	15	13	(3)
Group profit for the year	15	544	406
Shareholders' equity	**15**	**6,459**	**4,917**
Minority interests		212	209
Total equity		6,671	5,126
Provisions for risks and charges	16	693	636
Subordinated debt	18	1,978	1,377
Insurance contracts liabilities	19	38,200	35,774
Financial contracts liabilities	22	20,868	20,188
Deferred discretionary participation features	23	4,385	2,505
Resources from banking sector operations	24	1,824	1,685
Liabilities from insurance or accepted reinsurance operations	25	765	740
Liabilities from assigned reinsurance operations	25	315	857
Current tax payable	25	248	216
Operating liabilities to banking sector companies	25	472	467
Other liabilities	25	2,645	2,719
Total operating liabilities		4,445	4,999
Deferred tax liabilities	26	385	520
Other liabilities	28	839	501
Liabilities held for sale and discontinued operations			
TOTAL		**80,288**	**73,311**

The notes on pages 27 to 106 are an integral part of the combined financial statements.

Statement of income

(millions of euros)

	NOTES	12.31.2005	12.31.2004
Premiums written	2	13,247	12,669
Change in unearned premiums		(176)	124
Gross premiums earned	2	13,071	12,793
Net banking income, net of cost of risk	2	137	105
Investment income, net of management expenses	31	2,322	2,352
Gains (losses) from sale of investments, net of recoveries of depreciation and amortisation	31	1,096	550
Change in fair value of financial instruments recognised at fair value by result	31	365	337
Change in depreciation on financial instruments	31	(15)	(76)
Investment income net of expenses, excluding financing expense	31	3,768	3,163
Total income from ordinary business		**16,976**	**16,061**
Insurance policies service expenses	32	(12,568)	(11,843)
Net income (loss) on reinsurance assignments		(274)	(350)
Bank operating expenses	30	(140)	(133)
Acquisition costs of policies	33	(1,801)	(1,775)
Administrative costs	34	(653)	(666)
Other current operating income (expenses)	35	(496)	(478)
Total other current income (expenses)		**(15,932)**	**(15,245)**
CURRENT OPERATING PROFIT	**29 - 30**	**1,044**	**816**
Other operating income (expenses)	36	(35)	(75)
OPERATING PROFIT	**29 - 30**	**1,009**	**741**
Costs of long term borrowings		(93)	(97)
Share in results of associates	10	2	4
Corporate tax	27	(339)	(213)
NET PROFIT FOR THE CONSOLIDATED ENTITY		**579**	**435**
Minority interests		35	29
NET PROFIT (GROUP SHARE)		**544**	**406**

The notes on pages 27 to 106 are an integral part of the combined financial statements.

Statement of change in equity

(millions of euros)

	INITIAL CAPITAL	PROFIT AND LOSS	OTHER RESERVES	REVALUATION RESERVES	UNREALISED FOREIGN EXCHANGE ADJUSTMENT	SHARE-HOLDERS, EQUITY	MINORITY INTERESTS	TOTAL EQUITY
Total equity 12/31/2003	32	155	3,924		(74)	4,037	231	4,268
Impact of change in DAC method			(373)			(373)		(373)
Cumulative effect of changes in accounting policies on adoption of IFRS standards			(404)	651	74	321	(11)	310
Opening total equity	32	155	3,147	651		3,985	220	4,205
Allocation of profit (loss) 2003		(155)	155					
Profit attributable to equity holders			(2)			(2)	(31)	(33)
Business combinations impact			8			8	(6)	2
Unrealised foreign exch. losses					(3)	(3)		(3)
Unrealised of valuation movement in AFS				1,705		1,705	12	1,717
Shadow accounting				(1,070)		(1,070)	(7)	(1,077)
Deferred taxes				(150)		(150)	(1)	(151)
Others			43	(5)		38	(7)	31
Group profit for the year		406				406	29	435
TOTAL CHANGES FOR PERIOD ENDING 12/31/04		**251**	**204**	**480**	**(3)**	**932**	**(11)**	**921**
Total equity 12/31/2004	32	406	3,351	1,131	(3)	4,917	209	5,126
Allocation of 2004 profit/(loss)		(406)	406					
Profit attributable to equity holders			(2)			(2)	(34)	(36)
Capital increase							3	3
Business combinations impact								
Unrealised foreign exch. gains					18	18		18
Unrealised of valuation movement in AFS				2,496		2,496	14	2,510
Shadow accounting				(1,582)		(1,582)	(14)	(1,596)
Deferred taxes			6	89		95	1	96
Actuarial profits (losses) on post-employment benefits			(20)			(20)		(20)
Others			(27)	22	(2)	(7)	(2)	(9)
Group profit for the year		544				544	35	579
Total changes for period		**138**	**363**	**1,025**	**16**	**1,542**	**3**	**1,545**
TOTAL EQUITY AT 12/31/2005	**32**	**544**	**3,714**	**2,156**	**13**	**6,459**	**212**	**6,671**

The notes on pages 27 to 106 are an integral part of the combined financial statements.

In summary, the income and expenses recognised (group share) in the period as income and directly as capital and reserves totalled 1,533 million euros and can be broken down as follows:

- Gains (losses) on financial instruments classified as "assets available for sale" 2,496 million euros
- Shadow accounting (1,582) million euros
- Deferred taxes 95 million euros
- Actuarial gains (losses) on post-employment benefits (20) million euros
- Net income 544 million euros

Statement of cash flows

(millions of euros)

STATEMENT OF CASH FLOWS	12.31.2005	12.31.2004
Operating profit before taxes	1,009	741
Gains (losses) on sale of investments	(638)	(277)
Net depreciation allowances	16	26
Changes in acquisition costs carried forward	(7)	(2)
Changes in impairment	(362)	(372)
Net changes for technical insurance reserves and liabilities related to financial contracts	3,388	2,379
Net changes to other provisions	39	26
Change in the fair value of financial instruments recognised at fair value as income (ex. cash and cash equivalents and ex. unit-linked contracts)	(6)	(136)
Other items without cash disbursement included in operating profit		
Changes of items included in operating profit other than monetary flows and reclassification of flows from financing and investment		
Change in trade receivables and payables	(220)	273
Change in banking operating receivables and payables	(213)	(368)
Change in securities repurchase agreements	11	(15)
Cash flows from other assets and liabilities	419	133
Net taxes paid	(147)	(119)
Net cash flows from operating activities	3,289	2,289
Acquisitions/Disposals of subsidiaries and joint ventures, net of cash acquired	(18)	
Acquisitions/disposals of interests in associated companies		
Cash flows from changes in consolidation	(18)	
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(3,457)	(2,219)
Net acquisitions of investment property	(147)	(96)
Net acquisitions and/or issues of investments and derivatives from other activities	34	101
Other items not corresponding to monetary cash flows	(65)	94
Cash flows from acquisitions and issues of financial assets	(3,635)	(2,120)
Net acquisitions of tangible and intangible assets and operating non-current assets	(29)	2
Cash flows from acquisitions and disposals of tangible and intangible assets	(29)	2
Net cash flows from investing activities	(3,682)	(2,118)
Net shares capital subscribed	26	15
Movement in own shares	(3)	
Dividends paid	(34)	(32)
Cash flows from transactions with shareholders and members	(11)	(17)
Cash assigned to financing debt	601	(36)
Interest paid on financing debt	(92)	(97)
Cash flows related to group financing	509	(133)
Net cash flows from financing activities	498	(150)
Cash and cash equivalents at 1 January	**143**	**122**
Net cash flows from operating activities	3,289	2,289
Net cash flows from investing activities	(3,682)	(2,118)
Net cash flows from financing activities	498	(150)
Cash and cash equivalents at 31 December	**248**	**143**
Cash and cash equivalents	584	
Bank uses –cash, central bank, postal accounts	26	
Operating debt to bank sector companies	(467)	
Cash and cash equivalents at 1 January 2005	**143**	
Cash and cash equivalents	697	
Bank uses –cash, central bank, postal accounts	23	
Operating debt to bank sector companies	(472)	
Cash and cash equivalents at 12.31.2005	**248**	

The notes on pages 27 to 106 are an integral part of the combined financial statements.

Notes to the combined financial statements

1 KEY EVENT AND POST-CLOSING EVENTS

1.1 KEY EVENTS

1.1.1 ORGANISATION OF THE GROUP

Election of outside directors

The Shareholders' Meeting of Groupama S.A. on 24 February 2005 elected three outside members to the Board of Directors of Groupama S.A. for a term of six years. These elections increased the number of Board members from 13 to 16, i.e. 11 representatives of the shareholder regional mutuals of Groupama S.A., 2 directors elected by the employees of Groupama S.A., and 3 outside directors.

1.1.2. DEVELOPMENT OF THE GROUP

Placement of an undated bond

At the end of June 2005, Groupama placed 500 million euros (nominal value) in an undated subordinated bond, with a coupon of 4.375%. This issue also includes a "10-year call" which allows the issuer, if it wishes, to redeem early as of 6 July 2015. The operation was very successful with investors, as the order book, constructed in less than two days, was largely oversubscribed by nearly 70 quality investors.

Crop insurance

In March 2005, Groupama launched "Climats", the multi-risk climate insurance designed from agricultural operators. The "climats" business line is targeted at all operators, whatever the size or economic strategy. It is in line with the three-level system planned by the public authorities:

- for small risks, an incentive to save with the "deduction for risks" tax deduction;
- for larger risks, private insurance. The policy covers the equivalent of incompressible production expenses estimated at 65% of operating revenues;
- for exceptional risks, governmental assistance is maintained.

Extension of activities to Vietnam

In January 2005, the Vietnamese government authorised Groupama to expand its activities to all sectors of non-life insurance in Vietnam over the entire territory. At the Group's request, the government authorities granted an extension of the license originally granted in 2001 only for agricultural insurance in southern Vietnam.

Acquisition of the British insurer Clinicare

Groupama Insurances acquired at year-end 2005 the British insurer Clinicare, which specialises in health insurance and is a subsidiary of the French mutual insurance group Azur-GMF. This company has 70 employees and earned revenues of €48 million in 2004. It should be noted that Clinicare was recognised as "Health Insurance Company of the year 2005" during the Health Insurance awards. This is the most important award in the insurance sector in Great Britain.

1.2 POST-CLOSING EVENTS

1.2.1. INTERNATIONAL

Acquisitions in Spain

On January 24, 2006, Groupama Seguros acquired the two subsidiaries of the Azur-GMF group in Spain: Azur Multiramos in non-life (revenues of €30 million in 2004) and Azur Vida (revenues of €15 million in 2004).

Spain is a major component of Groupama's international strategy.

Acquisition in Turkey

At the end of a privatisation process in Turkey, Groupama acquired early in 2006, subject to the formal approval from Turkish authorities, 56.67% of the non-life insurance company Basak Sigorta (€222 million in revenues in 2004) and 41% of the life insurance company Basak Emeklilik (€46 million in revenues in 2004), 38% held by Basak Sigorta.

With this acquisition, Groupama becomes the sixth largest insurer in the Turkish market, which is recording one of the fastest growth rates in the world.

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

.

1.2.2. ORGANISATION

Authorisation for a public offering of Groupama S.A.

The shareholders' meeting of *Fédération Nationale Groupama* on February 24, 2006 approved a public offering of Groupama S.A. to satisfy a need for total or partial financing or refinancing of Groupama S.A. on the market, generated by one or more major growth acquisitions or to implement a strategic partnership in France and/or abroad.

2 PRINCIPLES, METHODS AND SCOPE OF CONSOLIDATION

2.1 PRELIMINARY

Groupama S.A. is a French *Société Anonyme* nearly 100% held, directly or indirectly, by the Caisses Régionales *d'Assurances et de Réassurances Mutuelles Agricoles* and the *Caisses Spécialisées* ("regional mutuals") which form the mutual division of Groupama. Groupama S.A. is domiciled in France, with registered offices at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of capital at 12.31.05 was as follows:

- 90.88% by Groupama Holding;
- 8.99% by Groupama Holding 2;
- 0.13 % by the former and current officers and employees of Groupama S.A. (directly or through FCPEs).

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

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

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

The consolidated financial statements of Groupama S.A. include the reinsurance ceded by the regional mutuals and the business of the subsidiaries.

The combined financial statements relate to the Groupama group, which is composed of all the local mutuals, the regional mutuals, Groupama S.A. and its subsidiaries.

In conducting its activities, the company is governed by the provisions of the Commercial Code and the Insurance Code and is subject to the supervision of the French *Autorité de Contrôle des Assurances et des Mutuelles*.

Links between the various entities of the Group are governed by the following:

- within the Groupama S.A. division by capital ties. The subsidiaries included in this division are consolidated in the accounts. Moreover, in exchange for a certain operating autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the Groupama S.A. environment, particularly in terms of control;
- in the mutual division:

- by an internal reinsurance treaty that binds the regional mutuals to Groupama S.A.. This treaty, signed in December 2003 for the businesses acquired by Groupama S.A. at the time of the contribution of the regional mutual reinsurance business granted by the C.C.A.M.A. retroactively to 1 January 2003, replaced the general reinsurance regulations that had previously governed the internal reinsurance ties between the regional mutuals and the C.C.A.M.A;
- by a security and solidarity agreement between all the regional mutuals and Groupama S.A. ("Convention defining the security and solidarity mechanisms of the *Caisses de Réassurance Mutuelle Agricole* joining the *Fédération Nationale GROUPAMA*", which was signed 17 December 2003, effective retroactively to 1 January 2003).

2.2 GENERAL PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS

For the purposes of establishing the combined financial statements, the accounts of each entity within the scope of combination are prepared homogeneously in accordance with the provisions of the International Financial Reporting Standards and the interpretations applicable as of 12.31.05 as approved by the European Union (European Regulation 1606/2002 of 19 July 2002), the principal applications of which by GROUPAMA are described below.

The subsidiaries, joint ventures and associated entities within the scope of combination are consolidated in accordance with the provisions of IAS 27, IAS 31 and IAS 28.

On the other hand, no IFRS standard specifically deals with the conditions for aggregating the accounts of the entities that form the mutual division (local and regional mutuals). Therefore the Group has adopted the combination rules defined in Section VI of Regulation 2000-05 of the Accounting Regulatory Committee concerning the rules for the consolidation and combination of enterprises governed by the Insurance Code and the insurance (*prévoyance*) institutions governed by the Social Security Code or the Rural Code. This choice was made based on the judgement criteria defined in Article 10 of IAS 8 (on the selection and application of accounting methods in the absence of a standard or interpretation that specifically applies) because of the characteristics of the mutual division of Groupama described above.

The Group has also chosen to apply the following standards early: IAS 32/39 (including the fair value option amendment); revised IAS 19 "termination option", and IFRS 4 as of 1 January 2004. On the other hand, the Group has not anticipated the adoption of IFRS 7 concerning the information to be provided on financial instruments.
The format of the financial statements has been established in accordance with the recommendation of the National Accounting Board (*Conseil National de la Comptabilité* –CNC) 2005-R-01 of 24 March 2005 governing the format of financial statements of insurance organisations under international accounting standards.
The decisions made by the Group are based primarily on the synthesis of the work of the CNC working groups on the specific requirements for implementation of the IFRS by insurance organisations.
The Group has adopted the IFRS for the first time for the 2005 financial statements and, for purposes of comparison, has restated the statements for financial year 2004 under IFRS. The options selected by the Group for the retrospective restatement of assets and liability under IFRS 1 are described in paragraph 4 of 1.

The IFRS that have a significant impact in the Groupama accounts are primarily the following:
- IFRS 1: first application of the International Financial Reporting Standards
- IFRS 3: business combinations
- IFRS 4: insurance policies
- IAS 1: presentation of financial statements
- IAS 12: income taxes
- IAS 16: property, plant and equipment
- IAS 19: employee benefits
- IAS 27: consolidated and separate financial statements
- IAS 32: financial instruments –Disclosure and presentation
- IAS 34: interim financial reporting
- IAS 36: impairment of assets
- IAS 37: provisions, contingent liabilities and contingent assets
- IAS 38: intangible assets
- IAS 39: financial instruments –Recognition and measurement
- IAS 40: investment property.

The preparation of the Group's financial statements in accordance with the IFRS requires that management choose assumptions and make estimates which have an impact on the amount of the assets, liabilities, income and expenses as well as on the related notes.
These estimates and assumptions are reviewed on a regular basis. They are based on past experience and other factors, including future events, the occurrence of which seems reasonable under the circumstances.
The definitive future results of the transactions for which estimates were necessary may prove to be different from those estimates and result in an adjustment to the financial statements.

The judgements made by management pursuant to the application of IFRS primarily concern:
- the impairment tests performed on intangible assets, particularly goodwill (notes 2.4 and 3.4);
- the recognition of deferred taxes as assets (note 3.12);
- the evaluation of technical reserves (note 3.1.2);
- the determination of the provisions for risks and contingencies, particularly the valuation of employee benefits (note 3.10);
- the estimate of certain fair values on untraded assets or property assets (notes 3.2.1 and 3.2.2).

2.3 PRINCIPLES OF CONSOLIDATION

2.3.1 SCOPE AND METHODS OF CONSOLIDATION

An enterprise is included in the scope of consolidation once its consolidation, or the consolidation of the sub-group which it heads, becomes, alone or with other enterprises in a position to be consolidated, significant in terms of the combined accounts of all the companies included in the scope of consolidation. It is assumed that insurance and banking operational entity must be consolidated once the capital and reserves, balance sheet, or earned premiums of this entity represent €30 million of the combined capital and reserves, or €50 million out of the combined balance sheet total, or €10 million of the Group's earned premiums.
The Mutual Funds and property companies are consolidated. The minority interests for the Mutual Funds are classified in a specific financial debt line on the liabilities side of the IFRS balance sheet. In effect, under IAS 32, a financial instrument that gives the holder the right to return it to the issuer in exchange for cash is a financial liability. The change in this debt is recognised as a contra entry on the income statement.

Consolidating company
The consolidating company is the company that exclusively or jointly controls other companies, whatever their form, or which exerts a significant influence on them.

Exclusively controlled entities
Companies exclusively controlled by the Group, whatever their structure, are consolidated. These entities are consolidated once they are controlled. Control is the power to direct the financial and operational policies of the entity in order to obtain the benefits of its activities.
An entity is no longer fully consolidated once the Group no longer exerts effective control over the entity.
Full consolidation consists of:
- integrating in the consolidating company's accounts the items in the accounts of the consolidated companies, after any restatements;
- distributing the capital and reserves and the income between the interests of the consolidating company and the interests of the other shareholders or associates known as "minority interests";

• offsetting transactions and accounts between the fully consolidated company and the other consolidated companies.

Joint ventures
When an entity is controlled jointly, it is consolidated using the proportionate consolidation method. Its assets, liabilities, income and expenses are grouped, line by line, with the similar items in the consolidated financial statements of the consolidating entity. Joint control is the sharing of an economic activity under a contractual agreement.

Associates
Companies over which the Group exerts a significant influence are accounted for using the equity method.
When the consolidating entity holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it is otherwise demonstrated. Conversely, when the consolidating entity holds directly or indirectly less than 20% of the voting rights of the company held, it is assumed not to exert a significant influence, unless it can be demonstrated that such influence exists.

The equity method consists of:
• substituting the share of capital and reserves, including the earnings for the year determined using the consolidation rules, for the book value of the securities held;
• offsetting the transactions and accounts between the equity associate and the other consolidated companies.

2.3.2 CHANGE IN THE SCOPE OF CONSOLIDATION

In comparison with 12.31.04 and taking into account the operations presented above, the main changes in the scope of consolidation are as follows:

Newly consolidated entities:
Clinicare, acquired at the end of 2005, is now consolidated.

Mergers, reorganisations and deconsolidated entities
Merger-absorption of Groupama Gestion by Groupama Asset Management on 30 June 2005, effective retroactively to 1 January 2005.

2.3.3 HOMOGENEOUS ACCOUNTING PRINCIPLES

The Groupama combined financial statements are presented homogeneously for the entity formed by the companies included within the scope of consolidation, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated financial statements (predominance of substance over form, attachment of expenses to income, offsetting of items recognised under local tax provisions). The combined financial statements are established using the consolidation methods defined by the Group and comply with:
• the International Financial Reporting Standards and the interpretations applicable at 31 December 2005;
• the valuation methods specified hereinafter.

Restatements under the principles of homogeneity are made when they are significant.

2.3.4 CONVERSION OF THE ACCOUNTS OF FOREIGN COMPANIES

Balance sheet items are converted to euros at the official exchange rate on the closing date, with the exception of capital and reserves, excluding income, which are converted at historic rates. The portion of the resulting unrealised foreign exchange gains or losses reverting to the Group is recorded in the "unrealised foreign exchange gains or losses" item and the balance is included in "Minority interests".

Transactions on the income statements are converted at the average rate. The difference between the result converted at the average rate and the result converted at the closing rate is booked as "unrealised foreign exchange gains or losses" for the portion belonging to the Group and as "Minority interests" for the balance.

2.3.5 INTERNAL TRANSACTIONS BETWEEN COMPANIES CONSOLIDATED BY GROUPAMA

Transactions offset
All intra-Group transactions are offset. When such transactions affect the combined results, 100% of the profits and losses and the gains and losses is offset, and then allocated between the interests of the consolidating company and the minority interests in the company that recorded the results. In the case of offsetting losses, the Group ensures that the value of the asset transferred is not permanently modified. The offsetting of the impacts of internal transactions on assets has the effect of reducing them to their entry value in the combined balance sheet (consolidated historic cost).

Thus, internal transactions on the following must be offset:
• reciprocal receivables and payables as well as reciprocal income and expenses;
• notes receivable and notes payable are reciprocally offset but, when the receivable is discounted, the bank loan made to the Group is substituted for the payable;
• transactions affecting commitments received and given;
• reinsurance acceptances, cessions and retrocessions;
• co-insurance and co-reinsurance operations and pooled management;
• broker and intermediation transactions;
• contractual sharing of the results of Group contracts;
• appropriations to provisions for the depreciation of equity interests funded by the company holding the securities and, if applicable, appropriations to provisions for risks and contingencies recognised because of losses suffered by exclusively controlled companies;
• transactions on forward financial instruments;
• gains and losses from the internal transfer of insurance investments;
• intra-Group dividends.

Sale transactions of traded securities followed by the buyback of these same securities are considered to be external transactions.

2.4 GOODWILL

Discrepancies on first consolidation correspond to the difference between the acquisition cost of the shares of consolidated companies and the Group's share of the capital and reserves restated on the acquisition date. When it is not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a specific asset item as an intangible asset.
Goodwill is assigned to cash generating units (CGU) of the buyer from which it is expected that they will draw more from the combination. A CGU is defined as an identifiable group of assets producing cash flows independently of other assets or groups of assets. In practice, Groupama has used the approach by entity.
This goodwill is not amortised, but is subject to an impairment test at least once a year. The Group revises the book value of the goodwill if an unfavourable event occurs between two annual tests. An additional impairment is recognised when the recoverable value of the CGU to which the goodwill is assigned is less than its net book value. The recoverable value is determined using an approach based on discounted future cash flows.

An impairment of goodwill recognised during a previous year may not be subsequently reversed.
If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost of the company's shares, the identification and valuation of the assets, liabilities and contingent liabilities and the valuation of the cost of the combination is reestimated. If, after this revaluation, the share acquired remains greater than the acquisition cost, this excess is immediately recognised as income.

3 ACCOUNTING PRINCIPLES AND VALUATION METHODS USED

3.1 TECHNICAL OPERATIONS

3.1.1 CLASSIFICATION

There are two categories of insurance contracts:
- insurance contracts and financial contracts with discretionary profit-sharing, which are governed by IFRS 4;
- financial contracts without discretionary profit-sharing, which are governed by IAS 39.

INSURANCE CONTRACTS

An insurance contract is a contract under which one party, the insurer, accepts a significant insurance risk from another party, the policyholder, agreeing to indemnify the policyholder if a specified uncertain future event, the insured event, negatively affects the policyholder. An insurance risk is a risk, apart from the financial risk, transferred from the policyholder to the issuer. This risk is significant when an insured event may require an insurer to pay significant additional benefits whatever the scenario, with the exception of scenarios that lack commercial substance.
The existing accounting practices for insurance contracts are maintained, with the exception of the equalisation reserves (see notes 3.1.2.a and 3.1.2.b), provided that the reserves established meet the liability adequacy test stipulated by international standards (see 3.1.2.c).

FINANCIAL CONTRACTS

Contracts that do not meet the definition of an insurance contract as described above are classified as financial contracts. There are two categories of financial contracts: financial contracts with and without discretionary profit-sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or date of which is wholly or partially at the insurer's discretion, and the valuation of which is based either on the performance of a set of contracts or a specific contract, or on the profit or loss of the insurer, of a fund or any other entity that issued the contract, or on the realised and/or unrealised return on investments from a portfolio of specified assets held by the issuer.
The accounting methods for financial contracts with discretionary profit-sharing are identical to the methods for insurance contracts described above. Financial contracts without discretionary profit-sharing are treated using the valuation procedures described in 3.1.3.
If a single contract contains a financial component and an insurance component, the financial component is recognised as a financial instrument if all obligations related to the financial component are not recognised under existing accounting standards. The entire contract is treated as an insurance contract for accounting purposes.

3.1.2 INSURANCE CONTRACTS AND FINANCIAL CONTRACTS GOVERNED BY IFRS 4

a – Non-life insurance contracts

• Premiums

Written premiums represent the gross reinsurance issues, excluding tax, net of cancellations, reductions and dividends, of the change in premiums still to be written and of the change in premiums to be cancelled. Premiums written and adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

• Expenses for contract claims

Non-life insurance contract claims expenses essentially include the claims and related expenses paid and the change in reserves for claims and other technical reserves.
The claims and related expenses represent the claims settled net of claims collected for the year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment of benefits.

Liabilities related to non-life insurance contracts

• Reserves for unearned premiums

The technical reserves for unearned premiums represent the portion of premiums for the period between the inventory date and the next contract payment date. They are calculated on a pro rata basis.

• Reserves for unexpired risks

The reserves for unexpired risks are intended to cover the portion of the cost of claims and the related management fees that exceeds the fraction of deferred premiums net of deferred acquisition costs.

• Reserves for outstanding claims

The reserves for outstanding claims represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the year, both declared and undeclared. They include a charge for management fees that is determined on the basis of the actual fee rates observed.
For construction risks, in addition to the reserves for outstanding claims (declared or not yet declared), separate reserves for claims that have not yet appeared are also funded for the ten-year civil liability guarantees and the ten-year guarantees against structural damage.
Reserves are assessed on the basis of the type of specific risks covered, particularly agricultural and climate risks, and the risks that are highly seasonal in nature.

• Other technical reserves

- Mathematical provisions for annuities

The mathematical provisions for annuities represent the present value of the company's commitments for annuities and annuity expenses which it must pay.

- Reserve for increasing risks

This reserve is provisioned for regular premium health and disability insurance policies, for which the risk grows with the aged of the insured.

- Equalisation reserve

No provision is recorded for future risks characterised by low frequency and high unit cost on policies not yet subscribed on the closing date.

Deferred acquisition costs

In non-life insurance, the acquisition costs for unearned premiums are deferred and booked on the asset side of the balance sheet.

b – Life insurance contracts and financial contracts with discretionary profit-sharing

• Premiums

Premiums written represent the gross reinsurance premiums written, excluding tax, net of cancellations, reductions, dividends, the change in premiums to be written and the changed in premiums to be cancelled.

• Contract claim expenses

The claim expenses on life insurance contracts and financial contracts with discretionary profit-sharing include:
- all claims once they have been paid to the beneficiary;
- technical interest and profit-sharing that may be included in those claims;
- all costs incurred by the insurance company for the management and payment of claims.

They also include the profit-sharing and the change in life insurance reserves and other technical reserves.

Liabilities related to life insurance contracts and financial contracts with discretionary profit-sharing

• Mathematical provision

Mathematical provisions represent the difference between the present values of the commitments made by the insurer and the insured respectively, taking into account the probability that these commitments will be realised. Mathematical provisions are recognised as liabilities on the balance sheet at their gross technical value before zillmerisation effect.

• Profit-sharing reserve

The profit-sharing reserve consists of a reserve for profit-share owed and possibly a reserve for deferred profit-sharing. This reserve covers both life insurance contracts and financial contracts, as well as discretionary and non-discretionary profit-sharing.
The reserve for profit-sharing owed includes the identifiable amounts resulting from regulatory obligations intended for the insurer or the beneficiaries of contracts with profit-sharing and dividends, to the extent that these amounts have not been credited to the insured's account or included in the life technical reserves item.

The reserve for deferred profit-sharing includes:
- the reserve for unconditional profit-sharing, which is recognised when a difference is recorded between the bases for calculating future rights in the separate accounts and the consolidated accounts;
- the reserve for conditional profit-sharing, which related to the difference in rights recorded between the separate accounts and the consolidated accounts, the payment of which depends on a management decision or the occurrence of an event.

In the specific case of the restatement of the capitalisation reserve in the consolidated accounts, a reserve for deferred profit-sharing is determined when the asset/ liabilities management assumptions show a probable and sustained recovery in the capitalisation reserve stock. The Group has not recognised profit-sharing on the restatement of the capitalisation reserve.

• Application of shadow accounting

For participatory contracts, the Group has decided to apply shadow accounting, which is intended to pass on to the value of insurance liabilities, deferred acquisition costs and the intangible assets related to insurance contracts, the effects of taking into account the unrealised gains and losses on financial assets valued at fair value. The resulting deferred profit-sharing is booked as a contra entry to the revaluation reserve or the profit or loss, depending on whether these gains and losses have been recognised in this reserve or in the income statement.

The shadow accounting is applied on the basis of a profit-sharing rate that is estimated and applied to the unrealised gains and losses. This rate is obtained by applying the regulatory and contractual conditions for calculating the profit-sharing observed in recent years.

• Other technical reserves

- Reserve for financial contingencies

No reserve for financial contingencies is recorded when the mathematical provisions have been funded on the basis of discount rates at most equal to the forecast yield rates, prudently estimated, of the assets assigned to represent them.

- Overall management reserve

The management reserve is constituted when the future margins determined for the purpose of calculating deferred acquisition costs for a homogeneous family of products are negative.

- Equalisation reserve

No equalisation reserve is recognised. So-called equalisation reserves intended to cover claims fluctuations are maintained when they are the result of contractual obligations and revert to the insured.

Deferred acquisition costs

The variable costs that can be directly allocated to the acquisition of life insurance contracts are recorded on the asset side of the consolidated financial statements. These amounts may not under any circumstances be greater than the present value of future profits from the contracts. These costs are amortised over the average life of the contracts based on the rate of emergence of future margins for each generation of contracts; future margins are determined using economic assumptions (profit-sharing rate, future rate of return on assets and drop rate). As acquisition costs are activated, the mathematical provisions appearing on the balance sheet are presented as non-zillmerised.

Every year the probable present value of future margins by homogeneous product family is compared to the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, an extraordinary amortisation is expensed.

The Group has applied the standard governing shadow accounting for deferred acquisition costs.

c – Liabilities sufficiency test

An adequacy test is performed at each accounting closure for liabilities intended to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance contracts. Future cash flows resulting from contracts take into account their attached cover and options. If necessary, and for the purposes of this test, the insurance liabilities are reduced by the deferred acquisition costs and the portfolio values recorded at the time of business combinations or transfers of the related contracts.

If there is an insufficiency, the potential losses are recognised in full as a contra entry under income.

d – Contracts denominated in units of account

The technical reserves for unit-linked contracts are valued at the market value of the unit of account in the inventory.

3.1.3 INSURANCE CONTRACTS GOVERNED BY IAS 39

Liabilities relating to significant financial contracts without discretionary profit-sharing must be recognised on the basis of the principle of deposit accounting. Thus the premiums collected and the benefits are booked on the balance sheet. Management charges and expenses for the contracts are recorded as profit or loss. Unearned revenues are deferred over the estimated life of the contract.

The additional costs directly related to management of the investments of a contract governed by IAS 39 are 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 to the profits resulting from the management of the investments is amortised over the period of management and is symmetrical with recognition of the corresponding profit.

3.1.4 REINSURANCE OPERATIONS

Reinsurance treaties that include no significant insurance risk are booked directly on the balance sheet and are included in financial assets and liabilities.

Acceptances

Reinsurance acceptances are booked treaty by treaty without difference on the basis of an assessment of the business accepted. These transactions are classified using the same rules as described for insurance contracts or financial contracts in 3.1.1 Classification. In the absence of sufficient information from the cedant estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the cedants and retrocedants.

Securities given as a hedge are recorded in the statement of commitments given and received.

Cessions
Reinsurance cessions are recognised in accordance with the terms of the different treaties. A liabilities deposit is recorded for the amount of the counterparty received from accepting parties and retrocessionnaires.
Securities from reinsurers (accepting parties or retrocessionnaires) remitted as a hedge are recorded in the statement of commitments given and received.

3.1.5 EMBEDDED DERIVATIVES
Embedded derivatives are components of compound financial instruments that meet the definition of a derivative product.
They are separate from the host contract and booked as derivatives when the following three conditions are met:.
- the economic features and the risks of the embedded derivative are not closely linked to the economic features and risks of the host contract;
- a separate instrument containing the same conditions as the embedded derivative meets the definition of a derivative;
- the hybrid instrument is not valued at fair value with recognition of the changes in the fair value through the income statement.

When one of these conditions is not met, there is no separation.

3.2 INSURANCE SECTOR INVESTMENTS

The valuation of the investments, and any depreciation, is established in accordance with IFRS based on the classification of the investments.

3.2.1 FINANCIAL ASSETS
Stocks, bonds, loans and receivables, derivatives and bank accounts are considered financial assets.

Classification
Financial assets are classified in one of the following four categories:
- assets held for transaction purposes are investments which are held to earn short-term profits. The existence of a history of short-term sale also allows classification in this category. Subject to meeting certain criteria, this category also includes financial assets designated as options;
- assets held until maturity include fixed-term investments that the company expressly intends, and is able, to retain until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above;
- the category of loans and receivables allows the recording of assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market;
- assets available for sale include by default all other fixed-term financial investments, stocks, loans and receivables that are not included in the other categories.

Initial recognition
The Group books its financial assets when it becomes a party to the contractual provisions of these assets.
Purchases and sales of financial investments are recorded on the transaction date.
Financial assets are initially recorded at their fair value plus, in the case of an asset that is not at fair value in the income statement, the transaction costs directly chargeable to the acquisition. However, the transaction costs are not included in the acquisition cost of the financial assets when they are not significant.
Repurchase transactions are maintained as assets on the balance sheet.

Determination of fair value
The fair value of the financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.
For assets available for sale and assets held for transactions, the fair value is the listed value on the last listing date of the period or the value estimated using reliable valuation techniques. If the fair value cannot be reliably valued, the investment is recorded at the historic cost minus permanent reserves, if any.
For loans and receivables, the fair value is the amortised cost.

Valuation rules
The valuation rules and any impairment must be understood as depending on the classification of the financial instrument in one of the four categories given above.
Assets held for transactions are recorded at their fair value at the closing price in the income statement.
Financial assets held until maturity, unlisted stock for which the fair value cannot be measured reliably, and loans and receivables are recorded at the amortised cost or the historic cost. The amortised cost is the amount at which the asset was valued at the time of initial recognition, minus repayments of principal, plus or minus the cumulative amortisation of the differences between the initial amount and the amount at maturity (based on the effective interest rate) and corrected for any provisions for impairment.
The differences between the redemption value and the acquisition price are distributed actuarially as expenses (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.
For inflation-indexed bonds, the indexing to the general level of prices recorded during the period since the acquisition date or since the end of the previous period is recorded as income or expense for the period, with the balance sheet contra entry in a sub-account attached to the principal account of the bond.
Assets available for sale are valued at their fair value and the unrealised gains or losses are recorded in a separate item under capital and reserves.
Investments representing unit-linked contracts are valued at fair value.

Provisions for impairment

At each closing date, the Group looks for the existence of objective presumptions of depreciation in its investments. Depreciation is assumed in the following cases:

- if there was a provision for depreciation for an investment line in the previous published statement;
- the financial investment has shown a significant loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of sustained depreciation;
- if a strong discount is observed on the closing date.

The criteria for impairment are based on the volatility of the financial markets on the closing date. In addition, there may also be a specific increase in the provisionable nature of certain securities.

For investments valued at the amortised cost, the amount of the loss is equal to the difference between the net book value of the assets and the discounted value of the future cash flows expected, determined on the basis of the original effective interest rate of the financial instrument, and corrected for any provisions. The amount of the loss is included in the net income or loss for the year. The provision may be reversed by income.

For investments classified as assets available for sale, the amount of the loss is equal to the difference between the acquisition cost and the fair value for the year, minus any loss of value on this asset previously recognised in net income or loss. When impairment occurs, the loss of value recorded under capital and reserves is transferred to income or loss.

In the case of a debt instrument, only the counterparty risk may be provisioned. Moreover, when the fair value of an asset subsequently improves, a reversal is made in income in the amount of the provisions recognised. In the case of capital and reserves instruments, there is no reversal of provisions through income. The depreciation recorded on a capital and reserves instrument will be reversed as income only at the time of the transfer of the asset in question.

Capitalisation reserve

The capitalisation reserve is eliminated in the combined financial statements. It is taxed as described in 3.12.

Derecognition

Financial assets are derecognised when the contract rights expire or the Group transfers the financial assets. The gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of the securities carried by the Mutual Funds. The method used for Mutual Funds is the weighted average cost method.

The gains and losses from disposal are recorded on the income statement on the date of realisation and represent the difference between the sale price and the net book value of the asset.

3.2.2 REAL ESTATE INVESTMENTS

The Group has chosen to record real estate investments using the amortised cost method. They are valued using the component approach.

Initial recognition

Lands and buildings appear on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly tied to the transaction.

When a real estate asset includes a portion held to draw rent and another part used for production or administrative purposes, the asset is a real estate investment only if the latter part is not significant.

At the time of the initial accounting, the real estate is subdivided by components and recorded separately.

The components used by the Group are the following:

- framework or hull,
- enclosure-covered,
- heavy equipment,
- secondary equipment, coverings.

Valuation

The amortised cost of the real estate is the amount at which the real estate has been recorded at the time of initial recognition, minus cumulative amortisation and corrected for any provisions for depreciation. Each component is identified by its duration and amortisation rate: the amortisation period for all the components is between 15 and 120 years.

The residual value of the framework component cannot be measured with sufficient reliability, particularly given the uncertainties about the holding horizon; thus this component is amortised on the basis of the acquisition cost.

Rent payments are recorded using the straight line method over the term of the lease agreement.

The liquidation value of real estate investments is determined on the basis of the five-year expert appraisal conducted by an expert approved by the *Autorité de Contrôle des Assurances et des Mutuelles*. During each five-year period, the real estate is subject to an annual estimated certified by the expert.

As the maintenance component is not considered significant, provisions for major repairs (PMR) are eliminated.

Subsequent expenses

Subsequent expenses must be added to the book value of the real estate:

- if it is probable that these expenses will allow the asset to generate economic advantages;
- and these expenses can be reliability valued.

Provisions for impairment

On each account closing date, the Group determines whether there are indications of a potential loss of value on the properties recognised at the amortised cost. If this is the case, the recoverable value of the real estate is calculated as being the higher of two values: the sale price net of sale costs and the useful value. If the recoverable value is less than the net book value, the Group recognises a loss of value as income or loss in the amount of the difference between the two values, and the net book value is adjusted to reflect only the recoverable value.

When the value of the real estate increases at a later time, the provision for impairment is reversed in income.

De-recognition

Gains or losses from the disposal of real estate investments are 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 require a net zero or low initial investment compared with other instruments that react in the same way to market changes;
- it is unwound at a future date.

All derivatives are recorded on the balance sheet at original cost and are subsequently valued at fair value. The changes in fair value are recorded as income or loss.

3.3.2 HEDGING DERIVATIVES

The use of hedging accounting is subject to obligations for documentation and periodic demonstration of the efficacy of the hedge.

Hedging derivatives are booked at fair value with changes on the income statement, except for hedges of cash flows considered as effective, for which the changes in fair value are deferred as capital and reserves until the cash flows hedged are recognised in the income statement.

For a value hedge of a security available for sale, the changes in fair value of the hedged item are booked as income or loss so that they exactly offset the changes in the hedging derivative.

The ineffective portion of hedges is booked in the income statement.

3.3.3 EMBEDDED DERIVATIVES

The three conditions that require separate accounting between the host contract and the derivative instrument are listed in 3.1.5.

3.4 INTANGIBLE ASSETS

An intangible asset is an identifiable asset, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

Intangible assets include primarily the software acquired and created, portfolio securities, and businesses. The entry value of an intangible fixed asset consists of its acquisition price and the costs directly linked to its use.

With the exception of portfolio securities, intangible assets are valued using the amortised cost, which equals the acquisition cost minus amortisation and any cumulative loss of value. They are amortised using the straight line method over a period of between one and five years, with the exception of businesses which are amortised over a maximum period of 20 years and may also be depreciated when there is an indication of a loss of value.

Amortisation of portfolio securities is spread out over the residual life of the portfolio contracts.

Initial costs are not capitalised, but expensed.

3.5 TANGIBLE FIXED ASSETS

The Group has chosen to value business premises using the amortised cost method. These properties are presented on a line separate from real estate investment on the asset side. The accounting and valuation method is identical to the method described for real estate investment.

Tangible fixed assets other than business premises are initially recognised at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for implementation and payment discounts.

The amortisation methods reflect the method of economic consumption.

An impairment test is conducted once there is an indication of a loss of value. The loss of value is reversible and corresponds to the surplus between the book value over the recoverable value, which is the higher of net fair value of withdrawal costs and the useful value.

3.6 INVESTMENTS IN AFFILIATES

Investments in affiliates are consolidated using the equity method. At the time of acquisition, the investment is booked at the acquisition cost and its net book value is subsequently raised or reduced to take into account the profits or losses pro rata to the investor's holding.

3.7 TRADE RECEIVABLES AND PAYABLES, OTHER ASSETS AND OTHER LIABILITIES

Trade receivables and other assets are booked at their nominal value, taking into account any transaction costs.

Trade payables and other liabilities are recorded at the fair value of the consideration received in exchange at the origin of the contract, net of transaction costs.

Pending clarification from the IFRIC, commitments to purchase minority interests are recorded as other liabilities as a contra entry to minority interests. Moreover, the minority interests on the consolidation of Mutual Funds are included in other liabilities.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents primarily represent the balances in the bank accounts of Group entities.

3.9 CAPITAL AND RESERVES

REVALUATION RESERVE

The revaluation reserve includes the differences resulting from the revaluation at fair value of balance sheet items, particularly:

- the effects of the revaluation of derivative instruments assigned to hedge cash flows and net investments in currencies pursuant to the provisions of IAS 39, these are unrealised gains and losses;
- the effects of the revaluation of financial assets available for sale in accordance with the provisions of IAS 39; these are unrealised gains and losses;
- the cumulative impact of the deferred tax gain or loss generated by the transactions described above;
- the cumulative impact of the gain or loss from the shadow accounting.

OTHER RESERVES

Other reserves consist of the following elements:

- carried forward;
- Group consolidation reserves;
- other regulated reserves;
- the impact of changes in accounting methods.

UNREALISED FOREIGN EXCHANGE GAINS OR LOSSES

Unrealised exchange gains or losses result from the consolidation mechanism because of the conversion of the individual financial statements of foreign subsidiaries established in a currency other than the euro.

MINORITY INTERESTS

Minority interests include the share in the net assets and net earnings of a fully consolidated Group company. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries (concerning the purchase of minority interests and minority interests on consolidated Mutual Funds, refer to 3.7).

3.10 PROVISIONS FOR RISKS AND CONTINGENCIES

Provisions for risks and contingencies are liabilities for which the due date or the amount is uncertain. A provision must be recognised if the following three conditions are met:

- the company has a current, legal, or implicit obligation that is the result of a past event;
- it is probable that a disbursement of resources representing economic benefits will be necessary to discharge the obligation;
- it is possible to obtain a reliable estimate of the amount of the provision.

When the impact of the time value of the money is substantial, the amount of the provisions must be equal to the present value of the expected expenditures which the company believes necessary to discharge the obligation.

EMPLOYEE BENEFITS

Pension commitments

The companies of the Group have different pension schemes. The schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations. The Group has defined benefit schemes and defined contribution schemes. A defined contribution scheme is a pension plan under which the Group pays fixed contributions to an independent entity. In this case, the Group is not bound by any legal or implied obligation forcing it to contribute additional amounts to the scheme in the event the assets are not sufficient to pay all employees the benefits owed for the services rendered during the current and previous years. Pension schemes that are not defined contribution schemes are defined benefit schemes. This is the case, for example, for a scheme that defines the amount of the pension benefit that will be collected by an employee at retirement, which is generally a function of one or more factors, such as age, seniority and salary.

The liabilities recorded on the balance sheet for defined benefit pension and similar schemes correspond to the discounted value of the obligation linked to the defined benefit schemes at closing, after deducting scheme assets and the adjustment for past service costs not recognised.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are booked directly in capital and reserves.

The costs of past services are immediately recognised in income, unless the changes in the pension scheme are subject to employees working over a defined period (the vesting period for the rights). In this case, the costs of past services are amortised using the straight line method over this vesting period.

For defined contribution schemes, the Group pays contributions to pension insurance schemes and is not liable for any other payment commitment. The contributions are booked as expenses related to employee benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 FINANCING DEBT

Financing debt includes subordinated liabilities, financing debt represented by securities, and financing debt to banking institutions.

INITIAL RECOGNITION

Financing debts are recognised when the Group becomes a party to the contract for these debts. The amount of the financing debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of these debts.

VALUATION RULES

Financing debts are subsequently valued at the amortised cost using the effective interest rate method.

DE-RECOGNITION

Financing debts are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

3.12 INCOME TAXES

Income taxes include all taxes, both due and deferred. When income taxes are payable or receivable and payment is not subject to the execution of future transactions, the tax is classified as due, even if the payment is spread over several years. It appears as an asset or liability on the balance sheet as applicable.

The transactions performed by the Group may have positive or negative tax consequences other than those used to calculate the tax due. The result is tax assets or liabilities classified as deferred.
This is particularly the case when, because of transactions already completed, whether they are booked in the individual accounts or only in the consolidated accounts as restatements and eliminations of intra-Group results, differences will appear in the future between the fiscal result and the accounting result of the company, or between the fiscal value and the book value of an asset or liability, for example when transactions performed during a year are taxable only in the following year. These differences are classified as temporary. In addition, the capitalisation reserve is integrated in the base for calculating deferred taxes.
All deferred tax liabilities must be recognised; on the other hand, deferred tax assets are recognised on the asset side of the balance sheet only if it is likely that a taxable profit (against which these deductible timing differences can be charged) will be available.

3.13 SECTOR INFORMATION

A sector is a distinct component of a company that is engaged either in supplying a product or service (a life/non-life sector) or in supplying products or services in a specific economic environment (a France/foreign geographic sector), and is exposed to risks and profitability that are different from the risks and profitability of the other sectors.
A sector is defined as such once most of the income results from sales to external clients and once the income, results or assets represent at least 10% of all sectors. Sector information is presented at two levels. The first level is organised by geographic sector. The second level is based on the business.

3.14 COSTS BY INTENDED USE

Management fees and commissions related to insurance business are classified on the basis of their intended use by applying distribution keys defined as a function of the structure and organisation of each of the insurance entities. Expenses are classified in the following six categories:
- acquisition costs,
- administrative costs,
- claims settlement costs,
- investment expenses,
- other technical expenses,
- non-technical expenses.

4 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - INITIAL APPLICATION OF THE STANDARDS

The Group has published its financial statements for the year ended 12.31.05 under International Financial Reporting Standards (IFRS) for the first time. For purposes of comparison, the year 2004 has been restated and is presented under IFRS. The date of the transition to IFRS is 1 January 2004.
The details of the transition from the statements published in accordance with French standards to IFRS were submitted to the Audit Committee on 17 October 2005 and to the Board of Directors on 20 October 2005.

A – Options selected under IFRS 1
For this first year under IFRS 1, Groupama chose the following options for the retrospective restatements of assets and liabilities.

Business combinations
As allowed under IFRS 3, Groupama chose not to restate business combinations prior to 1 January 2004. As allowed under IFRS 1, Groupama will not apply IAS 21 "Effects of changes in foreign exchange rates" retrospectively to the goodwill coming from business combinations before the date of transition to IFRS. As a result, this goodwill is maintained in the functional currency of the acquiring entity.

Unrealised foreign exchange gains or losses
Groupama transferred to consolidated reserves the unrealised foreign exchange gains or losses at 1 January 2004 on the conversion into euros of the accounts of the subsidiaries with a foreign currency as the functional currency. The new IFRS value for unrealised foreign exchange gains and losses is, therefore, reset to zero at 1 January 2004. In the event of a subsequent sale of these subsidiaries, the sale gain or loss will not include a reversal of unrealised gains or losses prior to 1 January, but will include the unrealised foreign exchange gains or losses recognised after 1 January 2004.

Valuation of certain intangible/tangible assets at fair value
Groupama has chosen not to use the option offered by IFRS 1 to value certain intangible/tangible assets at their fair value on 1 January 2004.

Application of IFRS 4 concerning insurance contracts
Groupama has opted to value insurance contracts in accordance with French standards (preferred methods of CRC Regulation 2000-05).

B – Impacts of the main restatements on the opening consolidated balance sheet at 1 January 2004

Unrealised foreign exchange gains or losses (IFRS 1)
IFRS 1 (First-time adoption of the standards) allows a company not to reconstitute retrospectively the cumulative deferred unrealised exchange gains or losses as of 1 January 2004. As a result, in the event of a future sale of a business or subsidiary with an operating currency different from the consolidation currency, the sale gain or loss will not include the unrealised exchange gains or losses generated before 1 January 2004.

• Impact on the 2004 opening balance sheet
The adoption of this optional treatment results in a reclassification of –€74 million euros from the unrealised foreign exchange gains and losses item to consolidated reserves, without any impact on capital and reserves at 1 January 2004.

Business combinations (IFRS 1 & 3)
Groupama has decided to use the option offered by IFRS1 not to restate business combinations prior to 1 January 2004. The first application of the IFRS does not call into question the accounting methods used in the past.
Goodwill constitutes intangible assets with an indefinite useful life. Goodwill is allocated and is subject to an impairment test per Cash Generating Unit (CGU). The CGUs used correspond to the main areas of activities. An impairment of goodwill is recorded when the recoverable value of the asset is less than its book value. The recoverable value is estimated using the discounted future cash flows of the CGU.

• Impact on the 2004 opening balance sheet
By integrating into revalued net assets income previously deemed to be in the future (particularly the unrealised results reverting to the shareholder and the activation of deficit carry forwards), the balances of previously excess tests have been modified under the new standards.
This break results in the recognition on 1 January 2004 of a negative impact of €446 million on capital and reserves. On the asset side of the balance sheet, the amount of the goodwill was reduced by the same amount.

Scope of consolidation (IAS 27 & 28)
Under IAS 27, all controlled companies must be included in the scope of consolidation. For this reason, the real estate companies are consolidated in IFRS. The effects of the consolidation of the Mutual Funds have been classified in IAS 32 & 39.

• Impact on the 2004 opening balance sheet
As of 1 January 2004, the negative impact on capital and reserves was €247 million. This impact is primarily the result of the absence of any question on the internal sale price of the real estate companies before the purchase of GAN. On the other hand, the following items were affected:

• Real estate investment, ex. unit-linked investments	+€731 million
• Financial investments, ex. unit-linked investments	+€53 million
• Business premises	+€154 million
• Investments in associates	–€1,152 million
• Other net assets and liabilities	–€33 million

Insurance-sector investments (IAS 32 & 39)
Pursuant to IAS 39, financial assets are recorded on the balance sheet at their market value. This revaluation, net of income tax and deferred participation for the life entities, is recorded based on the type of financial instrument as capital and reserves or as income/loss. Derivative instruments are recognised on the balance sheet at fair value (The gains and losses related to the change in market value of derivatives not eligible for hedging accounting are recorded as income/loss). Financial assets and liabilities related to the consolidation of the Mutual Funds are treated in accordance with IAS 32 & 39. The impact of the restatements is described below.

• Impact on the 2004 opening balance sheet
At 1 January 2004, the impact on capital and reserves (gross of profit-sharing and deferred taxes) totalled €1,937 million.

The contra entry for the increase in capital and reserves concerned the following items:

• Financial investments AFS ex. unit-linked investments	+€1,754 million
• Financial investments HFT & trading ex. unit-linked investments	+€223 million
• Derivative instruments	+€221 million
• Debt on minority interests in consolidated Mutual Funds	–€191 million
• Other debt – purchase of minority interests	–€28 million
• Other receivables and other net liabilities	–€42 million

Equalisation reserve (IFRS 4)
As IFRS do not allow the possibility of funding an equalisation reserve on future risks on future contracts, Groupama has eliminated these reserves in its combined financial statements.

• Impact on the 2004 opening balance sheet
The positive impact on the 2004 opening capital and reserves is €276 million. In return, the item "contract liabilities" is increased to the level of this restatement.

"Shadow" accounting (IFRS 4)
Groupama has opted for shadow accounting to record the effects on liabilities and deferred acquisition costs of the booking of financial instruments at fair value. This adjustment is made by recording a deferred profit-sharing as a contra entry to capital and reserves or income/loss based on the methods for recording the item to which it is linked.

• Impact on the 2004 opening balance sheet
As of 1 January 2004, the impacts were negative for capital and reserves in the amount of €1,339 million. The contra items affected were the following:

• Liabilities related to insurance contracts	+€598 million
• Liabilities related to financial contracts with discretionary profit-sharing	+€702 million
• Deferred acquisition costs	+€39 million

Classification of contracts (IFRS 4)
In accordance with the principles of IFRS 4, which require a distinction between "insurance" contracts and "financial" contracts, presentation reclassifications were made to reflect this new classification.

• Impact on the 2004 opening balance sheet
At 1 January 2004, the breakdown between insurance contract liabilities and financial contract liabilities was as follows:
- liabilities related to insurance contracts: 65%,
- liabilities related to financial contracts with discretionary profit-sharing: 35%.

Deferred taxes (IAS 12)
Based on the tax change in the Group and the effects of the implementation of IFRS, Groupama has drawn the appropriate conclusions for deferred taxes. The approach used was to take deferred tax assets into account more systematically when their recovery was more probable than improbable.

• Impact on the 2004 opening balance sheet
At 1 January 2004, the impacts were as follows:

• Increase in capital and reserves	+€194 million
• Increased in deferred tax assetss	+€550 million
• Increase in deferred tax liabilities	+€356 million

Real estate (IAS 16 & 40)
The restatements made are related to the valuation of business premises and real estate investments using the method of amortised cost by components.

• Impact on the 2004 opening balance sheet

The positive impact on capital and reserves was €16 million. The contra effect on the other balance sheet items was as follows:

• Reduction in real estate investments	–€4 million
• Reduction in provisions for risks and contingencies	+€14 million
• Increase in other assets net of liabilities	+€6 million

Employee benefits (IAS 19)

• Impact on the 2004 opening balance sheet

The procedures for valuing and recognising pension and retirement commitments under IAS 19 resulted in a reduction of €87 million in capital and reserves. In return, the liability item "provisions for risks and contingencies" on the balance sheet increased by an equivalent amount.

Other standards

• Impact on the 2004 opening balance sheet

The other standards had a positive impact of €17 million on opening capital and reserves. The following contra items on the balance sheet were affected as follows:

• Reduction in intangible assets	–€4 million
• Reduction in provisions for risks and contingencies	+€18 million
• Reduction in tax liabilities	+€3 million

Summary of the impacts on capital and reserves at 1 January 2004, by standard

Net Group share of capital and reserves at 1 January 2004 totalled €3,985 million under IFRS compared with €3,664 million under French standards. This change breaks down as follows:

(millions of euros)	
GROUP SHARE OF CAPITAL AND RESERVES AT 1 JANUARY 2004 UNDER FRENCH STANDARDS	**3,664**
• IAS 32/39 - Financial Instruments	1,937
• IFRS 4 -"Shadow" accounting	– 1,339
• IFRS 4 - Equalisation reserve	276
• IAS 27/28 - Scope of consolidation	– 247
• IFRS 1/3 - Business combinations	– 446
• IAS 12 - Deferred taxes	194
• IAS 19 – Employee benefits	– 87
• IAS 16/40 - Real estate	16
• Other impacts	17
GROUP SHARE OF CAPITAL AND RESERVES AT 1 JANUARY 2004 RESTATED UNDER IFRS	**3,985**

NOTE 2 – SECTOR INFORMATION BY GEOGRAPHIC REGION

(millions of euros)	12.31.2005 France	12.31.2005 Foreign	12.31.2005 Consolidated	12.31.2004 France	12.31.2004 Foreign	12.31.2004 Consolidated
Gross premiums earned	11,171	1,900	13,071	10,712	2,081	12,793
Net banking income, net of cost of risk	137		137	105		105
Investment income, net of expenses, excluding financing expense	3,521	247	3,768	2,942	221	3,163
Income from ordinary activities	14,829	2,147	16,976	13,759	2,302	16,061
Income from current operations	914	130	1,044	724	92	816
Other operating income and expenses	(34)	(1)	(35)	(62)	(13)	(75)
Operating income	880	129	1,009	662	79	741
Financing expenses	(93)		(93)	(96)	(1)	(97)
Share in net income of associates	1	1	2	1	3	4
Income taxes	(306)	(33)	(339)	(179)	(34)	(213)
Net income of consolidated entity	482	97	579	388	47	435
Minority interests	(34)	(1)	(35)	(30)	1	(29)
Net income (Group share)	448	96	544	358	48	406
Insurance-sector investments	63,261	5,623	68,884	56,374	5,303	61,677
Tax receivables	124	28	152	149	35	184
Investments in associates	1	30	31	5	22	27
Other sector assets	10,640	581	11,221	10,845	578	11,423
Total consolidated assets	74,026	6,262	80,288	67,373	5,938	73,311
Sector liabilities	74,026	6,262	80,288	67,373	5,938	73,311
Total consolidated liabilities	74,026	6,262	80,288	67,373	5,938	73,311
Gains or losses from disposal of investments, net of reversals of depreciation and amortisation	1,033	63	1,096	492	58	550
Change in fair value of financial instruments recognised at fair value by result	340	25	365	322	15	337
Change in depreciation on financial instruments	(5)	(10)	(15)	(65)	(11)	(76)
Acquisitions of tangible fixed assets	303	14	317	286	15	301
Acquisitions of intangible assets	150	3	153	108	6	114
Amortisation and depreciation	(275)	(12)	(287)	(142)	(11)	(153)

ANALYSIS OF REVENUES – BREAKDOWN BY GEOGRAPHIC REGION

(millions of euros)	12.31.2005					12.31.2004				
	Life	Non-life	Financial activities	Total	Share as %	Life	Non-life	Financial activities	Total	Share as %
France	3,727	7,542	205	11,474	85%	3,517	7,239	164	10,920	85%
EEC (ex- France)	366	1,513		1,879	14%	310	1,432		1,742	14%
United Kingdom		504		504	4%		451		451	4%
Italy	191	353		544	4%	179	346		525	4%
Spain	66	641		707	5%	54	622		676	5%
Portugal	109	15		124	1%	77	13		90	1%
Other countries	60	39		99	1%	121	50		171	1%
TOTAL	**4,153**	**9,094**	**205**	**13,452**	**100%**	**3,948**	**8,721**	**164**	**12,833**	**100%**

Total revenues amounted to €13,247 million at 31 December 2005, compared with €12,669 million at 31 December 2004.

ANALYSIS OF REVENUES – BREAKDOWN BY MAIN BRANCHES

(millions of euros)	12.31.2005			12.31.2004		
	France	Foreign	Total	France	Foreign	Total
Life insurance: single-premium contracts						
Capitalisation	62	142	204	74	101	175
Individual insurance	2,018	54	2,072	1,909	60	1,969
Group contracts	3	14	17	3	63	66
Contracts in units of account	321	21	342	193	12	205
Other	52		52	54		54
Total single-premium contracts	2,456	231	2,687	2,233	236	2,469
Life insurance: periodic premium policies						
Capitalisation	51	37	88	57	37	94
Individual insurance	640	86	726	633	92	725
Group contracts	451	53	504	432	46	478
Contracts in units of account	6	19	25	6	20	26
Other	10		10	3		3
Total periodic premium policies	1,158	195	1,353	1,131	195	1,326
Acceptances	113		113	153		153
Total life	3,727	426	4,153	3,517	431	3,948
Non-life insurance						
Motor	2,072	845	2,917	2,033	822	2,855
Injuries	1,989	71	2,060	1,844	69	1,913
Property damage	2,177	399	2,576	2,163	364	2,527
General civil liability	150	61	211	151	61	212
Marine, aviation, transport	256	27	283	215	25	240
Other	641	147	788	586	137	723
Acceptances	257	2	259	247	4	251
Total non-life	7,542	1,552	9,094	7,239	1,482	8,721
Total life and non-life	11,269	1,978	13,247	10,756	1,913	12,669
Banking						
Bank	97		97	77		77
Asset management	106		106	85		85
Other	2		2	2		2
Total banking	205		205	164		164
TOTAL	**11,474**	**1,978**	**13,452**	**10,920**	**1,913**	**12,833**

NOTE 3 – GOODWILL

(millions of euros)	12.31.2005	12.31.2004
Net values at opening	1,152	1,142
Change in scope of consolidation	6	10
Groupama S.A.		1
Groupama Asset Management		2
Silic		6
Groupama Insurances (Clinicare)	6	
Compagnie Foncière Parisienne		1
Deconsolidated		
NET VALUES AT CLOSING	**1,158**	**1,152**

DETAIL OF GOODWIL BY COMPANY

(millions of euros)	12.31.2005	12.31.2004
	Net values	Net values
Gan Italie	75	75
Groupama Seguros	178	178
Groupama Insurances (Clinicare)	6	
Total international	259	253
Gan French subsidiaries	720	720
Gan banking subsidiaries	18	18
Groupama S.A.	1	1
Groupama Transport	19	19
Silic	10	10
Gan Eurocourtage IARD	128	128
Groupama Asset Management	2	2
Compagnie Foncière Parisienne	1	1
Total France	899	899
TOTAL	**1,158**	**1,152**

NOTE 4 – OTHER INTANGIBLE ASSETS

(millions of euros)	12.31.2005 Business	12.31.2005 Other intangible assets	12.31.2005 Total	12.31.2004 Business	12.31.2004 Other intangible assets	12.31.2004 Total
Gross values at opening	28	653	681	28	559	587
Acquisitions and creations	2	151	153	0	113	113
Disposals or withdrawals	(5)	(53)	(58)		(19)	(19)
Gross values at closing	25	751	776	28	653	681
Cumulative amortisation at opening	(19)	(445)	(464)	(19)	(344)	(363)
Increase		(112)	(112)		(105)	(105)
Decrease	5	6	11		4	4
Cumulative amortisation at closing	(14)	(551)	(565)	(19)	(445)	(464)
Cumulative lasting impairment at opening	(2)	(3)	(5)	(2)	(4)	(6)
Lasting impairment recognised	(1)	(5)	(6)			
Lasting impairment reversed		2	2		1	1
Cumulative lasting impairment at closing	(3)	(6)	(9)	(2)	(3)	(5)
NET VALUES AT OPENING	**7**	**205**	**212**	**7**	**211**	**218**
NET VALUES AT CLOSING	**8**	**194**	**202**	**7**	**205**	**212**

Other intangible assets primarily include expenses for IT software acquired or created within the Group’s various insurance companies.

NOTE 5 – REAL ESTATE INVESTMENTS

(millions of euros)	12.31.2005 Property	12.31.2005 SCI Shares	12.31.2005 Total	12.31.2004 Property	12.31.2004 SCI Shares	12.31.2004 Total
Gross values at opening	3,502	622	4,124	3,450	646	4,096
Acquisitions	225	36	261	200	2	202
Subsequent expenses	1	(89)	(88)	(1)		(1)
Transfer from/to business premises	(60)		(60)	(37)		(37)
Disposals	(57)		(57)	(110)	(26)	(136)
Gross values at closing	3,611	569	4,180	3,502	622	4,124
Cumulative amortisation at opening	(687)	(11)	(698)	(648)	(7)	(655)
Increase	(108)	(5)	(113)	(62)	(5)	(67)
Decrease	76	7	83	23	1	24
Cumulative amortisation at closing	(719)	(9)	(728)	(687)	(11)	(698)
Cumulative lasting depreciation at opening	(82)	(3)	(85)	(90)	(5)	(95)
Lasting depreciation recognised	(17)	(3)	(20)	(6)		(6)
Lasting depreciation reversed	61	3	64	14	2	16
Cumulative lasting depreciation at closing	(38)	(3)	(41)	(82)	(3)	(85)
Net values at opening	2,733	608	3,341	2,712	634	3,346
Net values at closing	2,854	557	3,411	2,733	608	3,341
Fair value of real estate investments at closing	5,301	840	6,141	4,783	773	5,556
UNREALISED GAINS	**2,447**	**283**	**2,730**	**2,050**	**165**	**2,215**

The realisation of unrealised gains would result in rights for the beneficiaries of contracts and minority shareholders as well as tax liabilities.

NOTE 6 – FINANCING INVESTMENTS (EXCLUDING UNIT-LINKED INVESTMENTS)

(millions of euros)	12.31.2005 Net values	12.31.2004 Net values
Assets valued at fair value	60,518	53,261
Assets valued at amortised cost	734	884
TOTAL NON-UNIT-LINKED FINANCIAL INVESTMENTS	**61,252**	**54,145**

INVESTMENTS VALUED AT FAIR VALUE (BY CATEGORY)

(millions of euros)	12.31.2005									12.31.2004
	Net amortised cost			Fair value			Unrealised gains or losses			Fair value
	Non-Life	Life	Total	Non-Life	Life	Total	Non-Life	Life	Total	
Assets available for sale										
Stocks	3,409	6,772	10,181	4,042	8,773	12,815	633	2,001	2,634	8,093
Bonds	8,229	28,335	36,564	8,691	31,581	40,272	462	3,246	3,708	38,900
Other	39	22	61	43	22	65	4		4	67
Total assets available for sale	11,677	35,129	46,806	12,776	40,376	53,152	1,099	5,247	6,346	47,060
Transaction assets										
Stocks	948	1,455	2,403	970	1,587	2,557	22	132	154	2,398
Bonds	1,039	3,162	4,201	1,080	3,513	4,593	41	351	392	3,621
Other	174	42	216	174	42	216				182
Total transaction assets	2,161	4,659	6,820	2,224	5,142	7,366	63	483	546	6,201
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**13,838**	**39,788**	**53,626**	**15,000**	**45,518**	**60,518**	**1,162**	**5,730**	**6,892**	**53,261**

The Group has chosen to apply the fair value option early. This amendment reduces the possibilities for exercising the option by limiting application to the following cases:
- hybrid instruments including one or more embedded derivative products;
- group of financial assets and/or liabilities that are managed and the performance of which is valued at fair value.

INVESTMENTS VALUED AT FAIR VALUE (BY TYPE)

(millions of euros)	12.31.2005									12.31.2004
	Net amortised cost			Fair value			Unrealised gains or losses			Fair value
	Non-life	Life	Total	Non-life	Life	Total	Non-life	Life	Total	
Stocks										
Assets available for sale	3,409	6,772	10,181	4,042	8,773	12,815	633	2,001	2,634	8,093
Transaction assets	948	1,455	2,403	970	1,587	2,557	22	132	154	2,398
Total stocks	4,357	8,227	12,584	5,012	10,360	15,372	655	2,133	2,788	10,491
Bonds										
Assets available for sale	8,229	28,335	36,564	8,691	31,581	40,272	462	3,246	3,708	38,900
Transaction assets	1,039	3,162	4,201	1,080	3,513	4,593	41	351	392	3,621
Total bonds	9,268	31,497	40,765	9,771	35,094	44,865	503	3,597	4,100	42,521
Other										
Assets available for sale	39	22	61	43	22	65	4		4	67
Transaction assets	174	42	216	174	42	216				182
Total other	213	64	277	217	64	281	4		4	249
TOTAL INVESTMENTS VALUED AT FAIR	**13,838**	**39,788**	**53,626**	**15,000**	**45,518**	**60,518**	**1,162**	**5,730**	**6,892**	**53,261**

The amount of the provisions for lasting depreciation recognised on the investments valued at fair value was –€902 million at 31 December 2005, compared with –€1,353 million at 31 December 2004.

INVESTMENTS VALUE AT AMORTISED COST IN NET VALUE

(millions of euros)	12.31.2005			12.31.2004		
	Non-life	Life	Total	Non-life	Life	Total
Loans	99	194	293	241	75	316
Deposits	158	66	224	148	132	280
Other	98	119	217	190	98	288
Loans and receivables	355	379	734	579	305	884
TOTAL ASSETS VALUED AT AMORTISED COST	**355**	**379**	**734**	**579**	**305**	**884**

The amount of the provisions for lasting depreciation recognised on investments valued at amortised cost was –€2 million at 31 December 2005 versus –€3 million at 31 December 2004.

ESTIMATE OF LISTED INVESTMENTS

(millions of euros)	12.31.2005	12.31.2004
	Net values	Net values
Stocks	9,657	6,979
Shares of fixed-income Mutual Funds	2,585	1,887
Shares of other Mutual Funds	5,347	4,478
Bonds and other fixed-income securities	42,074	39,126
TOTAL LISTED INVESTMENTS	**59,663**	**52,470**

The amount of the provisions for lasting depreciation recognised on listed investments at fair value was –€795 million euros at 31 December 2005 compared with –€1,212 million at 31 December 2004.

ESTIMATE OF UNLISTED INVESTMENTS

(millions of euros)	12.31.2005 Net values amortised cost or fair value	12.31.2004 Net values amortised cost or fair value
Stocks at fair value	122	199
Bonds and other fixed-income securities at fair value	206	148
Loans at amortised cost	293	316
Other investments at fair value	527	444
Other investments at amortised cost	441	568
TOTAL UNLISTED INVESTMENTS	**1,589**	**1,675**

The amount of the provisions for lasting depreciation recognised on unlisted investments was –€109 million at 31 December 2005 compared with –€144 million at 31 December 2004.

NOTE 7 – SIGNIFICANT INVESTMENTS IN UNCONSOLIDATED COMPANIES

(millions of euros)	12.31.2005			12.31.2004	
	% of interest	Acquisition cost net of provision	Fair value	Acquisition cost net of provision	Fair value
Scor	16.03%	175	283	175	216
Bolloré Investissement	4.62%	59	116	59	63
Société Générale	3.04%	774	1,369	773	981
Lagardère	1.75%	94	162	94	132
Veolia Environnement	5.74%	564	895	564	623
Locindus	6.38%	13	19		
French companies		1,679	2,844	1,665	2,015
Mediobanca	4.86%	471	624	471	461
Foreign companies		471	624	471	461
TOTAL SIGNIFICANT INVESTMENTS IN CONSOLIDATED COMPANIES		**2,150**	**3,468**	**2,136**	**2,476**

Fair value represents:
- the market price at 31 December for listed companies;
- the value determined by applying a multi-criteria method for the securities of unlisted companies.

NOTE 8 – INVESTMENTS REPRESENTING UNIT-LINKED COMMITMENTS

(millions of euros)	12.31.2005	12.31.2004
Variable-income and similar securities		
Bonds	498	762
Shares of stock Mutual Funds	2,204	1,935
Shares or bond Mutual Funds and other	674	544
TOTAL INVESTMENTS REPRESENTING UNIT-LINKED COMMITMENTS	**3,376**	**3,241**

NOTE 9 – ASSETS OF BANKING SECTOR

(millions of euros)	12.31.2005			12.31.2004		
	Gross values	Provisions	Net values	Gross values	Provisions	Net values
Cash, central banks, postal accounts	23		23	26		26
Financial assets at fair value by income	50		50	34		34
Hedging derivatives						
Financial assets available for sale	13		13	13		13
Loans and receivables from credit institutions	772		772	573		573
Trade loans and receivables	686	(21)	665	641	(22)	619
Revaluation variance on rate-hedged portfolios						
Financial assets held until maturity	670		670	632		632
Real estate investment						
TOTAL ASSETS OF BANKING SECTOR	**2,214**	**(21)**	**2,193**	**1,919**	**(22)**	**1,897**

NOTE 10 – INVESTMENTS IN ASSOCIATES

(millions of euros)	12.31.2005		12.31.2004	
	Equity value	Share in income	Equity value	Share in income
Günes Sigorta	30	1	26	3
Socomie	1	1	1	1
TOTAL INVESTMENTS IN ASSOCIATES	**31**	**2**	**27**	**4**

SIGNIFICANT DATA AT 31 DECEMBER

(millions of euros)	12.31.2005				12.31.2004			
	Revenues	Net income	Total assets	Capital and reserves	Revenues	Net income	Total assets	Capital and reserves
Günes Sigorta	281	4	233	58	211	4	153	49
Socomie	15	1	7	1	12	1	8	1

NOTE 11 – SHARE OF REINSURERS IN LIABILITIES RELATED TO INSURANCE CONTRACTS AND FINANCIAL CONTRACTS

(millions of euros)	12.31.2005	12.31.2004
Share of reinsurers in non-life insurance reserves		
Reserves for unearned premiums	80	69
Reserves for claims to be paid	1,424	1,472
Other technical reserves	118	119
Total	**1,622**	**1,660**
Share of reinsurers in life insurance reserves		
Life insurance reserves	28	29
Reserves for claims to be paid	9	15
Profit-sharing reserves	17	4
Other technical reserves	3	9
Total	**57**	**57**
Share of reinsurers in reserves for financial contracts with discretionary profit-sharing		
Life technical reserves		
Reserves for claims to be paid		
Profit-sharing reserves		
Other technical reserves		
Total		
Share of reinsurers in reserves for financial contracts without discretionary profit-sharing		
Life technical reserves		1
Reserves for claims to be paid		
Profit-sharing reserves		
Other technical reserves		
Total		**1**
TOTAL SHARE OF REINSURERS IN LIABILITIES RELATED TO INSURANCE CONTRACTS AND FINANCIAL CONTRACTS	**1,679**	**1,718**

NOTE 12 – TRADE RECOVERABLES

(millions of euros)	12.31.2005 Gross values	12.31.2005 Provisions	12.31.2005 Net values	12.31.2004 Net values
Recoverables generated by insurance or accepted reinsurance transactions				
Earned premiums not written	676		676	679
Insured, intermediaries and other third parties	1,151	(79)	1,072	849
Co-insurer and other third party current accounts	222	(2)	220	274
Ceding and retroceding company current accounts	306	(2)	304	355
Total	**2,355**	**(83)**	**2,272**	**2,157**
Recoverables from reinsurance assignment transactions				
Assignee and retrocessionaire current accounts(1)	176	(27)	149	689
Other receivables on reinsurance transactions	46		46	54
Total	**222**	**(27)**	**195**	**743**
Tax recoverables payable	152		152	184
Other trade recoverables				
Employee debts	26		26	14
Social security agencies	11		11	2
Other debtors	665	(26)	639	709
Total	**702**	**(26)**	**676**	**725**
TOTAL TRADE RECOVERABLES	**3,431**	**(136)**	**3,295**	**3,809**

(1) The change between the two periods, which is offset in operating expenses (see 25), in the item for assignee and retrocessionnaire current accounts is due primarily to a change in the method for recording flows generated by the installation of a new reinsurance management software application.

TRADE RECEIVABLES BY MATURITY

(millions of euros)	12.31.2005				12.31.2004			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Receivables resulting from insurance or accepted reinsurance transactions								
Earned premiums not written	679	(3)		676	678	1		679
Insured, intermediaries and other third parties	1,062	10		1,072	836	13		849
Co-insurer and other third party currency accounts	177	43		220	223	51		274
Ceding and retroceding company current accounts	264	40		304	324	31		355
Total	**2,182**	**90**		**2,272**	**2,061**	**96**		**2,157**
Receivables from reinsurance assignment transactions								
Assignee and retrocessionnaire current accounts	138	11		149	684	5		689
Other receivables on reinsurance transactions	44		2	46	25	27	2	54
Total	**182**	**11**	**2**	**195**	**709**	**32**	**2**	**743**
Tax receivables payable	141	11		152	158	24	2	184
Other trade receivables								
Employee debts	26			26	12	2		14
Social security agencies	11			11	2			2
Other debtors	597	23	19	639	685	16	8	709
Total	**634**	**23**	**19**	**676**	**699**	**18**	**8**	**725**
TOTAL TRADE RECEIVABLES	**3,139**	**135**	**21**	**3,295**	**3,627**	**170**	**12**	**3,809**

TAX RECEIVABLES DUE AND OTHER RECEIVABLES BY BUSINESS SECTOR

(millions of euros)	12.31.2005 Gross values	12.31.2005 Provisions	12.31.2005 Net values	12.31.2005 Insurance Sector	12.31.2005 Banking sector	12.31.2004 Net
Tax receivables due	152		152	151	1	184
Personnel	26		26	26		14
Social security agencies	11		11	11		2
Other debtors	665	(26)	639	619	20	709
Other receivables	702	(26)	676	656	20	725
TOTAL TAX RECEIVABLES DUE AND OTHER RECEIVABLES	**854**	**(26)**	**828**	**807**	**21**	**909**

NOTE 13 – DEFERRED TAX ASSETS

(millions of euros)	12.31.2005 Gross value	12.31.2005 Amort., deprec. provisions	12.31.2005 Net values	12.31.2004 Net values
Non-life	153		153	345
Life	12		12	35
Banking	16		16	14
TOTAL DEFERRED TAX ASSETS	**181**		**181**	**394**

NOTE 14 – OTHER ASSETS AND BUSINESS PREMISES

(millions of euros)	12.31.2005	12.31.2004
Business premises	705	704
Total business premises	**705**	**704**
Interest accrued not due	815	818
Other tangible fixed assets	280	191
Other long-term operating assets	53	54
Deferred acquisition costs	542	532
Active deferred profit-sharing		
Other receivables	278	246
Total other assets	**1,968**	**1,841**
TOTAL OTHER ASSETS AND BUSINESS PREMISES	**2,673**	**2,545**

BUSINESS PREMISES BY SECTORS

(millions of euros)	12.31.2005 Gross value	12.31.2005 Amort., deprec. provisions	12.31.2005 Net values	12.31.2004 Net values
Non-life	892	(232)	660	644
Life	66	(21)	45	60
Banking				
TOTAL BUSINESS PREMISES	**958**	**(253)**	**705**	**704**

OTHER ASSETS BY SECTOR

(millions of euros)	12.31.2005 Gross value	12.31.2005 Amort., deprec. provisions	12.31.2005 Net values	12.31.2004 Net values
Non-Life	1,111	(336)	775	638
Life	1,224	(136)	1,088	1,126
Banking	119	(14)	105	77
TOTAL OTHER ASSETS	**2,454**	**(486)**	**1,968**	**1,841**

DETAILS OF BUSINESS PREMISES AND OTHER TANGIBLE FIXED ASSETS

(millions of euros)	12.31.2005			12.31.2004		
	Bus. premises and SCI.	Other tang. fixed assets	Total	Bus. premises and SCI. shares	Other tang. fixed assets	Total
Gross values at opening	929	553	1,482	817	618	1,435
Acquisitions	80	237	317	217	84	301
Disposals	(53)	(74)	(127)	(136)	(149)	(285)
Transfer from/to real estate investment	1		1	31		31
Gross values at closing	957	716	1,673	929	553	1,482
Cumulative amort., deprec. at opening	(225)	(362)	(587)	(262)	(376)	(638)
Increase	(77)	(98)	(175)	(17)	(31)	(48)
Decrease	61	29	90	54	45	99
Cumulative amort., depreciation at closing	(241)	(431)	(672)	(225)	(362)	(587)
Cumulative sustained depreciation at opening						
Sustained depreciation recognised	(12)	(5)	(17)			
Sustained depreciation reversed	1		1			
Cumulative sustained depreciation at closing	(11)	(5)	(16)			
Net values at opening	704	191	895	555	242	797
Net values at closing	705	280	985	704	191	895
Fair value of tangible fixed assets at closing	1,264	280	1,544	1,245	191	1,436
UNREALISED GAINS	**559**		**559**	**541**		**541**

The total net book value of business premises at 31 December 2005 amounted to €705 million and the realisation value was €1,264 million, versus €704 million and €1,245 million respectively at 31 December 2004.

DETAILS OF DEFERRED ACQUISITION COSTS

(millions of euros)	12.31.2005			12.31.2004		
	Gross values	Amortisation	Net values	Gross values	Amortisation	Net values
Non-life insurance contracts	298	(10)	288	270	(9)	261
Life insurance contracts and financial contracts with discretionary profit-sharing	291	(37)	254	303	(32)	271
TOTAL DEFERRED ACQUISITION COSTS	**589**	**(47)**	**542**	**573**	**(41)**	**532**

NOTE 15 – ANALYSIS OF THE CHANGE IN CAPITAL AND RESERVES (GROUP SHARE)

(millions of euros)	Capital	Income (loss)	Consolidated reserves	Revaluation reserves	Unrealised ex. gains & losses	Capital & reserves Group share
Capital and reserves at 12/31/2004	32	406	3,351	1,131	(3)	4,917
Appropriation of 2004 earnings (losses)		(406)	406			
Dividends/Policyholder returns			(2)			(2)
Capital increase						
Business combinations						
Unrealised foreign exch. gains and losses					18	18
Assets available for sale				2,496		2,496
Shadow accounting				(1,582)		(1,582)
Deffered taxes			6	89		95
Actuarial gains and losses on post-employment benefits			(20)			(20)
Other			(27)	22	(2)	(7)
Income (loss) for the year		544				544
TOTAL CHANGES FOR THE PERIOD		**138**	**363**	**1,025**	**16**	**1,542**
Shareholders' equity at 12/31/2005	**32**	**544**	**3,714**	**2,156**	**13**	**6,459**

The transfers recorded on the "other" line represent the adjustments charged against the 2005 opening net position for the corrections made to the 2004 proforma consolidated statements under IFRS, the impact of which on the various items of the financial statements in question was considered to be non-significant.

The deferred tax amount restated in the "revaluation reserves" column corresponds to the application of 1) a short-term and long-term tax rate on the unrealised values of the financial instruments classified as "assets available for sale"; and 2) a short-term tax rate on the deferred profit-sharing ("shadow accounting"). Under the new rules for long-term gains or losses applicable as of 1 January 2006, the unrealised gains on "strategic" equity interests were exempt for the calculation of the deferred tax up to a maximum of a percentage of costs and expenses (i.e. an effective rate of 1.72%).

NOTE 16 – PROVISIONS FOR RISKS AND CONTINGENCIES

(millions of euros)	12.31.2005 Opening amount	Increases	Reversals	Other transfers	Closing amount	12.31.2004 Closing amount
Provision for pensions and similar obligations	287	47	(16)	4	322	287
Other risks and contingencies [1]	349	74	(55)	3	371	349
TOTAL PROVISIONS FOR RISKS AND CONTINGENCIES	**636**	**121**	**(71)**	**7**	**693**	**636**

(1) The details of this item are not provided because this information could cause a serious loss for the Group because of current litigation.

NOTE 17 – INFORMATION ON EMPLOYEE BENEFITS – DEFINED BENEFIT PLANS

I – Amount recognised on the balance sheet

(millions of euros)	12.31.2005	12.31.2004
Discounted value of the "non-Group" financed bond	291	267
Fair value of plan assets	(219)	(186)
Net sub-total of "non-Group coverage" pension commitments	72	81
Discounted value of the bond financed within the Group	197	150
NET PROVISION ON THE BALANCE SHEET	**269**	**231**

The amount of the provisions stated in this concern only retirement indemnities.

II – Change in net liabilities booked on the balance sheet

(millions of euros)	12.31.2005	12.31.2004
Net provision at opening	231	232
Actuarial differences recorded as capital and reserves	20	
Expense (income) for the year	22	14
Contributions paid to outside organisations	(8)	(7)
Benefits paid by the employer at time of retirement	(7)	(5)
Transfers of mathematical provisions and other transfers	11	(3)
NET PROVISION AT CLOSING	**269**	**231**

III – Total expense recognised in the income statement

(millions of euros)	12.31.2005	12.31.2004
Cost of services rendered during the year	9	11
Financial cost	19	16
Yield expected from plan assets	(12)	(11)
Net actuarial loss (profit) recorded during the year		
Cost of past services	6	
Impact of entries/reversals due to transfers and other movements		(2)
TOTAL	**22**	**14**

IV – Main actuarial assumptions

(millions of euros)	12.31.2005	12.31.2004
Discount rate	3.80% - 4.00%	4.50% - 5.00%
Yield expected from plan assets	3.00% - 3.50%	2.50% - 3.00%
Expected salary increases	2.70% - 3.20%	2.50% - 3.00%

V - Information on employee benefits – Personnel expenses and employee information

(millions of euros)	12.31.2005	12.31.2004
Salaries	986	968
Social security expenses	451	413
Post-employment benefits		
Defined contribution plans		
Defined benefit plans	22	14
Anniversary days and work awards	14	14
Other benefits	12	12

NOTE 18 – LONG TERM BORROWINGS

(millions of euros)	12.31.2005 < 1 year	1 to 5 years	> 5 years	Total	12.31.2004 < 1 year	1 to 5 years	> 5 years	Total
Subordinated debt			1,245	1,245			750	750
subordinated debt of insurance companies			1,245	1,245			750	750
subordinated debt of banking companies								
Financing debt represented by securities								
Financing debt with banking-sector companies	4	198	531	733	88	115	424	627
TOTAL FINANCING DEBT	**4**	**198**	**1,776**	**1,978**	**88**	**115**	**1,174**	**1,377**

BREAKDOWN BY CURRENCY AND RATE

(millions of euros)	12.31.2005 Currency: Euro zone	Currency: Non-Euro zone	Rate: Fixed-rate	Rate: Variable rate
Subordinated debt	1,245		745	500
Financing debt represented by securities				
Financing debt with banking-sector companies	733		578	155

The "subordinated debt" item represents:
- first, a bond issued in July 1999 by *Caisse Centrale des Assurances Mutuelles Agricoles* in two tranches, one variable rate tranche for €500 million, the other a fixed-rate tranche for €250 million, and assumed by Groupama S.A. during the contribution operations completed on 1 January 2003 in the form of redeemable subordinated securities (*titres subordonnés remboursables-TSR*). This thirty-year bond offers the issuer the possibility of early redemption as of the tenth year. The total amount of these TSRs was €750 million and their listings at 12.31.05 were 101.49% for the variable portion and 107.47% for the fixed portion;
- and second, a fixed-rate perpetual subordinated bond issued by Groupama S.A. in July 2005 for the amount of €495 million. This bond includes a "10-year call" that allows the issuer to redeem the bond early as of the tenth year. As of 31 December, the listing was 99.54%.

NOTE 19 – LIABILITIES RELATED TO LIFE INSURANCE CONTRACTS

(millions of euros)	12.31.2005	12.31.2004
Non-life insurance reserves		
Reserves for unearned premiums	1,703	1,481
Reserves for claims to be paid	11,732	11,417
Other technical reserves	3,235	3,163
Total	**16,670**	**16,061**
Life insurance reserves		
Life insurance reserves	17,442	16,598
Reserves for claims to be paid	418	346
Profit-sharing reserves	733	520
Other technical reserves	125	113
Total	**18,718**	**17,577**
Life insurance reserves on unit-linked contracts	2,812	2,136
TOTAL LIABILITIES RELATED TO LIFE INSURANCE CONTRACTS	**38,200**	**35,774**

BREAKDOWN BY GEOGRAPHIC REGION

(millions of euros)	12.31.2005 France	12.31.2005 Foreign	12.31.2005 Total	12.31.2004 France	12.31.2004 Foreign	12.31.2004 Total
Reinsurance gross technical reserves						
Life insurance reserves	15,844	1,598	17,442	14,615	1,983	16,598
Reserves for claims to be paid	395	23	418	317	29	346
Profit-sharing reserves	707	26	733	490	30	520
Other technical reserves	120	5	125	108	5	113
Total Life insurance	17,066	1,652	18,718	15,530	2,047	17,577
Reserves for unearned premiums	999	704	1,703	860	621	1,481
Reserves for claims to be paid	9,318	2,414	11,732	9,062	2,355	11,417
Other technical reserves	3,183	52	3,235	3,109	54	3,163
Total Non-life insurance	13,500	3,170	16,670	13,031	3,030	16,061
Life insurance reserves for unit-linked contracts	2,620	192	2,812	1,978	158	2,136
Total Gross Technical Reserves	**33,186**	**5,014**	**38,200**	**30,539**	**5,235**	**35,774**
Reinsurers' share of technical reserves						
Life insurance reserves	13	15	28	12	16	28
Reserves for claims to be paid	6	3	9	12	3	15
Profit-sharing reserves	17		17	4		4
Other technical reserves	3		3	10		10
Total Life Insurance	39	18	57	38	19	57
Reserves for unearned premiums	62	17	79	50	19	69
Reserves for claims to be paid	960	464	1,424	964	509	1,473
Other technical reserves	118	1	119	118	1	119
Total Non-life insurance	1,140	482	1,622	1,132	529	1,661
Total reinsurers' share of technical reserves	1,179	500	1,679	1,170	548	1,718
NET GENERAL TOTAL	**32,007**	**4,514**	**36,521**	**29,369**	**4,687**	**34,056**

BREAKDOWN OF TECHNICAL RESERVES ON INSURANCE CONTRACTS BY MAIN CATEGORIES

(millions of euros)	12.31.2005			12.31.2004		
	Gross life insurance reserves	Gross reserves for claims to be paid	Total	Gross life insurance reserves	Gross reserves for claims to be paid	Total
Life insurance: single-premium contracts						
Capitalisation	608	36	644	505	10	515
Individual insurance	2,834	76	2,910	3,726	43	3,769
Group contracts	129	2	131	159	2	161
Other	1,678	13	1,691	223		223
Total reserves for single-premium contracts	5,249	127	5,376	4,613	55	4,668
Life insurance: periodic premium contracts						
Capitalisation	116	5	121	255	2	257
Individual insurance	5,866	87	5,953	5,664	84	5,748
Group contracts	5,556	147	5,703	5,121	137	5,258
Other	598	6	604	894	24	918
Total reserves for periodic premium contracts	12,136	245	12,381	11,934	247	12,181
Acceptances	57	46	103	51	44	95
TOTAL LIFE RESERVES	**17,442**	**418**	**17,860**	**16,598**	**346**	**16,944**

(millions of euros)	12.31.2005			12.31.2004		
	Gross reserves for unearned premiums	Gross reserves for claims to be paid	Total	Gross reserves for unearned premiums	Gross reserves for claims to be paid	Total
Non-life insurance						
Motor	742	3,877	4,619	631	3,796	4,427
Injuries	108	896	1,004	105	880	985
Property damage	552	2,471	3,023	507	2,384	2,891
General civil liability	51	1,213	1,264	48	1,200	1,248
Marine, aviation, transports	45	757	802	36	714	750
Other	163	1,865	2,028	128	1,771	1,899
Acceptances	42	653	695	26	672	698
TOTAL NON-LIFE RESERVES	**1,703**	**11,732**	**13,435**	**1,481**	**11,417**	**12,898**

NOTE 20 – CHANGE IN RESERVES FOR CLAIMS OVER THE YEAR

GROSS VALUES (millions of euros)	12.31.2005
Reserves for claims at opening	10,999
Claims expense for the current year	6,149
Claims expense for prior years	(456)
Total claims expense	5,693
Claims payments for the current year	(2,933)
Claims payments for prior years	(2,526)
Total payments	(5,459)
Exchange rate variation	80
TOTAL RESERVES FOR CLAIMS AT CLOSING	**11,313**

The reserves for claims stated in this table do not include the reserves of the semi-public entities, which totalled €417 million at opening and €422 million at closing.

NOTE 21 – IMPACT OF THE DISCOUNT IN THE MATHEMATICAL PROVISIONS FOR ANNUITIES OF NON-LIFE ENTITIES AND CHANGE IN MATHEMATICAL PROVISIONS FOR LIFE INSURANCE CONTRACTS

Note 21A – Impact of the discount in the mathematical provisions for annuities of non-life entities

GROSS VALUES (millions of euros)	12.31.2005	12.31.2004
Reserves for claims to be paid at closing (net of claims)	1,290	1,196
Reserves for claims to be paid at closing (net of claims) before change in discount rate	1,219	1,169
Reserves for claims to be paid at closing (net of appeals) excluding technical interest	1,841	1,819
Technical interest	(621)	(650)
Impact of change in discount rate	70	27

CEDED PORTION (millions of euros)	12.31.2005	12.31.2004
Share of reinsurers in reserves for claims to be paid at closing (net of appeals)	45	39
Share of reinsurers in reserves for claims to be paid at closing (net of claims) before change in discount rate	42	38
Share of reinsurers in reserves for claims to be paid at closing (net of claims) ex. technical interest	62	58
Technical interest	(20)	(20)
Impact of change in discount rate	3	1

Note 21B – Change in mathematical provisions for life insurance contracts

(millions of euros)	12.31.2005	12.31.2004
Mathematical provisions at opening	34,458	32,423
Premiums for the year	3,488	3,394
Interest credited	464	438
Profit-sharing	1,047	922
Term	(943)	(835)
Redemptions	(1,570)	(1,283)
Annuity arrears	(344)	(329)
Other transfers	102	(272)
TOTAL MATHEMATICAL PROVISIONS AT CLOSING	**36,702**	**34,458**

NOTE 22 – LIABILITIES RELATED TO FINANCIAL CONTRACTS

(millions of euros)	12.31.2005	12.31.2004
Reserves on financial contracts with discretionary profit-sharing		
Life technical reserves	19,220	17,527
Reserves on unit-linked contracts	8	
Reserves for claims to be paid	238	235
Profit-sharing reserves	697	844
Other technical reserves	9	7
Total	**20,172**	**18,613**
Reserves on financial contracts without discretionary profit-sharing		
Life technical reserves	39	334
Reserves on unit-linked contracts	656	1,239
Reserves for claims to be paid	1	2
Profit-sharing reserves		
Other technical reserves		
Total	**696**	**1,575**
TOTAL LIABILITIES RELATED TO FINANCIAL CONTRACTS	**20,868**	**20,188**

LIABILITIES RELATED TO FINANCIAL CONTRACTS (NON-UNIT-LINKED) BY GEOGRAPHIC REGION

(millions of euros)	12.31.2005			12.31.2004		
	France	Foreign	Total	France	Foreign	Total
Reinsurance gross technical reserves						
Reserves for life financial contracts	18,593	666	19,259	17,636	225	17,861
Reserves for claims to be paid	236	3	239	236	1	237
Profit-sharing reserves	691	6	697	841	3	844
Other technical reserves		9	9		7	7
Total Life Insurance	19,520	684	20,204	18,713	236	18,949
Total Gross technical reserves	**19,520**	**684**	**20,204**	**18,713**	**236**	**18,949**
Share of reinsurers in technical reserves						
Reserves for life financial contracts				1		1
Reserves for claims to be paid						
Profit-sharing reserves						
Other technical reserves						
Total Life Insurance				1		1
TOTAL REINSURERS' SHARE IN LIABILITIES RELATED TO FINANCIAL CONTRACTS (NON-UNIT-LINKED)				**1**		**1**

BREAKDOWN OF FINANCIAL CONTRACTS BY MAIN CATEGORIES

(millions of euros)	12.31.2005			12.31.2004		
	Life fin. contract reserves	Gross reserves for claims to be paid	Total	Life fin. contract reserves	Gross reserves for claims to be paid	Total
Life: single-premium contracts						
Capitalisation	798	22	820	1,005	44	1,049
Individual insurance	14,595	156	14,751	11,648	80	11,728
Group contracts	11		11	68	8	76
Other				1,309		1,309
Total reserves for single-premium contracts	15,404	178	15,582	14,030	132	14,162
Life: periodic-premium contracts						
Capitalisation	515	1	516	372	4	376
Individual insurance	866	32	898	939	35	974
Group contracts	1,016	25	1,041	1,204	41	1,245
Other	29	3	32	38	25	63
Total reserves for periodic premium contracts	2,426	61	2,487	2,553	105	2,658
Acceptances	1,429		1,429	1,278		1,278
TOTAL LIFE RESERVES	**19,259**	**239**	**19,498**	**17,861**	**237**	**18,098**

NOTE 23 – RESERVES FOR DEFERRED PROFIT-SHARING (DISCRETIONARY PARTICIPATION)

(millions of euros)	12.31.2005	12.31.2004
Reserve for deferred profit-sharing on insurance contracts	2,235	1,209
Reserve for deferred profit-sharing on financial contracts	2,150	1,296
TOTAL DEFERRED PROFIT-SHARING RESERVES	**4,385**	**2,505**

NOTE 24 – RESOURCES FROM BANKING-SECTOR ACTIVITIES

(millions of euros)	12.31.2005	12.31.2004
Central banks, postal accounts		
Financial liabilities at fair value, by results	1	
Hedging derivative instruments		
Debt to credit institutions	713	676
Debt to clients	930	720
Debt represented by securities	180	289
Revaluation variance on rate-hedged portfolios		
TOTAL RESOURCES FROM BANKING-SECTOR ACTIVITIES	**1,824**	**1,685**

NOTE 25 – OPERATING LIABILITIES

(millions of euros)	12.31.2005				12.31.2004			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Liabilities generated by insurance or accepted reinsurance transactions								
Insured, intermediaries and other third parties	594			594	543			543
Co-insurers	73	9		82	95	4		99
Ceding and retroceding company current accounts	33	56		89	56	42		98
Deposits received from reinsurers								
Total	**700**	**65**		**765**	**694**	**46**		**740**
Liabilities generated by assigning reinsurance								
Assignee and retrocessionnaire current accounts[1]	208	47	3	258	771	64		835
Other liabilities on reinsurance transactions	46	11		57	22			22
Total	**254**	**58**	**3**	**315**	**793**	**64**		**857**
Tax liabilities payable	248			248	190	25	1	216
Operating expenses to banking sector companies	452	20		472	436	31		467
Other operating liabilities								
Personnel creditors	234	7	1	242	198	6		204
Social security agencies	169			169	140			140
Other borrowings, deposits and guarantees received	1,085	38	55	1,178	1,233	25	66	1,324
Other creditors	892	157	7	1,056	997	45	9	1,051
Total	**2,380**	**202**	**63**	**2,645**	**2,568**	**76**	**75**	**2,719**
Operating liabilities represented by securities								
TOTAL OPERATING LIABILITIES	**4,034**	**345**	**66**	**4,445**	**4,681**	**242**	**76**	**4,999**

(1) See 12.

BREAKDOWN BY CURRENCY AND BY RATE

(millions of euros)	12.31.2005			
	Currencies		Rates	
	Euro zone	Non-Euro zone	Fixed rate	Variable rate
Operating liabilities owed to banking sector companies	472		472	
Personnel creditors	242		242	
Social security agencies	169		169	
Other borrowings, deposits and guarantees received	1,178		746	432
Other creditors	524	532	552	504
TOTAL OTHER OPERATING LIABILITIES	**2,113**	**532**	**1,709**	**936**

BREAKDOWN BY ACTIVITY SECTOR

(millions of euros)	12.31.2005			12.31.2004		
	Insurance	Banking	Total	Insurance	Banking	Total
Personnel creditors	234	8	242	197	7	204
Social security agencies	164	5	169	135	5	140
Other borrowings, deposits and guarantees received	1,178		1,178	1,324		1,324
Other creditors	1,048	8	1,056	1,042	9	1,051
TOTAL OTHER OPERATING LIABILITIES	**2,624**	**21**	**2,645**	**2,698**	**21**	**2,719**

NOTE 26 – DEFERRED TAX LIABILITIES

(millions of euros)	12.31.2005				12.31.2004
	Life	Non-life	Banking	Total	Total
Deferred tax liabilities	97	288		385	520
TOTAL DEFERRED TAX LIABILITIES	**97**	**288**		**385**	**520**

NOTE 27 – BREAKDOWN OF TAX LIABILITY

(millions of euros)	12.31.2005 Life	Non-life	Banking	Total	12.31.2004 Total
Current taxes	(6)	(101)	(2)	(109)	(58)
Deferred taxes	(56)	(177)	3	(230)	(155)
TOTAL TAX LIABILITY	**(62)**	**(278)**	**1**	**(339)**	**(213)**

ANALYSIS OF THE MAIN COMPONENTS OF DEFERRED TAXES

(millions of euros)	12.31.2005	12.31.2004
Deferred taxes resulting from timing differences on consolidation restatements:		
Capitalisation reserves	(300)	(307)
Restatements of AFS & Trading financial instruments (net of deferred profit-sharing)	(436)	(450)
Consolidated AFA and P.G.G.	(64)	(40)
Consolidation restatements on technical reserves	(57)	(57)
Other differences on consolidation restatements	46	19
Deferred taxes resulting from timing differences on tax restatements		
Deferred acquisition costs	(52)	(53)
Tax differences on technical reserves and other provisions for risks and contingencies	399	439
Gains on tax suspension	(19)	(12)
Purchase price discrepancy on Mutual Funds	85	(5)
Exchange hedging	22	31
Other temporary tax differences	22	15
Sub-total of deferred taxes resulting from timing differences	(354)	(420)
Activation of ordinary deficits	150	294
DEFERRED TAXES RECORDED ON THE BALANCE SHEET	**(204)**	**(126)**
Including:		
• Assets	181	394
• Liabilities	(385)	(520)

RECONCILIATION BETWEEN THE TOTAL TAX LIABILITY RECOGNISED AND THE THEORETICAL TAX LIABILITY CALCULATED

(millions of euros)	12.31.2005	12.31.2004
Theoretical tax liability	(316)	(223)
Impact of expenses or income definitively non-deductible or non-taxable	(75)	7
Impact of differences in tax rate	(2)	(8)
Tax credit and various chargings	(2)	6
Charging of prior deficits	68	14
Deficits for the year not activated	(12)	(18)
Deferred tax assets not recognised		2
Other differences		7
EFFECTIVE TAX LIABILITY	**(339)**	**(213)**

NOTE 28 – OTHER LIABILITIES

(millions of euros)	12.31.2005	12.31.2004
Debts to unitholders of consolidated Mutual Funds	341	201
Derivative liabilities	50	53
Other liabilities	448	247
TOTAL OTHER LIABILITIES	**839**	**501**

BREAKDOWN OF OTHER LIABILITIES BY SECTOR

(millions of euros)	12.31.2005			12.31.2004
	Insurance companies	Banking companies	Total	Total
Debts to unitholders of consolidated Mutual Funds	341		341	201
Derivative liabilities	50		50	53
Other liabilities	224	224	448	247
TOTAL OTHER LIABILITIES	**615**	**224**	**839**	**501**

NOTE 29 – LIFE AND NON-LIFE OPERATING INCOME STATEMENT

(millions of euros)	12.31.2005 Non-life	12.31.2005 Life	12.31.2005 Total	12.31.2004 Total
Premiums written	8,570	4,125	12,695	12,068
Change in unearned premiums	(173)		(173)	121
Earned premiums	8,397	4,125	12,522	12,189
Investment income net of management expenses	705	1,618	2,323	2,351
Gains and losses from disposal of investments net of reversals for depreciation and amortisation	434	662	1,096	552
Change in fair value of financial instruments recorded at fair value by result	(4)	368	364	337
Change in depreciation on financial instruments	(5)	(10)	(15)	(76)
Financial income, net of expenses, excluding financing expenses	1,130	2,638	3,768	3,164
Total income from ordinary operations	9,527	6,763	16,290	15,353
Contract service expenses	(6,314)	(6,014)	(12,328)	(11,635)
Commissions received from reinsurers	33	4	37	44
Acquisition costs	(1,580)	(223)	(1,803)	(1,775)
Administrative costs	(537)	(116)	(653)	(666)
Other income and expenses from current operations, technical	(211)	(177)	(388)	(361)
Other income and expenses from current operations, non-technical	(108)		(108)	(117)
Total other income and expenses from current operations	(8,717)	(6,526)	(15,243)	(14,509)
Income from current operations	810	237	1,047	844
Other operating income and expenses	(35)		(35)	(75)
OPERATING INCOME	**775**	**237**	**1,012**	**769**

NOTE 29 NL – NON-LIFE OPERATING INCOME STATEMENT

(millions of euros)	12.31.2005 Gross	12.31.2005 Disposal	12.31.2005 Net	12.31.2004 Net
Premiums written	9,094	(524)	8,570	8,159
Change in unearned premiums	(176)	3	(173)	121
Earned premiums, Non-life	8,918	(521)	8,397	8,280
Investment income net of management expenses	705		705	727
Gains and losses from disposal of investments net of reversals for depreciation and amortisation	434		434	300
Change in fair value of financial instruments recorded at fair value by result	(4)		(4)	(1)
Change in depreciation on financial instruments	(5)		(5)	(29)
Net financial income, excluding financing expenses	1,130		1,130	997
Total income from ordinary operations	10,048	(521)	9,527	9,277
Contract service expenses	(6,536)	222	(6,314)	(6,252)
Commissions received from reinsurers		33	33	39
Acquisition costs	(1,577)	(3)	(1,580)	(1,551)
Administrative costs	(537)		(537)	(576)
Other income and expenses from current Non-life operations, technical	(211)		(211)	(209)
Other income and expenses from current operations, non-technical	(108)		(108)	(117)
Total other income and expenses from current operations	(8,969)	252	(8,717)	(8,666)
INCOME FROM CURRENT OPERATIONS	**1,079**	**(269)**	**810**	**611**
Other operating income and expenses	(35)		(35)	(75)
OPERATING INCOME	**1,044**	**(269)**	**775**	**536**

NOTE 29 L – LIFE OPERATING INCOME STATEMENT

(millions of euros)	12.31.2005 Gross	12.31.2005 Disposal	12.31.2005 Net	12.31.2004 Net
Life premiums written	4,153	(28)	4,125	3,909
Income from investments, net of management expenses, Life	1,618		1,618	1,624
Gains and loss from disposal of investments net of reversals in depreciation and amortisation, Life	662		662	252
Change in fair value of financial instruments recognised at fair value by result, Life	368		368	338
Change in depreciation on financial instruments, Life	(10)		(10)	(47)
Net financial income ex. financing expenses	2,638		2,638	2,167
Total income from ordinary operations	6,791	(28)	6,763	6,076
Contract service expenses	(6,032)	18	(6,014)	(5,383)
Commissions received from reinsurers		4	4	5
Acquisition costs	(224)	1	(223)	(224)
Administrative costs	(116)		(116)	(90)
Other income and expenses from current operations	(177)		(177)	(152)
Total other income and expenses from current operations	(6,549)	23	(6,526)	(5,843)
Income from current operations	242	(5)	237	233
Other operating income and expenses				
OPERATING INCOME	**242**	**(5)**	**237**	**233**

NOTE 30 – BANKING INCOME STATEMENT

(millions of euros)	12.31.2005	12.31.2004
Interest and related income	44	32
Interest and related expenses	(78)	(66)
Commissions received	149	123
Commissions paid	(15)	(16)
Net gains or losses on financial instruments at fair value by result	11	7
Gains or losses on financial assets available for sale		(11)
Income from other activities	40	38
Expenses on other activities	(14)	(9)
Cost of risk		7
Net Banking Income, net of cost of risk	137	105
General operating expenses	(131)	(123)
Appropriations to amortisation and to provisions for tangible and intangible assets	(9)	(9)
INCOME FROM CURRENT OPERATIONS	**(3)**	**(27)**

NOTE 31 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

(millions of euros)	12.31.2005 Life	12.31.2005 Non-life	12.31.2005 Total	12.31.2004 Life	12.31.2004 Non-life	12.31.2004 Total
Investment income net of management fees	1,618	705	2,323	1,624	727	2,351
Interest and dividends received	1,547	613	2,160	1,436	565	2,001
Gains/losses on foreign exchange transactions	(1)	6	5		(9)	(9)
Amortisation/reversal of the premium/discount	65	(11)	54	47	(3)	44
Net property income	49	264	313	177	381	558
Management fees and other revenues	(42)	(167)	(209)	(36)	(207)	(243)
Gains or losses from sale of investments, net of reversals and depreciation	662	434	1,096	252	300	552
Held for transactions	39	35	74	77	33	110
Available for sale	599	358	957	146	210	356
Held to maturity					(1)	(1)
Other	24	41	65	29	58	87
Change in fair value of financial instruments recognised at fair value by result	368	(4)	364	338	(1)	337
Held for transactions	172	27	199	123	(3)	120
Derivatives	(163)	(31)	(194)	14	2	16
Adjustments on unit-listed contracts	359		359	201		201
Change in depreciation on financial instruments	(10)	(5)	(15)	(47)	(29)	(76)
Available for sale	(10)	(8)	(18)	(48)	(23)	(71)
Held to maturity					(1)	(1)
Receivables and loans		3	3	1	(5)	(4)
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**2,638**	**1,130**	**3,768**	**2,167**	**997**	**3,164**

INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (REVENUE BREAKDOWN BY TYPE OF ASSET)

(millions of euros)	12.31.2005				12.31.2004			
	Revenue & expenses	Income from sales	Change in fair value	Total	Revenue & expenses	Income from sales	Change in fair value	Total
Real estate	426	64		490	648	84		732
Stocks	220	357	290	867	91	(72)	162	181
Bonds	1,509	35	12	1,556	1,763	87	79	1,929
Stock Mutual Funds	56	129	144	329	73	116	32	221
Bond Mutual Funds	379	54	51	484	89	49	29	167
Interest on cash deposits	9			9	9			9
Other investment income	41	493	(194)	340	20	305	15	340
Investment income	2,640	1,132	303	4,075	2,693	569	317	3,579
Internal and external management fees	(218)			(218)	(230)			(230)
Other investment expenses	(101)	(50)		(151)	(101)	(104)		(205)
Investment expenses	(319)	(50)		(369)	(331)	(104)		(435)
Financial income net of expenses	2,321	1,082	303	3,706	2,362	465	317	3,144
Gains on unit-linked securities			389	389			343	343
Losses on unit-linked securities			(30)	(30)			(142)	(142)
Minority interests, Mutual Funds income								
Minority interests, Mutual Funds expenses			(297)	(297)			(181)	(181)
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**2,321**	**1,082**	**365**	**3,768**	**2,362**	**465**	**337**	**3,164**

INVESTMENT INCOME, NET OF MANAGEMENT EXPENSES (BREAKDOWN OF NON-LIFE REVENUES BY TYPE OF ASSET)

(millions of euros)	31.12.2005				31.12.2004			
	Revenue & expenses	Income from sales	Change in fair value	Total	Revenue & expenses	Income from sales	Change in fair value	Total
Real estate	372	37		409	450	57		507
Stock	63	81	290	434	48	(13)	162	197
Bonds	442	13	4	459	438	61	8	507
Stock Mutual Funds	20	48	19	87	17	55	4	76
Bond Mutual Funds	43	39	11	93	24	24	4	52
Interest on cash deposits	12			12	9			9
Other investment income	23	246	(31)	238	24	131	2	157
Investment income	975	464	293	1,732	1,010	315	180	1,505
Internal and external management fees	(163)			(163)	(178)			(178)
Other investment expenses	(109)	(33)		(142)	(96)	(53)		(149)
Investment expenses	(272)	(33)		(305)	(274)	(53)		(327)
Financial income net of expenses	703	431	293	1,427	736	262	180	1,178
Gains on unit-linked securities								
Losses on unit-linked securities								
Minority interests, Mutual Funds income								
Minority interests, Mutual Funds expenses			(297)	(297)			(181)	(181)
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (NON-LIFE)	**703**	**431**	**(4)**	**1,130**	**736**	**262**	**(1)**	**997**

INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (BREAKDOWN OF LIFE REVENUES BY TYPE OF ASSET)

(millions of euros)	12.31.2005				12.31.2004			
	Revenue & expenses	Income from sales	Change in fair value	Total	Revenue & expenses	Income from sales	Change in fair value	Total
Real estate	54	27		81	198	27		225
Stock	157	276		433	43	(59)		(16)
Bonds	1,067	22	8	1,097	1,325	26	71	1,422
Stock Mutual Funds	36	81	125	242	56	61	28	145
Bond Mutual Funds	336	15	40	391	65	25	25	115
Interest on cash deposits	(3)			(3)				
Other investment income	18	247	(163)	102	(4)	174	13	183
Investment income	1,665	668	10	2,343	1,683	254	137	2,074
Internal and external management fees	(55)			(55)	(52)			(52)
Other investment expenses	8	(17)		(9)	(5)	(51)		(56)
Investment expenses	(47)	(17)		(64)	(57)	(51)		(108)
Financial income net of expenses	1,618	651	10	2,279	1,626	203	137	1,966
Gains on unit-linked securities			389	389			343	343
Losses on unit-linked securities			(30)	(30)			(142)	(142)
Minority interests, Mutual Funds income								
Minority interests, Mutual Funds expenses								
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (LIFE)	**1,618**	**651**	**369**	**2,638**	**1,626**	**203**	**338**	**2,167**

NOTE 32 – CONTRACT SERVICING EXPENSES NET OF REINSURANCE

(millions of euros)	12.31.2005 Life	12.31.2005 Non-life	12.31.2005 Total	12.31.2004 Life	12.31.2004 Non-life	12.31.2004 Total
Claims	(3,233)	(6,250)	(9,483)	(3,120)	(6,236)	(9,356)
Paid to policy holders	(3,233)	(6,250)	(9,483)	(3,120)	(6,236)	(9,356)
Change in technical reserves	(2,799)	(286)	(3,085)	(2,285)	(202)	(2,487)
Reserves for claims to be paid	(33)	(178)	(211)	(80)	(176)	(256)
Mathematical provisions	(820)		(820)	(631)		(631)
Unit-linked reserves	(131)		(131)	41		41
Profit-sharing	(1,668)	(25)	(1,693)	(1,471)	(20)	(1,491)
Other technical reserves	(147)	(83)	(230)	(144)	(6)	(150)
Total insurance contract servicing expenses	**(6,032)**	**(6,536)**	**(12,568)**	**(5,405)**	**(6,438)**	**(11,843)**
Payments received from reinsurers	28	330	358	30	322	352
Technical reserves assigned to reinsurers	(10)	(108)	(118)	(8)	(136)	(144)
TOTAL CONTRACT SERVICING EXPENSES NET OF REINSURANCE	**(6,014)**	**(6,314)**	**(12,328)**	**(5,383)**	**(6,252)**	**(11,635)**

NOTE 33 – CONTRACT ACQUISITION COSTS, BY BUSINESS SECTOR

(millions of euros)	12.31.2005 Life	12.31.2005 Non-life	12.31.2005 Total	12.31.2004 Life	12.31.2004 Non-life	12.31.2004 Total
Commissions	(72)	(611)	(683)	(99)	(660)	(759)
Change in deferred acquisition costs	(5)	5		9	(12)	(3)
Other expenses	(147)	(971)	(1,118)	(134)	(879)	(1,013)
TOTAL ACQUISITION COSTS	**(224)**	**(1,577)**	**(1,801)**	**(224)**	**(1,551)**	**(1,775)**

NOTE 34 – ADMINISTRATIVE COSTS BY SECTOR

(millions of euros)	12.31.2005			12.31.2004		
	Life	Non-life	Total	Life	Non-life	Total
Commissions	(36)	(116)	(152)	(26)	(128)	(154)
Other expenses	(80)	(421)	(501)	(64)	(448)	(512)
TOTAL ADMINISTRATIVE COSTS	**(116)**	**(537)**	**(653)**	**(90)**	**(576)**	**(666)**

NOTE 35 – OTHER INCOME AND EXPENSES ON CURRENT OPERATIONS

(millions of euros)	12.31.2005	12.31.2004
Commissions and other technical expenses, Life	(216)	(178)
Employee profit-sharing, Life	(4)	(6)
Other technical income, Life	17	32
Transfer of operating expenses and capitalised production, Life	26	
Total other income and expenses on operations, Life	**(177)**	**(152)**
Non-life commissions and other technical expenses	(255)	(231)
Employee profit-sharing, Non-life	(11)	(5)
Other Non-life technical income	34	18
Transfer of Non-life operating expenses and capitalised production	21	9
Total other income and expenses on operations, Non-life	**(211)**	**(209)**
Other non-technical expenses	(153)	(161)
Other non-technical income	45	44
Total other non-technical income and expenses on operations	**(108)**	**(117)**
TOTAL OTHER INCOME AND EXPENSES ON CURRENT OPERATIONS	**(496)**	**(478)**

NOTE 36 – EXTRAORDINARY OTHER OPERATING INCOME AND EXPENSES

(millions of euros)	12.31.2005	12.31.2004
Extraordinary income	55	60
Extraordinary expenses	(90)	(135)
Appropriation for the provision on goodwill		
TOTAL EXTRAORDINARY OTHER OPERATING INCOME AND EXPENSES	**(35)**	**(75)**

NOTE 37 – BANK – COMMITMENTS GIVEN AND RECEIVED

(millions of euros)	12.31.2005	12.31.2004
Financing commitments received		
Guarantee commitments received	3	3
Securities commitments receivable	105	120
Total banking commitment received	**108**	**123**
Commitments received on currency transactions	2,577	1,358
Other commitments received	1	
Total of other banking commitment received	**2,578**	**1,358**
Financing commitments given	31	22
Guarantee commitments given	77	84
Commitments on securities to be delivered	5	2
Total banking commitments given	**113**	**108**
Commitments given on currency transactions	2,585	1,358
Commitments given on financial instrument transactions	46	
TOTAL OF OTHER BANKING COMMITMENTS GIVEN	**2,631**	**1,358**

INSURANCE AND REINSURANCE – COMMITMENTS GIVEN AND RECEIVED

(millions of euros)	12.31.2005	12.31.2004
Endorsements, sureties and guarantees received	121	178
Other commitments received	1,544	1,608
Total commitments received, ex. reinsurance	1,665	1,786
Reinsurance commitments received	352	370
Endorsements, sureties and guarantees given	1,493	1,542
Other commitments on securities, assets or revenues	321	298
Other commitments given	258	247
Total commitments given, ex. reinsurance	2,072	2,087
Reinsurance commitments given	46	12
Value belonging to provident institutions	3	3
Other assets held on behalf of third parties		

NOTE 38 – SIMPLE LEASES

(millions of euros)	12.31.2005	12.31.2004
Minimum future payments		
Less than one year	35	15
1 to 5 years	119	45
More than 5 years	57	41
Minimum payments under sub-lease agreements that cannot be realised	78	92
TOTAL SIMPLE LEASES	**289**	**193**

NOTE 39 – AVERAGE NUMBER OF EMPLOYEES OF CONSOLIDATED COMPANIES

	12.31.2005			12.31.2004
	Insurance	Banking	Total	Total
France	23,935	748	24,683	24,734
United Kingdom	740		740	897
Spain	770		770	758
Italy	434		434	436
Other EU countries	297		297	301
Non-EU countries	195		195	165
TOTAL AVERAGE NUMBER OF EMPLOYEES OF CONSOLIDATED COMPANIES	**26,371**	**748**	**27,119**	**27,291**

NOTE 40 – GROUP HOLDING COMPANY ACTIVITY

(millions of euros)	12.31.2005	12.31.2004
Investment income, net of expenses	(13)	(14)
Other income and expenses from current operations	(69)	(56)
Financing expenses	(44)	(45)
Operating income and expenses (extraordinary)	3	(40)
Income taxes	6	22
INCOME (LOSS) FOR HOLDING COMPANY ACTIVITY	**(117)**	**(133)**

This table summarises the holding company activity of the Group, which included at 12.31.2005 and 12.31.2004:
- Groupama S.A. (holding company activity)
- Groupama Holding
- Groupama Holding 2
- Groupama International
- Gan UK

NOTE 41 – LIST OF CONSOLIDATED ENTITIES

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
				12.31.2005			12.31.2004	
GROUPAMA Alpes Méditerranée	Insurance	France	–	–	A	–	–	A
GROUPAMA Centre Manche	Insurance	France	–	–	A	–	–	A
GROUPAMA Grand Est	Insurance	France	–	–	A	–	–	A
GROUPAMA Oc	Insurance	France	–	–	A	–	–	A
MISSO	Insurance	France	–	–	A	–	–	A
GROUPAMA Sud	Insurance	France	–	–	A	–	–	A
GROUPAMA Loire Bretagne	Insurance	France	–	–	A	–	–	A
GROUPAMA Paris Val-de-Loire	Insurance	France	–	–	A	–	–	A
GROUPAMA Nord-Est	Insurance	France	–	–	A	–	–	A
GROUPAMA Alsace	Insurance	France	–	–	A	–	–	A
GROUPAMA Rhône-Alpes-Auvergne	Insurance	France	–	–	A	–	–	A
GROUPAMA Centre Atlantique	Insurance	France	–	–	A	–	–	A
GROUPAMA Antilles-Guyane	Insurance	France	–	–	A	–	–	A
GROUPAMA Océan Indien et Pacifique	Insurance	France	–	–	A	–	–	A
CLAMA Alpes Méditerranée	Insurance	France	–	–	A	–	–	A
CLAMA Centre Manche	Insurance	France	–	–	A	–	–	A
CLAMA Grand Est	Insurance	France	–	–	A	–	–	A
CLAMA Oc	Insurance	France	–	–	A	–	–	A
CLAMA Sud	Insurance	France	–	–	A	–	–	A
CLAMA Loire Bretagne	Insurance	France	–	–	A	–	–	A
CLAMA Paris Val-de-Loire	Insurance	France	–	–	A	–	–	A
CLAMA Nord-Est	Insurance	France	–	–	A	–	–	A
CLAMA Alsace	Insurance	France	–	–	A	–	–	A
CLAMA Rhône-Alpes-Auvergne	Insurance	France	–	–	A	–	–	A
CLAMA Centre Atlantique	Insurance	France	–	–	A	–	–	A
CLAMA Antilles-Guyane	Insurance	France	–	–	A	–	–	A
CLAMA Océan Indien et Pacifique	Insurance	France	–	–	A	–	–	A
GIE GROUPAMA SI	GIE	France	99.83	99.64	FC	99.83	99.67	FC
GIE LOGISTIQUE	GIE	France	100	99.84	FC	99.85	99.82	FC
GROUPAMA S.A.	Holding	France	99.87	99.84	FC	99.85	99.82	FC
GROUPAMA HOLDING	Holding	France	99.97	99.97	FC	99.97	99.97	FC
GROUPAMA HOLDING 2	Holding	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA INTERNATIONAL	Holding	France	100.00	99.84	FC	100.00	99.82	FC
GAN ASSURANCES VIE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GAN PATRIMOINE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
CAISSE FRATERNELLE D'ÉPARGNE	Insurance	France	99.93	99.77	FC	99.93	99.75	FC
CAISSE FRATERNELLE VIE	Insurance	France	99.72	99.56	FC	99.72	99.54	FC
ASSUVIE	Insurance	France	50.00	49.92	FC	50.00	49.91	FC
GAN EUROCOURTAGE VIE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GAN PRÉVOYANCE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA VIE	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA ASSURANCE CRÉDIT	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA TRANSPORT	Insurance	France	100.00	99.84	FC	100.00	99.82	FC

A: Aggregation FC: Full consolidation EM: Equity method

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
			12.31.2005			12.31.2004		
SCEPAR	Participations	France	100.00	99.84	FC	100.00	99.82	FC
MUTUAIDE ASSISTANCE	Assistance	France	100.00	99.84	FC	100.00	99.82	FC
GAN ASSURANCES IARD	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GAN OUTRE MER IARD	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA PROTECTION JURIDIQUE	Insurance	France	100.00	99.84	FC	99.99	99.82	FC
GAN EUROCOURTAGE IARD	Insurance	France	100.00	99.84	FC	100.00	99.82	FC
COFINTEX LUXEMBOURG	Reinsurance	Luxembourg	100.00	99.84	FC	100.00	99.82	FC
RAMPART	Reinsurance	United States	100.00	99.84	FC	100.00	99.82	FC
GAN ITALIA VITA SPA	Insurance	Italy	100.00	99.84	FC	100.00	99.82	FC
LUXLIFE	Insurance	Luxembourg	85.00	84.87	FC	85.00	84.85	FC
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	99.84	FC	100.00	99.82	FC
ZENITH VIE	Insurance	Switzerland	82.00	81.87	FC	82.00	81.85	FC
GUNES SIGORTA	Insurance	Turkey	36.00	35.94	EM	36.00	35.94	EM
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA SEGUROS Espagne	Insurance	Spain	100.00	99.84	FC	100.00	99.82	FC
GAN UK HOLDING LTD	Holding	UK	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA INSURANCE CY LTD	Insurance	UK	100.00	99.84	FC	100.00	99.82	FC
CLINICARE	Insurance	UK	100.00	100.00	FC	–	–	–
MINSTER INSURANCE CY LTD	Insurance	UK	100.00	99.84	FC	100.00	99.82	FC
GAN ITALIA SPA	Insurance	Italy	100.00	99.84	FC	100.00	99.82	FC
GAN SEGUROS PORTUGAL	Insurance	Portugal	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA GESTION	Portfol. Mgmt	France				100.00	99.82	FC
GROUPAMA ASSET MANAGEMENT	Portfol. Mgmt	France	99.98	99.83	FC	100.00	99.82	FC
GROUPAMA ALTERNATIVE ASSET MANAGEMENT	Portfol. Mgmt	France	100.00	99.83	FC	100.00	99.82	FC
FINAMA PRIVATE EQUITY	Portfol. Mgmt	France	100.00	99.84	FC	100.00	99.82	FC
BANQUE FINAMA	Banking	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA BANQUE	Banking	France	60.00	59.91	FC	60.00	59.89	FC
GROUPAMA ÉPARGNE SALARIALE	Portfol. Mgmt	France	100.00	99.84	FC	100.00	99.82	FC
GROUPAMA IMMOBILIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
SILIC	Real estate	France	41.65	41.59	FC	41.95	41.88	FC
SEPAC	Real estate	France	100.00	41.59	FC	100.00	41.88	FC
COMPAGNIE FONCIÈRE PARISIENNE	Real estate	France	99.94	99.80	FC	99.94	99.77	FC
SCIMA	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
SCIMA 2	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
SCI DÉFENSE ASTORG	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
GAN FONCIER II	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
IXELLOR	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
79 CHAMPS ELYSÉES	Real estate	France	100.00	99.86	FC	91.21	99.84	FC
33 MONTAIGNE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CNF	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
RENNES VAUGIRARD	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
SCIFMA	Real estate	France	100.00	99.88	FC	100.00	99.86	FC
SCI TOUR GAN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
GAN SAINT-LAZARE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
VIEILLE VOIE DE PARAY	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
SCI GAN FONCIER	Real estate	France	100.00	98.85	FC	100.00	98.82	FC
ACTIPAR S.A.	Real estate	France	100.00	99.80	FC	100.00	99.77	FC
SAFRAGAN	Real estate	France	90.00	89.82	FC	90.00	89.80	FC
261 RASPAIL	Real estate	France	100.00	99.80	FC	100.00	99.77	FC

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
				12.31.2005			12.31.2004	
SOCOMIE	Real estate	France	100.00	41.59	EM	100.00	41.88	EM
19 GÉNÉRAL MANGIN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
28 COURS ALBERT 1er	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
5/7 PERCIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
ATLANTIS	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
FORGAN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
GFA INDRE III	Real estate	France				27.18	27.18	EM
174 PRES SAINT GERMAIN	Real estate	France	21.85	21.81	EM	21.85	21.85	EM
10 PORT ROYAL	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
102 MALESHERBES	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
12 VICTOIRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
14 MADELEINE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
150 RENNES	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
204 PEREIRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
3 ROSSINI	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
38 LE PELETIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
43 CAUMARTIN	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
5/7 MONCEY	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
60 CLAUDE BERNARD	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
9 REINE BLANCHE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
9 VICTOIRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CÉLESTE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CHAMALIÈRES EUROPE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
CHASSENEUIL	Real estate	France	100.00	99.92	FC	100.00	99.91	FC
DOMAINE DE NALYS	Real estate	France	100.00	99.89	FC	100.00	99.88	FC
DOMAINE DE FARES	Real estate	France	50.00	49.95	FC	50.00	49.94	FC
GOUBET PETIT	Real estate	France	66.66	66.56	FC	66.66	66.54	FC
GROUPAMA LES MASSUES	Real estate	France	100.00	99.88	FC	100.00	99.86	FC
CAP DE FOUSTE (SCI)	Real estate	France	100.00	99.90	FC	100.00	99.89	FC
DOMAINE CAP DE FOUSTE (SARL)	Real estate	France	100.00	99.90	FC	100.00	99.89	FC
GROUPAMA PIPACT	Real estate	France	100.00	99.95	FC	100.00	99.95	FC
LA CHATAIGNERAIE	Real estate	France				56.81	56.74	FC
SCI CHATEAU D'AGASSAC	Real estate	France	100.00	100.00	FC	100.00	100.00	FC
SCA CHATEAU D'AGASSAC	Real estate	France	100.00	99.96	FC	100.00	99.96	FC
SCIMA GFA	Real estate	France	100.00	99.93	FC	44.00	44.00	EM
HAUSSMANN LAFFITTE IMMOBILIER	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
LABORIE MARCENAT	Real estate	France	74.19	74.09	FC	74.19	74.09	FC
LES FRÈRES LUMIÈRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
99 MALESHERBES	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
6 MESSINE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
PARIS FALGUIÈRE	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
LES GÉMEAUX	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
VILLA DES PINS	Real estate	France	100.00	99.84	FC	100.00	99.82	FC
FRANCE-GAN SI.	Mutual Funds	France	92.50	92.35	FC	92.69	92.52	FC
HAVRE OBLIG.FCP	Mutual Funds	France	99.95	99.79	FC	99.79	99.61	FC
GROUP.OBL.MONDE LT	Mutual Funds	France	78.85	78.73	FC	78.22	78.08	FC
FINAMA CONVERT.FCP	Mutual Funds	France	97.19	97.06	FC	99.99	99.88	FC
GROUP.JAP.ST.D4DEC	Mutual Funds	France	87.97	87.83	FC	85.31	85.16	FC
GROUP.ET.CT D	Mutual Funds	France	99.15	99.02	FC	99.23	99.10	FC

	Sector	Country	% Control	% Interest	Method	% Control	% Interest	Method
			12.31.2005			12.31.2004		
GROUP.ET.CT C	Mutual Funds	France	27.95	27.95	EM	64.20	64.20	FC
GROUPAMA AAEXA FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
GROUP.ACT.INTLES	Mutual Funds	France	94.01	93.87	FC	96.63	96.47	FC
GROUP.OBL.EUR.CR. MT.D	Mutual Funds	France	100.00	99.85	FC	99.99	99.82	FC
GROUP.OBL.EUR.CR. MT C	Mutual Funds	France	66.70	66.63	FC	82.57	82.47	FC
GROUP.EURO STOCK	Mutual Funds	France	93.72	93.61	FC	95.56	95.44	FC
WASHING.ACT.EUROP. FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
ASTORG EURO SPREAD FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 10 FCP	Mutual Funds	France	100.00	99.84	FC	99.91	99.73	FC
WASHINGTON EURO NOURRI 9 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 8 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 7 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 6 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 5 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON EURO NOURRI 4 FCP	Mutual Funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON EURO NOURRI 3 FCP	Mutual Funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON EURO NOURRI 2 FCP	Mutual Funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON EURO NOURRI 1 FCP	Mutual Funds	France	100.00	99.84	FC	83.33	83.18	FC
WASHINGTON INTER NOURRI 1 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON INTER NOURRI 2 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
WASHINGTON INTER NOURRI 3 FCP	Mutual Funds	France	100.00	99.84	FC			
WASHINGTO INTER NOURRI 0 FCP	Mutual Funds	France	100.00	99.84	FC	100.00	99.82	FC
GROUP.INX.INF.LT D	Mutual Funds	France	99.88	99.72	FC	99.48	99.30	FC
GROUP.INX.INF.LT C	Mutual Funds	France	66.03	65.97	FC	66.56	66.48	FC
WASHINGTON EURO NOURRI 11 FCP (old)	Mutual Funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 11 FCP (new)	Mutual Funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 12 FCP (old)	Mutual Funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 12 FCP (new)	Mutual Funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 13 FCP (old)	Mutual Funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 13 FCP (new)	Mutual Funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 14 FCP (old)	Mutual Funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 14 FCP (new)	Mutual Funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 15 FCP (old)	Mutual Funds	France				100.00	99.82	FC
WASHINGTON EURO NOURRI 15 FCP (new)	Mutual Funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 16 FCP	Mutual Funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 17 FCP	Mutual Funds	France	100.00	99.84	FC			
WASHINGTON EURO NOURRI 18 FCP	Mutual Funds	France	100.00	99.84	FC			

5 TRACKING AND MANAGING RISKS

As a multi-line insurer, Groupama is subject to various types of insurance risks, with equally variable time horizons. The Group is also exposed to market risks because of its financial investment activities, particularly the risks linked to interest rates, equity markets, the liquidity of its assets and currency risks. The credit risk is also specifically monitored by the Group for both its insurance and its financial investment activities. In addition, the Group is subject to operational, regulatory, legal and tax risks like companies in other business sectors.

5.1 INSURANCE RISK

5.1.1 OBJECTIVES FOR MANAGING RISKS ARISING FROM INSURANCE CONTRACTS AND METHODS OF REDUCING THESE RISKS

The Group's insurance business exposes it to risks primarily related to product design, underwriting, claims management, the valuation of reserves, and the reinsurance process.

Product design

The insurance divisions of Groupama S.A. ensure that the product line is meshed with the Group's strategy. The design of life and non-life insurance products is the responsibility of the Groupama S.A. specialist insurance teams. Product design is the result of market and profitability studies performed with actuarial tools to control margins. The work performed by the specialist insurance teams includes the development of the general conditions, the exclusion clauses for the products, underwriting conditions and rates. The products are marketed and managed by the entities of the Gan and Groupama S.A. networks.

Subscription and claims management

Delegation of powers for underwriting and claims are defined in all companies of the Group. Risks are accepted or refused at every level of delegation, based on underwriting guides that integrate the Group's technical and commercial rules. Underwriting in particular is secured through a cross-managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined homogeneously throughout the Group, and are regularly updated in procedural notebooks dealing with the management of injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold. In addition, claims settlement activity is safeguarded by an internal control procedure.

The Group's insurance business is explicitly or implicitly monitored using analytic procedures, such as regular analysis of the results of each entity and monitoring underwriting statistics and claims rates by entity. The most significant and most complex risks are individually monitored jointly by the specialist divisions and the entities concerned. Finally, the specialist divisions also intervene to warn and advise the entities.

Valuation of reserves

The rules for provisioning claims and the funding tables for life and non-life disability payments are defined within the specialist insurance divisions in a guide that is harmonised for all Group entities. Reserves are valued by the claims managers within the operational entities and, if necessary, are supplemented by provisions for losses that have occurred but have not yet been declared.

The application of funding 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 control authorities.

Reinsurance

The reinsurance process is organised at two levels. The internal reinsurance performed by Groupama S.A. for all Group entities is designed to calibrate retentions for each entity. The external reinsurance process defines the optimum reinsurance structure for the Group and the adequate level to cover risks. External reinsurance contracts are renegotiated and renewed each year by Groupama S.A. on behalf of the entire Group. Moreover selection rules defined in the security and reinsurance committee, composed of the external reinsurance division of Groupama S.A. and several of its subsidiaries and based on the ratings from ratings agencies, are designed to control the solvency risk from reinsurers.

These risks are controlled using internal control procedures, which are described in the report on the financial security law.

5.1.2 TERMS AND CONDITIONS OF THE INSURANCE CONTRACTS THAT HAVE A SIGNIFICANT IMPACT ON THE AMOUNT, MATURITY AND UNCERTAINTY OF THE INSURER'S FUTURE CASH FLOWS

Breakdown of the technical reserves of non-life insurance contracts by major risks

The Group offers a broad range of non-life insurance products designed for individuals and businesses.

The automobile, personal, professional and agricultural property damage contracts offered by the Group are generally one-year contracts with tacit renewal, which include civil liability coverage.

(millions of euros)	Reserves for unearned premiums	Reserves for claims to be paid	Total
Motor	742	3,877	4,619
Property damage	552	2,471	3,023
General civil liability	51	1,213	1,264
Marine, aviation, transport	45	757	802
Injuries	108	896	1,004
Other risks	163	1,865	2,028
Acceptances	42	653	695
Total gross reinsurance reserves	**1,703**	**11,732**	**13,435**
Reinsured portion	(79)	(1,424)	(1,503)
Total net reinsurance reserves	**1,624**	**10,308**	**11,932**

Breakdown of technical reserves for life insurance contracts by major risks

The Group offers a full line of life insurance products: this offer is intended for individuals in the form of individualised policies and for businesses in the form of group contracts.

(millions of euros)	Life insurance reserves	Reserves for claims to be paid	Total
Individual insurance	8,700	163	8,863
Group contracts	5,685	149	5,834
Capitalisation	724	41	765
Other risks	2,276	19	2,295
Acceptances	57	46	103
Total reserves, before reinsurance	**17,442**	**418**	**17,860**
Portion reinsured	(28)	(9)	(37)
Total reserves, net of reinsurance	**17,414**	**409**	**17,823**

The main individual insurance contracts in euros offered to our clients are death policies, endowment insurance contracts, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group contracts offered by the Group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with guaranteed point value.

Most of the contracts in units of account offered by the Group are multi-vehicle contracts with an arbitration clause corresponding to a low level of costs.

Specific features of certain life insurance contracts

• Discretionary profit-sharing clause

Certain life insurance, savings and retirement products offered by the Group contain a discretionary profit-sharing clause. The profit-sharing, the amount of which is left to the insurer's discretion, allows policyholders to participate in the results of the financial management and the technical results of the insurance company.

- Early surrender possibilities

Most of the savings and retirement products may be surrendered by the policyholders at a value defined by contract before contract maturity. For some products, surrender penalties are applied in the event of early surrender and allow the insurer to cover a portion of the acquisition costs incurred at the time the policy was signed.

5.1.3 INFORMATION ON THE SENSITIVITY OF INCOME AND CAPITAL AND RESERVES TO CHANGES IN VARIABLES THAT MATERIALLY AFFECT THEM

The longevity risk and the interest rate risk are the main variables that can have a significant impact on the calculation of the technical reserves, which may generate a substantial change in income and capital and reserves.

Longevity risk

In life insurance, the payment of benefits depends on the death or the survival of the insured. It is the occurrence of one or the other of these events that gives the right to payment of a benefit. The probability that these events will occur is known through mortality tables that show the number of persons alive at each age in the human life, based on a given number of persons at birth. On the basis of statistics on mortality for men and women, different mortality tables have been constructed and are regularly revised to take demographic changes into account.

For France, the Group uses the generational mortality tables (known as TPG), or tables with annuity forecasts with age differences (TPRV), which are both forecasting tables used to define rates for annuity contracts and constructed using data from the French INSEE institution. They take into account the observed trend for a decline in mortality.

As of 31 December 2005, the amount of the mathematical provisions for annuities currently being served was €2,293 million.

(millions of euros)	France	International	Total
Life annuity MP	306	38	344
Non-life annuity MP	1,944	5	1,949
TOTAL	**2,250**	**43**	**2,293**

In life insurance, the percentage of immediate lifetime annuities and the percentage of immediate temporary annuities represented 91% and 9% respectively.

In the international segment, the tables used comply with legal requirements.

In the other portfolios, the mortality risk concerns the whole life and deferred capital products. However, the percentage of these products in the Group's total portfolio remains marginal.

Interest rate risk

The calculation of technical reserves in life insurance and certain technical reserves in non-life insurance is also based on the use of an interest rate known as the "technical interest rate", the terms of which are set by the Insurance Code. The Code determines a maximum level by reference to the average rate for government borrowings (the T.M.E.), which is used to set rates for contracts and calculate the insurer's commitments to policyholders. The terms and conditions vary based on the type of contract and the duration of the commitments.

At 31 December 2005, the breakdown of technical reserves based on rates, fixed-rate, variable rate (i.e. tied to the market rate) or no rate commitment was as follows:

(millions of euros)	France	International	Total
Fixed-rate guaranteed commitments	32,007	2,264	34,271
Variable-rate guaranteed commitments	4,374	5	4,379
Unit-linked and other products without rate commitment	3,279	197	3,476
TOTAL	**39,660**	**2,466**	**42,126**

10.2% of the portfolio is variable rate. This variable rate is a function of an index. In most cases, the index used as the reference for life insurance contracts is the "passbook A" rate. For non-life insurance contracts, the rate is the T.M.E.

In France, the guaranteed fixed rates are included within a range from 2.25% to 4.5% for most of the mathematical provisions.

As of 31 December 2005, the amount of the discount contained in the MP for non-life annuities, before reinsurance, was €622 million. The amount of the discount contained in the provision for increasing risks on Long-term care, before reinsurance, was €280 million.

5.1.4 INFORMATION ON CONCENTRATIONS OF THE INSURANCE RISK

At the time of a claim, a major concern for the Group is the risk of being faced by a concentration of risks and therefore an accumulation of indemnities to be paid.

Two types of overlapping risks can be distinguished:
- the risk of underwriting overlaps in which the insurance contracts are underwritten by one or more entities of the Group for the same risk;
- the risk of claim overlaps in which the insurance contracts are underwritten by one or several entities of the Group on different risks, which may be affected by claims resulting from the same loss event, or the same initial cause.

Identification

Overlapping risks can be identified at the time of underwriting or in the current management of the portfolio.

A major role in the process of identifying overlaps during underwriting is assumed by the Group, through risk inspections, verification of the absence of overlapping co-insurance or inter-network insurance lines, identification of overlapping commitments by site.

In addition, the underwriting procedures for certain risk categories help to control overlapping risks at the time of underwriting. The procedures applicable to property damage underwriting include:
- a verification of overlapping geographic risks at the time of underwriting for major risks (agricultural risks, agri-business risks, industrial risks, municipalities);
- initial elimination during the underwriting process of cases of inter-network co-insurance overlapping risks. These directives are defined in an internal procedural guide.

The procedures in force for managing overlapping portfolio risks concern:

- identification of the inter-network co-insurance overlapping risks;
- inventories of commitments by site for agri-business risks; in addition high-risk business sectors for which the Group insures the property and/or civil liability risks are specifically monitored by the relevant specialist insurance division;
- triennial inventories of commitments for risks of storms, hail, greenhouses, frosts and commercial forestry portfolios, which are used to calculate the exposure of these portfolios to the storm risk.

Protection

Protection consists of implementing reinsurance coverage which will first be adapted to the total amount of the potential loss and, second, corresponds to the kind of dangers protected. The loss may be human in origin (fire, explosion, accident involving people) and of natural origin (atmospheric event, such as storm, hail, etc.).

In the case of a human risk that affects either a risk overlap insured by the same entity or risks insured by different entities of the Group, it is the responsibility of the entities to set the necessary protection limits. The underwriting limits (maximum values insured per risk in property insurance or per person for personal insurance) are used in the context of catastrophic scenarios and compared with losses that have already occurred. Once these amounts have been defined, they are increased by a safety margin. Moreover, specific monitoring is performed to track the adequacy of the protections with the risks underwritten.

In the case of a natural event, a needs analysis consists of an initial study on the basis of the reference loss, which is revalued on the basis of the change in the portfolio and the French construction federation index. At the same time, simulation calculations of the exposure of the portfolios are performed using random check methods that result in the production of a curve showing the change in the potential maximum loss as a function of different scenarios. The results are cross-checked, analysed and discounted every year to allow the Group to opt for appropriate reinsurance solutions with a reduced margin of error.

5.1.5 INFORMATION ON CLAIMS FILED COMPARED WITH PREVIOUS ESTIMATES

The development of claims over the last three years is shown in the table below in gross reinsurance values.

This table covers only the non-life entities. For construction and long-term care risks, the years of occurrence correspond to the underwriting years.

The bonus/penalty over prior years is presented in 20 of this booklet.

(millions of euros)	2003	2004	2005
Estimate of the claim charge			
At end of N	6,419	5,942	6,149
At end of N+1	6,277	5,791	
At end of N+2	6,140		
Claims charge	6,140	5,791	6,149
Cumulative claims payments	4,889	4,208	2,933
Reserves for losses to be paid	1,251	1,583	3,216
Earned premium	7,826	7,926	8,030
Claims and Reserves/Earned Premium	**78.5%**	**73.1%**	**76.6%**

5.2 MARKET RISKS

5.2.1 INTEREST RATE RISK

The sensitivity analysis covers the perimeter formed by the financial assets of Groupama S.A. and its French subsidiaries and represents nearly 85% of the total of rate and capital instruments.

At 31 December 2005, the weight of the rate instruments was 63%, 56% of which were classified in the category "assets available for sale" and 7% in the category "assets for transactions".

Maturities

The table below shows the Group's exposure to interest rate risks. The following points should be specified:

- the data are expressed at market value at 30 December 2005;
- the bonds with a call that can be exercised at the issuer's initiative are assumed to mature on the date of the option (TSDI, etc.);
- the convertible bonds and equity interests are considered to be "without interest rate" like all the other investments (shares, real estate).

	<1 year	1-3 years	3-5 years	5-10 years	>10 years	No rate	Total
Fixed-rate financial assets	0.0%	10.2%	7.7%	18.6%	20.3%	0.0%	56.8%
Variable rate financial assets	1.4%	0.9%	0.5%	0.8%	2.2%	0.0%	5.8%
Without interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	37.4%	37.4%
Derivatives	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL	**1.4%**	**11.1%**	**8.2%**	**19.4%**	**22.5%**	**37.4 %**	**100.0%**

Effective interest rates

The effective interest rates for the fixed-rate and variable-rate financial assets at 12.31.05 were 5.1% and 2.1% respectively.

Sensitivity analysis

The fixed-rate financial assets have a sensitivity to nominal rates of 7.2 (a deformation of 100 basis points results in a change of 7.2% in the fair value of the fixed-rate portfolio). The variable rate financial assets have a sensitivity to real rates of 3.2 (a deformation of 100 basis points results in a change of 3.2% in the fair value of the variable-rate portfolio).

Interactions with the surrender risk and the profit-sharing clauses

- Sensitivity of surrender to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and with the sanction, if this expectation cannot be met, of early surrenders. In addition to the loss of revenues and an increase in benefits, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds), which would themselves generate a drop in the rate of return on the asset.
- However, in addition to the fact that the liabilities that can be surrendered do not represent all the commitments, the sensitivity of surrenders to changes in interest rates can vary depending on the product and policyholders' expectations. The objective of asset/liabilities management is to reduce the volatility of surrender rates, using strategies that take into account the various reserves available and bond management strategies coupled with hedging products. These are used to adjust the yield profile for the assets in the different rate environments possible in order to ensure policyholder satisfaction.

Insurance contract profit-sharing clauses and interest rate risk

The constraints of guaranteed minimum rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through prudential provision mechanisms.
However, in a low rate environment, the companies benefit from the inertia of the assets and the yield on the bonds in inventory; from any appreciation in the diversification assets that can be revalued; and from reserves such as the profit-sharing funds or unrealized gains. Insurance companies also benefit from the effects induced by products sold in recent years which have lower guaranteed levels.

Asset/liability management

Tracking the profile of liability flows allows a definition for bond management, taking into account the duration and convexity of these liability flows and any sensitivity of these flows to changes in interest rates.
Asset/liability simulations allow an analysis of the behaviour of the liabilities in different rate environments, particularly the ability to meet the remuneration requirements for the insured.
These simulations allow the Group to develop strategies designed to reduce the volatility of the differential between the real yield from the asset and the rate expected by the insured. These strategies include calibrating the durations and convexities of the bond portfolios, the portion of variable-rate bonds, the portion of diversification assets, and the features of the hedging products.
Hedging products are used to re-establish the asymmetry between liabilities profiles and those of traditional bond assets in the different rate environments considered.

Use of derivatives

The use of derivatives arises from asset/liability simulations. Derivatives are used to reduce the volatility of the results linked to interest rate sensitivity. The derivatives used by Groupama S.A. and its subsidiaries are:

- purchase of caps: over the duration and horizon selected, a cap allows collection of the differential, if it is positive, between the market rate and a strike price, in consideration for the payment of a premium. This mechanism has the advantage of reproducing the behaviour of the liability which, when rates fall, is close to a fixed rate (minimum rate) and, when rates rise, to a variable rate. The cost of this strategy is related to the different parameters that affect the value of the option;
- interest rate swap: the immunization strategy may also consist of transforming a fixed-rate bond into a variable rate, either on a security in inventory or to synthetically create a variable rate bond for new investments.

Hedging programmes have been set up progressively on behalf of the life companies as of the end of the first half of 2005:

	Notional amount	Change in fair value
Trading derivatives		
Rate swaps	5,257	–73
Caps	103	–38
Hedging derivatives		
Rate swaps	0	0

The choice has been to treat these transactions as trading, i.e. as fair value by result.

Sensitivity analysis on financing debt

The financing debt has a sensitivity ratio of 7.25% on the undated bond placed in 2005 and 2.95% for the fixed portion of the bond issued in the form of redeemable subordinated securities.

5.2.2 RISK OF A CHANGE IN THE PRICE OF SHAREHOLDERS' EQUITY INSTRUMENTS (SHARES)

At 31 December 2005, the weight of the equity instruments was 21%, 17% of which is classified in the category "assets available for sale" and 4% in the category "assets for transactions". Equity instruments include:

- shares in French and foreign companies listed for trading on regulated markets and managed under management mandates. They may be held directly or within Mutual Funds (FCP and SICAV);
- shares in French and foreign companies listed for trading on regulated markets and managed outside management mandates;
- shares in French and foreign companies that are not listed. They may be held directly or in the form of FCPR.

Breakdown by activity sectors

Sector	As %
Resources	11.4%
Basic industries	9.2%
General industries	10.0%
Cyclical consumer goods	4.0%
Non-cyclical consumer goods	11.3%
Cyclical services	12.9%
Non-cyclical services	3.8%
Public services	1.1%
Finance	22.9%
Information technology	13.3%
Other	0.2%

Source: FTSE classification.

Breakdown by geographic regions

	As %
Euro zone	80.1%
United States	7.0%
Japan	5.2%
Other (Asia ex. Japan, etc.)	7.8%

The holding of shares of Groupama subsidiaries is generally determined within the context of asset/liability studies in order to be able to bear a market shock over a short-term period, taking into account the objectives for gains necessary to meet the objectives over the period. These studies cover the reserves available elsewhere, such as the profit-sharing funds or unrealized gains.

5.2.3 LIQUIDITY RISK

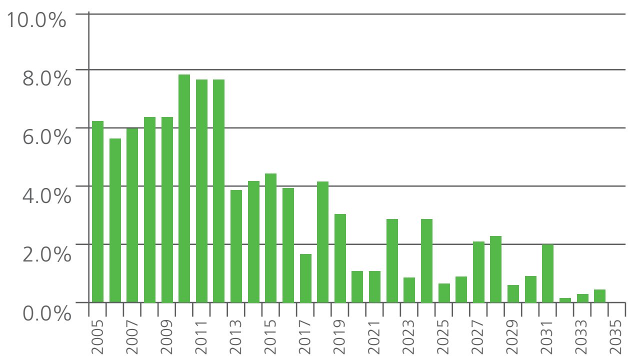
Nature of exposure to liquidity risk

The liquidity risk is analysed overall in the asset/liability approach:

- identification of a structural cash requirement, corresponding to the cash level to be kept in credit, depending on the liquidity requirements imposed by liabilities, using:
  – technical cash flow projections in a central scenario;
  – sensitivity scenarios on technical assumptions (production, claims ratio);
- definition of a reference index for bond management, the results of which support the profile of the liabilities in duration and convexity. This approach is based on validated assumptions of liability outflows and takes into consideration new production.

Maturities

The profile of the annual maturities of the bond portfolios is as follows:



Risk management

In addition to the asset/liability approach, the outlines of which were described above, the liquidity ratios in the equity mandates of the Groupama S.A. subsidiaries have been strengthened in several directions:

- the market value of a security may not exceed:
  – 3% of the capital of the company in question;
  – 10% of the float of the company in question;
- all the equity portfolios must individually be able to be made liquid (liquidation assumption: 25% of the average daily volume traded on the market during the last three months) under the following rules:
  – 50% in less than two market weeks;
  – 75% in less than one month (20 market days);
  – 95% in less than three months (60 market days).

At 31 December 2005, all these criteria were met.

A regular verification of these liquidity ratios is performed during each investment committee meeting.

In summary, the equity portfolio may be liquidated:
- 87.4% with a 10 day horizon;
- 92.6% with a 20 day horizon (1 trading month);
- 96.8% with a 60 days horizon (3 trading months).

5.2.4 FOREIGN EXCHANGE RISK

The assets of the Groupama S.A. subsidiaries are subject to currency variations on the Mutual Funds denominated in currencies and the Mutual Funds denominated in euros based on securities in currencies.

In practice, the portfolios are primarily exposed to the risks:
Euro-dollar,
Euro-yen.

Currency risk as % of equity investments

	% of market End of December 2005
Euro exposure	90.2%
Non-euro exposure	8.0%

Managing the foreign exchange risk
The foreign exchange risk is hedged nowadays through forward sales of dollars and yen.
The documentation is updated each time the accounts are closed.

Currency derivatives

(millions of euros) at 12/31/2005	Nominal hedged (Euro counter-value)	Unrealised gain (euro)
Trading derivatives		
Forward sales USD	299.2	77.6
Forward sales JPY	208.0	75.5
Hedging derivatives	0	0

5.3 CREDIT RISK

5.3.1 FINANCIAL INVESTMENTS

Type and amount of exposure to the credit risk
The rating indicated is an average of the ratings published at 12.31.2005 by the three main agencies (S&P, Moodys' and Fitch Ratings).

Ratings in % market value at 31 December 2005

Rating	As %
AAA	50.8%
AA	23.4%
A	17.6%
BBB	4.8%
<BBB	0.1%
NR	3.4%

Concentration of the credit risk
A maximum holding percentage per rating has been implemented in the framework of the management mandates of the Groupama S.A. subsidiaries. These constraints are monitored monthly by the various investment committees.

The ratios defined for the bond assets are calculated on the market value of the total bond assets of each company (or isolated assets) based on the official rating issued by at least two ratings agencies:
- investment grade universe (securities with signatures equal to or higher than BBB):
– AAA: regulatory ratios, which is 5% per issuer, with the exception of the securities issued or guaranteed by a member State of the OECD and CADES securities;
– AA: 3% maximum per issuer;
– A: 1% maximum per issuer;
– BBB: 0.5% maximum per issuer;
– total BBB issuers may not exceed 10% of the market value of the bond envelope;
- Unrated euro zone universe:
– 0.5% maximum per issuer, with the exception of securities guaranteed by a member State of the OECD; in this case it is the prudential ratio of this State that applies;
– the total of unrated issuers (NN) may not exceed 10% of the market value of the bond envelope;
- non-investment grade universe (high yield):
– no direct holding in the portfolios is authorized for rate products without ratings and outside the euro zone and the non-investment grade securities known as "high-yield".

Managing the credit risk
The following transactions are systematically covered by guarantee contracts with the banking counterparties in question:
- forward currency sales made to hedge the foreign exchange risk;
- rate swaps (rate risk);
- cap purchases (rate risk).

This systematic collateralization of the hedging operations significantly reduces the counterparty risk related to these over the counter transactions.

5.3.2 RISK OF REINSURER INSOLVENCY

Cession, which consists of transferring to the reinsurer a portion of the risks accepted by the ceding company, is regularly reviewed to control and limit the credit risk on third party reinsurers. The Group security committee examines and approves the list of reinsurers allowed for all external reinsurance ceded.

This list is reviewed in its entirety at least twice a year. During the year, ongoing monitoring is performed to adapt the internal ratings of the accepting companies to the changes that may occur at a reinsurer and that would modify the assessment of its solvency. For any given reinsurance placement, any reinsurer approached for a reinsurance cession outside Groupama must first be on the list of the Group security committee.

The approved reinsurers must have a rating compatible with the type of business reinsured, depending on whether they have a short or long accounting run off.

5.4 OPERATIONAL, LEGAL, REGULATORY AND TAX RISKS

5.4.1 OPERATIONAL RISKS

The internal management rules and operational procedures define the manner in which operations must be conducted in performance of the activities of Groupama S.A.. They are appropriate to each business and each key process. The formalization of the rules and procedures constitutes a guarantee of the permanence of the company's method and expertise over time. These existing rules and procedures cover major operations. They are described in documentation that is regularly updated and is based on a detailed organizational chart and specific delegations of powers.

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the operational holdings of the Group's entities. The contracts are distributed among outside insurers for the most significant risks. The principal coverage is the following:
- employee insurance,
- civil liability of corporate officers,
- professional civil liabilities,
- operating civil liability,
- property damage insurance (property, offices, equipment, automobile fleets, etc.).

The Group's IT unit has a second IT site to ensure operational continuity in the event of losses or failure at the first site.

5.4.2 LEGAL AND REGULATORY RISKS

The internal control procedures designed to ensure the conformity of all the operations of Groupama S.A. are based on the main mechanisms described below.

Application of corporate law and the Commercial Code

The Group's legal department within the administrative division provides legal management for Groupama S.A. and its insurance subsidiaries and provides legal direction as needed to all the French legal entities of Groupama S.A. Within this framework, it ensures the legal safety of its operations and its directors and executives. Internal checks on the effective implementation of administrative legal procedures are based on permanent monitoring tools, entity by entity.

Application of insurance law

The legal and tax support department within the administrative division of Groupama S.A. provides information and advice to business departments and to insurance subsidiaries on application of insurance laws in their operational activities or technical support.

Other areas

Special mechanisms are in place to meet special requirements:
- ethics control designed to prevent insider trading; these responsibilities are borne by a Group Ethics Officer, with the assistance of a person outside the Group, who is responsible for the controls, and an officer within Groupama S.A.;
- to fight money laundering; the entities are incorporating into their procedures the legal obligations and professional recommendations in this area. The internal control procedures are based on knowledge of the client base, but also on a set of controls performed prior to the transaction, then after the transaction by analyzing the information databases for past transactions. In addition, The Legal Support and Tax Department is responsible for monitoring Group compliance with its obligations to fight money laundering.

5.4.3 TAX RISKS

The Group's tax department has the role of providing information and monitoring regulations for all the entities of the Group. It is also regularly questioned about specific technical points and is involved in closing the accounts.

5.5 MONITORING AND MANAGING RISKS RELATED TO BANKING ACTIVITY

5.5.1 GENERAL PRESENTATION

This division includes three differentiated activities with very specific types of risk: banking, capital management for third parties and real estate management. The banking sector operates under a regulatory framework organized around the risks described below. The common focus for the companies of the division is monitoring the operational risk.

5.5.2 BANKING RISKS

Risk management is inherent in this activity. Responsibility for risk control, measurement and general supervision is assigned to a dedicated *risk control* unit.

While the primary responsibility for risks remains with the divisions and businesses that propose the risks, the task of the risk control unit is to ensure that risks taken by the bank are compatible with its risk policies. The unit conducts ongoing risk control, before and after. It regularly transmits its principal findings to the Board of Directors and informs the Board of the measurement methods it has implemented to assess and control the risks.

Risk control is intended to cover all the risks generated by banking activities and to intervene at all levels in the risk chain –from incurring the risk to monitoring it. Its permanent tasks consist of formulating recommendations on risk policies, analyzing the credit portfolio, issuing an opinion on credit files and limits made by the credit committee, guaranteeing the quality and effectiveness of the tracking procedures, defining or validating the risk measurement methods and ensuring exhaustive and reliable identification of risks for the Board of Directors.

Prudential monitoring (solvency)

Prudential regulations require monitoring the European solvency ratio, which is in the form of a ratio between the level of regulatory equity (Regulation 91-05 and 90-02 of the Banking and Financial Regulatory Committee) and the weighted outstanding amounts at risk (credit risk, market risk) based on defined rules.

The credit risk

The credit risk is defined as the risk of incurring financial losses because of a debtor's inability to meet its contractual obligations. The credit risk appears in the lending activity, but also in other circumstances when the bank may be confronted with the default of its counterparty in market, investment or even settlement transactions.

• Decision-making procedures

The credit decision-making process is based on a set of delegations. The delegations are classified by amount and degree of risks and on the category of client. Credit proposals must comply with the principles of the general credit policy and specific policies where applicable and, in all cases, with laws and regulations in force. A credit committee chaired by a representative from management and the Board of Directors (as final arbiter) are the ultimate decision-making bodies of the Group concerning credit and counterparty risks.

• Monitoring procedures

A monitoring and reporting mechanism is in place and is based on the control teams, whose responsibility is to guarantee conformity with decisions on a permanent basis, the reliability of the reporting data, and the quality of the risk monitoring.

• Impairment procedures

All the loans granted to clients in default are periodically reviewed by the provisions committee to determine any reduction in value that should be applied, based on the terms and conditions for application of the accounting rules used. The proposals of this committee must be validated by the Board of Directors. Impairment is established on the basis of the discounted valuation of probable net recovery flows taking into account the liquidation of the securities held.

• Total limits

The commitment limits per market are defined by the bank's Board of Directors. The limits and outstanding amounts at 12.31.2005 are shown in the table below. This exposure to credit risk is determined without taking into account the effect of the securities received and is equal to the book value of the financial assets recorded on the balance sheet, net of all impairments made.

Market	Limits (millions of euros)	Outstanding amounts (€millions) 12.31.2005	12.31.2004
Institutions and Group	200	66.86	72.85
Businesses/local authorities	100	69.19	67.35
Individuals	130	111.78	80.06
Small/med. Businesses	40	24.04	20.28
Professional real estate	Not applicable*	20.78	21.60
Mutual Funds	1,400	1,482.99	786.06
Corporate	700	364.88	316.29
Banks	3,000	2,118.11	1,423.58
Sovereign States	1,000	326.77	455.62

* "Run off" activity.

Risk division rules

Prudential supervision (Regulation 93-05 of the Banking and Financial Committee) limits the concentration of commitments by counterparty. This limit is expressed as two criteria:

• no outstanding loan may be greater than 25% of the regulatory net assets for one group of beneficiaries;

• the total of the counterparties exceeding 10% of the regulatory net assets must be less than eight times the regulatory net assets. The outstanding amounts taken into account are weighted under codified rules. Groups, as defined by Regulation 93-05, are considered to be a single counterparty. This is the case for the entities of the Groupama Group.

At 31 December 2005, eight counterparties presented outstanding amounts greater than 10% of the regulatory net assets, while none of them exceeded the 25% ceiling, for an aggregate amount of €161 million.

Supervision of market risks

This is based on the risk-taking procedures, which are framed by:

• the definition of a set of limits;

• risk tracking on the basis of:

– daily calculation of the value and results of the trading positions;

– daily monitoring of compliance with the limits notified to each activity, with any overrun being submitted for decision;

– regular and independent controls of valuations, and the establishment of reconciliations between the results of the trading room and the accounting results;

– control of compliance with the internal rules for backing transactions;

– stress-scenario simulations.

• Rate risk

This covers any change in value of a fixed-rate financial instrument due to changes in market interest rates as well as any elements in the future results of a variable-rate financial instrument.

The following limits have been defined for the outstanding amounts in the transaction and investment portfolios, as well as for the associated stop loss. In addition, a stress scenario calculation is performed.

The division operates on the interest swap market solely as part of its hedging strategies.

Based on the level of the outstanding amounts, the division is not currently subject to the prudential supervision ratio for market transactions.

(millions of euros)	Limit	12.31.2005
Transaction portfolio*	10	0
Portfolio available for sale*	10	10
Scenario of 40 bp change		–0.128
Scenario of 200 bp change		–0.640
Quarterly stop loss	–0.250	Never reached

* Excluding shares.

• Risks related to the change in title deeds

The division does not operate in this type of market.

• Counterparty settlement risk

Schedule IV of Regulation 95-02 requires supervision of counterparty settlement events for all transactions relating to the trading portfolio and for transactions initiated by Bank customers for which it is a "del credere" agent. In this respect, no event was recorded in 2005.

• Foreign exchange risk

This is the risk that the value of an instrument or of one of the elements in its future results will fluctuate because of changes in foreign currency rates.

The division does not take positions in currencies. Its activity is maintained well below the threshold that requires prudential supervision of the currency risk.

• Risk on base product

The division does not operate in this type of market.

Supervision of liquidity

Transactions on financial instruments generate a liquidity risk, expressing the difficulties the Group could have in collecting the funds needed to honour the commitments related to these financial instruments. Given the balance sheet structure of the Group, it is not very sensitive to this risk. It is therefore primarily supervised in the framework of the regulatory obligations that require monthly measurements of liquidity based on codified rules (Regulation 88-01 of the Banking Regulatory Committee). The monitoring ratio must always be greater than 100%. Over 2005, the lowest level was 166%.

The effective interest rate (ALM)

The rate risk related to commercial transactions is driven by the asset/liability unit and managed in a centralized way by the Treasury and Capital Markets department. The rate risk related to capital and reserves and investments is generally managed in the same way.

Position measurements are presented to the monthly Asset/Liability committee by inventory/maturity class/rate category. A "break even" rate for resources is determined and simulations are performed.

Business continuity plan

Each entity in the division has prepared a Business Continuity Plan (BCP) organized around three mechanisms:

- activating the crisis unit,
- back-up of information and IT systems,
- the availability of a backup site.

The BCPs are updated annually. Technical and user installation tests are conducted for the backup sites with the same frequency.

5.5.3 OPERATIONAL RISKS

In 2005, the implementation of an operational risk management policy based largely on the provisions of the standard method of the "Basel II" agreements continued. The approach is being gradually deployed in the non-banking subsidiaries, which have each begun to map their operational risks.

Auditors' report on the combined financial statements

Year ended 31 December 2005

"This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the combined financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the combined financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the combined financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France."

To the Shareholders,
GROUPAMA S.A.
8-10, rue d'Astorg
75008 Paris

Dear Shareholders:

In the performance of the mission assigned to us by your Shareholders' Meeting, we audited the Groupama combined financial statements for the year ended 31 December 2005 as they are attached to this report.
The combined financial statements have been approved by the Board of Directors of Groupama S.A. It is our responsibility, on the basis of our audit, to express an opinion on those statements. The statements were prepared for the first time in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union. For comparison purposes, they include the data for financial year 2004 restated in accordance with the same rules.

1 - OPINION ON THE COMBINED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the combined financial statements are free of material misstatement. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in these statements. It also includes an assessment of the accounting principles used and the significant estimates made by management and their overall presentation. We believe that our audits provide a reasonable basis for our opinion as expressed below.

We certify that the combined financial statements, under the IFRS as adopted in the European Union, are accurate and present fairly in all material respects the holdings, financial position and the results of the entity formed by the persons and entities included in the combination.

2 - JUSTIFICATION OF OUR ASSESSMENTS

Pursuant to the provisions of Article L. 823-9 of the Commercial Code governing the justification of our assessments, we are informing you of the following items:

- We have reviewed the accounting treatment used by the Group in combining the accounts of the entities that are not subject to specific provisions in the IFRS as adopted in the European Union, and we are sure that note 2.2 to the combined financial statements provides appropriate information in this regard.

• Certain technical items related to insurance and reinsurance in the assets and liabilities of the combined financial statements of your company are estimated on statistical and actuarial bases, particularly the technical reserves, the deferred acquisition costs and the method of amortising such costs. The conditions for determining these elements are described in notes 3.1.2, 3.1.3 and 3.1.4 to the combined financial statements.
We are convinced of the reasonable nature of the assumptions used in the calculation models, based on the Group's experience, its regulatory and economic environment, and the consistency of all these assumptions.

• The financial assets are classified in different categories in accordance with the criteria listed in notes 3.2.1 and 6, and are valued on the basis of the rules applicable to each category described in note 3.2.1.

We are convinced of the appropriate nature of the impairment tests performed on the basis of the position of the investments and the volatility of the financial markets, and we consider that the provisions made are of a reasonable nature.

• At each closing, the Group systematically conducts an impairment test of goodwill according to the methods described in note 2.4.
We have reviewed the procedures for performing this impairment test and the projections of cash flows and we have verified the consistency of all assumptions used.

• Deferred tax assets are recognised in accordance with the methods described in note 3.12 to the combined financial statements.

We are convinced that the assumptions used are consistent with the fiscal projections resulting from forecasts made by the Group.

The assessments made were part of our audit of the combined financial statements, considered overall, and therefore contributed to the formation of our opinion as expressed in the first part of this report.

3 - SPECIFIC VERIFICATION

We also verified the data provided in the Group's management report. We have no comment to make on the fair presentation and consistency of this data with the combined financial statements.

Neuilly-sur-Seine and La Défense, 23 March 2006

The Auditors

PricewaterhouseCoopers Audit
32, rue Guersant
75017 Paris

Mazars & Guérard
Mazars
Le Vinci - 4, allée de l'Arche
93075 La Défense Cedex

Michel Laforce Bénédicte Vignon

Nicolas Robert

Employee Information

This table shows information at the Group level, and includes **the Regional Mutuals, Groupama S.A. and its subsidiaries, and the supporting EIGs** (Information Technology and Logistics).

Indicators	Comments
Total remuneration and benefits of all types paid to each senior manager during the year	See the report of the Board of Directors on Groupama's 2005 combined accounts, page 18 (Corporate Governance).
Total remuneration and benefits of all types received by these managers during the year on behalf of controlled companies as defined in Art. L. 233-16	See the report of the Board of Directors on Groupama's 2005 combined accounts, page 18 (Corporate Governance).
List of all managers and the duties performed by each of these managers for any company during the year	See the report of the Board of Directors on Groupama's 2005 combined accounts, page 18 (Corporate Governance).
Total employees	The Groupama Group had 29,375 employees on 31 December, of whom 26,628 were in France and the Overseas Departments and Territories, and 2,747 were in foreign subsidiaries. These employees were broken down into the following categories: –42% men and 58% women; –32% managerial and 68% non-managerial. A number of growth and restructuring measures have been successfully implemented through active dialogue with employees (*via* IRP consultations and negotiations with union organisations). Functional and geographic mobility for employees was achieved in most cases by keeping the number of jobs constant at each location and within employee categories. • Average number of employees of consolidated companies: see note 39, page 90.
New recruits hired under open-ended and fixed-term contracts	The number of recruits in France totalled 1,954 under open-ended contracts, of whom 930 were salespeople. Also, as of 31/12/2005, the number of employees with fixed term contracts was 980 in France (3.8% of total employees compared with 4.1% in 2004), a significant reduction in non-permanent work within the Group.
Departures of employees with open-ended contracts	7.1% of employees with open-ended contracts left the Group. 18% of these were retiring employees and 8% were redundancies.
Overtime	Overtime in France totalled 20,200 hours.
Outsourcing	There were 1,518 temporary assignments in France.

Indicators	Comments
Organisation and working hours for full time employees.	Organisation and working hours are negotiated at each business level. The average workweek in France was between 32.2 and 35 hours.
Part time employees	2,577 employees elected to work on a part time basis (9.68% of all employees) in France. This percentage varies among businesses and ranges from 7% to 17%. More than half of part time employees have chosen to work 80% of regular hours.
Employees savings schemes	These plans include all the profit sharing and participation activities within the businesses in France. A total of €36,718,750 was distributed in 2005 for the 2004 fiscal year, representing the total of all employee savings (including the portion contributed by the employer).
Professional relations and collective bargaining agreements	Collective bargaining in France was active during the year, primarily because of the finalisation of the business restructuring process and the implementation of business plans. Various topics were addressed: changes to employee regulations. ARTT, functions of personnel representative boards, CET, supplementary provident savings and retirement plans, remuneration of salespeople, profit sharing, paid leaves of absence, employee solidarity day, annual salary negotiations, etc. The agreement signed on 15 September 2005 between the *l'Union de Développement Social Groupama* (UDSG) and four representatives of union organisations simplified the pay structure and the growth plans for mutual organisations. **Significant event in employee dialogue at yearend 2005** The employee representative committees of the 15 businesses within the consultation framework (the Regional Mutuals, Groupama S.A. and its subsidiaries) all gave their views on Phase 1 of the plan to open up the share capital of Groupama S.A. This plan was finalised by the decision of the Shareholders' Meeting of the National Groupama Federation on 24 February 2006.
Training	60% of employees in France received an average of 5 days' training, a total of 598,404 hours in 2004 (based on 2,483 declarations made in 2005 for the 2004 fiscal year.).
Employment and integration of disabled workers	The agreement signed on 15 February 2005 confirms the objective of employing at least one disabled person per year in all Groupama's businesses with at least 300 employees, which are members of UDSG (*Unité de développement social Groupama*). 41 disabled individuals were recruited in 2005.

Indicators	Comments
Social and cultural activities	Each of the Group’s businesses decides on the amount of its contribution to social and cultural activities.
International	Legislation on working conditions and hours varies in different countries. Some allow businesses to regulate the organisation of the working day (hours, lunch break, part time arrangement, etc.). This is the case with the English, Spanish and Italian subsidiaries, where the the working week ranges between 35 and 38.7 hours. In dealings with employee representative bodies, conditions vary. At the national level in the UK, a Consultation Committee, composed of representatives elected by employees (from all employee categories) meets twice a year with Management. There is however no union representation. In Spain and Italy, collective agreements cover salaries, business travel expenses, provident savings plans, working hours and organisation of part time work. In Spain, important agreements were signed, which coordinated working conditions for all employees following the acquisition of Plus Ultra. Groupama Insurances’ patronage program should be highlighted, as it includes projects in which employees themselves are involved. New initiatives are launched each year, and an employee Steering Committee chooses which projects to support. Such support is usually provided by contributions based on gifts from employees themselves. The company also encourages group activities which create a spirit of solidarity and team spirit. The company allows employees to conduct such activities during working hours, and it contributes additional vacation days to support its employees’ charitable activities.

Environmental information

This table covers the premises managed by the **Regional Mutuals, GIE Groupama Logistique** (buildings in Paris and the surrounding region, including Tour Gan and Tour Eurocourtage in La Défense, Morangis, Marne-la-Vallée –and the Bordeaux-Lac premises), the premises managed by **Groupama Immobilier**, and the premises managed by the **Group's principal international subsidiaries** (in Spain, Italy, and the United Kingdom), representing 88% of the Group's income earned outside of France.

Categories	Comments
Water consumption	**Regional Mutuals:** 137,489 cubic metres. (Regional Mutuals: Alpes-Méditerranée, Alsace, Centre Atlantique, Oc, Grand Est, Loire Bretagne, Nord-Est, Sud. Groupama Centre Manche showing expenses of €93,805). **GIE Groupama Logistique:** *Paris:* 18,691 cubic metres. *Marne-la-Vallée:* 29,392 cubic metres. *La Défense:* 192,234 cubic metres. (+9,621 MWh for air-conditioning of Tour Gan) *Morangis:* 804 cubic metres. *Bordeaux-Lac:* 33,121 cubic metres. **Groupama Seguros (Spain):** 9,600 cubic metres. **Groupama Assicurazioni (Italy):** 7,200 cubic metres. **Groupama Insurances (United Kingdom):** 11,895 cubic metres.
Consumption of raw materials (paper)	**Regional Mutuals:** 161,424 reams. (Regional Mutuals: Alpes-Méditerranée, Alsace, Centre Manche, Oc, Grand Est, Loire Bretagne, Nord-Est, Sud). **GIE Groupama Logistique:** *Paris:* 21,725 reams. *Marne-la-Vallée:* 29,200 reams. *La Défense*: 16,385 reams (Tour Gan Eurocourtage). *Morangis:* 1,315 reams. *Bordeaux-Lac:* 42,000 reams. **Groupama Seguros (Spain):** 26,780 reams. **Groupama Assicurazioni (Italy):** 5,000 reams. **Groupama Insurances (United Kingdom):** NA.
Energy consumption	**Regional Mutuals:** electricity: 28,760,796 kWh; gas: 15,230,568 kWh. (Regional Mutuals: Alpes-Méditerranée, Alsace, Centre Atlantique, Oc, Grand Est, Loire Bretagne, Nord-Est, Sud. Groupama Centre Manche showing expenses of €691,300). **Groupama Logistique :** *Paris*: electricity*:* 3,729,923 kWh; gas: 363,118 kWh. *Marne-la-Vallée:* electricity: 2,000,360 kWh; gas: 3,333,000 kWh. *La Défense:* electricity: 2,795,355 kWh; gas (Tour Gan): 15,598 kWh. *Morangis:* electricity: 773,293 kWh; gas : 2,669,718 kWh. *Bordeaux-Lac:* electricity: 5,332,590 kWh ; gas: 1,574,678 kWh.

Categories	Comments
Energy consumption	**Groupama Immobilier:** (concerns only shared areas): buildings managed by Groupama Immobilier, excluding major tertiary sites, properties under operational management and single occupancy: electricity: 3,755 megawatts. **Groupama Seguros (Spain):** 2,900,000 kWh. **Groupama Assicurazioni (Italy):** electricity: 1,450,000 kWh; gas: 27,000 cubic metres. **Groupama Insurances (United Kingdom):** electricity: 2,697,199 kWh; gas: 71,792 cubic metres.
Measures taken to improve energy efficiency	**Regional Mutuals:** a few examples: *Alpes-Méditerranée:* improvement of electrical installations with low voltage lighting. *Centre Atlantique:* individual temperature controls in all offices. Automatically scheduled control of building lighting. Installation of thermostatic controls on all radiators. *Centre Manche:* timers and light detectors controlling lighting of signs; thermostats on heating installations and ongoing replacement of old boilers with a new generation of advanced boilers. *Oc:* timers, and programming of heating and air-conditioning. *Grand Est:* thermal insulation in all locations; EJP electricity contract for the main office. *Loire Bretagne:* technical building management or centralised technical management, depending on the site. *Nord-Est:* centralised technical management system installed in two Departmental Mutuals. *Sud:* centralised technical management in the principal locations. **GIE Groupama Logistique:** *Paris:* optimisation of installation functioning; use by the restaurant at 21 boulevard Malesherbes of a device that optimises power usage by cooking equipment. *Marne-la-Vallée:* several software programs installed (particularly for electrical energy and technical building management). *La Défense:* technical building management for air-conditioning controls, start-up/control of air-conditioning and lighting. *Morangis:* fuel oil boilers replaced by gas boilers. **Groupama Immobilier:** following a study conducted in 2005, based on the 2004 statements on strategies for economising, analyses of buildings where consumption rates are relatively high. In 2006, on-site studies for corrective actions. In regard to contracts for energy controls of collective heating systems, including incentives for energy economies: systematic studies have been conducted when heating systems are replaced to improve their energy efficiency. When these agreements were established (at the end of 2002 and during 2003), economies of 10% were expected on the overall €1,742,000 cost of energy. 2004 results show the expected savings. In 2005, the contracts continued to produce reduction in consumption. Supplementary agreements regarding energy reduction goals were signed with operators.

Categories	Comments
Measures taken to improve energy efficiency	**Groupama Seguros (Spain):** preventive maintenance of facilities and equipment, and utilisation of devices to limit building and equipment energy consumption (programmers, etc.). **Groupama Assicurazioni (Italy):** constant use of software to control consumption; when interiors are refurbished, use of low energy, efficient lighting.
Measures taken toward adoption of renewable energy sources	
Measures taken to improve conditions of ground use	Not relevant to Groupama due to the nature of its activities.
Measures taken to reduce air, water and ground emissions affecting the environment	**Regional mutuals:** a few examples: *Centre Manche:* use of smaller capacity parking garage, resulting in less pollution. *Loire Bretagne:* antipollution data on car brands have been introduced to the selection criteria for new vehicles in the business stock (even if the business is not subject to TVS reforms). *Sud:* use of a fleet of vehicles for long term rental that offer all the technical improvements in recently manufactured cars (including observance of CO_2 emission limits). **GIE Groupama Logistique:** *Paris:* restaurant: biological treatment of cooking exhausts to degrease and deodorise air emissions; grease filter tank; biological treatment of waste water; removal of grease by a specialised company and sewer disposal of treated water; waste oil tank to recover used oil in car park. *Marne-la-Vallée:* grease filter tank for restaurant waste water, waste oil tank in car parks. *La Défense:* separation of greasy restaurant water; 5 times a year, the cooling towers are treated with chlorine and subjected to required analyses (Tour Gan). *Morangis:* installation of two underground tanks to recover hydrocarbons from rain water runoff; installation of two cut-off gates to prevent release of foam fire extinguisher into rain water runoff if fire prevention system is activated. **Groupama Immobilier:** compliance with regulatory requirements. Grease filter tank for water used in restaurant; waste oil tanks in car parks. Regular inspection of the cooling towers. **Groupama Seguros (Spain):** controlled removal of halon gas and disposal of obsolete photocopiers.

Categories	Comments
Measures to reduce sound and odour emissions	**Regional Mutuals:** examples: *Centre Atlantique:* installation of sound insulating panels in various sites. *Grand Est:* main office and management centres are considered as office landscapes; ceilings, floors and cubicle dividers are of high quality sound insulating materials. *Loire Bretagne:* one of the criteria for selecting providers of "office equipment" (copiers, video projectors, etc.) is the sound level of the devices they offer. *Nord-Est:* completion of project: installation of double insulated sound panels and sound insulating false ceilings in management offices; partitions in branch. **GIE Groupama Logistique:** *Paris:* no noisy exterior work to be performed after 10:00 PM, or on weekends or holidays. Cooling towers equipped with sound traps. Car park ventilation systems equipped with noise control devices. *Marne-la-Vallée*: noise control devices installed in air-conditioning equipment. **Groupama Immobilier:** application of DTU and NFS 31010 standards (noise control devices on air-conditioning systems).
Measures to reduce waste	**Regional Mutuals:** a few examples: *Alpes-Méditerranée:* recycling of computer materials by an approved service provider. *Alsace:* recycling of copier and fax ink cartridges by an approved company; removal of waste paper and packaging by a specialised company. *Centre Manche:* printing toner cartridges are returned to suppliers (regular exchange procedures). Paper is sorted selectively. *Oc:* collection of printed materials by recycling companies; paper and wood products sorted systematically. *Grand Est:* more thorough selective sorting. *Loire Bretagne:* a recycling program for "heavy" waste (including furnishings, paper, computer equipment, and others) has been initiated on a regional level. Waste collected is sorted and evaluated (depending on the type) by a cleaning company. An office furniture catalogue is provided showing items that have been awarded an "eco-friendly" label and are made of environmentally friendly materials. Recyclable items are shown with a special ideogram. Computer materials are recycled. Small containers for collecting cartridges, toner and used batteries have been placed in our offices and are handled by our supplier; for rented copiers, suppliers are responsible for recycling of materials. For printers, ink cartridges are recovered. *Nord-Est:* paper and ink cartridge recycling. *Sud:* initiation of printer ink cartridge recovery by a company that distributes re-manufactured cartridges; catalogue with a limited selection of office furnishings, allowing a single product range to be used throughout the company. Implementation of strip light recovery; preparation preliminary to selective waste sorting.

Categories	Comments
Measures to reduce waste	**GIE Groupama Logistique:** *Paris:* contract signed covering the collection and recycling of contents of office and restaurant rubbish receptacles; contract for collection and recycling of ink cartridges. *Marne-la-Vallée*: toners are recycled free of charge by a specialised company. *La Défense:* recovery of ink cartridges by a specialised company, daily pickup of kitchen waste, bulb and strip light recovery by a specialised company. Photocopiers and computer materials are managed by the computer purchasing department. *Morangis:* recycling of archive paper (163 tonnes); recovery of strip lights and bulbs. *Bordeaux-Lac:* paper collection and recycling; recycling of copier and printer ink cartridges by the Atmosph'AIRRE Association. **Groupama Immobilier:** cartridges are collected, treated and recycled by a specialised service provider. **Groupama Seguros (Spain):** contracts for recycling used paper and photocopier cartridges. Reusable office materials. **Groupama Assicurazioni (Italy):** compliance with standards for waste disposal of pollutants. **Groupama Insurances (United Kingdom):** recycling of paper in all offices, with weekly collections. Recycling of ink cartridges, batteries, strip lighting and plastic cups.
Measures to limit impact on biological balance	Same as above. **NB:** *Groupama Centre Manche:* a Swedish furniture company has been retained to recycle furnishings at the end of their useful life. New offices have "HQE" (High Quality Environmental) labelled carpeting.
Company valuations and certifications on environmental matters	**Regional Mutuals:** example: *Loire Bretagne:* bidding requests include a requirement for certification references, particularly for cleaning services (related to use of toxic products). **GIE Groupama Logistique:** *La Défense:* the companies Cegelec (Tour Gan) and Dalkia (Tour Gan Eurocourtage) have incorporated their premises into the 14000 and 9001 quality procedures.
Measures taken, as appropriate, to assure that the company's activities are in compliance with applicable legal and regulatory provisions	**Regional Mutuals:** In most cases, each Regional Mutual's real estate and computer department is responsible for following regulations and implementing appropriate procedures. **GIE Groupama Logistique:** *Marne-la-Vallée:* the business buildings department provides supervision. Various audit departments and specialised companies participate (audit of air-conditioning towers, asbestos assessment, air and water analyses, etc.). *La Défense* and *Morangis:* presence of an advisory and auditing service.

Categories	Comments
Measures taken, as appropriate, to assure that the company's activities are in compliance with applicable legal and regulatory provisions	**Groupama Immobilier:** the Optimisation and Quality group, operating within the Real Estate Management Department, is responsible for tracking regulatory changes and implementing adjustments as part of its ongoing management procedures. Similarly, for major installations (elevators, boilers, etc.) the technical group within the Investment Department has the same responsibilities. **Groupama Seguros (Spain):** this is among the major responsibilities of the Buildings and Equipment Department **Groupama Assicurazioni (Italy):** the Real Estate Group is responsible for compliance of the operating management of buildings. **Groupama Insurances (United Kingdom):** all appropriate measures are taken to ensure compliance with legislative provisions. The group responsible is known as "The Premises and Facilities Management Department".
Expenditures undertaken to prevent negative consequences of the company's activities on the environment	**Regional Mutuals:** examples: *Alsace:* annual anti-Legionnaires disease analyses. *Centre Atlantique:* maintenance contract covering the entire air-conditioning and heating system, including replacement of filters and disinfection of venting outlets. *Centre Manche:* annual supervision of air-conditioning towers on a jointly owned site. *Oc:* Legionnaires bacterium treatment and analysis; supervision of all air-conditioning towers. Asbestos abatement and control. *Grand Est:* costs included in the air-conditioning maintenance contract. *Nord-Est:* maintenance contracts signed when the air-conditioning system was installed. *Sud:* monitoring of air-conditioning systems using cooling towers (for risks relating to Legionnaires disease) on the Montpellier site. Plans to replace this installation in 2007 with different equipment and technology which does not carry such risks (investment to be made over a two year period). **GIE Groupama Logistique:** *Marne-la-Vallée:* maintenance of cooling towers (treatment and bacteriological analyses). **Groupama Immobilier:** commitment of Groupama Immobilier to High Quality Environmental (HQE) standards, whose goal is to minimise the environmental impacts of building construction and future renovation projects. In addition to Legionnaires disease measures and analysis of moist cooling towers (in compliance with regulations), there are contracts for regular replacement of filters with appropriate frequency to prevent spread of diseases. In 2005, a study was carried out on the administrative compliance of new regulated facilities for the cooling system. **Groupama Insurances (United Kingdom):** responsibility of building owners.

Categories	Comments
Existence of environmental management in the company's internal services	
Training and information on environmental protection for employees	**Regional Mutuals:** examples: *Oc:* training on damage done to environment by fires. *Centre Manche:* internal regulations now state that the business offices are now smoke free environments. **GIE Groupama Logistique:** *Marne-la-Vallée:* Legionnaires disease training for building service personnel; information meetings on topics including asbestos, compliance with regulations, lead risk, etc. *Morangis* and *Tour Gan Eurocourtage:* measures taken by the audit and consulting group, as well as the human resources department. **Groupama Immobilier:** training on asbestos, lead, termites, radon, aerobiocontamination by technicians in 2002; fire safety training in 2003 with follow-up in 2005; workplace safety training sessions (2005 plan); subcontractor training (2005 plan); training on causes of illness (2005 plan). **Groupama Insurances (United Kingdom):** every new hire in the company receives general training covering environmental values, as well as a brochure on our efforts to promote recycling.
Resources dedicated to reducing environmental risk	Not relevant to Groupama due to the nature of its activities.
Organisation in place to address polluting accidents affecting businesses not directly associated with the company	Not relevant to Groupama due to the nature of its activities.
Amount of provisions and guarantees for environmental risks	Not relevant to Groupama due to the nature of its activities.
Amount of damages paid during the year following a court order pertaining to the environment	Not relevant to Groupama due to the nature of its activities.
Information on goals assigned to foreign subsidiaries	See entries above regarding Groupama Seguros (Spain), Groupama Assicurazioni (Italy) and Groupama Insurances (United Kingdom).

Notes

Notes

Authored by the Groupama External Communications Department
Tel.: +33 1 44 56 32 28 – e-mail: relations.exterieures@groupama.com

Design and publishing: Publicis Consultants

Photos: Pixland / Bananastock / Photodisc / Groupama- Labat Jean-François

Groupama

8-10 rue d'Astorg – F – 75383 Paris Cedex 08 – France
Tel.: +33 (0)1 44 56 77 77
www.groupama.com

Ref. 210423-June 2006